



# 2022 UNIVERSAL REGISTRATION **DOCUMENT**

INCLUDING THE ANNUAL FINANCIAL REPORT

[thalesgroup.com](https://www.thalesgroup.com)



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# 2022

# THALES

Building a future we can all trust

## > UNIVERSEL REGISTRATION DOCUMENT

INCLUDING  
THE ANNUAL FINANCIAL REPORT

**AMF** | AUTORITÉ  
DES MARCHÉS FINANCIERS

This Universal Registration Document has been filed on 3 April 2023 with the AMF, as competent authority under Regulation (EU) 2017-1129, without prior approval pursuant to Article 9 of the said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017-1129.

This is a translation into English of the Universal Registration Document of the Company issued in French and available on the website of the Issuer.

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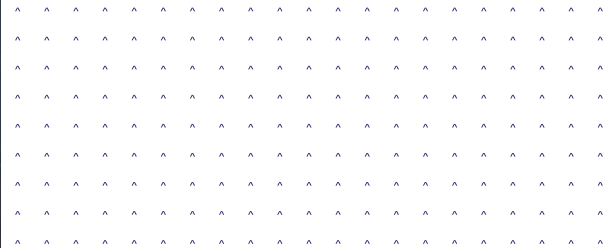
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“

With its technologies, its capacity for innovation and the commitment of all its teams, Thales demonstrated once again the relevance of its business model, which is both resilient and consistently creating value for its stakeholders.

”







# Chairman's foreword

"Thanks to the commitment of all its employees, Thales has achieved high quality results in 2022. Commercial momentum was strong in all business lines. With 29 contracts with a unit value of over €100 million, the order intake reached a record level of over €23 billion. In Space, the commercial dynamics was very strong for Thales Alenia Space, with the order of five Space Inspire telecommunications satellites, new tranches of the five Copernicus missions, the major European Earth environmental observation program, in which we are playing a leading role, and the new phase in the development of the Italian telecommunications satellite program, SICRAL 3. In Aerospace, the Group won its first contract of over €100 million since the start of the Covid-19 crisis to provide IFE equipment for Emirates' future A350 fleet.

With 16 orders of more than €100 million from seven countries, the Defense & Security segment posted a record order intake. This was due in particular to the extraordinary success of the Rafale – 92 orders from three customers: the United Arab Emirates (80), Greece (6) and Indonesia (6) – as well as orders for radars and air defense systems, and secure communications systems.

Despite a complex operating environment, with the cessation of our activities in Russia and supply chain tensions, sales growth was at the upper end of the range announced in July 2022, and the EBIT margin surpassed pre-Covid-19 levels. Cybersecurity sales recorded again strong growth, reaching nearly €1.5 billion. Three years after the acquisition of Gemalto, the Digital Identity & Security Global Business Unit has become the Group's most profitable business, exceeding its 2023 margin objective one year early.

As in 2021, cash generation was well above €2 billion and the Group is expected to generate nearly €6.5 billion in free operating cash flow over the 2021-2023 period.

At the same time, we continued to optimize our business portfolio with four targeted acquisitions and two disposals. The disposal of the Transport business is expected to be finalized in the second half of 2023. For the second consecutive year, we are ahead of schedule on our ESG action plan to build a safer, greener and more inclusive world.

To support our growth we are significantly ramping up our recruitment and capex plans. After hiring 11,500 people in 2022, we will recruit more than 12,000 employees in 2023. Our 2023 capex will be 20% above 2022, and 46% above 2021.

With its technologies, its capacity for innovation and the commitment of all its teams, Thales demonstrated once again the relevance of its business model, which is both resilient and consistently creating value for its stakeholders."

**Patrice Caine**  
Chairman and Chief Executive Officer

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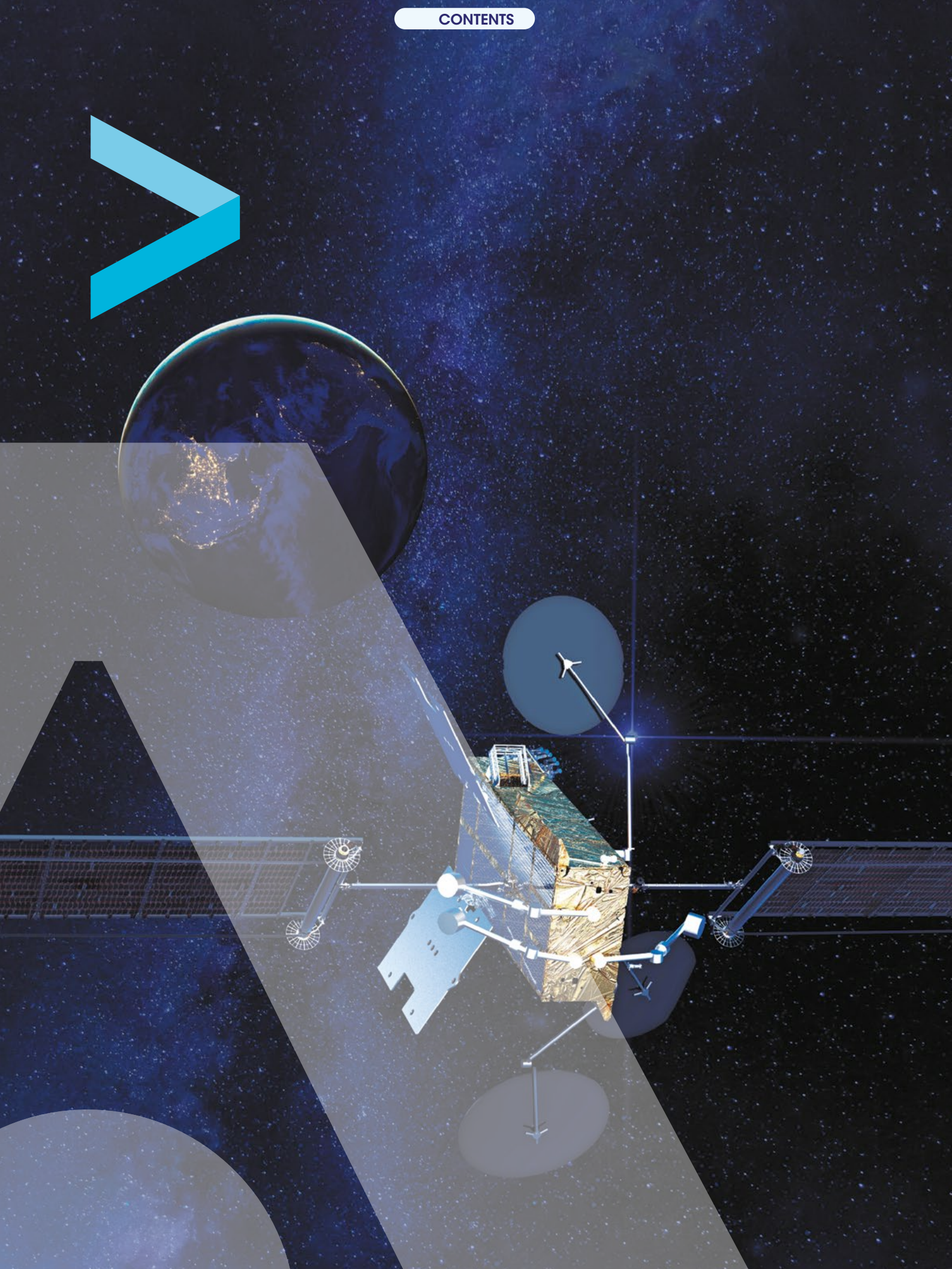
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# The Group's business model

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# 1 The Group's business model



# BUILDING A FUTURE WE CAN ALL TRUST

**€17.6bn**  
Sales

**77,000**  
Employees\*

**68**  
Countries

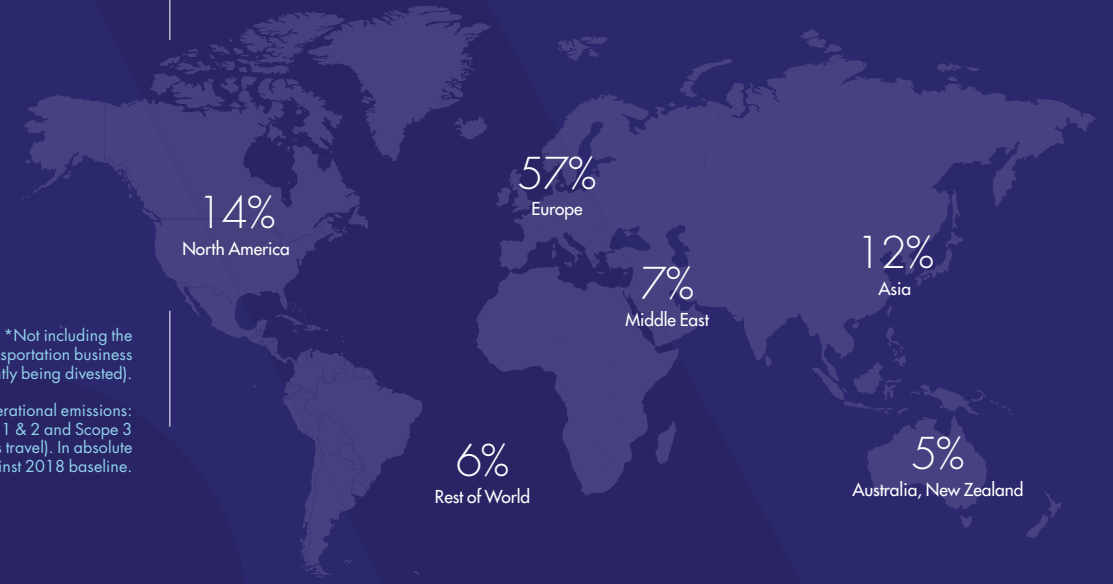
**€1,064m**  
Self-funded R&D

**€2.5bn**  
Free operating cashflow

**-40%**  
Operational CO<sub>2</sub> emissions\*\*

Thales is a global technology leader investing in digital and deep tech innovations – connectivity, big data, artificial intelligence, cybersecurity and quantum technology – to make the world safer, greener and more inclusive and in turn build a future we can all trust, which is vital for the development of our societies. The company provides solutions, services and products that help its customers – businesses, organisations and states – in the defence, aeronautics, space and digital identity and security markets to fulfil their critical missions and keep human intelligence at the heart of the decision-making process.

## BREAKDOWN OF SALES BY GEOGRAPHIC AREA



\*Not including the Transportation business (currently being divested).

\*\*Operational emissions: Scopes 1 & 2 and Scope 3 (business travel). In absolute values against 2018 baseline.

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# FINANCIAL PERFORMANCE AND SUSTAINABILITY

## 2022 RESULTS

### SALES

€17.6bn

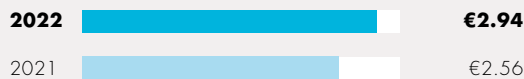
5.5% organic growth



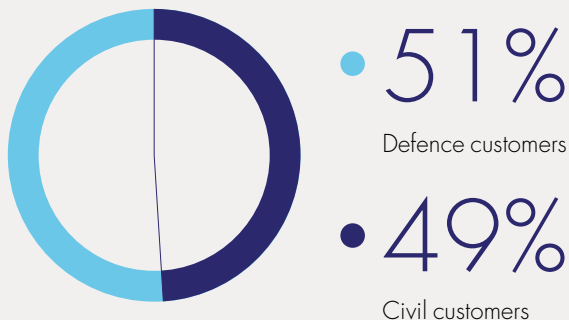
### DIVIDEND PER SHARE

€2.94

15% increase



### BREAKDOWN OF SALES



### EBIT

€1,935m

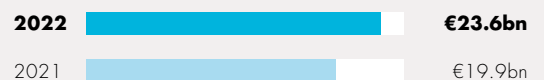
17.3% increase



### ORDER INTAKE

€23.6bn

16% organic growth



### ORDER BOOK

€41bn

17% organic growth





Despite a complex operating environment, Thales returned excellent full-year financial results for 2022 and made solid progress towards its CSR objectives. The Group once again demonstrated the strength and resilience of its business model and its ability to create long-term value for stakeholders. —

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ECO-DESIGN

84%

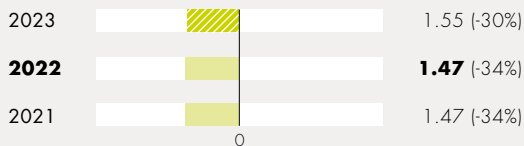
of new products apply eco-design principles.



HEALTH AND SAFETY

-34%

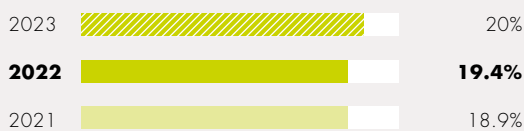
Rate of work accidents.  
2023 target of 30%.



GENDER EQUALITY

19.4%

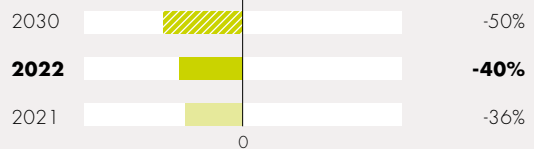
proportion of women in senior management<sup>(3)</sup>.



OPERATIONAL<sup>(2)</sup> CO<sub>2</sub> EMISSIONS

-40%

Compared with 2018. Target of net zero by 2040.



ETHICS AND INTEGRITY

100%

of at-risk employees trained  
in corruption prevention.

DIVERSITY AND INCLUSION

75.6%

of management of committees include  
at least three women.



<sup>(1)</sup> 2021 and 2022 figures (except dividend per share) do not include the Transportation business, which is currently being divested.

<sup>(2)</sup> Scopes 1 & 2 and Scope 3 (business travel). Target compared to 2018, including DIS / Gemalto.

<sup>(3)</sup> Levels of responsibility 10 to 12 (top 13% of global workforce). The proportion of women in the total workforce is 27%.

# CORE BUSINESSES



## AEROSPACE

Making aviation safer, more efficient and more environmentally responsible. Designing satellites for telecommunications, Earth observation and climate monitoring.

### AERONAUTICS

- Flight avionics
- Electrical systems
- In-flight entertainment
- Simulation and training

### SPACE

- Telecommunications
- Earth observation
- Orbital infrastructure and transport systems
- Satellite navigation
- Exploration

### GROWTH DRIVERS

- Significant upturn in air traffic after the Covid-19 pandemic.
- Strong demand for connectivity and higher operational and environmental performance.
- Unique value proposition in space systems to meet new communication and observation needs.
- Military satellites have become a priority for many countries.

NO. 3  
WORLDWIDE

Commercial avionics

NO. 2  
WORLDWIDE

Civil satellites



**27%**  
of Thales's total sales\*

€4,705m  
**+5.4%** vs. 2021

EBIT margin: **5.0%**



## DEFENCE AND SECURITY

Helping governments, armed forces and major organisations to protect citizens and critical infrastructures and guarantee their own security.

- Radar, sonar and optronic systems
- Secure communication networks
- Networks and infrastructure systems
- Cyberdefence solutions
- Air traffic management
- Command-and-control systems (C4ISR)

### GROWTH DRIVERS

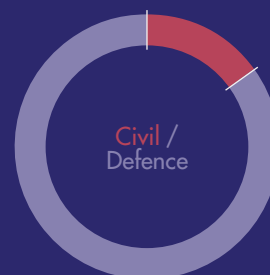
- Geopolitical tensions forcing western forces to review their short- and medium-term requirements.
- Rapid digitisation of the armed forces.
- Growing demand for cybersecurity solutions.
- Increasing adoption of disruptive technologies (artificial intelligence, quantum technologies).

NO. 2  
WORLDWIDE

Military communications

NO. 1  
IN EUROPE

Defence electronics



**52%**  
of Thales's total sales\*

€9,154m  
**+6%** vs. 2021

EBIT margin: **12.9%**

\*Not including the Transportation business (currently being divested).



## DIGITAL IDENTITY AND SECURITY

Protecting critical infrastructures and essential digital services from cyberattacks. Building trust in a connected world.

- Banking and payment services
- Cloud protection and identity and access management
- Identity and biometrics
- Mobile user and device authentication

### GROWTH DRIVERS

- Strong market growth (data protection, biometrics, etc.).
- Rapid shift to the cloud: need for authentication and data protection.
- Synergies with other Thales businesses.
- Faster digital growth driven by increasing demand for connectivity and contactless applications.

NO. 1  
WORLDWIDE

Data protection

NO. 1  
WORLDWIDE

Payment cards and SIM cards



**21%**  
of Thales's total sales\*

**€3,618m**  
**+21%** vs. 2021

EBIT margin: **13.7%**

## TRANSPORTATION

Business currently being divested

Controlling and supervising transport networks with maximum efficiency.

- Rail signalling and traffic regulation systems
- Communication systems
- Ticketing solutions

### GROWTH DRIVERS

- 60% of the world's population living in cities and urban centres by 2030 (Source: UN-Habitat).
- Shift towards more automated and fully autonomous transport solutions.
- Sharper focus on green mobility in national post-pandemic stimulus plans.

NO. 2  
WORLDWIDE

Rail signalling and supervision



**€1,772m**  
**+6.4%** vs. 2021

EBIT margin: **7.4%**

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# RESILIENT BUSINESS MODEL

## MEGA TRENDS

SHIFTING GEOPOLITICAL  
BALANCE



ASSERTION  
OF SOVEREIGNTY



TRANSITION TO A MORE  
RESOURCE-EFFICIENT ECONOMY



## RESOURCES



### INTELLECTUAL CAPITAL

**€1,064m\*** in self-funded R&D.  
Portfolio of more than **22,000** patents.  
More than **30,000** engineers  
and researchers.



### HUMAN CAPITAL

**76,776** employees (85,253 including the Transportation business).  
Over **31,000** employee shareholders (including former employees).  
Payroll of **€7.7bn\***.  
**12 hours** of training per employee per year (average).  
**94%** full-time contracts.  
**98%** permanent contracts.



### ENVIRONMENTAL CAPITAL

**Strategy for a low-carbon future** aligned with Paris Agreement target of 1.5°C for operational emissions.  
Deployment of an **energy usage and efficiency plan** (-10% energy consumption between 2018 and 2022).



### SOCIETAL CAPITAL

**ISO 37001** certification (anti-bribery management systems) extended to include Thales operations in the UK and the Netherlands.  
Procurement spending in excess of **€10bn** in 2022.  
Responsible Supplier Relations and Procurement certification renewed in 2021.  
**10 community investment projects** funded by Thales Solidarity in **five countries**.



### FINANCIAL CAPITAL

Virtually no debt: **€35m** at 31 December 2022.  
Long-term generation of free operating cashflow.  
Solid credit ratings (S&P: BBB+; Moody's: A2).

### CUSTOMERS

Armed forces

### CORE BUSINESSES

DEFENCE AND SECURITY

### FOUR STRATEGIC ASSETS

- 1 Unique R&D within worldwide innovation ecosystem
- 2 Global operational footprint
- 3 In-depth market knowledge
- 4 Unique portfolio of digital capabilities

### OUR PURPOSE:

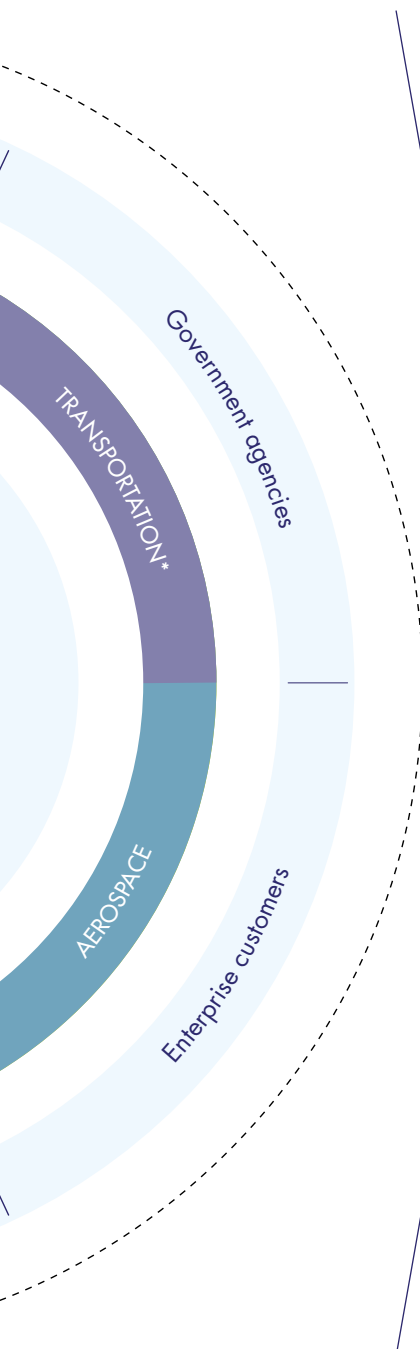
Building a future we can all trust.

DIGITAL IDENTITY AND SECURITY

Critical infrastructure providers

\*Not including the Transportation business (currently being divested).



GROWING  
CYBER THREATSFASTER CLIMATE  
DISRUPTIONGLOBAL COMPETITION  
FOR TALENT

## VALUE CREATION



### INTELLECTUAL VALUE

**350** new patent applications in 2022.  
**6.1%\*** of sales invested in self-funded R&D.  
 Listed among the world's **100 most innovative companies** in Clarivate's Top 100 Global Innovators™ for the 10<sup>th</sup> time since 2011.



### HUMAN VALUE

**11,500\*** new hires in 2022, including **32%** women.  
**2.8%** absenteeism rate worldwide.  
**50%** women on the Thales Board of Directors.  
 Rated the **third most attractive company** by engineers and second most attractive by engineering students (Universum France 2022).



### ENVIRONMENTAL VALUE

**40% decrease** in operational CO<sub>2</sub> emissions, in absolute values against 2018 baseline (Scopes 1 & 2 and Scope 3 – business travel).  
**74%** of electricity comes from renewable sources.  
**84.1%** of new product developments incorporating eco-design principles (target of 100% by 2023).  
**73%** of non-hazardous waste recycled (18% higher than in 2018).



### SOCIETAL VALUE

**75%** of procurement from European suppliers, including **42%** in France.  
**€331m\*** in income tax (average tax rate: 20.6%).  
 Nearly **€320m** invested in solidarity funds by more than 20,000 employees through Thales savings schemes (No. 2 in France by value).  
**100%** of at-risk employees trained in corruption prevention in 2022.  
**More than €2m** raised through the MicroDon payroll-giving programme in seven years.



### FINANCIAL VALUE

**29\*** large orders with a unit value of more than **€100m**.  
 Strong increase in global sales.  
 Free operating cashflow of over **€2.5bn**.  
 Double-digit EBIT margin.

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# STRATEGIC PRIORITIES

## 1 Increasing our production capacity to meet strong demand

**With the solid growth in order intakes**, which rose by 18% to €23.55 billion in 2022, Thales needs to progressively ramp up production capacity.

As part of this effort, we hired around 11,500 people in 2022 (not including the transportation business) and we expect to recruit at least an additional 12,000 in 2023. To meet these targets and attract the best talent, we updated our Employer Value Proposition and transformed the *Talent Acquisition* organisation. Ambitious gender equality and training programmes are in place to support talent retention.

As for the Group's industrial operations, we plan to increase capital investment by 24% to €650 million in 2023 to add floorspace and increase production capacity at our main sites.

Specific measures are also being taken to help suppliers meet incrementally higher output targets.

### 2023 PRIORITIES

- Ramp up production capacity to meet strong demand.
- Secure supply chains.

## 2 Investing in R&D to consolidate our technological leadership

**More than ever, Research & Development (R&D) is a key differentiator for Thales and one of the mainstays of our competitive performance.** In 2022, the Group committed €1,064 million – which represents 6.1% of sales – to self-funded R&D.

Today, our research programmes focus on quantum technologies, artificial intelligence, cybersecurity and, more broadly, the technologies that will help customers in the Group's countries of operation to meet their security and sovereignty challenges.

Thales filed more than 350 new patents in 2022 – 45% of them for digital innovations – and currently holds more than 22,000 patents in its portfolio.

In the 2023 Clarivate Top 100 Global Innovators™, the Group is listed among the seven most innovative French companies and institutions worldwide.

### 2023 PRIORITIES

- Expand R&D financed by customers, the European Union and other external sources.
- Accelerate investment in technologies of the future (quantum, 6G, edge computing.)



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### 3 Staying the course on our ambitious CSR strategy

**Thales's purpose – building a future we can all trust – places Corporate Social and Societal Responsibility (CSR) at the centre of our strategy.** The CSR programme's two main objectives are to maximise the role of Thales solutions to create a more sustainable world, and to achieve a set of ambitious quantitative targets in four priority areas (climate, diversity, compliance, and workplace health and safety).

One important development in 2022 was the creation of a dedicated CSR department to coordinate Group-wide deployment of our CSR policy and consolidate last year's excellent CSR performance, when all the targets for environmental impact, diversity and inclusion, ethics, and workplace safety were met or exceeded.

In 2023, we will establish a medium-term CSR roadmap aimed at embedding social and societal considerations even more firmly into the Group's growth strategy, and at setting more ambitious extra-financial objectives for the coming years.

#### 2023 PRIORITIES

- ▶ Accelerate our low-carbon strategy.
- ▶ Raise medium-term CSR targets.

### 4 Strengthening our portfolio of solutions through targeted acquisitions

**Our growth trajectory also hinges on continued expansion of the Group's capabilities and technology expertise through targeted acquisitions** in cybersecurity, digital technologies and other strategic areas.

The external growth strategy focuses exclusively on complementary businesses with the potential to create synergies, expand our geographical footprint and accelerate growth in markets where we are already well-established. In 2022, Thales acquired four new businesses with a combined value of over €450 million.

Despite these acquisitions, Thales was able to draw on strong cash flows to fuel continued investments in the future and offer balanced returns to shareholders, with a higher dividend and a new share buyback programme.

#### 2023 PRIORITIES

- ▶ Accelerate targeted acquisitions.
- ▶ Strengthen the Group's leadership in key areas.

# CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

## 4 PRIORITY SUSTAINABLE DEVELOPMENT GOALS

SDG	PRIORITIES	2022 ACHIEVEMENTS
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> <li>Strengthen investment in R&amp;D and step up collaboration with public and private partners.</li> <li>Champion sustainable industry.</li> <li>Expand expertise and innovation potential of our partners and civil society.</li> </ul>	<ul style="list-style-type: none"> <li>Extra-financial performance and CSR policy added to supplier selection criteria.</li> <li>€1,064 million committed to self-funded R&amp;D.</li> <li>80% of employees on sites with ISO 45001 certification (workplace health and safety).</li> </ul>
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> <li>Reduce our environmental footprint and that of our customers.</li> <li>Step up climate action and set more ambitious climate objectives.</li> <li>Limiting global warming to 1.5 °C by 2050, in line with Paris Agreement.</li> <li>Analyse data to understand future impact of global warming on our markets.</li> </ul>	<ul style="list-style-type: none"> <li>Savings on consumption of electricity (2%) and gas (20%) in France, compared to 2021, through energy sufficiency plan, to be rolled out in 10 countries in 2023.</li> <li>The Group pledges to halve CO<sub>2</sub> (scopes 1 and 2) emissions by 2030 (compared to 2018) and achieve net zero carbon emissions by 2040.</li> <li>74% of electricity from renewable sources in 2022 (compared to 32% in 2021).</li> </ul>
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>Promote diversity and inclusion across the Group.</li> <li>Develop best practices for women's recruitment and career development.</li> <li>Tackle gender bias, stereotypes and everyday sexism.</li> </ul>	<ul style="list-style-type: none"> <li>Women accounted for 32% of new hires worldwide in 2022 and represented 27% of the global Thales workforce.</li> <li>Thales's gender equality index among the highest in the sector worldwide, with 50% women on the Board of Directors and 20% women on the Executive Committee.</li> <li>Adoption of more ambitious gender balance objectives for end-2026: 22.5% women in senior management roles and at least 4 women on 75% of management committees.</li> <li>Women in 19.4% of senior management (2023 objective: 20%).</li> </ul>
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<ul style="list-style-type: none"> <li>Fight corruption and respect human rights throughout the value chain.</li> <li>Support institutional resilience and transparency.</li> <li>Use digital technologies to promote inclusion and universal access to basic rights.</li> </ul>	<ul style="list-style-type: none"> <li>Peace as a pre-requisite for sustainability: Thales's defence and security businesses help to protect national interests and populations.</li> <li>Digital Ethics Charter updated in 2022 with 10 commitments on responsible use and development of technologies such as artificial intelligence and facial recognition.</li> </ul>



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# Business review

<b>2.1</b>	<b>Operating segments</b>	<b>20</b>	<b>2.4</b>	<b>Investments</b>	<b>44</b>
2.1.1	Aerospace segment	20	2.4.1	Investments in R&D	44
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## 2.1 Operating segments

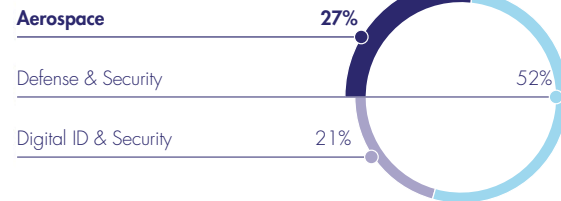
### 2.1.1 Aerospace segment

#### 2.1.1.1 Key figures

(in € millions)	2022	2021
Order book at December 31	9,224	7,903
Order intake	5,892	5,631
Sales	4,705	4,463
EBIT <sup>(a)</sup>	235	202
Consolidated number of employees	18,192	17,113

(a) Non-GAAP indicator. See definition on page 35.

#### Sales



#### 2.1.1.2 Aerospace

##### 2.1.1.2.1 General overview

Thales supports aircraft manufacturers, armed forces, airlines, operators, pilots, crews and passengers in making improvements to flight efficiency, safety and comfort. Cyber-secured and connected systems that Thales designs enables aircraft, helicopters and drones to fly under all circumstances and to provide for all of the parts of the aeronautical ecosystem to interface together, on the ground or in flight.

The range of avionic equipment, systems and applications covers the following areas:

- **Flight avionics:** piloting and control of the aircraft, namely, certified or open-source electronics and information systems and solutions that ensure the secure and optimized flight of aircraft in an increasingly dense, connected and automated sky.
- **Electric systems:** aircraft electrification systems that include electrical generation and conversion and the motors that allows to contribute to reducing the aviation carbon footprint. In 2022, Thales announced it had entered into exclusive negotiations with Safran for the disposal of this business. With this acquisition, which is expected to be completed in 2023, Safran Electrical & Power aims to pursue its strategy as an equipment manufacturer for the entire electrical supply chain. As such, electrical conversion activities would be a significant contribution to Safran's business portfolio, which will thus continue to develop in terms of electricity generation, particularly in the field of defense and helicopters.
- **Passenger experience:** airlines call on Thales to personalize the services they offer to their passengers through next-generation on-board multimedia systems paired with high-speed connectivity. Thales also makes use of the latest technology in data analytics to enable airlines to tap into new sources of revenue generated through specific applications offered to passengers depending on their profiles.
- **Simulation and training:** simulator training for armies, navies and air forces to help them prepare more effectively for missions while reducing training costs. Thales supplies simulators for many defense programs as well as providing training and instruction.

For all these of these activities, **support and services** are offered: Thales offers equipment and aircraft maintenance services, supports pilot missions and optimizes operations, thanks to cutting-edge digital solutions that allow civil and military operators to minimize operating costs and guarantee increased aircraft availability.

Finally, Thales provides power amplification and radiology solutions (imaging and hyperfrequency subsystems) for the aeronautics, space and defense industries and for the medical sector.

##### 2.1.1.2.2 Competitive position

As one of the leading players in the avionics market alongside Garmin, GE Aviation, Honeywell, and Raytheon Technologies, Thales supplies the commercial and military aircraft manufacturers Airbus, ATR, Avicopter, Boeing, Dassault Aviation, Embraer, Gulfstream, Leonardo, NHIndustries, OAK, Sikorsky, Sukhoi and Textron.

Thales is also one of the leading players in the in-flight entertainment and connectivity segment along with Intelsat, Panasonic Avionics, Safran and Viasat.

The Group has numerous competitors in the simulation solutions market including North American defense companies such as CAE, L3Harris, Lockheed Martin and Raytheon Technologies.

Thales continues to be a global market leader in microwave and imaging subsystems and its main competitors in these markets are Varian imaging, CPI and L3Harris.

##### 2.1.1.2.3 Significant events in 2022

In 2022, Thales has reconfirmed its status as a leading player in the design of solutions contributing to more sustainable aeronautics and the design of future technologies enabling the development of new platforms that reduce the environmental impact of aviation.

In the **civil avionics** sector, 2022 was marked by Airbus's selection of the new flight management system (FMS) derived from Thales' PureFlyt solution and adapted to the specific characteristics of the aircraft manufacturer (mainly for the A320, A330 and A350 families). Thales was also awarded by Airbus the contract for the development of the "re-design" of the FMGEC+, Flight Management Guidance and Envelope Computer, intended for the A330 family. Thales also partnered with Eve Air Mobility, an Embraer company, to support the development of Eve's electric vertical take-off and landing (eVTOL) aircraft in Brazil.



As part of the Octavie project, supported by the Occitania region, Thales has joined forces with Air France, Atmosphère, Cerfacs, CGX, DSNA and Onera to reduce the environmental impact of commercial aviation by working together to optimize flight operations. Thales has also entered into a partnership with the airline Amelia to reduce in the short-term the environmental impact of flights on the company's network through the roll-out of Flight Footprint Estimator, an innovation that was also labeled "Effective Solution" by the Solar Impulse Foundation.

With regard to **military avionics**, the Joint Arming Cooperation Organization (OCCAr), on behalf of the French Defense Procurement Agency (DGA) for France and the Dirección General de Armamento y Material (DGAM) for Spain, notified Airbus Helicopters of the development of the new Tigre attack helicopter standard. The numerous Thales technologies onboard this platform will provide the French and Spanish forces with connected and innovative high-performance systems. Following the launch of the future Joint Light Helicopter (HL) program, Guépard, Airbus Helicopters and the French Defense Procurement Agency selected Thales' technologies to equip the 169 Guépard and provide the forces with intuitive solutions to operate in all types of environment. In 2022, Thales also carried out the first series deliveries of digital multi-function displays, which will equip the fourth production tranche of the Rafale, and which will also be part of the F4 Standard.

In terms of **services to airlines**, 2022 was marked in particular by the inauguration of a new repair center in Orlando, Florida (following the transfer of activities from the Piscataway site in New Jersey). Among the partnerships entered into, Saudi Aerospace Engineering Industries (SAEI), a wholly-owned subsidiary of Saudi Arabian Airlines Holding, and Thales signed the final agreement establishing their partnership for the provision of premium maintenance services. During the year, Thales also launched and rolled out a new generation radio station that is resilient to the new 5G frequencies.

Contracts signed with airlines include the provision of T3CAS systems (which combine Traffic Collision Avoidance System, Terrain Awareness and Warning System and transponders) and flight management systems for Jet2.com's A321neo fleet, and the extension of LOT Polish's in-flight entertainment maintenance contracts. In addition, many new companies are turning to AVIOBOOK solutions to digitize their flight operations (Atlas Air, IndiGo, JetSMART, Lynx Air, Polar Air Cargo, etc.).

In terms of **in-flight entertainment**, Emirates has chosen AVANT Up, Thales' next-generation entertainment system, for its new Airbus A350 fleet. The deployment of the FlytLive solution on Spirit Airlines aircraft now allows passengers to benefit from an increasingly powerful Wi-Fi offer. Thales also entered into a partnership with video game publisher Ubisoft in 2022 to integrate the suite of Ubisoft Nano games into its in-flight entertainment systems. Thales technologies have won multiple awards: In-Cabin Experience Enhancer (ICEE), in partnership with Diehl Aviation, has won the APEX award for the best marketing innovation; JetBlue's personalized ordering system, developed by Thales, has won the IFSA "Best Inflight Food and Beverage Award" award; the dynamic power supply Pulse received the Crystal Cabin Award Association.

In the field of **training and simulation**, in 2022 Thales finalized the integration of RUAG Simulation & Training activities, offering advanced services and solutions to prepare land forces for combat. With this acquisition, Thales becomes one of the leading players in the sector in Europe.

Thales also signed a long-term agreement with Epic Games, a company that created Unreal Engine, the world's most advanced 3D gaming engine. Thales will use Unreal Engine 5 software to develop its next generation of simulators.

In addition, Moroccan forces selected Thales to provide two training simulators for flight and navigation. Thales was also awarded a contract for tactical simulators to support the improvement of the capacity of tanks of the Australian military. Finally, Atlantic Airways and Thales signed a contract for the provision of a complete AW139 Reality H Level D flight simulator to equip the company's first training center in the Faroe Islands.

In the field of **imaging and hyperfrequency subsystems**, Thales and the Syrlinks SME have signed a contract with the French Defense Procurement Agency (DGA) to develop new generation atomic clocks. 2022 was also marked by the first order from Dual-TWT (Travelling Wave Tube), an amplification solution signed with Thales Alenia Space, three satellite systems programs for the Chinese space agency CAST, and the supply of gyrotrons for Fusion for Energy (F4E) and DTT (Divertor Tokamak Test) for the ITER organization. Finally, Thales amplification technologies contributed to the transmission of images captured by the James Webb telescope, as well as the success of the DART mission, which aimed at testing a method to deflect an asteroid.

In the field of **radiology**, 2022 was marked by significant progress in the Nemoxis project, which is developing two portable radiology products. In a co-development approach, a medical board of radiologists, technicians, nursing home management and doctors was created.

## 2.1.1.3 Space

### 2.1.1.3.1 General overview

A joint venture between Thales (67%) and Leonardo (33%), Thales Alenia Space is a satellite manufacturer that provides space technologies for telecommunications, navigation, Earth observation and environmental management, space exploration and sciences as well as orbital infrastructures. Together with Telespazio, Thales Alenia Space forms the Space Alliance, which proposes a complete range of solutions and services. The Company generated sales of €2.15 billion in 2022 and has 8,550 employees in 10 countries in Europe and one site in the USA. Thales Alenia Space offers solutions to commercial institutional and defense markets.

**Space to connect:** Thales Alenia Space proposes various product lines that can offer tailored solutions to the new expectations of the telecommunications market. Ranging from a proposal based on the Spacebus 4000 B platform, which is particularly suited to regional operators, to Spacebus NEO, which embeds VHST solutions to provide very high-speed broadband anywhere in the world, and Space Inspire, the new line of fully digital products that offer full on-orbit reconfiguration capabilities, Thales Alenia Space provides operators with concrete answers on a case-by-case basis to support connectivity and mobility and to bridge the digital divide. In addition, Thales Alenia Space was the first company in the world to offer fully digital payload processing up to terabit class. Thales Alenia Space is also the only satellite manufacturer to equip its payloads with a powerful 5<sup>th</sup> generation digital processor. The company is also a global leader and partner of reference in operational constellations to ensure the complementary needs for medium and low orbits.

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**Space to secure and defend:** many countries have chosen to draw on the expertise of Thales Alenia Space in military or dual-purpose telecommunications systems used in supporting their armed forces in theaters of operation. In the field of Earth Observation dedicated to surveillance applications, Thales Alenia Space offers state-of-the-art High- and Very High-Resolution optical payloads and radars.

**Space to observe and protect:** altimetry, oceanography, climatology, environment management, carbon cycle studies, mapping and crisis management are some of the uses of the satellites supplied by Thales Alenia Space which help to better understand and protect the Earth. The company is on board five of the six new Copernicus missions and prime contractor for three of them. These successes reflect the capability of Thales Alenia Space to deliver complex Earth observation missions in various configurations, including radar and optical solutions. In addition to its participation in the European Copernicus program and in the Meteosat Third Generation and the SWOT oceanography mission, Thales Alenia Space contributes, through its joint venture Leostella, to the deployment of BlackSky a constellation of 60 high revisit sub-metric optical observation satellites.

**Space to explore:** Venus, Mars, Mercury, Saturn, the Sun, comets and exoplanets, and tomorrow the Moon... Thales Alenia Space has always been a key partner on board the most fantastic international exploration missions across the solar system. As supplier of half the pressurized volume on the ISS, the first three modules that will make up the future lunar space station, the first two modules of the commercial space station Axiom, as well as the cargo modules for the ATV and Cygnus resupply vessels, Thales Alenia Space has become a global leader of pressurized modules. The company has capitalized on its expertise in orbital infrastructure and transportation systems to serve future exploration markets including the reusable Space Rider transportation system, the REV-1 vehicle from the start-up Space Cargo or the Orion space vessel. Thales Alenia Space also plays a central role in the exciting field of future scientific missions with the ExoMars 2022, Mars Sample Return, Solar Orbiter, Bepi Colombo, Juice and Euclid programs. It also proposes a new offering of dedicated On-Orbit Servicing vehicles. These vehicles will be able to carry out a wide range of on-orbit operations ranging from inspection to the extension of a satellite's service life to robotic manipulation or the de-orbiting of space debris.

**Space to travel and navigate:** at the forefront of satellite navigation in Europe, Thales Alenia Space, the prime contractor for the EGNOS system now in use, supplies the ground segment of the Galileo mission, and will be building 6 satellites for the Galileo Second Generation fleet. KARI, the South Korean space agency, has chosen Thales Alenia Space to supply Safety Of Life services for avionic applications in particular, and the company has deployed several MEOLUT Next stations dedicated to SAR services (Search and Rescue). Thales Alenia Space is also the system architect of Kinéis the leading French constellation composed of 25 nanosatellites dedicated to the Internet of Things (IoT) and has developed the first two satellites of the Omnispace constellation.

### 2.1.1.3.2 Competitive position

2022 was marked by growth in the commercial market, but also thanks to the momentum driven by governments and major agencies to address the challenges of sovereignty, security, and need for connectivity and environmental protection. In this context, the Ministerial Council of the European Space Agency 2022 concluded with the allocation of a budget of €16.9 billion, up 17% compared to that of 2019. These important decisions reaffirm the central role of Europe in the space economy and is strengthening its industrial sector, with a comprehensive set of programs.

Satellite manufacturers must meet the requirements to provide high speeds at the lowest cost, transparency of connectivity for objects moving around the world, and increased flexibility in terms of mission and coverage. The complementarity of solutions remains relevant, and constellations have their role in responding to new services, whether for telecommunications, Earth observation or navigation. The sustainable exploitation of the low orbit has also become a major issue.

### Telecommunications market

On the telecommunications market, **11 geostationary satellites were ordered in 2022, including 10 on the open market** (the 2/3 being dedicated to the replacement market, 4 broadband and 6 based on digital solutions). These volumes seem to show a market stabilizing around 10/15 geostationary satellites per year, with an increase in the volume accessible on the open market.

**The constellations remain present,** and beyond the commercial needs identified, governments are beginning to integrate these solutions into their studies, like the IRIS2 constellation initiative, which could become the new flagship project of the European Union or the LEO PNT of the European Space Agency which would improve the performance of the Galileo navigation constellation.

### Observation market

On the observation market, we note a **segmentation around 2 families of products:** HP (high resolution under 30 cm, allowing strategic surveillance, i.e., detection and identification) and HREV (high revisit, sub-metric at 50 cm) to meet new uses and state requirements. Export opportunities are reduced and the development of NewSpace and smallsats represents real competition for the leading groups in this field.

Faced with this development, Thales Alenia Space has clearly positioned itself in growing market segments driven by the emergence of new needs (Internet of Things, In-Orbit Services), high revisit, and space surveillance, and has enhanced its offering within the Space Alliance by adding services. For two years, Thales Alenia Space has been a key player of NewSpace (Omnispace, Kinéis, ARGOS NEO, BlackSky).

### Exploration market

The United States has revived plans to explore the Moon and is calling on the expertise of the European space industry. Missions abound, particularly with the Artemis program which aims to land the first woman and the next man on the Moon, and TAS's expertise is at the heart of all these emblematic programs (Lunar Space Station, Orion spacecraft).

Private missions are also being created: AXIOM space station, REV-1 spacecraft from Space Cargo.

### Navigation market

Thales Alenia Space is the only manufacturer to deploy SBAS navigation systems for export, based on the EGNOS legacy: Korea with KASS and Africa within its cooperation with the ASECNA.

In the commercial satellite segment, Thales Alenia Space's main competitors are Airbus, Boeing, Lockheed Martin, Maxar, and Northrop Grumman. We can also count on the gradual arrival in the commercial market of new players from New Space, as well as many start-ups, but with which large groups form virtuous partnerships.

In the institutional and military markets, whose changes depend largely on government and space agency budgets, Thales Alenia Space's main European rivals are Airbus and OHB who can also be partners on some programs, and Boeing and Lockheed Martin for export contracts.





### 2.1.1.3.3 Significant events in 2022

#### Commercial market

Thales Alenia Space is the world leader in the geostationary telecommunications satellite market for the second consecutive year, having won 6 out of the 10 satellite contracts awarded in 2022 in the open global market.

These successes are mainly based on the recognition by the world's leading operators of the new fully reconfigurable in-orbit product line Space Inspire (INstant SPace In-orbit REconfiguration) with the award of the Intelsat 41 (IS-41) and Intelsat 44 (IS-44), ARABSAT-7A, SES-26 and Eutelsat Flexsat satellites.

Thales Alenia Space is continuing its collaboration with Eutelsat by providing the SpaceGate ground connectivity solution for the Eutelsat KONNECT VHTS satellite, making it possible to significantly increase the performance of the satellite ground segment. The company will also provide the KOREASAT-6A satellite to KTSAT, South Korea.

In the field of launchers, Thales Alenia Space has signed a contract with ArianeGroup for the production of the backup chain of Ariane 6 launchers.

#### Institutional market

In 2022, Thales Alenia Space signed the 2<sup>nd</sup> tranche for the CO2M, CRISTAL, CIMR, ROSE-L and CHIME missions of Copernicus, Europe's main European satellite Earth observation program.

In the field of navigation, Thales Alenia Space has signed a contract with the European Union Space Programme Agency (EUSPA) to develop, qualify and deploy the new version of EGNOS, the European satellite navigation system. Thales Alenia Space has also reached a new milestone in the Galileo program, with the integration of a new satellite into Ground Mission Segment (GMS), which will improve the positioning service for 3.3 billion users.

Thales Alenia Space and Telespazio signed a second tranche of the contract with the Italian Ministry of Defense for the further development of the SICRAL 3 secure satellite telecommunications system and the associated ground segment.

Thales Alenia Space and its partners have been selected by the European Commission to lead the EROSS IOD (European Robotic Orbital Support Services In Orbit Demonstrator) program dedicated to on-orbit servicing.

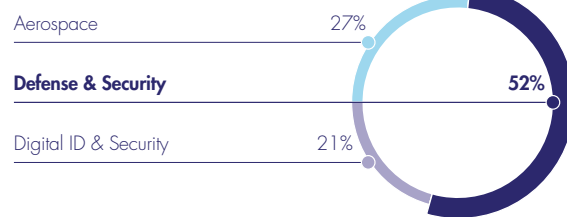
## 2.1.2 Defense & Security segment

### 2.1.2.1 Key figures

(in € millions)	2022	2021
Order book at December 31	30,964	26,111
Order intake	13,955	11,185
Sales	9,154	8,633
EBIT <sup>(a)</sup>	1,179	1,111
Consolidated number of employees	32,824	31,981

(a) Non-GAAP indicator. See definition on page 35.

#### Sales



### 2.1.2.2 Secure Communications and Information Systems

#### 2.1.2.2.1 General overview

The armed forces, security forces and essential operators rely on Thales for their inter-operable and secure information and telecommunications systems. Positioned at the heart of the Defense & Security continuum, the Group is involved in every aspect of the value chain, from equipment and systems to logistics support and related services. The solutions it provides meet the needs of markets where the use of new digital technologies such as G4 networks cryptography, cloud computing, artificial intelligence and big data is crucial. The Group is developing new digital platforms and new service models making full use of digital technologies.

The Secure Communications and Information Systems businesses are spread over five segments:

- **radio communications products:** For land, air and sea, Thales designs on-board and tactical radio communications systems, Identification Friend or Foe (IFF) systems, aeronautical radio navigation systems and solutions for communications electronic warfare. The armed forces of more than 50 countries around the world are equipped with Thales solutions. The Group is a major player in the development of inter-operable secure software-defined radio SDR solutions and is the prime contractor for the French Army's CONTACT program;

- **networks and infrastructure systems:** Thales designs, supplies, deploys, supports and operates fixed and mobile communications systems for defense and security forces, for international agencies and for organizations and critical infrastructure operators. Its resilient secure systems draw on a full range of military and commercial technology. In France, Thales is responsible for upgrading defense communication networks through the Descartes program, and for upgrading the French government's strategic communication networks. Through the Astride program, notified in 2022, it is also responsible for the design of the high-speed communication network of operational theaters for the French army, a major asset for collaborative combat, and for the operation of the information system of the headquarters of the French Ministry of the Armed Forces. Beyond that, Thales operates communication systems in theaters of operation as well as secure communication infrastructures for large European organizations. Thales also offers satellite communication ground systems in France through the Syracuse program, and also for export;

## Business review

### Operating segments

- protection systems:** the European leader in the digitized battlefield, Thales develops collaborative combat systems and information command and intelligence systems for armed forces (C4ISR – Command, Control, Communications, Intelligence, Surveillance, Reconnaissance). Using this technology developed for its military customers (France, NATO, Export), the Group also responds to growing security needs for cities, critical infrastructure, airports and other particularly sensitive sites. All of these systems are intended to help make better and faster decisions whether these decisions are automatic or made by operators;
- cyberdefense solutions:** Thales is a major player in this field, and advises its customers on their cyber strategy upstream of their projects. Its services include training customer teams to combat cyber risk or in the event of crisis offering direct support in the identification and qualification of attacks and their remediation. Thanks to an evolving and in-depth knowledge of attacks, gained from cyber threat intelligence, the Group helps its customers to better anticipate detect and address cyber threats. Thales operates 6 secure cyber security operations centers around the world and protects networks and data, especially sensitive or classified data using high-grade cyber security products;
- critical information systems:** Thales' expertise in critical information systems makes it a major player in France, helping its customers work towards secured digital transformation. The Group primarily designs native secure information systems through its software development and integration services, including in the context of its clients' secure transformation programs, and by outsourcing these systems, particularly as part of cloud hybridization projects.

#### 2.1.2.2.2 Competitive position

Thales has a variety of competitors depending on the business and market concerned.

In defense applications – radio communications, networks, and command and control – the main competitors are predominantly American: L3Harris Technologies, Raytheon Technologies (which integrated Collins Aerospace in 2020), or General Dynamics. The Israeli companies Elbit Systems and Rafael Advanced Defense Systems or the Turkish company Aselsan are also competitors in the embedded communication control solutions segment. Software solution suppliers, such as the Danish company Systematic, or companies offering information system integration, such as Atos and Sopra Steria, are also competitors. In Europe, the Group's main competitors are Airbus and more specifically in the radio communications sector, BAE Systems, Rohde & Schwarz, Leonardo or the Finnish company Bittium.

In security, Thales' competitors come primarily from the aeronautic and defense segment (Boeing, Northrop Grumman, Honeywell or Airbus), the equipment segment (Siemens and Johnson Controls), services (Ineo) and the information systems segment (IBM, Atos and Capgemini). These last few companies also compete with Thales in the critical information systems segment.

Finally, in cyber security, Thales competes with companies such as Orange Cyberdéfense in the commercial sector, BAE Systems, Ultra Electronics, Airbus and Secunet in the defense sector, and also Atos, Sopra Steria, and Capgemini in the digital services sector.

#### 2.1.2.2.3 Significant events in 2022

In the field of **radio communication products**, the French CONTACT software radio program for land, air and naval forces continues. In 2022, 1,800 sets were produced at the Cholet site: 850 radio sets for vehicles and 950 mobile radio sets for soldiers. The development of the aeronautical version of CONTACT radio is continuing and industrial flight tests, participating in the validation of

the new CONTACT wave form, have been successfully completed. 2022 also saw the first successes of the export aeronautical version (radio SYNAPS), which will be integrated into future aeronautical platforms: Rafale in the United Arab Emirates, Tigre MkIII in Spain, and the European Eurodrone program.

Significant radio contracts won in 2022 include the supply of an additional 4,000 latest-generation IMBITR software defined radios to the US Army, extending a successful partnership with the US Army; naval communications, electronic warfare and friend-or-foe identification systems for the Hellenic Navy's future defense and intervention frigates; and a four-year partnership with Barzan Holdings in Qatar to digitize maintenance and support the ramp-up of Qatar Emiri Signals & Information Technologies.

Note also in 2022: Thales has become the world's leading supplier of 5G-immune civil radio altimeters following EASA and FAA certification of its entire range of civil radio altimeters for Airbus, Boeing and ATR fleets. The Group has won a number of contracts with airlines (American Airlines, Lufthansa, Air Canada, etc.)

In the field of **networks and infrastructure systems**, Thales started 2022 with the award of the MELISSA contract, awarded at the end of 2021, for the delivery in 2025 of satellite communication stations to the French Ministry of the Armed Forces. Once integrated into the Phenix MRTT refueling aircraft, these stations will enable broadband connections anywhere in the world. This aeronautics segment is part of the Syracuse IV program, the ground segment of which was awarded to Thales in 2020. The contract is the first of its kind in Europe, and further consolidates Thales' leadership in secure, resilient satellite connectivity. Thales was also notified of the ASTRIDE phase 3 contract by the DGA, a major project to renovate the tactical networks expected by the French army in a context of a return of high intensity conflict. Thales will design the high-speed communications network of operational theaters, a major asset for collaborative combat and will deliver more than 200 modular mobile stations. Quickly deployable and in line with NATO interoperability standards, ASTRIDE 3 will enable France to command a coalition as a framework nation, as well as ensure the autonomous projection of several brigades.

With regard to resilient networks, the Descartes ISR and Descartes SCR programs have entered the operational phase, providing the Ministry of the Armed Forces with controlled, secure and resilient means of communication that form the basis of its digital transformation. The DGA expressed its continuing trust by notifying the 7-year framework agreement on the secure interconnection of the networks of the Ministry of Armed Forces.

In terms of services, a major industrial milestone was set for the first Defense Cloud project in France with the selection of the Nexium Defense Cloud offering as part of a project with the air force. In the area of operated supply chain services, Dassault Aviation awarded Thales a second vertical contract for the supply of Mirage 2000 consumables. The European Defence Agency has renewed its trust in Thales for the missions of the European Union in Africa and the next-generation system of communications of the French presidential aircraft has entered into operational service.

With regard to **protection systems**, in the field of defense, the Group has strengthened its position in the era of collaborative combat with the Combat Digital Platform: a solution that facilitates the collaborative engagement of land forces in the battlefield of the future. As part of the Scorpion program for the French Army, 113 GRIFFON vehicles and 18 JAGUAR vehicles were delivered to the French Defense Procurement Agency (DGA). On the export side, Luxembourg has chosen Thales and its partners for the supply of 80 armored liaison, reconnaissance and command vehicles (CLRV). NATO has renewed its trust in us for the deployment of the NCOP operational situation awareness system.



Finally, in 2022, the Athea joint venture led by Thales and Atos was selected by the DGA for the final phase of the Artemis program. In the field of security, a new contract was signed with Milan Airport to increase operational efficiency. The Fly-to-Gate offer for airports offers a contactless biometric route that improves passenger experience and infrastructure security.

In the field of **cyberdefense**, Thales strengthened its activities by acquiring S21sec and Excellium from Sonae Investment Management, two players in integration consulting and managed cybersecurity services in Europe. Through this acquisition, Thales is expanding its presence in Spain, Portugal, Luxembourg and Belgium. A new international supervision contract ("Follow the Sun") was signed with Air Liquide, and a first security supervision contract was signed in the Netherlands with the Ministry of the Interior. 2022 was also marked by the signing of a memorandum with the Moroccan government: Thales will invest in the cybersecurity sector through the establishment of a skills center to serve its customers internationally. This will create nearly 150 direct jobs with high added value. The Group continued the marketing of Cybels Analytics, its advanced AI-based attack detection platform, as well as high added value detection services. Thales continued to develop the Cyber Range training and testing infrastructure, specifically in cooperation with institutional stakeholders in a number of countries. Finally, the latest version of the cybersecurity supervision center for the second generation of the Galileo system has been qualified, with the congratulations of the European certification agencies.

**Critical information systems:** In France, Thales continues to be a major partner in digital transformation and Cloud hybridization projects, particularly for the French State and for critical operators. In 2022, Thales and Google Cloud created the new joint venture that their partnership signed in 2021 to develop a secure cloud offering that will meet ANSSI's "trusted cloud" certification requirements. The company, known as S3NS, is majority-owned by Thales, and started to sell an "intermediate" offer on the French market. The contracts won in 2022 include projects for new customers: the *Agence du Numérique en Santé* (ANS), for the takeover, construction and operation of public cloud portals and web applications; *La Compagnie Nationale du Rhône* to set up a service center with industrialization of development practices; and *GIE Carte Bancaire* for the Bank Connect project, an authentication service with one click. In critical information systems, the Group also won the UO4 "data valuation" contract for the entire Ministry of the Armed Forces for a period of 5 years, and was selected to support the Directorate of Air Navigation Services (DSNA) in its digital transformation. Thales continues to support CNES in the design, development, maintenance, use and operation of the IT and business systems of space programs.

## 2.1.2.3 Land and air systems

### 2.1.2.3.1 General overview

In the field of defense, Thales provides integrated capability solutions at all levels of the value chain, from supplying sub-systems through to integrating systems, as well as designing mission design systems and prime contractor services.

Thales specializes in **command and control systems for air operations radar systems and integrated air defense systems** in more than 45 countries. As a mission systems integrator, Thales actively contributes to major international military programs such as NATO's Air Command and Control System (ACCS), the French Army's Aerospace Operations Command and Control System

(SCCOA), and the Swiss Air Force's airspace surveillance and air operations system (FLORAKO). Thales excels in the domains of systems integration, complex program management, real-time and non-real-time software, human-machine interfaces, and service-oriented architecture.

Thales offers a broad range of air defense weapons systems: medium-range (SAMP/T), short-range (Crotale and RAPIDDefender), and very short-range (RAPIDfire air defense cannon and ForceSHIELD or EagleSHIELD for countering drones). The group also supplies Lightweight Multirole Missiles (LMM) and StarStreak missiles.

Thales owns 50% of ThalesRaytheonSystems, a joint company specializing in Integrated Air and Ballistic Missile Defense (IAMD) and Command and Control (C2) Systems. ThalesRaytheonSystems supplies NATO and its member countries with the Air Command and Control System (ACCS).

Across all continents, Thales offers one of the broadest lines of commercial and military ground-based and naval radars for surveillance air traffic management and missile guidance. The Group's civil radars are in service in over 70 countries and the Group equips over 45 countries with commercial radars, i.e., more than 1,300 countries with military radars.

In the field of **optronics**, which combines optical and electronic systems, Thales designs and manufactures components and systems for day and night surveillance, reconnaissance, protection, threat detection, and target acquisition on all types of land, sea (surface and sub-surface) or air platforms for defense and security customers worldwide. Thales' expertise in optics also applies to the civilian markets of high-end optics for the film industry and ultra-high-power laser for scientific and industrial applications.

Thales designs, manufactures and supports **armored military vehicles** including the Hawkei and the Bushmaster. The open architecture systems of vehicles provide highly standardized "plug and play" capability for on-board subsystems and products, increasing vehicle capability and performance whilst reducing size, weight and operator workload, and whole-life system costs. Thales develops, manufactures and also supports close combat warfare systems, and guided and non-guided ammunitions systems. These warfare solutions are designed to transfer modern forces' capabilities by reducing collateral damage, ensuring soldier safety, providing increased mobility, complying with the highest ethical and environmental standards, and being lighter in logistics terms.

In the area of **air traffic control and management**, Thales' offers include everything between conventional navigation assistance equipment to radars and air traffic control centers, and also includes satellite surveillance and navigation systems as well as airport management solutions. Thales has the largest installed base of equipment in the world. In addition, the Group has led the digital transformation that has taken place in the air traffic segment. Thales is developing solutions designed to integrate new vehicles such as drones into air traffic management to optimize flows and protect sensitive infrastructure from malevolent drones. Thales covers the entire unmanned ecosystem and offers solutions to protect the skies and limit threats from hostile civil or military unmanned systems.

Thales plays a key role as an architect and integrator of the air traffic management systems of tomorrow, particularly through the OACI's "Global Air Navigation Plan Aviation System Block Upgrades" initiative. Thales is the main industrial partner of the SESAR project in Europe and a key player in the NextGen program in the United States.

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### 2.1.2.3.2 Competitive position

In the military sector, Thales is the top European supplier of multi-domain optronics without any European competition in the area of airborne targeting pods used for combat. Its competitors are Lockheed Martin and Rafael. Thales has targeting pod expertise in both land and naval applications. In these segments, its main competitors are suppliers in North America (Raytheon, Lockheed Martin and Flir Systems) and Israel (primarily Elbit as well as Safran, Leonardo and Hensoldt). The protected vehicles systems market segment is dominated internationally by BAE Systems, General Dynamics, Rheinmetall Krauss-Maffei Wegmann and Nexter.

Thales is one of Europe's leading suppliers of medium-range, short-range and very short-range missiles and weapon systems. The other main players in this area in Europe (MBDA) and the United States (Raytheon and Lockheed Martin) are also major clients of Thales' missile electronics and key partners in weapon systems. The Israelis Rafael and IAI complete this panorama.

Thales is a leading provider of air operations surveillance and control systems. Its main competitors on this segment are the American groups Lockheed Martin and Raytheon, and Airbus, Indra and Saab in Europe.

Thales' main competitors for surface radars are the American groups Lockheed Martin, Northrop, Grumman and Raytheon, and in Europe, its competitors are Leonardo, Hensoldt, BAE Systems, Indra, Saab, and Elta.

Thales operates in Europe as an independent integrator both for its own and other suppliers' equipment for complex mission systems.

With over 40% of the world's airspace controlled by the ATC TopSky system and 8,000 navigation aids installed worldwide, Thales is a leader in the air traffic control system and civilian radar markets.

Other major players in the commercial sector are the US companies Leidos and Raytheon, European companies Indra and Leonardo (Selex) and in some niche areas, Saab, Frequentis and Harris.

### 2.1.2.3.3 Significant events in 2022

In the field of **airspace protection**, Thales, in collaboration with CS Group, received notification from the French Defense Procurement Agency (DGA) of a contract for the implementation and deployment of anti-UAV capacity in France with the PARADE system for a total amount of €350 million over a period of 11 years, of which €33 million is firm this year. It is a modular, multi-mission system designed to securely detect, classify and neutralize micro and mini UAVs. PARADE may be used for the protection of fixed military sites, or projected in external operations (OPEX). It can also be used by the armed forces for the protection of events, and public and civil infrastructure, particularly during large gatherings.

ThalesRaytheonSystems has achieved a new milestone in the NATO ACCS program: Factory Acceptance Test Addendum 3. As part of the ACCS modernization program, Addendum 3 moves ACCS to x86 technology and adds multiple enhancements to an already robust and resilient system with, for example, reduced downtime, a virtualized architecture and new Human-Computer Interfaces.

For **surface radar activities** in the naval sector, Thales will supply the Hellenic Navy with the Sea Fire radar, a fully digital, multi-functional radar with four fixed panels and an Active Electronically Scanned Array (AESA) antenna, which provides simultaneous long-range and surface air surveillance and missile fire control. This is one of the first export successes for this radar which has increased performance in high-intensity environments.

In the field of air surveillance, a first radar air traffic control station powered entirely by solar power will be installed in Calama, Chile. The station will consist of a STAR NG primary radar and an RSM secondary radar and will improve the surveillance of both civil and military air traffic in northern Chile and strengthen the security of Calama airport through extensive coverage and the detection of slow and rapid moving targets such as helicopters, commercial aircraft or jets.

As part of the activities of **Vehicles and Tactical Systems** in Australia, Hawkei's series production continued throughout 2022 and the 1,000<sup>th</sup> vehicle rolled off the production lines. The last vehicles will be delivered to the client in 2023 (which marks the end of the program). This vehicle meets the requirements of the armed forces operating in high-risk environments by ensuring a balance between protecting troops and cutting-edge mobility on the battlefield.

Thales has signed two major multi-year framework contracts in France for the production of 81 mm and 120 mm mortar ammunition.

In France, Thales received notification of the MEPAC series contract for the supply of 54 on-board 2R2M mortar systems for Griffon vehicles under the Scorpion program, and an order in Italy for the supply of 14 2R2M systems supplementing a previous order of 20 on-board mortars already delivered.

Concerning **optronics activities**, Thales has obtained type certification for the Spy/Ranger 330 system, enabling the French Army to train operators of the Mini-Drone Reconnaissance System (SMDR) and to deploy the system on external operations (OPEX) without a specific and permanent flight authorization. The Spy/Ranger 330 mini-drone system provides the armed forces with the most innovative imaging technologies available on the market. With three times the performance of its predecessor, the SMDR is a fundamental capability for the Army.

Thales has been selected to supply the German armed forces with four optronic sighting systems for armored infantry vehicles. The Panoramic Above Armour Gimbal (PAAG), is an electronic surveillance system remotely controlled from inside the BOXER armored vehicle, which provides gyro-stabilized long-range Detection-Recognition-Identification (DRI) and day/night designation in motion capability.

The French Defense Procurement Agency (DGA) has ordered 21 additional TALIOS optronic pods for the French armed forces. The order will bring to 67 the total number of TALIOS pods that will equip the French Rafale by 2025. Since its launch, TALIOS has undergone continuous improvements, the latest of which were notified under the Rafale F4 contract: permanent vision, new air-to-air identification mode, color sensor and tactical air reconnaissance modes.

In Châtelleraut-La-Brelandière, Nouvelle-Aquitaine, Thales has inaugurated its new center of excellence for the maintenance of airborne optronic equipment. Trained in support and maintenance, 70 employees have been working since the beginning of 2022 in a 4,000 m<sup>2</sup> self-contained facility dedicated entirely to maintenance. The Group plans to recruit more than fifty employees by 2030. This center of excellence is located at the heart of the regional economy and aims to promote and boost the local industrial fabric.



In the **laser sector**, the Institut Polytechnique de Paris, CNRS and Thales have signed a partnership to create a joint laboratory, HERACLES3, for the research and development of intense lasers. Drawing on a rich history of collaborations, it will improve the technologies of intensive lasers and their industrial, medical and scientific applications.

Finally, on Mars, the Perseverance rover made its millionth laser shoot just a year after its landing in the Jezero crater.

Concerning **civil optronics activities, Angénieux**, the Group brand known worldwide for its precision optics, announced at Camerimages 2022 the launch of a complete range of new Optimo Ultra Compact lenses. This new series of lenses is the result of decades of proven expertise in high-precision optics and mechanics dedicated to cinema.

In **the field of air mobility activities** in France, 4-Flight/Coflight, the air traffic control system for en-route air navigation centers, went into operation in Reims. This system is the major pillar of the modernization of the French air traffic control system. Among its major technological and operational benefits are a scalable and modern software architecture for the processing of flight data, technical supervision adapted to the needs of the DSNA, the consideration of the most recent regulatory requirements in terms of cybersecurity and the interoperability of 4-Flight with other European air navigation systems.

Outside France, Airservices Australia selected Thales as a system integrator to perform drone surveillance tests at Sydney airport, a system called IDSS (Integrated Drone Surveillance System). This solution includes several sensors associated with a command and control system to identify and classify potential threats in airport airspace. At the heart of the system is the 3D holographic radar GameKeeper already adopted by many airport platforms around the world, particularly in Great Britain, South East Asia and Oceania.

Dubai International Airport, one of the world's busiest airport, have been equipped with the TopSky - ATC air traffic management system. Used by more than 16,000 air traffic controllers in more than 80 countries, this leading-edge technology improves the safety, capacity and efficiency of air navigation services.

## 2.1.2.4 Defense mission systems

### 2.1.2.4.1 General overview

Thales manufactures electronic combat, intelligence, surveillance, and reconnaissance systems, as well as naval surface and underwater combat systems.

For **airborne combat missions**, Thales produces, in cooperation with Dassault Aviation, radar systems and equipment for the Rafale and the Mirage 2000 fighter aircraft, and is developing these systems for future combat drones as well as electronic warfare radar systems designed to detect threats and protect platforms.

For **intelligence, surveillance and reconnaissance missions**, Thales develops naval, ground and air patrol and surveillance solutions. Installed on board aircraft or naval platforms, these systems integrate surveillance radars, acoustic subsystems, electronic warfare subsystems, data measurement and linking equipment. Thales also designs comprehensive electromagnetic information gathering systems as well as UAV systems with intelligence, surveillance, reconnaissance and target acquisition capabilities.

In **naval surface warfare**, Thales offers comprehensive combat systems that integrate on-board sensors (radar, sonar, electronic warfare, infrared sensors, etc.), weapon systems and communications and command equipment. Thales also has naval platform engineering and support capabilities.

In the field of **underwater warfare**, Thales offers a wide range of solutions including the entire sonar suite for submarines, hull and towed sonars for surface ships, mine countermeasures systems, including naval drones, and acoustic sensors for underwater guidance.

### 2.1.2.4.2 Competitive position

Thales is one of the leading European players in electronic combat systems, competing with Leonardo, Saab, Hensoldt and Indra, and US companies Raytheon, Northrop Grumman, BAE Systems, and L3Harris.

In intelligence, surveillance and reconnaissance systems, its main competitors are Airbus, Leonardo, Hensoldt, Saab, Indra, Elbit, IAI, L3Harris, Safran and the China Aerospace Science and Technology Corporation.

In surface naval systems, Thales is one of the main European players alongside Saab, Leonardo, Lockheed Martin, Hanwha, and Terma.

In underwater warfare, Thales is one of Europe's main players along with Atlas Elektronik, Ultra Electronics, and newcomers Elbit, ECA, and Kraken. Across the Atlantic, Thales competes with Lockheed Martin, Raytheon, Northrop Grumman and L3Harris in the United States.

### 2.1.2.4.3 Significant events in 2022

#### Electronic combat systems

2022 confirmed interest in the Rafale internationally. In February, the Indonesian government reached an agreement for the acquisition of 42 Rafale and the contract for the first six Rafale entered into force in the 4<sup>th</sup> quarter of 2022. In March, Greece acquired 6 new and additional Rafale. This order is complementary to the 18 Rafale ordered by this country in 2021 (6 new and 12 second-hand). In April, the contract for the acquisition of 80 Rafale by the United Arab Emirates, signed in December 2021, entered into force. It is the largest contract in the history of Thales.

As regards programs, deliveries were completed in accordance with all provisional schedules. In 2022, 15 aircraft were received and accepted by customers: six were delivered to Qatar closing the contract; four to India also finalizing the contract; the first four of Greece's first order; and one aircraft for France under Tranche 4 suspended until then to promote export deliveries.

In the area of support, the execution of the verticalization contracts previously signed with Dassault Aviation is proceeding normally. These contracts are being executed both in France and on international markets. All availability commitments were met to the great satisfaction of our customers. Sales of parts and services have been dynamic, particularly for the French Rafale and Greek Mirage 2000.

As part of the preparations for the future, phase 1B of the contract for the development of a demonstrator of the connected sensor suite dedicated to the Future Combat Air System (FCAS) was awarded on December 15. This phase will be conducted jointly at the European level with the industrial partners Indra and FCMS.

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### Surveillance and intelligence systems

In the naval field, the various electronic warfare systems have reached major milestones. For the SENTINEL system, which equips Naval Group's new Defense and Intervention Frigates, 2022 was the year the first frigate was launched for the French Navy and the year of the first export selection by Greece to equip its future Belh@rra frigates. VIGILE D delivered its export programs according to schedule, successfully completing its first sea trials.

In France, the French Navy signed the entry into operational service of the Atlantic 2 upgraded to standard 6, and has received four new aircraft to the new standard in 2022 (the 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup>). This upgrade, planned by the 2019-2025 LPM, is intended to improve the ATL2's capabilities to deal with modern threats in all weather conditions. The new installed radar, the SEARCHMASTER, benefits from the active antenna technology developed by Thales for the Rafale.

### Surface naval systems

Following the booking of several large contracts in the past few years, 2022 was characterized by the intensification of the production of the systems ordered.

For the large-scale German F126 program, subcontracts have been signed with German companies such as Hensoldt and Atlas. The development phase is taking place in accordance with the schedule.

The mission suite for the Royal Navy's new Type 31 frigates is also a major program we are working on. The first deliveries to the shipyard have been made.

The British Ministry of Defense is actively exporting the Type 31 ship to other navies. In 2022, the Polish Navy selected the Type 31 design for its three new Miecznik-class frigates. Thales provides its Tacticos combat management system, system integration and the supply of all sensors. Other export opportunities for the Type 31 are emerging.

The Group is not only working on the construction of new ships: in 2022, we signed a major contract with the Indonesian Navy for the modernization of four Diponegoro class frigates. In Europe, we won a maintenance contract for the S1850M volume search radar aboard the French, Italian and British Horizon class frigates.

### Underwater warfare systems

2022 was marked by the acquisition of all the shares of the US company Advanced Acoustic Concepts (AAC), which was previously a joint venture owned by Thales and Leonardo DRS. This acquisition allows Thales to strengthen its footprint in the United States at an opportune time, since the Group won the contract for the new U.S. Constellation-class multi-mission frigates in April 2022, which includes the initial supply of a dozen CAPTAS-4 variable-depth sonars. The high performance of the CAPTAS sonar family has also been recognized by the Greek Navy, which has chosen to equip its three new defense and intervention frigates with the CAPTAS-4 and the KingKlip MK2 hull mounted sonar. Six CAPTAS-1s were also sold this year to an Asian navy, bringing the total number of CAPTAS sold to 14 navies worldwide to over 80.

Launch and deployment tests of the new generation SonoFlash sonobuoy were conducted in 2022. The success of these tests is in line with the planned delivery schedule so that France will have a sovereign solution for high-performance sonobuoys by 2025. Many navies have already expressed their interest in this new generation sonobuoy capable of interfacing with modern aerial platforms: maritime patrol aircraft and helicopters, of course, but also any type of UAV platform.

The Australian government renewed its trust in Thales, with the signature of a new contract for the modernization of Collins Class Submarines and their radar suite, thereby enabling extension of their operational life. As part of the French program for the future SNLE 3G nuclear-powered ballistic missile submarines, the DGA signed a framework contract with Thales at the end of the year for the supply of the new generation sonar suite.

The Franco-British MMCM autonomous and remotely operated mine countermeasures program continued. Demonstrators were tested by the French Navy and the British Royal Navy. Based on these tests, the British authorities issued the drone ship (USV) in charge of deploying the towed sonar and the underwater robot with the certification attesting that it was capable of being operated autonomously. Serial production to provide both navies with 3 systems each also continued. During the Dynamic Messenger exercise in September 2022, the M-Cube mine countermeasures command and control system and the MiMap data processing and visualization system once again demonstrated their outstanding performance and ability to interface with other NATO systems, drawing interest from many navies.



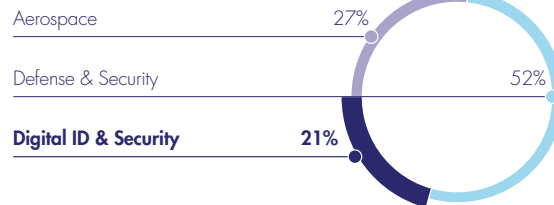
## 2.1.3 Digital Identity & Security segment

### 2.1.3.1 Key figures

(in € millions)	2022	2021
Order book at December 31	632	613
Sales	3,618	2,995
EBIT <sup>(a)</sup>	494	358
Consolidated number of employees	15,006	14,671

(a) Non-GAAP indicator. See definition on page 35.

#### Sales



### 2.1.3.2 Digital Identity & Security

#### 2.1.3.2.1 General overview

Over 30,000 organizations rely on Thales' Digital Identity & Security (DIS) solutions to verify the identities of people and of objects, to authorize access to digital services and to protect data.

Our solutions include physical and digital identity creation and management, authentication (including biometrics), connectivity and data encryption. These technologies help organizations accelerate their digital transformation. Our customers include the world's largest companies and governments - who rely on our technologies to authenticate identities and protect data exchanges.

Our global offering consists of several segments and sub-segments:

- **Smart cards and digital services:**
  - banking and payment services: payment card issuance solutions in digital and physical format, and online banking security;
  - mobile network connectivity solutions: authentication of users and devices to mobile networks;
  - connectivity and security solutions for the IoT, especially the automotive industry.
- **Cybersecurity:**
  - cloud security: identity and access management, data security;
  - software monetization: license management.
- **Biometrics:**
  - identity solutions and biometrics: national identity programs including secure identity documents;
  - identity verification solutions supported by our expertise in biometrics: border control, travel, basic identity, voting register, etc.

On December 31, 2022, Thales finalized the transaction to transfer its cellular IoT modules business to Telit, in exchange for a 25% stake in the new company, which is named Telit Cinterion. The company will offer a unique value proposition in a highly competitive global IoT market. It will also benefit from the strong and complementary product portfolio of both companies and Thales' experience in the field of cellular connectivity. Thales will focus its offering on connectivity and cybersecurity of connected objects, using eSIM technology, for the energy, automotive, healthcare, safety and other business sectors requiring a high level of reliability and security in communications.

#### 2.1.3.2.2 Competitive position

Thales is a leader in the Digital Identity and Security market, a €25 billion market at the crossroads of secure identity and cyber security. 77% of our sales in 2022 came from offers for markets in which we are the global leader.

Its main competitors are Idemia, Giesecke & Devrient, Broadcom and HID. We also have many smaller competitors in a number of niche or local markets.

Thales has the broadest portfolio of products combining identity management and data protection, enabling the creation of a circle of trust between people, connected objects and the digital services of companies and governments. This unique expertise is based on decades of experience, significant investments in R&D and more than 5,000 patents. It also draws on all of Thales' technological resources.

#### 2.1.3.2.3 Significant events in 2022

To accelerate its cybersecurity development, Thales has acquired OneWelcome, a leader in Customer Identity and Access Management (CIAM). This acquisition complements Thales' offering, which was mainly focused on managing the identity and access of company employees.

Microsoft relied on Thales' payment HSM, which meets the payment card industry's most stringent standards for security, compliance, low latency and high performance.

Also in the cloud sector, to address the need for data sovereignty, Thales has worked with AWS to provide organizations with a solution to maintain control of data and ensure compliance in the face of increasing regulatory requirements.

Thales, in collaboration with Zelenza, has been selected by the Spanish Ministry of the Interior to provide more than 1,500 inspection units (document readers, fingerprint readers, facial recognition unit) at all border crossing points. These integrated systems will provide a fast and secure registration and identity authorization process for non-EU citizens at the border, making it easier for travelers to clear customs while enhancing border security in the Schengen area.

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## Business review

### Operating segments

In financial services, we continue to support our customers in the sustainable transformation of the payments market, and to invest in solutions that address environmental and inclusion concerns in the banking sector. Thales is the first company to offer a full range of low-carbon cards, certified by the Mastercard Sustainable Card program, as well as their manufacturing plants worldwide. These environmentally-friendly cards are manufactured with innovative and sustainable components, such as polylactic acid (PLA), a material derived from non-edible maize, or polyethylene terephthalate (PET) recycled from plastic waste collected in the oceans (Ocean Plastic®) collected by the NGO "Parley for the Oceans", or recycled PVC, composed exclusively of plastic waste from the packaging and printing industries.

In France, Thales has developed a solution aimed at protecting visually impaired people from fraud or errors committed when paying for a purchase. The "Voice Payment Card", developed in partnership with Handsome, a French Fintech specializing in inclusive solutions for people with disabilities and certified by Visa and Mastercard, "whispers" each step of a transaction to its owner before the final validation of the amount. It allows people with blindness or visual impairments to benefit from a secure and autonomous payment experience when making their daily purchases.

In the mobile market, Thales teamed up with Vodafone and Qualcomm Technologies to demonstrate the first iSIM smartphone allowing to integrate the features of a SIM card directly into the device's processor. The iSIM will be the next step in the evolution of SIM technology after eSIM and is expected to further accelerate the growth in the number of objects connected to cellular networks, including 5G networks.

## 2.1.4 Ground Transportation Systems business (GTS)

### 2.1.4.1 Key figures

(in € millions)	2022	2021
Order book at December 31	4,774	4,335
Order intake	2,191	1,947
Sales	1,772	1,665
EBIT <sup>(a)</sup>	132	161
Consolidated number of employees	8,607	7,830

(a) Non-GAAP indicator. See definition on page 35.

### 2.1.4.2 Ground Transportation Systems

#### 2.1.4.2.1 General overview

The Ground Transportation Systems (GTS) business is a global player in rail signaling and train control systems, telecommunications and supervision systems, and mobility and ticketing solutions. Its high-performance capabilities, steeped in the Group know-how in terms of critical information systems and cyber security, big data, the Internet of Things and artificial intelligence, means it is able to cover the needs of urban transport networks (metros, tramways) and main lines (conventional, high-speed, freight lines). All these technologies are key for a more sustainable mobility. Around 8 billion passengers benefit from its technologies every year.

On August 4, 2021, **Thales signed an agreement with a view to selling this business to Hitachi Rail, for an estimated enterprise value of €1.66 billion.** The 2 Groups signed a Sale and Purchase Agreement on 10 February 2022.

Thanks to the strong technical, geographical and commercial complementarities between Hitachi Rail and GTS, this combination will allow more effective competition with vertically-integrated players, through improvements in purchasing procedures, and engineering and production capacities. In addition, it will offer GTS's employees new professional opportunities. This transaction will also help to better meet market requirements, whilst continuing to provide customers with high added value services, and stimulating investment and innovation in new markets. The sale is expected to be finalized in the second half of 2023.

#### 2.1.4.2.2 Competitive position

In the **signaling sector**, GTS competes directly with global integrated players such as Siemens, Alstom-Bombardier and, to a lower extent, Hitachi Rail, which have expanded through external growth operations in recent years: Siemens' takeover of Invensys, Hitachi Rail's acquisition of Ansaldo Breda and Ansaldo STS, Alstom's acquisition of General Electric Signalling and Bombardier Transport, as well as with local companies in specific market niches. Other, smaller players are seeking to verticalize, such as Staedler, a rolling stock specialist, which recently invested in two Swiss signaling players, BBR and BÄR Bahnsicherung.

The **communications and supervision market segment** is covered by railway signaling players but also by networks and security specialists such as Nokia, Huawei and Icomera.

Thales is also a recognized supplier in the **ticketing market**, and in the road tolls and parking systems market, which offer promising potential thanks to the digitization of offers. This market segment remains very fragmented, with traditional competitors such as Cubic, Conduent, Flowbird and Vix, but also newcomers from the IT sector, such as Atos, Capgemini, IBM, T-Systems, Siemens (through investments in Hacon, Bytemark, Padam).





### 2.1.4.2.3 Significant events in 2022

In the **United States**, the Crosstown Partners consortium, which brings together Thales and its partner TC Electric, have won a contract with the Metropolitan Transportation Authority (MTA) for the modernization of the Crosstown Line signaling system in New York City.

Thales also has a strong presence in **Canada** with its rail systems:

- Thales continues to modernize the Montreal metro system with an extension to the contract awarded by the Société de transport de **Montréal** (STM) to supply new computerized interlocking systems to eight additional metro stations. With this new contract extension, Thales will modernize a total of 16 stations/depots in the Montreal metro;
- Similarly, TransLink awarded two new contracts to Thales to equip Greater Vancouver's new automated depot operations control centers with its SelTrac™ train management technology. This initiative will better serve travelers, with the rail system expanding from 80 km to 106 km, with 41 new trains coming on line by the end of 2027.

In the **Netherlands**, Dutch rail operators are renewing their trust in Thales:

- Thales is entrusted by the operator ProRail with the modernization of the rail network and is implementing its ERTMS Central Safety System (CSS) to achieve a much safer and more sustainable rail traffic network. This contract, with a maximum term of 37 years, is worth €420 million, a significant part of which is dedicated to innovation;
- Dutch Railways (NS) has awarded Thales an eight-year contract, worth €120 million, to maintain and support 1,700 gates, 1,600 validation terminals and 750 ticket vending machines at all 400 stations in the Netherlands.

In **Spain**, for more than 30 years, Thales has been very active in the high-speed rail market where it has a reputation as a leading high-tech company:

- Thales has signed two new contracts for the modernization of the Madrid-Seville high-speed line, with the mission of renewing the signaling installations and train protection systems and equipping the line with the ERTMS level 2 system. Thales has also been awarded a contract to renew the track circuits on the Madrid-Seville high-speed line and the La Sagra-Toledo branch line.

Thales is strengthening the cybersecurity of the critical systems of the **UK rail network**. Thales has been awarded a new contract to deploy a Certificate Authority/Public Key Infrastructure (CA/PKI) solution across Network Rail's infrastructure, with a three-year customer support period that can be extended twice by 12 months to potentially expand the service.

In **France**, Thales and its partners GeoSat, Setec Ferroviaire, Clearys and the Nouvelle Aquitaine Region, working together in the NS2F "New Lean Rail Signaling" consortium, are developing a simplified, digital and innovative signaling and operating system. This system will make it possible to revitalize regional access by small lines and improve safety, particularly at level crossings.

Thales is recognized as a trusted partner for transport operators in **Southeast Asia** where GTS has won several contracts in 2022:

- Thales technology will enable Malaysia's main railway operator Prasarana Malaysia Berhad to manage 4 railroad lines from **Kuala Lumpur** - Kelana Jaya, Sri Petaling, Ampang and Monorail - a total of approximately 100 trains and 100 km of track - from a new integrated control center;
- Thales is part of a consortium with Colas Rail (leader) and Egis, which won a contract of over one billion euros from Mitsubishi Corporation to design and deploy the latest generation of its integrated communication and supervision solution as well as the ticket system, for the network of the first underground metro in Greater Manila in **the Philippines**;
- In **Singapore**, Thales and SMRT Trains, with the support of the Singapore Land Transport Authority (LTA), signed a contract to increase the reliability and availability of Thales' CBTC SelTrac signaling solution for the North-South and East-West lines of the country;
- In **Jakarta**, Thales and its partners in the Jatelindo consortium delivered an Account-based ticketing (ABT) and Mobility-as-a-Service (MaaS) ticketing and mobility solution in its cities and provinces.

Thales is continuing its commitment to rail operators in **Egypt** and has won 2 contracts in 2022:

- As part of the Egyptian railway infrastructure transformation plan led by the country's Ministry of Transport, Thales delivered three new major stations: Tanta, Sedfa and Al Ousayrat. All these stations are part of the railway corridor connecting Alexandria to Assouan via **Cairo**;
- The Egyptian National Authority for Tunnels (NAT) has awarded Thales, in partnership with Orascom Construction and Colas Rail, a new contract to design and build the telecommunications, centralized control and ticketing systems for Line 4 of the **Cairo** metro (phase 1).

In **Chile**, Thales is responsible for designing, installing, testing and commissioning the Operations Control Center (OCC) of the new line 7 of the Santiago de Chile metro and providing the associated maintenance services for a period of 10 years.

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## 2.2 Research and innovation

Critical systems design entails expertise in increasingly sophisticated technologies, in particular, detection, analysis or decision-making technologies. These innovative solutions serve its customers in the aeronautics, space, ground transportation, defense, security, and digital security markets.

Thales bases its vision of innovation on openness and partnership across multiple dimensions:

- a technological dimension thanks to collaboration with academic laboratories;
- an entrepreneurial dimension through work with SMEs and start-ups;
- a “market” dimension through co-innovation of users with customers and their ecosystems.

### 2.2.1 Research and development, the key to competitiveness and growth

From research through to engineering, the Group’s technical activities involve some 30,000 people. On the restricted scope of R&D, a key factor of competitiveness, Thales spent €1.064 billion on self-financed R&D in 2022, i.e., 6.1% of its sales.

A proportion of this budget is allocated to upstream research work, carried out at both Thales Research and Technology (TRT) laboratories and also at the Group’s Competence Centers, to develop and mature:

- innovations across the technological spectrum, with a particular emphasis on sovereignty technologies which are important for our customers, in the countries where Thales is present;
- new system or product concepts;
- new critical information system engineering tools and methods.

### 2.2.2 The four key technical areas

Governance of key technology research and development is divided into four segments:

- **hardware technologies:** electronics, electromagnetism, quantum technologies, optronics, acoustics, radio-frequency techniques, expertise in thermal constraints, along with digital support technologies to design businesses, such as simulation and digital twins;
- **software technology:** on-board real-time calculation architectures, Edge-computing, distributed systems, cloud computing, digital platforms, cyber security;
- **information and algorithm sciences:** Artificial Intelligence, automated systems, human factors, quantum algorithms;
- **systems:** focused on functional design and system architectural, this segment provides support in terms of methodology, tooling processes and expertise, synthetic environments.

#### FOCUS 1

##### The highest level of security for your electronic identity

In October 2022, Thales announced the Common Criteria certification at the EAL-7 level, the highest possible level of security, of its operating system for the electronic identity document market. The core of this embedded software was the subject of this security analysis. This certification, recognized internationally, requires formal, mathematically demonstrated proof of the main cyber security functions offered.

Several Thales research teams have together invented an innovative method of establishing this formal evidence, which was the subject of an award-winning scientific publication (Best ERTS 2022 article).

The high level of security thus achieved, recognized by the ANSSI (French National Information Systems Security Agency), enables States to benefit from enhanced protection of the electronic identities of their citizens.



In all countries where it is present, Thales endeavors to build partnerships within innovation ecosystems, with academic partners, innovating companies, and manufacturers, to innovate together on usages, business models and technologies.

In 2022, the prestigious journal 'Nature' once again included Thales in the corporate category of institutions as making the biggest impact and contribution to science, and ranked it European player Number 1 and Number 13 worldwide in the field of physical sciences. This international recognition of Thales' research and innovation performance reflects the group's dedication to excellence, and is also the result of close cooperation between Thales teams and the ecosystem of research and innovation around the world (North America, Europe, India, Middle East).

Thales Research & Technology (TRT), the international network of central laboratories, aims to build preferential relationships with academic partners.

The Singapore Center is associated with Nanyang Technological University and the CNRS in one of the rare international joint units with an industrial partnership in place since 2009.

In France, Thales has a number of strategic partnerships with the CNRS, the CEA, the École Polytechnique, Telecom ParisTech and the Sorbonne University, to mention just a few.

The most successful form of collaboration is the joint laboratory, as set up by Thales with the CNRS, with seven joint laboratories; with the CEA-LETI in connection with the III-V-Lab (EIG made up of Nokia, Thales and the CEA-LETI); with the CEA-LIST for artificial intelligence and the formal methods for the development of critical software, with the Sorbonne University in artificial intelligence, etc.

#### FOCUS 2

##### Data centers in Orbit

The environmental footprint of digital technology is becoming a major challenge: the growing need for digitalization is leading to an exponential increase in the number of data centers in Europe and around the world, with an energy and climate impact that is becoming critical. The consumption of data centers in France has already exceeded that of SNCF, for example, and the pace of growth is such that the carbon footprint of the data centers could quickly exceed that of aviation. Installing data center stations in orbit would largely eliminate this problem, and is in fact within Europe's reach: the technologies exist, and Thales Alenia Space will coordinate an architecture study financed by the European Commission to establish its feasibility. If this project succeeds in demonstrating a significant reduction in the carbon footprint, in line with the European Green Deal, it would lead to an unprecedented development of the space and digital ecosystem in Europe.

In the United Kingdom, Thales has joined forces with several major British universities, through the TRT-UK research center, including strategic partnerships with the University of Southampton and the University of Bristol, along with a long-term relationship with Cranfield University. In the cyber sector, Thales UK has also set up a number of collaborations, including the Centre for Secure Information Technologies (CSIT), based at Queen's University Belfast, and the London Office of Rapid Cyber security Advancement (LORCA).

In Canada, the Group is working on the development of artificial intelligence technologies, quantum computing applications, human-machine interactions, autonomous collaborative systems, and cybersecurity. This work is carried out within research ecosystems, notably in collaboration with IVADO (Institute for Data Valorization) of the University of Montreal, the University of Toronto, the University of Alberta, McGill University, Polytechnique Montreal, Laval University and the Quantum Institute of the University of Sherbrooke.

#### FOCUS 3

##### Thales quantum antenna recognized at the Euronaval trade fair

Among quantum technologies, it is probably the field of sensors that will first offer industrial applications. Among these, the antenna based on superconductors organized in filters (SQIF for Superconducting Quantum Interference Filters) can considerably miniaturize antenna systems while providing a reception capacity over a very wide frequency range. The world of shipbuilding, which knows the clutter of masts due to antennas, awarded Thales its innovation prize at the Euronaval 2022 trade fair, but the quantum antenna will also have its place on earth, in the air and in space.

In high-growth countries, Thales is developing research initiatives to complement its engineering facilities. In 2021, the Group set up a research team in India, at its Bangalore site, in the Open Hardware architecture field. This team is already collaborating with IIT-Delhi (the Indraprastha Institute of Information Technology Delhi) and CMTI (Central Manufacturing Technology Institute, Bangalore).

For 7 years now, Thales has been effectively facilitating start-ups. During this period, more than 2,000 start-ups have been referenced by Thales, and nearly 200 Proof of Concept exercises have been completed.

Training is also part of the Group's strategic policy in its relationships with the academic world. The Group supports nearly 250 PhD students around the world. These students are working on subjects directly linked to Thales' technical issues, making the group more attractive to young scientists.

## 2.2.3 A strong intellectual property management policy

Thales supports its R&D business with a strong intellectual property management policy.

The Group filed nearly 350 new patent applications in 2022. This volume reflects Thales' interest in innovation, and the transformation of the results of research into competitive advantages.

Comprising over 22,000 patents and applications, the portfolio is regularly adapted to the requirements of the operational units, specifically to protect their market shares.

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## 2.3 Report on operations and results

This section looks at the Group's financial performance in 2022. The analysis of its non-financial performance is presented in Chapter 5 of this document (pages 124 to 217).

### 2.3.1 Adjusted Key figures

<i>In € millions, except earnings and dividend per share (in €)</i>	2022	2021	Total change	Organic change
Order intake	23,551	19,909	+18%	+16%
Order book at end of period	40,957	34,744	+18%	+17%
Sales	17,569	16,192	+8.5%	+5.5%
EBIT <sup>(a)</sup>	1,935	1,649	+17.3%	+15.6%
<i>as a % of sales</i>	11.0%	10.2%	+0.8 pts	+0.9 pts
Adjusted net income, Group share <sup>(a)</sup>	1,556	1,361	+14%	
Adjusted net income, Group share, per share <sup>(a)</sup>	7.35	6.39	+15%	
Consolidated net income, Group share	1,121	1,089	+3%	
Free operating cash flow <sup>(a)</sup>	2,527	2,515	+12	
Net cash (debt) at end of period <sup>(a)</sup>	-35	-795	+760	
Dividend per share <sup>(b)</sup>	2.94	2.56	+0.38	

(a) Non-GAAP financial indicators. See definitions, section 2.3.2, page 35.

(b) Proposed at the Annual General Meeting on May 10, 2023.

In accordance with standard IFRS5, the financial data for the "transport" operating segment for 2021 and 2022 have been classified under "discontinued operations" following entry into exclusive negotiations with Hitachi Rail with a view to disposing of this business.

**Order intake** for financial year 2022 reached a new all-time high of **€23,551 million**, up 18% from 2021 (+16% on an "organic" basis, i.e. at constant scope and exchange rates). The Group enjoyed strong commercial momentum in all its businesses. At December 31, 2022, the consolidated **order book** stood at **€41.0 billion**, a new all-time high, up more than €6.2 billion year-on-year.

**Sales** reached **€17,569 million**, up 8.5% from 2021 in total change, and up 5.5% in organic change, driven in particular by the dynamism of the Digital Identity and Security (DIS) businesses.

For 2022, the Group posted **EBIT** <sup>(1)</sup> of **€1,935 million** (11.0% of sales), compared to €1,649 million (10.2% of sales) in 2021, up +17% in total change, and +16% in organic change.

At **€1,556 million**, the **adjusted net income, Group share** <sup>(1)</sup> was up +14% compared to 2021.

The **consolidated net income, Group share**, stood at **€1,121 million**, up +3% from 2021.

The **free operating cash flow** <sup>(1)</sup> stood at **€2,527 million** compared to €2,515 million in 2021. The conversion ratio of adjusted net income, Group share to free operating cash flow was 162% (185% in 2021). This once again exceptional performance continues to reflect both the strong order intake on export markets, the phasing effects on cash inflows related to contract execution, as well as the continued progress of teams on the measures implemented since 2020 under the "CA\$H!" initiative.

In this context, the Board of Directors decided to propose the payment of a **dividend of €2.94** per share, corresponding to a payout ratio of 40% of the adjusted net income, Group share, per share.

<sup>(1)</sup> Non-GAAP financial indicators. See definition below.



## 2.3.2 Presentation of financial information

### Accounting principles

The accounting policies used to prepare the consolidated financial statements of the Thales Group comply with the International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union as of December 31, 2022.

### Definitions of non-GAAP financial indicators

In order to facilitate monitoring and comparison of its financial and operating performance, the Group presents three key non-GAAP indicators that exclude non-operating and/or non-recurring items. They are determined as follows:

- **EBIT**, an adjusted operating aggregate, corresponds to income from operations, plus the share in the net income of equity affiliates, before the impact of entries recorded as part of business combinations (amortization of assets valued when determining the purchase price allocation, other expenses directly related to acquisitions). In application of the IFRS 5 standard, it does not include the contribution to EBIT from discontinued operations.
- **Adjusted net income** corresponds to net income excluding the following items and net of the corresponding tax effects:
  - amortization of assets valued when determining the purchase price allocation (business combinations),
  - expenses recorded within income from operations or finance income that are directly related to these business combinations,
  - gains and losses on disposals of assets, changes in scope and other,
  - impairment of non-current assets,
  - variation in fair value of derivative foreign exchange instruments (recognized in "other financial income and expenses" in the consolidated financial statements),
  - actuarial gains (losses) on long-term benefits (recognized under "Finance costs on pensions and other long-term employee benefits" in the consolidated financial statements).

In accordance with IFRS 5, this aggregate includes net earnings from discontinued operations, after deduction of the corresponding adjustment items.

- **Free operating cash flow** corresponds to the net cash flow from operations before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments.

To facilitate comparison with adjusted net income, free operating cash flow is obtained by summing free cash flow from continuing operations and free cash flow from discontinued operations.

Defining EBIT and adjusted net income involves defining other aggregates in the **adjusted income statement**: adjusted cost of sales, adjusted gross margin (corresponding to the difference between sales and the adjusted cost of sales), adjusted indirect costs, other adjusted financial income and expenses, adjusted financial income on pensions and long-term employee benefits, adjusted income tax, adjusted net income, Group share, per share, calculated as described on pages 36 and 37.

**Net cash (debt)** corresponds to the difference between the sum of the "cash and cash equivalents" and "current financial assets" items and short- and long-term borrowings after deduction of interest rate derivatives. As from January 1<sup>st</sup>, 2019, it includes lease liabilities recorded on the balance sheet pursuant to standard IFRS 16. Its calculation appears in Note 6.2 to the consolidated financial statements.

The **organic change** of a monetary indicator measures its evolution independently of the mechanical effects of changes in the Group's exchange rates and scope of consolidation. It is obtained by calculating the difference between the indicator for the previous year discounted at the exchange rates applicable for the current year for entities whose reporting currency is not the euro, less the contribution of entities divested during the current year, and the value of the indicator for the current year, less the contribution of entities acquired during the current year. The calculation of the organic change in sales is detailed below.

### • ORGANIC CHANGE IN SALES BY QUARTER

(In € millions)	Sales 2021	Exchange rate effect	Impact of disposals	Sales 2022	Impact of acquisitions	Total change	Organic change
Q1	3,573	+54	—	3,730	+6	+4.4%	+2.7%
Q2	4,096	+103	—	4,526	+2	+10.5%	+7.8%
<b>H1</b>	<b>7,669</b>	<b>+157</b>	<b>—</b>	<b>8,256</b>	<b>+7</b>	<b>+7.7%</b>	<b>+5.4%</b>
Q3	3,553	+126	13	4,042	+62	+13.7%	+8.5%
Q4	4,970	+82	19	5,271	+70	+6.1%	+3.3%
<b>FULL YEAR</b>	<b>16,192</b>	<b>+364</b>	<b>32</b>	<b>17,569</b>	<b>+140</b>	<b>+8.5%</b>	<b>+5.5%</b>

#### Main scope effects:

Disposals: Digital Identity & Security activities in Russia.

Acquisitions: RUAG's simulation & training business (Aerospace segment), takeover of Advanced Acoustic Concepts (Defense & Security segment).

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Please note that only the consolidated financial statements as of December 31, 2022 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 "Segment information", net cash (debt), the definition and calculation of which appear in Note 6.2 "net cash (borrowings)", free operating cash flow from continuing operations, the definition and calculation of which are specified in Note 6.3 "Changes in net debt", and free operating cash flow from discontinued operations, the calculation of which is set out in Note 1.3 "Classification of the Transport business as discontinued operations". Adjusted financial information other

than that provided in these notes is subject to the verification procedures applicable to all information included in this press release.

The impact of these adjustment entries on the income statements at December 31, 2022, and at December 31, 2021, is detailed in the tables below. The calculation of free operating cash flow is detailed on page 38.

## ● ADJUSTED INCOME STATEMENT, EBIT AND ADJUSTED NET INCOME - 2022

(in millions of euros, except earnings per share in euros)

	Consolidated P&L 2022	Adjustments				Adjusted income statement 2022
		(1)	(2)	(3)	(4)	
<b>Sales</b>	<b>17,569</b>	—	—	—	—	<b>17,569</b>
Cost of sales	(13,113)	381	—	—	—	(12,732)
Research and development expenses	(1,064)	—	—	—	—	(1,064)
Marketing and selling expenses	(1,350)	—	—	—	—	(1,350)
General and administrative expenses	(599)	—	—	—	—	(599)
Restructuring costs	(99)	—	—	—	—	(99)
<b>Income from operations</b>	<b>1,344</b>	<b>381</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,726</b>
Share in net income of equity affiliates	180	29	—	—	—	209
Income from operations, including net income of equity affiliates	1,524	—	—	—	—	N/A
<b>EBIT</b>	<b>N/A</b>	<b>410</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,935</b>
Gains and losses on disposals of assets, changes in scope and other	(24)	—	24	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	(50)	—	—	—	—	(50)
Other financial income and expenses	(99)	—	—	65	—	(34)
Finance costs on pensions and other long-term employee benefits	(5)	—	—	—	(30)	(35)
Income tax	(225)	(97)	(3)	(14)	8	(331)
Effective income tax rate <sup>(a)</sup>	19.3%	—	—	—	—	20.6%
Net income; from continuing operations	1,122	313	21	50	(22)	1,485
Net income from discontinued operations	9	80	1	—	—	90
<b>Net income</b>	<b>1,131</b>	<b>393</b>	<b>22</b>	<b>50</b>	<b>(22)</b>	<b>1,574</b>
Non-controlling interests	(10)	(8)	—	—	—	(18)
<b>NET INCOME, GROUP SHARE</b>	<b>1,121</b>	<b>385</b>	<b>22</b>	<b>50</b>	<b>(22)</b>	<b>1,556</b>
Average number of shares (thousands)	211,833	—	—	—	—	211,833
<b>NET INCOME, GROUP SHARE, PER SHARE (in euros)</b>	<b>5.29</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7.35</b>

(a) Income tax divided by net income before income tax and before share in net income of equity affiliates.

### Adjustments:

- (1) Impact of business combinations: amortization of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions and disposals.
- (2) Income from disposals of assets, changes in scope and other, and impairment losses on non-current assets.
- (3) Change in fair value of foreign exchange derivatives.
- (4) Actuarial differences on long-term employee benefits.



● ADJUSTED INCOME STATEMENT, EBIT AND ADJUSTED NET INCOME - 2021

(in millions of euros, except earnings per share in euros)

	Consolidated income statement 2021	Adjustments				Adjusted income statement 2021
		(1)	(2)	(3)	(4)	
<b>Sales</b>	<b>16,192</b>	—	—	—	—	<b>16,192</b>
Cost of sales	(12,159)	372	—	—	—	(11,787)
Research and development expenses	(1,027)	—	—	—	—	(1,027)
Marketing and selling expenses	(1,226)	—	—	—	—	(1,226)
General and administrative expenses	(545)	—	—	—	—	(545)
Restructuring costs	(92)	1	—	—	—	(91)
<b>Income from operations</b>	<b>1,144</b>	<b>373</b>	—	—	—	<b>1,517</b>
Share in net income of equity affiliates	104	28	—	—	—	132
Income from operations, including net income of equity affiliates	1,247	—	—	—	—	N/A
<b>EBIT</b>	<b>N/A</b>	<b>402</b>	—	—	—	<b>1,649</b>
Gains and losses on disposals of assets, changes in scope and other	49	—	(49)	—	—	—
Impairment of non-current assets	—	—	—	—	—	—
Net financial interest	(57)	—	—	—	—	(57)
Other financial income and expenses	(53)	—	—	32	—	(21)
Finance costs on pensions and other long-term employee benefits	(22)	—	—	—	(8)	(30)
Income tax	(148)	(102)	12	(8)	2	(244)
<i>Effective income tax rate <sup>(a)</sup></i>	<i>13.9%</i>	—	—	—	—	<i>17.3%</i>
Net income; from continuing operations	1,017	300	(37)	23	(6)	1,297
Net income from discontinued operations	118	8	(1)	(7)	—	117
<b>Net income</b>	<b>1,134</b>	<b>308</b>	<b>(38)</b>	<b>16</b>	<b>(6)</b>	<b>1,414</b>
Non-controlling interests	(46)	(8)	—	—	—	(53)
<b>NET INCOME, GROUP SHARE</b>	<b>1,089</b>	<b>300</b>	<b>(38)</b>	<b>16</b>	<b>(6)</b>	<b>1,361</b>
Average number of shares (thousands)	212,852	—	—	—	—	212,852
<b>NET INCOME, GROUP SHARE, PER SHARE (in euros)</b>	<b>5.12</b>	—	—	—	—	<b>6.39</b>

(a) Income tax divided by net income before income tax and before share in net income of equity affiliates.

**Adjustments:**

- (1) Impact of business combinations: amortization of assets valued as part of the purchase price allocation, other expenses directly related to acquisitions and disposals.
- (2) Income from disposal of assets, changes in scope and other, and impairment losses on non-current assets.
- (3) Change in fair value of foreign exchange derivatives.
- (4) Actuarial differences on long-term employee benefits.

### ● CALCULATION OF FREE OPERATING CASH FLOW

<i>(in millions of euros)</i>	2022	2021	Variation
<b>Operating cash flow before interest and tax</b>	<b>2,490</b>	<b>2,344</b>	<b>+146</b>
+ Change in working capital and provisions for contingencies	966	776	+190
+ Payment of pension contributions, excluding contributions related to the reduction of the UK pension deficit	(137)	(112)	(25)
+ Net financial interest received (paid)	(42)	(58)	+16
+ Income tax paid	(156)	(145)	(12)
+ Net operating investments	(525)	(446)	(80)
<b>Free operating cash flow, continuing operations</b>	<b>2,595</b>	<b>2,359</b>	<b>+236</b>
<b>+ Free operating cash flow, discontinued operations</b>	<b>(68)</b>	<b>156</b>	<b>(224)</b>
<b>Free operating cash flow</b>	<b>2,527</b>	<b>2,515</b>	<b>+12</b>
+ Net balance of disposals (acquisitions) of subsidiaries and affiliates	(453)	(53)	(400)
+ Contributions related to the reduction of the UK pension deficit	(95)	(99)	+4
+ Dividends paid	(563)	(417)	(146)
+ Share buyback (program approved in March 2022)	(329)	–	
+ New lease liabilities (IFRS 16)	(199)	(137)	(62)
+ Other	(128)	(55)	(73)
<b>Change in net cash (debt)</b>	<b>760</b>	<b>1,754</b>	<b>(994)</b>
Net cash (debt) at start of period	(795)	(2,549)	
+ Change in net cash (debt)	760	1,754	
<b>NET CASH (DEBT) AT END OF PERIOD</b>	<b>(35)</b>	<b>(795)</b>	

## 2.3.3 Order intake

Order intake for the **2022** financial year totaled **€23,551 million**, up **18%** from 2021 in total change, and 16% at constant scope and exchange rates <sup>(1)</sup>. The ratio of order intake to sales ("book-to-bill") was 1.34 compared to 1.23 in 2021. It even reached as

much as 1.43 when excluding the Digital Identity & Security segment, for which the order intake is structurally very close to sales.

<i>(in millions of euros)</i>	2022	2021	Total change	Organic change
Aerospace	5,892	5,631	+5%	+3%
Defense & Security	13,955	11,185	+25%	+23%
Digital Identity & Security	3,616	2,995	+21%	+15%
<b>TOTAL - OPERATING SEGMENTS</b>	<b>23,462</b>	<b>19,810</b>	<b>+18%</b>	<b>+16%</b>
Other	88	98		
<b>TOTAL</b>	<b>23,551</b>	<b>19,909</b>	<b>+18%</b>	<b>+16%</b>
Of which mature markets <sup>(a)</sup>	16,034	15,527	+3%	+1%
Of which emerging markets <sup>(a)</sup>	7,516	4,381	+72%	+68%

(a) Mature markets: Europe, North America, Australia, New Zealand; emerging markets: all other countries. See table below.

Thales booked **29 large orders with a unit value of over €100 million**, representing a total of **€8,198 million**:

- 2 large orders booked in Q1 2022:
  - the order for 2 Space Inspire satellites by Intelsat,
  - the order of an additional Space Inspire satellite by SES;
- 10 large orders recorded in Q2 2022: the jumbo contract linked to the supply of Rafale to the United Arab Emirates (80 aircraft), as well as 9 orders for a unit value of between €100 million and €500 million:
  - the order of a Space Inspire satellite by Arabsat,
  - an amendment to the contract for the development and qualification of the payloads of the first two satellites of the CO2M mission, which aims to measure the quantity of CO<sub>2</sub> produced by human activity (Copernicus European program),
  - a contract related to the supply of 6 additional Rafale aircraft to Greece,
  - a contract to supply the Sea Fire digital radar for 3 defense and intervention frigates (FDI) sold to Greece,
  - the order for a secure communications system by a military customer,
  - an amendment to the contract securing the 10-year supply of ammunition to the Australian Defence Force (SDMM),
  - the order by a Middle Eastern country of 3 radars and associated support,
  - a new tranche of the Scorpion program for the French Army,
  - an amendment to the contract for the supply and support of CONTACT next-generation tactical radios for the French Army;

<sup>(1)</sup> Given a positive currency effect of €364 million and a positive net scope effect of €70 million.





- 4 large orders booked in Q3 2022:
  - a contract to install next-generation in-flight entertainment systems on Emirates' future Airbus A350 fleet,
  - an amendment to the contract for the development of the SICRAL 3 satcom system for the Italian Ministry of Defense, including the associated ground segment,
  - the order of the KOREASAT 6A telecommunications satellite by the operator kt sat,
  - the order of Sea Fire naval radars by a major military customer;
- 13 large orders booked in Q4 2022:
  - a contract to upgrade the French Army's Tigre helicopters to Mark III standard,
  - the 3 additional development tranches of the ROSE-L, CIMR and CHIME missions of the ESA Copernicus program,
  - a contract signed with the European Commission (EUSPA) to develop a new version of the EGNOS navigation support system,
  - the construction of a new generation Space Inspire satellite for Eutelsat,
  - a contract related to the supply of Rafale to Indonesia (6 aircraft),
  - a contract related to phase 1B of the Future Air Combat Program (FCAS),
  - a support contract for the SAMP/T medium-range air defense program,
  - The renewal of several French Armed Forces radars and the order for a new Aerospace Operations Command and Control System as part of stage 5 of the SCCOA program,
  - the order for a secure communications system by a military customer,
  - a contract for the production of 81mm ammunition for the French Army,

- a contract to supply Luxembourg with on-board vetronics and communication systems for 80 armored command, liaison and reconnaissance vehicles (CLRVR).

At **€15,353 million**, order intake with **a unit value of less than €100 million** was up 14% from 2021, with a significant increase of 36% in orders with a unit value between €50 million and €100 million, particularly in defense businesses.

Order intake in the **Aerospace** segment totaled **€5,892 million** compared to €5,631 million in 2021 (+3% at constant scope and exchange rates). This performance is explained by a strong rebound in aeronautics order intake (avionics and in-flight entertainment (IFE)), which in particular recorded two major contracts with a unit value of more than €100 million, the first since 2019 (see details above). After-sales activities in the civil aviation sector were up 32%. Moreover, Thales Alenia Space maintained a book-to-bill ratio of more than 1 thanks to new commercial successes, both in earth observation (Copernicus), navigation (Egnos) and commercial telecommunications (with five additional orders from the new generation "Space Inspire" digital satellites). At December 31, 2022, the segment's order book stood at **€9.2 billion**, up 17%.

At **€13,955 million** compared to €11,185 million in 2021, order intake in the **Defense & Security** segment set a new record (+23% at constant scope and exchange rates). The book-to-bill ratio consequently exceeded 1.52, compared to 1.30 in 2021 and 1.23 in 2020. This high level is explained by the recording of 16 contracts worth more than €100 million, including the jumbo contract for the supply of Rafale to the United Arab Emirates (80 aircraft). The segment's order book consequently reached a new record at **€31.0 billion**, corresponding to 3.4 years' worth of sales, strengthening visibility for the years ahead.

At **3,616 million**, order intake in the **Digital Identity & Security (DIS)** segment was structurally very close to sales as most business lines in this segment operate on short sales cycles. The order book is therefore not significant.

## • ORDER INTAKE BY DESTINATION - 2022

<i>(in millions of euros)</i>	2022	2021	Total change	Organic change	2022 weighting as a %
France	6,504	6,455	+1%	+1%	28%
United Kingdom	1,100	955	+15%	+14%	5%
Rest of Europe	4,708	5,300	-11%	-12%	20%
<b>Subtotal Europe</b>	<b>12,312</b>	<b>12,711</b>	<b>-3%</b>	<b>-4%</b>	<b>52%</b>
United States and Canada	2,794	2,230	+25%	+12%	12%
Australia and New Zealand	927	586	+58%	+52%	4%
<b>Total mature markets</b>	<b>16,034</b>	<b>15,527</b>	<b>+3%</b>	<b>+1%</b>	<b>68%</b>
Asia	2,263	1,829	+24%	+24%	10%
Near and Middle East	4,378	856	+411%	+389%	19%
Rest of the world	875	1,696	-48%	-50%	4%
<b>Total emerging markets</b>	<b>7,516</b>	<b>4,381</b>	<b>+72%</b>	<b>+68%</b>	<b>32%</b>
<b>TOTAL ALL MARKETS</b>	<b>23,551</b>	<b>19,909</b>	<b>+18%</b>	<b>+16%</b>	<b>100%</b>

**Geographically**, order intake in emerging markets amounted to €7,516 million, up 68% at constant scope and exchange rates, driven by commercial successes in defense.

At €16,034 million, order intake in mature markets remained high (+1% at constant scope and exchange rates), driven primarily by 16 large military contracts in 7 countries.

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## 2.3.4 Sales

(in millions of euros)	2022	2021	Total change	Organic change
Aerospace	4,705	4,463	+5.4%	+2.4%
Defense & Security	9,154	8,633	+6.0%	+3.8%
Digital Identity & Security	3,618	2,995	+20.8%	+14.9%
<b>Total - operating segments</b>	<b>17,476</b>	<b>16,091</b>	<b>+8.6%</b>	<b>+5.6%</b>
Other	93	101	-8.2%	-8.1%
<b>TOTAL</b>	<b>17,569</b>	<b>16,192</b>	<b>+8.5%</b>	<b>+5.5%</b>
Of which mature markets <sup>(a)</sup>	13,320	12,150	+9.6%	+6.3%
Of which emerging markets <sup>(a)</sup>	4,248	4,042	+5.1%	+2.9%

(a) Mature markets: Europe, North America, Australia, New Zealand. Emerging markets: all other countries. See table below.

**Sales** for the 2022 financial year totaled **€17,569 million**, compared to €16,192 million in 2021, up 8.5% in total change and 5.5% in organic terms (at constant scope and exchange rates <sup>(1)</sup>), driven particularly by the Digital Identity & Security (DIS) segment. The shutdown of activities in Russia had an impact on sales estimated at €135 million for the Group (€80 million for Aerospace and €55 million for DIS).

Sales in the **Aerospace** segment totaled **€4,705 million**, up 5.4% from 2021 (+2.4% at constant scope and exchange rates). The segment was affected by the shutdown of activities in Russia (total impact estimated at around €80 million in 2022), a slowdown in the growth of space businesses after record momentum in 2021, and by an unfavorable basis of comparison for the microwave tubes business. Civil aero aftermarket sales continued to recover, with growth of +23% over the full year 2022, even though the slow recovery of the wide-body aircraft market continued to weigh on the overall civil aviation business.

Sales in the **Defense & Security** segment totaled **€9,154 million**, up 6.0% from 2021 (+3.8% at constant scope and exchange rates). The good momentum of several business lines (including integrated systems for airspace protection, activities related to the Rafale programs, surface radars, cyberdefense solutions, and tactical

radios) was, however, impacted by tensions both in supply chains (with an estimated impact of around €100 million on sales for 2022) and in recruitment. These operational constraints are temporary, and the Group can rely on a considerable order book of nearly €31.0 billion at the end of December 2022 to accelerate its growth in the coming years.

At **€3,618 million**, sales in the **Digital Identity & Security** segment were up 14.9% at constant scope and exchange rates, and 20.8% in total. This performance reflects the strong momentum of cybersecurity activities, which grew organically by more than 15%, as well as the price effect on EMV payment cards and SIM cards, reflecting the significant increase in purchase costs. After 2 years of health crisis, the recovery in biometrics continued despite persistent tensions on supply chains, particularly of chips. After 9 months of 2022 disrupted by supply chain tensions, the IoT connectivity module business experienced a very strong recovery in Q4. As part of the creation of Telit Cinterion, a new leader in IoT solutions, the bulk of this business (i.e. €360 million in 2022 sales) has been deconsolidated as of January 1<sup>st</sup>, 2023. As of this date, Thales held a 25% stake in the new company, which is therefore consolidated using the equity method.

### ● SALES BY DESTINATION - 2022

(in millions of euros)	2022	2021	Total change	Organic change	2022 weighting as a %
France	4,827	4,545	+6.2%	+6.1%	27%
United Kingdom	1,019	940	+8.4%	+7.8%	6%
Rest of Europe	4,101	3,719	+10.3%	+8.3%	23%
<b>Subtotal Europe</b>	<b>9,947</b>	<b>9,204</b>	<b>+8.1%</b>	<b>+7.2%</b>	<b>57%</b>
United States and Canada	2,415	1,952	+23.7%	+9.4%	14%
Australia and New Zealand	958	994	-3.6%	-7.3%	5%
<b>Total mature markets</b>	<b>13,320</b>	<b>12,150</b>	<b>+9.6%</b>	<b>+6.3%</b>	<b>76%</b>
Asia	2,068	2,057	+0.5%	+0.4%	12%
Near and Middle East	1,189	1,084	+9.7%	+6.3%	7%
Rest of the world	991	901	+10.0%	+4.3%	6%
<b>Total emerging markets</b>	<b>4,248</b>	<b>4,042</b>	<b>+5.1%</b>	<b>+2.9%</b>	<b>24%</b>
<b>TOTAL ALL MARKETS</b>	<b>17,569</b>	<b>16,192</b>	<b>+8.5%</b>	<b>+5.5%</b>	<b>100%</b>

**Geographically**, sales growth was stronger in mature markets (+6.3% organic), while emerging markets returned to organic growth (+2.9%), driven by the Middle East and Latin America regions.

<sup>(1)</sup> The calculation of the organic change in sales is shown on page 35.



## 2.3.5 Adjusted results

For 2022, the Group posted EBIT <sup>(1)</sup> of **€1,935 million**, or 11.0% of sales, compared with €1,649 million (10.2% of sales) in 2021. This level included two one-off items that largely offset each other:

- Firstly, the economic and trade sanctions imposed on Russia led to the recognition, in the H1 2022 financial statements, of non-recurring expenses for an amount of €52 million, in the "cost of sales" line, mainly in the Aerospace segment.
- Secondly, the compensation agreement signed between Australia and Naval Group resulted in a non-recurring income of €45 million in 2022.

EBIT <i>(in millions of euros)</i>	2022	2021	Total change	Organic change
<b>Aerospace</b>	<b>235</b>	<b>202</b>	<b>n.s</b>	<b>n.s</b>
<i>As a % of sales</i>	<i>5.0%</i>	<i>4.5%</i>	<i>+0.5 pts</i>	<i>+0.7 pts</i>
<b>Defense &amp; Security</b>	<b>1,179</b>	<b>1,111</b>	<b>+6.1%</b>	<b>+2.7%</b>
<i>As a % of sales</i>	<i>12.9%</i>	<i>12.9%</i>	<i>0.0 pts</i>	<i>-0.2 pts</i>
<b>Digital Identity &amp; Security</b>	<b>494</b>	<b>358</b>	<b>+38.2%</b>	<b>+37.9%</b>
<i>As a % of sales</i>	<i>13.7%</i>	<i>12.0%</i>	<i>+1.7 pts</i>	<i>+2.4 pts</i>
<b>Total – operating segments</b>	<b>1,908</b>	<b>1,671</b>	<b>+14.2%</b>	<b>+12.4%</b>
<i>As a % of sales</i>	<i>10.9%</i>	<i>10.4%</i>	<i>+0.5 pts</i>	<i>+0.6 pts</i>
Other - excluding Naval Group	-92	-91		
<b>Total – excluding Naval Group</b>	<b>1,816</b>	<b>1,580</b>	<b>+14.9%</b>	<b>+13.2%</b>
<i>As a % of sales</i>	<i>10.3%</i>	<i>9.8%</i>	<i>+0.6 pts</i>	<i>+0.7 pts</i>
Naval Group (share at 35%)	119	69		
<b>TOTAL</b>	<b>1,935</b>	<b>1,649</b>	<b>+17.3%</b>	<b>+15.6%</b>
<i>As a % of sales</i>	<i>11.0%</i>	<i>10.2%</i>	<i>+0.8 pts</i>	<i>+0.9 pts</i>

The **Aerospace** segment recorded an EBIT of **€235 million (5.0%** of sales), compared with an EBIT of €202 million (4.5% of sales) in 2021. Segment EBIT margin growth slowed due to supply chain tensions, cost inflation and the one-off negative impact from the shutdown of operations in Russia. Adjusted for these non-recurring expenses, the EBIT margin would have increased by an additional 1 point.

In the **Defense & Security** segment, EBIT stood at **€1,179 million**, compared to €1,111 million in 2021 (**+2.7%** at constant scope and exchange rates). As in 2021, the margin in this segment was 12.9%. This robust EBIT margin, at the top of the medium-term guidance range (12%-13%), confirms the resilience of this segment despite the supply chain tensions and the associated cost inflation that affected 2022.

At **€494 million (13.7%** of sales), EBIT in the **Digital Identity & Security** segment continued to benefit from the improvement in the commercial margin of all its activities and from the leverage on the strong sales growth. The segment thus exceeds its medium-term EBIT margin target (12.5% to 13.5% in 2023) one year in advance.

Excluding Naval Group, **unallocated EBIT** was stable at **-€92 million** compared with -€91 million in 2021, including the reallocation of certain costs following the classification of Transport as a discontinued operation.

At **€119 million** in 2022 versus €69 million in 2021, **Naval Group's** contribution to Group EBIT increased mainly thanks to the non-recurring income mentioned above.

At **-€50 million** versus -€57 million in 2021, **net financial interest** mainly benefited from a higher average level of cash than in 2021. The decrease in **other adjusted financial income** <sup>(1)</sup> (**-€34 million** in 2022 versus -€21 million in 2021) is explained by less favorable foreign exchange income. The change in the **adjusted financial expense on pensions and other long-term employee benefits** <sup>(1)</sup> (**-€35 million** versus -€30 million in 2021) reflects the decrease in net liabilities combined with the increase in discount rates.

As a result, **adjusted net income, Group share** <sup>(1)</sup> was **€1,556 million**, compared to €1,361 million in 2021, after after adjusted income tax <sup>(1)</sup> of -€331 million compared to -€244 million in 2021. At 20.6% in 2022 compared to 17.3% in 2021, the effective tax rate returned to a normalized level. The 2021 rate had benefited from one-off tax items of €46 million related to changes to tax rules in Italy and the United Kingdom.

The **adjusted net income, Group share, per share** <sup>(1)</sup> amounted to €7.35, up **15%** from 2021 (€6.39).

<sup>(1)</sup> Non-GAAP financial indicator. See definition on page 35, and calculation on pages 36 and 37.

## 2.3.6 Consolidated net income

### Income from operations

**Income from operations amounted to €1,344 million**, compared to €1,144 million in 2021, up 17.6%. This increase can be explained by a rise in sales, improvement in gross margin by +0.5 points, and a rise in indirect costs slightly below the rise in sales. Restructuring costs were steady, moving from €92 million to €99 million.

### Income from operating activities after share in net income of equity affiliates

**Income from operating activities after share in net income of equity affiliates**, came to **€1,501 million**, compared to **€1,296 million** in 2021, up 16%. It includes a share in the net income of equity affiliates of €180 million, up 74%, including a contribution from Naval Group up 72% compared to 2021.

### Net earnings, Group share

The **consolidated net income, Group share**, stood at **€1,121 million**, up **3%** from 2021. This improvement, which is lower than that of adjusted net income, Group share, is explained by a set of one-off items that were more negative in 2022 than in 2021: capital losses on disposal, pension plan modifications, change in the fair value of derivative instruments, and costs related to the disposal of the Transport business.

## 2.3.7 Financial position at December 31, 2022

**Free operating cash flow**<sup>(1)</sup> amounted to **€2,527 million** compared to €2,515 million in 2021. It included a contribution of €2,595 million from continuing operations and -€68 million from discontinued operations. The conversion ratio of adjusted net income, Group share to free operating cash flow was 162% (185% in 2021). This new exceptional performance was, like in 2021, due simultaneously to strong export order intake, the positive phasing effects on cash inflows related to contract execution, as well as continued progress of teams on the actions implemented since 2020 under the "CA\$H!" initiative.

The **net balance of acquisitions and disposals of subsidiaries and affiliates** amounted to **-€453 million**. As part of its bolt-on acquisition strategy, the Group finalized four significant acquisitions in 2022: two companies operating in cybersecurity, OneWelcome and Maxive (which includes S21 Sec and Excellium), RUAG's simulation & training business, and the 51% it did not hold in Advanced Acoustic Concepts. The creation of Telit Cinterion did not result in an entry in the cash flow statement, as the disposal took place in exchange for a 25% stake in the new entity. In 2023, the Group anticipates the closing of two disposals: the sale of the Transport business to Hitachi Rail and the sale of the aeronautical electrical systems business to Safran.

As part of the **share buyback program** covering a maximum of 3.5% of the capital announced in March 2022, 2,765,104 shares were repurchased during 2022, i.e. 1.3% of the share capital, for an amount of **€329 million**. As of February 28, 2023, the Group had purchased 3.3 million shares, representing 1.5% of the share capital. This program will end by March 31, 2024 at the latest. On March 7, 2023, the Board of Directors approved the cancellation of 3,201,169 shares. The share capital will therefore comprise 210,210,140 shares once these shares have been canceled.

At December 31, 2022, **net debt** stood at **€35 million**, compared with €795 million at December 31, 2021, after taking into account new lease liabilities totaling €199 million (€137 million in 2021) and after the payment of €563 million in dividends (€417 million in 2021).

**Shareholders' equity, Group share**, totaled **€7,174 million**, compared to €6,474 million at December 31, 2021, with the reduction in net pension obligations from continuing operations (+€457 million) being combined with consolidated net income, Group share (€1,121 million).

<sup>(1)</sup> Non-GAAP financial indicator. See definition, page 35.



## 2.3.8 Proposed dividend

The Board of Directors decided to propose to the shareholders, who will convene at the Annual General Meeting on May 10, 2023, payment of a **dividend of €2.94** per share. This level corresponds to a payout ratio of 40% of the adjusted net income, Group share, per share.

If approved, the ex-dividend date will be May 23, 2023, and the payment date will be May 25, 2023. This dividend will be paid fully in cash and will amount to €2.24 per share, after deducting the interim dividend of €0.70 per share paid in December 2022.

## 2.3.9 Outlook

The medium-term outlook for all of the Group's major markets is very robust. In aeronautics, Thales can rely on the continued recovery in air traffic and commercial aircraft production rates, combined with the increase in military aeronautics requirements. In the space sector, Thales Alenia Space will benefit from higher space agency budgets, the quality of its commercial telecommunications satellite positioning, and the size of its order book. This solid trend should enable the Aerospace segment to register high single-digit organic sales growth in 2023 and 2024, and to achieve an EBIT margin of 8.5% to 9% in 2024, close to 2019 levels.

Over the coming years, the geopolitical situation requires significant growth in the military budgets of the Group's major customers. As a leading player in sensors, mission systems and military communication networks and systems, the Defense & Security segment benefits from an order book that is unprecedented in the Group's history. For this segment, the Group expects mid-single digit organic sales growth in 2023, picking up in 2024 ("mid-single digit+"), while maintaining industry-leading EBIT margins (around 13%).

Lastly, the DIS global business unit has an exceptional positioning in digital identity and security, at the heart of the trust challenges facing the world of tomorrow. After recording organic sales growth of nearly 15% in 2022, this segment is expected to see its performance consolidate over 2023 and 2024. Its EBIT margin should remain between 13.5% and 14.5%, more than 6 percentage points higher than its pro forma pre-acquisition level <sup>(1)</sup>.

In response to this very buoyant environment, the Group has begun to ramp up its production capacities since the beginning of 2022. Having increased its recruitments by nearly 50% in 2022, Thales plans to hire more than 12,000 employees in 2023. Net operating investments, which exceeded their 2019 level as of 2022, are expected to reach €650 million in 2023 and €700 million in 2024, more than 45% above 2021. All the departments concerned are mobilized to secure the ramp-up of supply chains, often significantly disrupted by the Covid-19 crisis.

In the short term, however, the global environment remains uncertain, particularly with regard to the speed of air traffic recovery, the risks of component shortages, such as chips, the level of inflationary pressures on purchases and, more generally, the major parameters of the global economy.

Assuming there are no new major disruptions in the global economy, the public health context, or global supply chains, Thales has set the following targets for 2023:

- as in 2022, a book-to-bill ratio above 1;
- Organic sales growth of between +4% and +7%, corresponding to sales in the range of €18.0 billion to €18.5 billion <sup>(2)</sup>;
- an EBIT margin <sup>(3)</sup> between 11.5% and 11.8%, up 50 to 80 basis points from 2022.

Finally, the high level of cash generation in 2022 and the outlook for 2023 has led the Group to increase its cash flow generation target for 2019-2023: the cash conversion ratio <sup>(4)</sup> should reach around 130% on a reported basis <sup>(5)</sup>. This target corresponds to free operating cash flow generation of around €6.5 billion for the three-year period 2021-2023.

<sup>(1)</sup> 7.6% on a pro forma basis in 2018.

<sup>(2)</sup> Based on the scope of consolidation and exchange rates of February 2023.

<sup>(3)</sup> The EBIT margin forecast has been established and developed on a basis:

- Comparable to historical financial information;
- Consistent with the issuer's accounting policies.

<sup>(4)</sup> Free operating cash flow divided by adjusted net income, Group share.

<sup>(5)</sup> Previous target, set in March 2022: cash conversion ratio of around 115% on a reported basis over the 2019-2023 period.



## 2.4 Investments

Targeted investment in R&D, in intangible assets and property plant and equipment, or as part of acquisitions and the purchase of equity interests, are all major factors advancing the Group's development strategy.

In accordance with standard IFRS 5, the financial data for the operating segment "Transport" for 2021 and 2022 have been classified under "discontinued operations" following the entry into exclusive negotiations with Hitachi Rail with a view to sell this business. The details below for 2021 and 2022 therefore only concern activities carried out.

### 2.4.1 Investments in R&D

Research and development is one of the Group's core activities and is key to its differentiation and competitiveness. It involves almost 40% of the workforce. A description of the principal R&D areas can be found in section 2.2.2, on page 32.

The vast majority of R&D investment is recorded directly as expenses in the Group's income statement. As described in Note 4.2 of the consolidated financial statements, the Group capitalized €19.5 million in development costs in 2022. As at December 31, 2022, the net value of capitalized development costs as fixed assets totaled only €40.6 million.

A significant portion of R&D investment is made as part of contracts with customers, particularly institutional space and military contracts. Only self-financed R&D expenditure is recorded separately in the income statement.

In recent financial years, to support its strategic Ambition 10 plan, the Group has decided to step up its self-funded R&D expenditure. In 2020, under the global Covid-19 crisis adaptation plan the Group reduced its self-financed R&D expenditure, while keeping it stable as a percentage of sales. In 2021, this expenditure rose faster than sales. It reached 6.3% of sales, up 20 basis points compared to 2020. In 2022, the tight recruitment market drove a slight reduction of this percentage.

<i>(in € millions)</i>	2020	2021	2022
Sales	15,371	16,192	17,569
R&D expenses shown on the IFRS income statement	949	1,027	1,064
Expenses excluded from the adjusted income statement	0	0	0
<b>R&amp;D expenses shown on the adjusted income statement</b>	<b>943</b>	<b>1,027</b>	<b>1,064</b>
<i>As a % of sales</i>	6.1%	6.3%	6.1%

New areas for investment include edge computing and far edge computing, sensors and quantum communications, and new cloud securitization solutions.

Over the next few years, the Group plans to maintain a high level of self-financed R&D expenditure, the weight of which could represent, in the medium term, around 6.5% of sales.

### 2.4.2 Operating investments

The Group's operating investments cover three main categories: technical and production investments, building investments and investments in information systems.

<i>(in € millions)</i>	2020	2021	2022
Sales	15,371	16,192	17,569
Payments for acquisitions of intangible assets and property plant and equipment	379	451	535
Proceeds from disposal of intangible assets and property plant and equipment	-9	-5	-9
<b>Net operating investments</b>	<b>371</b>	<b>446</b>	<b>525</b>
<i>As a % of sales</i>	2.4%	2.8%	3.0%

In 2020, given the impact of the public health crisis, the Group reduced its operating investments by 25% at constant scope. This reduction was achieved across all major categories of investment: technical and production investments, real estate investments, and investments in information systems. In 2021, the increase in investments concerned in particular, technical and production investments. In 2022, net operating investments amounted to €525 million, up 17% from 2021. They also exceeded the previous record high (2019). The increase was mainly due to investments in buildings.

In response to its very robust business environment, the Group plans to significantly increase its net operating investments, which are expected to reach €650 million in 2023 and €700 million in 2024. These investments will be used to extend several industrial sites and purchase the production and engineering equipment needed to grow the Group's activity.



## 2.4.3 Acquisitions and equity investments

To support the Ambition 10 strategic plan, the Group is continuing its targeted acquisitions policy to strengthen its technology portfolio and boost its potential for growth. This strategy accelerated significantly with the acquisition of Gemalto which was announced in December 2017 and completed in 2019.

<i>(in € millions)</i>	2020	2021	2022	Total 2020/2022
Net Investments in subsidiaries and affiliates	22	55	455	532
Net disposals of subsidiaries and affiliates	-22	-2	-2	-26
<b>NET BALANCE OF ACQUISITIONS AND DISPOSALS</b>	<b>0</b>	<b>53</b>	<b>453</b>	<b>506</b>

### Acquisitions in 2020

After finalizing the acquisition of Gemalto for an equity value of approximately €4.8 billion in April 2019, the Group did not make any material acquisitions or disposals in 2020.

### Acquisitions in 2021

The main acquisition completed by Thales in 2021 concerned the MOOG navigation aids business.

### Acquisitions in 2022

The Group finalized four significant acquisitions in 2022: two cybersecurity companies, OneWelcome and Maxive (which includes the companies S21 Sec and Excellium), RUAG's simulation & training business, and the 51% stake it did not hold in Advanced Acoustic Concepts (see also Note 3.1 of the consolidated financial statements).

At the end of December 2022, Thales tendered its cellular IoT activity to Telit Cinterion in exchange for a 25% holding in the new entity. No entry was made in the statement of cash flows in respect of this transaction.

In 2023, the Group expects to close two disposals: the sale of its Transport business to Hitachi Rail and the sale of its aeronautical electrical systems business to Safran.

The Group continues to actively seek targeted, bolt-on type acquisitions, in particular to complement its geographic presence and its technologies portfolio, with a view to strengthening its positioning in its three major areas of business: aerospace, defense & security and digital identity & security. Thales has no plans to diversify into markets besides those in which it already operates.

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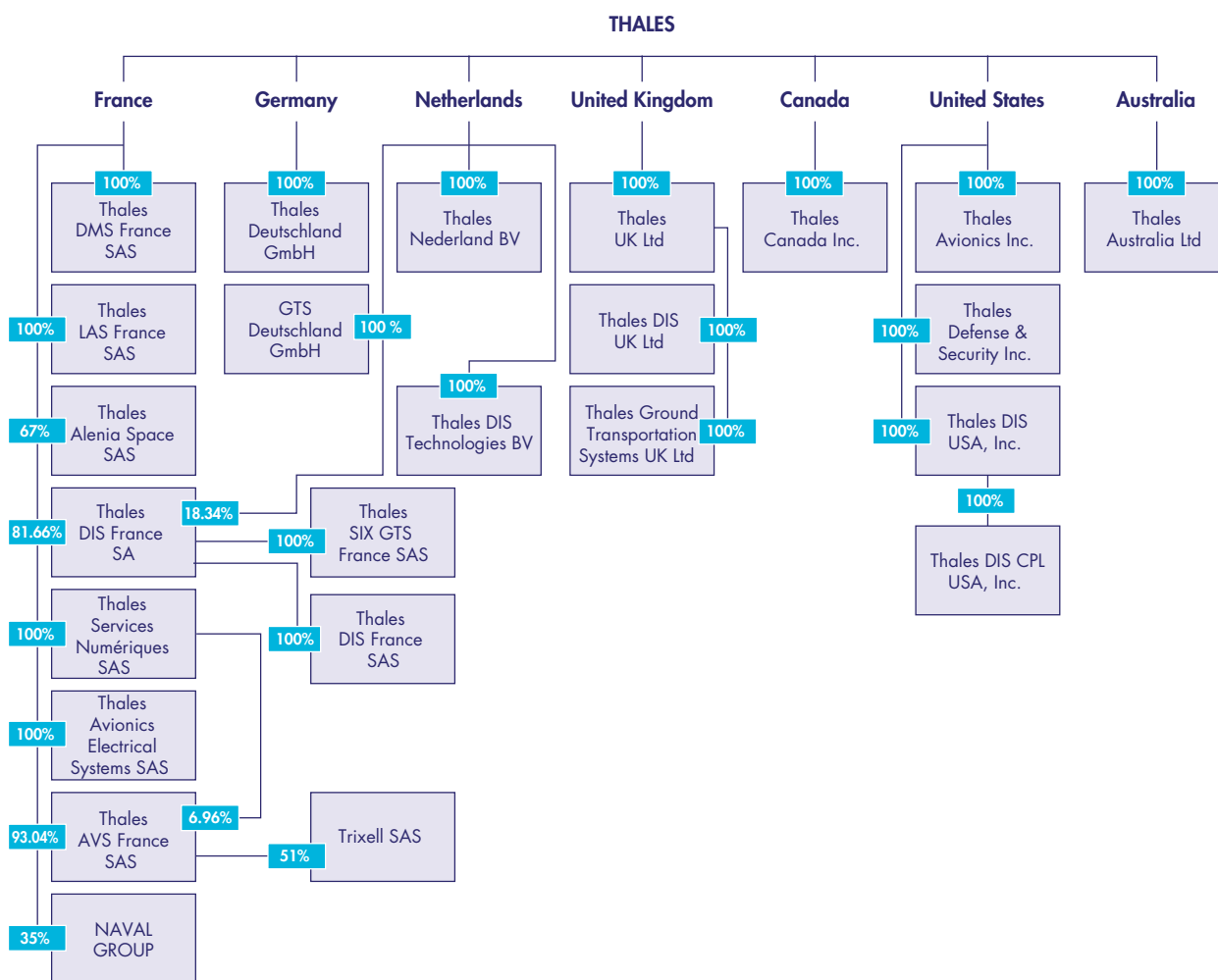
## 2.5 Organization of the Group

### 2.5.1 Relations between Thales and its subsidiaries

#### 2.5.1.1 Simplified organizational chart at December 31, 2022

This simplified organizational chart shows, in the main countries where the Group is present, companies consolidated by global integration with sales representing over 0.5% of consolidated sales.

Affiliates are not shown in this simplified organizational chart (except for Naval Group).



#### 2.5.1.2 Role of the Thales parent company within the Group

For Group companies, the Thales parent company handles the functions of a holding company:

- holding stocks in the Group’s main subsidiaries;
- managing central functions: development of the Group strategy, commercial policy, legal and financial policy, operations control, human resources policy, communication;
- providing specialist assistance to the subsidiaries: contribution of expertise in legal, tax and financial matters, for which subsidiaries pay a fee;
- financing, cash flow and setting up guarantees, where applicable.

In addition to these functions, the Thales parent company carries on its own research business, described on pages 32 et seq.

A list of main consolidated companies is shown below.

#### 2.5.1.3 Financial flows between the Thales parent company and its subsidiaries

The Thales parent company receives the dividends paid by its subsidiaries, as approved by their respective annual general meetings of shareholders, and subject to the statutory and regulatory provisions applicable to them locally.

Apart from dividend payouts and collection of a fee for completion of shared services, the main flows between the Thales parent company and its subsidiaries concern cash pooling.

The subsidiaries’ surplus cash is, as a general rule, placed with the parent company as part of cash pooling. In return, the Thales parent company meets the cash flow requirements of the subsidiaries. It acts, on its own behalf and on behalf of the subsidiaries, on the financial markets in order to carry out the investments and borrowing necessary in the context of its cash pooling. Except in special cases, this system applies to all subsidiaries in which Thales has majority control.



## 2.5.2 Data about the main operational subsidiaries and main industrial sites

### 2.5.2.1 List of main consolidated companies

A list of main consolidated companies features in Note 1.5, page 282 of the Group's consolidated financial statements.

### 2.5.2.2 Main industrial sites

At the end of 2022, eighteen sites employed over 1,000 people:

At December 31, 2022	Work force	Status	Surface area (in m <sup>2</sup> )
<b>France</b>			
Bordeaux	2,429	Owned/leased	65,400
Brest	1,680	Leased	56,000
Cannes	1,836	Owned/leased	84,000
Cholet	1,771	Leased	53,000
Élancourt	3,496	Leased	104,000
Gennevilliers	3,597	Leased	90,000
Limours	1,022	Leased	28,700
Rungis	1,065	Leased	23,000
Sophia	1,032	Owned	40,000
Toulouse	4,728	Owned/leased	159,300
Vélizy	3,874	Leased	125,000
<b>United Kingdom</b>			
Crawley	1,623	Leased	26,130
<b>Netherlands</b>			
Hengelo	1,908	Owned	87,000
<b>Germany</b>			
Stuttgart	1,751	Leased	59,000
<b>Singapore</b>			
Singapore	2,006	Owned/leased	39,000
<b>Italy</b>			
Rome	1,188	Leased	43,500
<b>India</b>			
Noida	1,176	Leased	14,000
<b>Mexico</b>			
Mexico city	1,361	Owned/Leased	22,750

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## 3



# Risk factors, internal control and risk management

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## Risk factors, internal control and risk management

### Introduction

The Group supplies complex systems, products, and equipment which by their nature are often critically important to its government or corporate customers worldwide. It contends with 3 main types of risk: operational and strategic risk, legal and regulatory risk, and financial risk.

This chapter describes these risks and the environment in which they are managed, in accordance with Article L. 225-100-11 (3° and 4°) and II and L. 22-10-35 of the French Commercial Code and Regulation (EU) 2017/1129 of June 14, 2017 revising the Prospectus Directive 2003/71 (EC) of November 4, 2003 (the Prospectus Regulation). It has also been prepared in consideration of the Guidelines on risk factors issued under the said Prospectus Regulation issued by the ESMA on October 1, 2019 (ESMA 31-62- 1293 FR), with which the AMF has declared to comply as from December 4, 2019 and which it has commented on in the guide for the preparation of Prospectuses of June 17, 2020 (DOC AMF 2020- 06) and in the guide for the preparation of universal registration documents of January 5, 2022 (DOC AMF 2021- 02)). It was approved by the Board of Directors at its meeting on March 7, 2023. Some of the risks listed in this chapter are covered in the Group's Non-Financial Performance Statement and identified by the acronym "NFPS". The procedures for managing them are described in chapter 5.

Thales is exposed to various risks and uncertainties which could affect its activities, business reputation, profitability, or ability to achieve its financial objectives. To address these risks and uncertainties, the Group:

- is committed to identifying sources of risks as early as possible in an effort to better control the consequences of those risks;
- relies on a proactive and coherent system of risk identification and management covering all of its functions and performs an annual mapping of the risks to which it is exposed.

The Group's risk management is consistent with the framework recommended by the AMF; it is a Thales management lever which helps to:

#### Create and preserve the value, assets, and reputation of the Group

Risk management identifies and analyzes the main threats and potential opportunities to which the Group is exposed. By anticipating the potential impact of these risks, it is intended to more effectively preserve the value, assets, and reputation of the Group.

The work allows residual risks, as estimated by the Group at the end of 2022 after the deployment of risk control resources and actions, to be ranked by criticality:

- significant;
- moderate;
- low.

The impact of each risk is combined with the likelihood of its occurrence or whether it is short, medium or long-term:

Low residual criticality	Moderate residual criticality	Significant residual criticality
<ul style="list-style-type: none"> <li>• Protecting intellectual property</li> <li>• Liquidity, exchange rates, and customer credit</li> <li>• Investment management</li> <li>• Pension commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Dependence on suppliers</li> <li>• Cybersecurity</li> <li>• Environment and climate</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Economic, geopolitical and social environment</li> <li>• Competitive positioning of products and services</li> <li>• Contract execution</li> <li>• Attracting, developing, and retaining talent</li> </ul>

Furthermore, for each of the risk types described above (operational and strategic risks, legal and regulatory risks, financial risks), the residual risk estimated by the Group to be the most critical at the end of 2022, following the deployment of risk control resources and actions, was put at the top of the list.

#### Secure the Group's decision-making and processes to help it achieve its objectives

Risk analysis is designed to identify the principal events and situations which could significantly impact the achievement of the Group's objectives. Controlling such risks helps to achieve those objectives.

Risk management is integral to the Group's decision-making and operational processes. It is one of the tools for steering and assisting in decision-making. It gives executives an objective and comprehensive vision of potential threats and opportunities to which the Group is exposed, enabling them to take measured and considered risks, and guiding them in their decisions on the allocation of human and financial resources.

#### Promote the consistency of action with the values of the Group

The Group's approach to risk management is consistent with its values, particularly with regard to the strict compliance of its business activities with national and international rules and legislation.

#### Involve the Group's employees in a shared vision of the main risks and make them aware of the risks inherent in their work

Thales applies its corporate risk management and internal control approach in the companies which it controls and which are fully consolidated. The Group's insurance policy (see section 3.4.1 b), which is centralized, covers the same scope.

These risk management and internal control processes contribute to the achievement of the Group's objectives without providing an absolute guarantee, in particular because of the limitations inherent in the uncertainties external to the Group or in the assessment of the cost/benefit ratio of actions leading to the acceptance of a certain level of risk.

This section sets out what Thales considered to be the main risks at end of 2022. It was prepared on the basis of the conclusions from the risk management, internal control, and internal audit work carried out by the Group in 2022. The results of this work were reviewed at the various meetings of the Risk Assessment Committee and the Risk Management Committee (see section 3.4.2) during the year as well as at meetings of the Audit and Accounts Committee held in 2022.



## 3.1 Operational and strategic risks

### 3.1.1 Risks related to the economic, geopolitical, and social environment

#### Residual criticality: significant

##### Risk identification

A significant portion of Thales' business is with government customers, particularly in the defense markets in many countries. In these markets, public spending is dependent on political and economic factors and is therefore likely to fluctuate from one year to the next. A reduction in the budget resources of government customers could for example generate delays in order booking, contract execution or payments, or mean a cut in funding for research and development programs.

A significant proportion of Thales' sales is subject to the risk of political instability in the countries in which the Group operates. The materialization of these risks may affect the Group's business and profitability.

In particular a change in government, a major political event, the development of protectionist policies, armed conflict, acts of terrorism, sharp deterioration in the balance of payments, industrial action, strikes, protests, climatic events or pandemics in certain countries or market segments could lead to in particular: a significant drop in demand, a reassessment of needs or priorities, an alteration in competition conditions, a change in regulatory standards and requirements to be met, hardening of export control rules, ban on trading, a shortage of labor, components or materials, a ban on delivery, more restrictive currency control, impairment of assets, expropriation or the forced disposal of Thales' interest in a company, a security situation which prevents the Group from meeting its performance obligations, an unexpected breach of a contract or commitment, an unfair call of a bond or a guarantee, or the non-certification of documents required for payment

In addition, the increasing consideration of Environmental, Social and Governance criteria in investment decisions could restrict the base of financing available to the Group, potentially reducing demand for financial instruments issued by the Group and/or limiting access to the most favorable terms for external financing.

##### Risk monitoring and management

Thales has based its strategy on a balanced portfolio of activities on the defense and civilian markets.

The overall solidity of the portfolio is also underpinned by a large diversified order base with a unit value of less than €100 million.

The broad geographic spread of the Group's business, particularly through its international operations, ensures further diversification of its customer base.

Thales manufactures and sells products in a very large number of countries and is able to adapt to varied or changing regulatory environments.

Thales has set up teams that specialize in the financial engineering of contracts to identify and analyze the risks and to determine how they can be reduced. Thales can use public or private insurers in this context to cover the risk of contract interruption, or credit risk, or abusive bond calls. It can also make use of financial instruments such as notified or confirmed letters of credit, discounting receivables without recourse or export credit facilities.

In line with its corporate purpose, Thales has placed CSR issues at the center of its strategy and focuses in particular on the role of its solutions to contribute to a safer world that is more respectful of the environment and more inclusive, also meeting the expectations of its customers. The Group has set itself ambitious CSR commitments and, in 2022, strengthened its CSR structure and governance. These initiatives are discussed in detail in Chapter 5 of this document. To meet investors' expectations on these issues, the Group organized a dedicated event for them in October 2021.

In coordination with its peers, since 2021, the Group has also undertaken numerous initiatives with various institutional stakeholders to ensure that defense activities are better integrated into European sustainable finance, recalling that they are essential to geopolitical stability, a prerequisite for the creation of a sustainable world.

The Group's size and global presence give it access to a highly diversified financing base.

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**Risk identification****Covid-19 pandemic**

The global health crisis caused by successive waves of the spread of the Covid-19 virus continued to affect the global economy in 2022.

The Group has been affected in its business activities directly or indirectly related to the civil air transport market: avionics, electrical systems, in-flight entertainment, air traffic control and passport production.

The impact on demand is diminishing and the impact on investment in this sector will depend on the recovery of local economies and the support and recovery plans put in place in various countries.

**Risk monitoring and management****Covid-19 pandemic**

Since the beginning of this crisis, the Group's priority has been to protect the health of its employees and, through them, that of their families, its customers and the general public.

To minimize the spread of the virus, the Group is applying the directives of the governments in the different countries in which it operates. Work organization is adapted in accordance with health authority recommendations, in particular by implementing work-from-home measures and deploying the associated digital tools.

The Group is constantly monitoring developments of the situation and whenever possible and ensures the continuity of its operations and those of its customers and partners, in strict compliance with health regulations. In this context, it is also committed to taking the appropriate measures to support its critical suppliers and subcontractors that have been most affected.

### 3.1.2 Risks related to the competitive positioning of products and services

#### Residual criticality: significant

**Risk identification**

The Group's product and service lines must be periodically improved or redesigned to keep pace with market trends, regulations and standards, and to improve competitiveness, in particular by offering modular architectures and variability that allow for adaptations to be made competitively so that each customer's specifications can be met.

Poor anticipation of demand (volume, operating performance, target cost), poorly adapted design or business model, and inaccurate estimates of development costs and of time-to-market may lead to lower than expected sales or profitability, or to inventory write-downs for certain products or services.

The markets in which Thales operates are sensitive to factors such as rapid changes in technologies, business models, or standards and regulations.

Across all of the Group's product lines, digitization, while representing an important growth driver, could also lead to market disruptions, changes in business model or the emergence of new competitors.

**Risk monitoring and management**

The Global Business Units and Business Lines which are responsible for the product policy and R&D for their scopes are organized by market to achieve coherent management of innovation efforts and a consistent response to customer needs.

Product line development is based on a dedicated procedure and organizational structure that are separate from bid and project management.

The Group develops and provides its entities with methodologies, an environment, a range of systems, software and equipment appropriate to the different levels of complexity of its products and solutions.

Every year the Group updates its strategic, industrial, and technological plans to ensure that supply matches demand, its product portfolios are relevant and competitive, it remains an expert in key technologies, and its industrial resources are optimized.

The diversity of the Group's business activities, the depth of its technology portfolio, its openness to global innovation ecosystems (universities, startups, and incubators) and a targeted acquisition policy are strengthening its ability to adapt to the changes in its markets.

In the digital domain, the Group has for several years now been pursuing an action plan structured around:

- expertise in key digital technologies by capitalizing on its R&D investments, and its acquisitions. In particular, the Group is continuing to systematically seek and exploit synergies between its traditional activities and those of the DIS Global Business Unit (formerly Gemalto);
- a constantly enriched service offering, thanks in particular to the use of secure digital platforms;
- the Digital Factory, integrated into the Engineering function to facilitate permeability between these disciplines, which also accelerates the digital transformation with its teams based in Paris, Montreal and Singapore;
- partnerships with customers to support their digital transformation.

Finally, as part of the preparation of its strategic plans, the Group regularly analyzes the strategic positioning of its business portfolio. These analyses may lead to the acquisition or disposal of businesses.



### 3.1.3 Risks related to contract execution

#### Residual criticality: significant

Risk identification	Risk monitoring and management
<p>A significant proportion of Thales' business takes the form of long-term projects which are won in what is sometimes a highly competitive process.</p> <p>These projects:</p> <ul style="list-style-type: none"> <li>• can be highly complex in terms of technology;</li> <li>• must meet operational, regulatory, or contractual requirements which are extremely demanding, difficult to achieve or changing;</li> <li>• have to deal with development or supply uncertainties during the execution phase, which often lasts several years.</li> </ul> <p>Their contractual structure (project management of major systems, consortia, joint ventures, public/private partnerships, etc.) may also add constraints and complexity.</p> <p>While these contracts are generally entered into on the basis of a fixed lumpsum selling price, their term and actual development and manufacturing costs may significantly exceed what was estimated during the bidding phase, which in turn may adversely impact Thales' results and financial position. In addition, in the event of failure to achieve the required performance or meet the scheduled timetable, customers can sometimes demand payment of penalties or even terminate the contract.</p> <p>Since the most complex contracts run over several years in accordance with current accounting standards, their economic contribution to the Group's results over a given year may be based on an estimate of the costs at completion, which can be corrected later.</p>	<p>Group bids and projects management is subject to a detailed risk assessment and management process, which is continually being enhanced.</p> <ul style="list-style-type: none"> <li>• A criticality ranking enables the corporate management of the operational entities (Business Lines, Global Business Units, Group corporate management) to monitor and approve bids and projects with the most risk attached to them.</li> <li>• During the bidding phase the management of commitments is helped by independent peer reviews and by the involvement of the functions Technical Engineering, Purchasing, Production, Legal and Contracts, Finance, and Quality. The solution being proposed is verified to ensure it meets the customer's requirements and is in line with a product policy.</li> <li>• During the execution phase, regular reviews prepared according to a common format for the entire Group measure the technical, contractual, and financial progress of each contract; particular attention is paid to changes in costs on completion, risk management, and the implementation of corrective action plans.</li> </ul>

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## Risk factors, internal control and risk management

### Operational and strategic risks

#### Risk identification

##### 3.1.3 a) Offsets

Winning major contracts, in particular those in the defense sector, may be contingent in certain countries on making a commitment to implement local offsets, which may be direct (the execution of parts of the contract by local manufacturers), semidirect (location in the customer country of Group activities which are not directly related to the execution of this contract), or indirect (local investments training industry, etc.) in domains outside Thales' principal business portfolio.

The Group's ability to factor the offset dimension into its proposals can also be a major source of differentiation, and as such have a decisive impact on its commercial success.

Non-fulfilment of contractual obligations by the requisite deadlines may expose the Group to penalties, the payment of which does not always release the obligor from its obligations. It can even compromise the Group's capacity to expand its activities in a given country.

Thales' order intake in countries that have implemented an offset policy (particularly in India and the United Arab Emirates) has led to a significant increase in its offset commitments, most of which are linked to obligations contracted prior to 2022.

##### 3.1.3 b) Customer satisfaction

Major dissatisfaction, for whatever reason (delivery delays, inadequate quality or performance, poor understanding of the issues involved, lack of proximity, etc.) and so on could damage confidence in Thales, harm its image, and cause it to lose market share.

Restoring the Group's image and positions could therefore require substantial investment and sales efforts.

Given that Thales operates in markets where the number of customers is sometimes structurally limited, the dissatisfaction of one customer could have even more significant consequences.

##### 3.1.3 c) Inflation

In 2022, the global economic environment deteriorated (consequence of the Covid-19 pandemic, Ukrainian crisis, etc.), causing general price inflation (labor, energy, transport, commodities, etc.) affecting project termination costs both internal and from the supply-chain.

As contractual provisions and anticipation measures vary according to customers and contracts, and although a majority of Thales' long-term contracts benefit from price revision clauses adapted to the situation, the Group's offers and projects may be exposed to a risk of margin deterioration due to a higher than expected increase in costs.

#### Risk monitoring and management

Thales units which export to a destination country with an offset policy are responsible for implementing the offset commitments entered into during the bidding phase and for managing their implementation.

The Group has set up specific central organizations to:

- coordinate the direct offsets policies between exporting units and destination countries or regions;
- managing certain semi-direct offset programs; in some countries, the business of the Group's local subsidiary is eligible, under certain conditions, for offset credits;
- to ensure through delegated units that indirect offset commitments are implemented, a task entrusted to a permanent management structure known as (Thales International offsets).

For areas of particular attention, local organizations have been strengthened. This is the case in the United Arab Emirates with the creation of Thales Emarat Technologies, a local company owned by Thales, whose industrial activities enable the generation of offset credits and are a lever for developing commercial activity in the country.

Thales has introduced a system for gauging its customers' concerns at all times at a number of different levels:

- a sales network of Key Account Managers, who are in close proximity to customers and in ongoing dialogue with them;
- a Quality & Customer Satisfaction organization which liaises directly with customer Quality representatives throughout the contracts;
- regular independent surveys to assess customer satisfaction and confidence and to take corrective action where necessary.

Since the first signs of rising inflation in 2022, Thales launched a global protection action plan:

- 1) bids and projects for which contractual clauses may be insufficient to preserve their profitability have been systematically listed;
- 2) coordinated negotiations have been initiated with the customers and suppliers concerned;
- 3) Group employees were made aware of these challenges and the need to mobilize all the internal levers available to reduce their impact.

The progress of this action plan is regularly reviewed by the General Management of the business units and the Group.





### 3.1.4 Risks related to the Group's attractiveness and to talent development and retention

#### Residual criticality: significant

Risk identification	Risk monitoring and management
<p>In a global context of high tension and volatility on the labor market, the Group's performance in the short- and medium-term depends on its capacity to:</p> <ul style="list-style-type: none"> <li>recruit talent with the technical skills that are particularly sought after and necessary for the execution of its activities, particularly in R&amp;D and in the engineering, software and digital sectors;</li> <li>retain employee loyalty by supporting their professional development, promoting their commitment and offering them a working environment that meets their expectations.</li> </ul> <p>If Thales were not sufficiently attractive, its development, sales and operating profitability could be negatively affected.</p>	<p>For many years, the Group has been developing an active human resources management policy to increase its attractiveness and promote the integration, retention and development of talent. This is described in section 5.4.1.</p> <p>In this context, Thales significantly increased the number of hires in 2022, while retaining key skills with a significantly lower attrition rate than the market.</p> <p>To maintain and develop its attractiveness, the Group also has:</p> <ul style="list-style-type: none"> <li>embarked on the transformation of its "Talent Acquisition" organization in order to better meet the needs of the Global Business Units and the Group's ambitions in terms of speeding up recruitment processes and creating talent pools in critical positions;</li> <li>developed its "employer value proposition" in line with its corporate purpose, with a human-centric approach, technological know-how serving society, and a wealth of career paths;</li> <li>strengthened its governance in terms of diversity and inclusion, as the social and societal division of the new CSR division aims to promote and strengthen an inclusive working culture and environment and to support local initiatives in favor of diversity;</li> <li>continued the roll-out of the "Smart working" approach, which aims to increase the collective efficiency of the teams while improving the work-life balance and well-being at work.</li> </ul>

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### 3.1.5 Risk of dependence on suppliers

#### Residual criticality: moderate

##### Risk identification

Purchasing spend represents a substantial portion of Thales' business, equaling almost half of its sales, whether in the areas of manufacturing, services, equipment, or subsystems Thales is therefore exposed to an excessive risk of dependence with respect to some of its suppliers, which could affect its performance and profitability.

This excessive dependence can take several forms:

- dependence on critical technology, particularly in the case of an exclusive supplier. Bringing on board an alternative source in the event that the supplier in question ceases trading could affect the Group's performance (e.g., in aerospace, where the time required to requalify a supplier and the associated cost could be considerable);
- supply difficulties or additional costs: the concentration or imbalance between supply and demand in certain markets (e.g. electronic components, energy, certain raw materials) may create supply tensions for Thales and its subcontractors, likely to affect the Group's performance, which would then be unable to obtain supplies at the expected cost or within the expected time period;
- economic dependence, if Thales' share of purchases account for more than 50% of a supplier's revenue, making it necessary to qualify alternative sources.

The deterioration in the global geopolitical and economic environment, notably due to the conflict in Ukraine, the recovery in inflation, the energy crisis, or the resurgence of pandemic outbreaks linked to Covid-19, have potentially weakened many suppliers and subcontractors.

##### Risk monitoring and management

Faced with an excessive risk of dependence, Thales has introduced a number of preventative or corrective measures that are coordinated by the Purchasing Department:

- searches for dual sources by technology family;
- periodic buildup of adequate stock levels;
- regular assessment of supplier markets to measure supply source concentration levels;
- monitoring of the supplier commitment rate (amount of Thales' purchase orders relative to the supplier's annual sales). When that rate exceeds 50% for more than two consecutive years, an action plan coordinated with specifiers and internal users is drawn up to reduce it;
- monitoring of the supplier's implementation of the risk control measures identified at the time of the supplier's selection.

In addition to these measures, Thales has strengthened the process of risk assessment, qualification, and operational performance management of its suppliers; supplier evaluation audits cover a broader scope (quality control systems, industrial maturity, flow optimization, compliance with regulations, expertise in the business's technical and technological processes, financial soundness, fire safety, cybersecurity, etc.), allowing for more in-depth risk analysis. The result of these assessments is a list of so-called "critical" suppliers for which action plans are initiated, shared and systematically monitored.

To improve the resilience of supply chains, Thales participates in sectoral initiatives to consolidate the aerospace ecosystem, notably in France with GIFAS, in order to encourage the emergence of national or European champions. The Group is a founding member of the "ACE Aéro Partenaires" investment fund created as part of the aerospace recovery plan.

Faced with supply tensions in the areas of electronic components and raw materials, Thales has adapted its internal organization to:

- give its suppliers 12 to 18 months' visibility on future order volumes;
- anticipate purchasing negotiations in order to secure deliveries and prices over the year 2023 by also incorporating the needs of its Tier 1 suppliers;
- diversify its sources of supply.



## 3.1.6 “Cyber” risks

### Residual criticality: moderate

#### Risk identification

##### 3.1.6 a) Cybersecurity of the Group’s information systems

The Group operates – whether directly or through service providers – complex information systems and infrastructures that are essential to the smooth running of its commercial, industrial and financial processes. These information systems include management, development, and engineering systems as well as platforms operated on behalf of its customers. Their protection against malfunctions, malicious acts, or human errors is therefore fundamental. The malfunction or failure of these systems may have external causes (viruses or other malware or ransomware, computer hacking, network failures, etc.) or internal causes (malicious acts, breaches of data confidentiality, human error or negligence, obsolescence).

Any such malfunction or failure can have an impact on the Group’s operations and its financial results.

The conflict in Ukraine has not caused any significant rise in cyberattacks; however, the upward trend observed in previous years continues. In this context, in 2022, the Group faced the malicious “lockbit” organization, which illegally acquired a limited volume of low-sensitivity information after having stolen two identifiers allowing access to systems external to the corporate network, without any impact on the Group’s operations or systems designed, delivered, or operated by the Group ; no system or application vulnerability or any malicious software were used on these systems external to the Group’s networks.

#### Risk monitoring and management

The Group has implemented multi-year plans to develop its protection measures in order to deal with part of its information systems being temporarily or permanently unavailable as well as any cybersecurity threats to these systems. These plans are managed by an organization dedicated to information system security and include regular audits to confirm the measures’ effectiveness.

A plan to protect against risks related to cybersecurity has been defined and implemented in the countries where the Group currently operates. Based on risk analyses, this plan includes the adaptation of the protection measures already in place and introduces new measures to heighten protection against “cyber-sabotage”, “cyber crime”, or “cyber espionage” attacks in order to identify and correct any non-compliance. This includes monitoring system vulnerabilities and simulating intrusions.

The plan also includes the implementation of threat monitoring and supervision resources, known as “Cybersecurity Operation Centers”, coordinated at the global level so that operational anomalies and incidents that could affect the security of systems are identified as early as possible and the appropriate solutions put in place.

A number of “key rules” on the security of the information systems – derived from the Thales security policy for its information systems which is aligned with ISO 27001 – aim to ensure the convergence and coherence of cybersecurity strategies throughout the Group. Their effective application is regularly monitored and reported to the Information System’s Security Department.

The plan is completed by an element aimed at raising employee awareness of these threats: communication and training initiatives are implemented to help users maintain the security of their IT systems and to remind them of best practices when using them. On-site and online discussion forums are regularly organized with all employees.

In 2022, a total of 16 information system security audits were performed, 5 of these jointly by the Audit, Risks & Internal Control Department and the Information Systems Security Department. These audits incorporated technical information system security tests (or “intrusion tests”).

In addition to the Group’s normal practices (just need to know, access rights, etc.), which have fully contributed to limiting the impact of the “lockbit” attack, its analysis made it possible to identify and deploy additional remediation measures to reduce the occurrence of similar scenarios. These include speeding up the deployment of multi-factor authentication on all systems, or the continuity of use of sensitive data encryption.

Lastly, the Group is continuing its program to assess and support the rise in cyber maturity of its partners and suppliers, in order to mitigate the risks inherent in its supply chain.

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**Risk identification****Risk monitoring and management****3.1.6 b) Cybersecurity of the products, systems, and solutions delivered**

The Group designs, develops either alone or with partners and subcontractors, and delivers a large number of products and systems that are mission-critical and exposed to cyber threats.

The Group also designs, develops, and supplies systems or products with in-built cyber protection capabilities. It also provides cyber-protection services (e.g., monitoring for cyber attacks on customers' systems, auditing, and testing customers' cybersecurity systems).

In both cases, these products and systems might fail in the event of cyber attacks and result in malfunctions for customers.

The failure of these products and systems might impact the business activity of the product lines concerned, the Group's reputation, and hence its financial results.

Thales might not detect a failure despite the tests that are performed.

Cyber protection products are generally subject to qualification under the auspices of third-party organizations, such as ANSSI, the French agency for information systems security in France. The assessments leading to such qualification are performed based on a security target approved by the regulator.

With regard to the systems designed and delivered by Thales, the Group has established the "Cyber-secured in Thales" project which aims to strengthen the cybersecurity of the existing systems as well as those in development on a regular basis.

The most critical and most exposed systems have been mapped resulting in the preparation of a plan for testing and remediation.

The teams responsible for cybersecurity services are regularly audited by certification bodies.

Finally, Thales is committed to adapting the cybersecurity of its products and services to new threats. This approach is implemented in conjunction with the French Ministry of the Armed Forces and through the signature of "Cybersecurity agreements" with major industrial prime contractors.



## 3.1.7 Environmental risks (environment and climate)

### Residual criticality: moderate

#### Risk identification

#### Risk monitoring and management

##### 3.1.7 a) Environmental impacts related to the Group's business activities (NFPS)

The Group's activities may affect the environment through 1) the emissions they generate and the use of natural resources, or 2) in the event of an industrial accident. In addition, the use of the products and solutions provided by the Group, throughout their life cycle, contributes to 1) the production of atmospheric emissions, including greenhouse gases contributing to climate change, and 2) the production of end-of-life waste.

The industrial footprint of Thales sites and activities, which remains small, exposes the Group in a limited way to sanctions or damage to its image, particularly if certain activities do not comply with the increasing laws and regulations in this area.

The Group's activities may be affected by the energy crisis and changes in energy costs, particularly in Europe.

The low-carbon strategy implemented by the Group for several years reflects its commitment to combating climate change and its desire to contribute to the drop in its emissions and those of its value chain. Despite the many initiatives already undertaken (see opposite), the Group may, however, be unable to fully achieve some of the stated objectives over the time frame it has set itself.

Risks induced by climate change (natural disasters, supply chain disruptions, economic instability, etc.) could have negative effects on the Group's ability to adapt, on its performance and on the resilience of its business model.

The Group constantly analyzes the environmental impact of its activities, considering regulatory, social, and technical developments and the sensitivity of the environments concerned. It also strives to optimize its operations, as far as possible in order to limit its industrial footprint.

The Group has introduced an organization, processes, and tools to control the activities carried out at its industrial sites and to limit their environmental impact (see section 5.5.1.3).

For several years, the Group has implemented a process to assess and reduce its sites' exposure to natural disasters (see section 5.5.2.3) in order to reduce its vulnerability to the physical effects of climate change. In 2022, it also conducted an in-depth forward-looking analysis of the resilience of its subsidiaries to the physical risks associated with climate change and of its business models, in reference to the IPCC scenarios (see section 5.5.3.2.3). Thales has also conducted an in-depth analysis of its environmental compliance (covering France, the United Kingdom and the Netherlands) by a specialized legal firm (see section 5.5.2.2).

Biodiversity protection is taken into account in the Group's environmental footprint reduction strategy (see section 5.5.4.2.4).

The Group has made quantified and measurable commitments to reduce its impact on the environment. In particular, it is pursuing a strategy to reduce its carbon footprint, with targets for 2023 and 2030 aligned with the Paris Agreement and taking into account the Science Based Target methodology. These targets were revised in 2021 to achieve a "Net Zero" level for operational emissions by 2040, ten years earlier than the 2050 horizon set out in the European Green Deal (see section 5.5.3.2.1). This strategy for a low-carbon future is supported by detailed action plans in four areas: mobility, operations, purchasing and products.

The "operations" component is based on a renewable energy purchase strategy and includes specific energy efficiency action plans (see section 5.5.3.2.3) that contribute to the Group's resilience during the current energy stress period. The "purchasing" component is reflected in the involvement of suppliers and subcontractors, particularly the most emitted ones, in the implementation of the Group's low-carbon strategy.

Achievement of the Group's stated objectives is measured on a regular basis and is consolidated and published annually (see section 5.9.3).

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## Risk factors, internal control and risk management

### Operational and strategic risks

#### Risk identification

##### 3.1.7 b) Impacts related to changes to regulations (NFPS)

The complexity and rapid evolution of environmental regulations, as well as non-financial reporting constraints, the increasing integration - by Group clients - of ESG criteria in calls for tenders, changes in societal expectations, or voluntary sector commitments could, in particular for products and solutions with long development cycles (e.g. aeronautics), disqualify technical solutions developed by the Group or its subcontractors.

This could result in:

- the need to qualify and implement alternative solutions;
- to make supply chains evolve;
- to upgrade certain industrial facilities;
- significant costs and delays related to these changes;
- the need for new information collection and analysis tools and the development of standardized quantification methods;
- to develop a number of internal skills and resources.

Regulatory differences between countries make it more difficult to verify the compliance of marketed solutions, and could introduce a competitive disadvantage.

#### Risk monitoring and management

The Group's analyses of environmental risks are regularly updated on the basis of an active international regulatory monitoring process that considers new issues, the expectations of our customers and voluntary sector commitments. Specific attention is paid to regulatory developments relating to products and chemical substances (e.g. REACH in Europe), the circular economy, water, pollution, climate change, and biodiversity.

In 2022, Thales continued to implement changes related to UK regulations (UK REACH) and carried out internal work to anticipate the planned updating of the REACH EU regulation.

More generally, substances at risk of being banned or restricted for use are identified in order to implement alternative solutions in anticipation of regulatory deadlines (see section 5.5.4.2). This approach is integrated into the design of new products.

The regulatory differences are also factored into the design of the Group's products and solutions.

## 3.1.8 Risks related to investments

### Residual criticality: low

#### Risk identification

Thales carries out some of its business through companies in which control is shared with, or exercised by, other partners. In 2022, the share in net income of equity-accounted companies accounted for around 11% of the Group EBIT.

A deterioration in the performance of these companies may impact the Group's results and financial position.

In absence of exclusive control, Thales could be subject to decisions which are harmful to its interests.

Furthermore, the application of management rules and principles in these entities may differ from those adopted by Thales for entities over which it exerts exclusive control. Access to financial or operational data could be more limited than in the entities where Thales exercises exclusive control.

#### Risk monitoring and management

The Group aims to define appropriate governance methods by seeking to be represented on the Board of Directors (or a similar decision-making body) and more generally to negotiate contractual or governance provisions that are in Thales' best interests.





## 3.2 Legal and regulatory risks

### 3.2.1 Compliance

#### Residual criticality: moderate

Risk identification	Risk monitoring and management
<p><b>3.2.1 a) Trade Compliance</b></p> <p>Thales markets its products, solutions, and services across the world to a very large number of public and private customers.</p> <p>Some of the Group's activities are subject to national or international regulations relating to export control, transfers of war hardware, and "dual-use" goods.</p> <p>The Group's activities may also fall within the scope of certain economic sanctions or restrictive measures adopted against a country, territory or natural person or legal entity: freezing measures, embargoes, restrictions on the import or export of goods or technologies in particular.</p> <p>Thales must be able to react quickly to implement, where appropriate, any restrictive measures applicable to its activities or clients.</p>	<p>In order to comply strictly with the regulations in force, the Group develops and deploys a Trade Compliance program based on the most demanding existing standards. This program covers the following two areas:</p> <ul style="list-style-type: none"> <li>● Compliance with national and international export control regulations;</li> <li>● Compliance with international economic sanctions and restrictive measures.</li> </ul> <p>It is based on the following principles:</p> <ul style="list-style-type: none"> <li>● Instructions regularly published by the Group;</li> <li>● A structured and globally deployed Trade Compliance organization;</li> <li>● Training and awareness-raising sessions provided in the business units concerned;</li> <li>● The deployment of tools to automate control tasks and secure the Group's operations;</li> <li>● A relationship of trust with the competent authorities in the countries in which Thales operates;</li> <li>● This committee is chaired by the Director of the Audit, Risks and Internal Control Department (DARCI).</li> </ul> <p>Details of this program and the Group's Trade Compliance organization are set out in section 5.6.1.4 of this document.</p>

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**Risk identification****3.2.1 b) Compliance with the rules of ethical business conduct (particularly anti-corruption and influence peddling) (NFPS)**

Thales' business encompasses a variety of sectors in more than 60 countries.

Failure to comply with the laws and regulations applicable to ethical business conduct (which are increasingly extraterritorial in scope) and, in particular, the fight against corruption and influence peddling may have serious legal and financial consequences for the Group, and severely damage its reputation.

**Risk monitoring and management**

The Group's Anti-Corruption Compliance Program, which has been in place for many years, is continuously strengthened to prevent and detect the risks identified by the Group based on a specific mapping dedicated to the risks of corruption and influence peddling, as required by the French "Sapin II" legislation. This mapping was updated in 2022. This program has been developed by the Ethics & Integrity Department (DEI), validated by the Integrity and Compliance Committee (CIC) (see 3.4.2), and is implemented by the network of Chief Compliance Officers and Compliance Officers, under the supervision of the CIC.

In 2022, the ISO 37001 "Anti-bribery management system" certification was renewed (1) for a scope comprising Thales SA, the companies it controls in France, and several subsidiaries of Thales International SAS (Thales EURAM, Thales AMEWA and Thales NSEA), and (2) extended to two major countries of its international organization, the United Kingdom and the Netherlands.

In 2023, the Group plans to extend the scope of this certification to two additional major countries in its international organization: Canada and the United States.

In 2022, the Group began rolling out its new Anti-Corruption Internal Control Manual (MCIA) and the Minimum Anti-corruption Questionnaire (MAQ) specifically aimed at some 200 very small Group entities (small subsidiaries, representative offices, stable establishments, etc.).

In addition, external and internal audits are performed regularly to ensure strict compliance with Group rules and procedures on the prevention and detection of corruption and influence peddling. In particular, the following were audited in 2022, within the Group's scope: a) the implementation of the third-party integrity assessment process, b) the deployment of the internal anti-corruption training plan, and c) the internal alert system.

The Group's anti-corruption and influence peddling policy is described in section 5.6.1.2.

**Risk identification****3.2.1 c) Compliance with competition rules**

The Group's business activities are subject to numerous national and international regulations aimed in particular at combating anti-competitive practices, whether concerning suppliers, customers, partners, or the competitors themselves.

Infringement of these rules could lead to severe sanctions, such as fines, payment of damages, statutory prohibitions and criminal penalties. Such sanctions could also have a serious impact on the Group's reputation.

**Risk monitoring and management**

In order to prevent these risks, the Group regularly reinforces its compliance program, with a) a legal team dedicated to competition rules and to the analysis of sensitive agreements and projects, and b) an awareness policy based on guides, guidelines or procedures, as well as training for the most exposed activities and personnel (as resulting from a risk mapping).

This program covers all anti-competitive practices covered by national and international regulations, including those relating to (i) anti-competitive agreements (e.g. price fixing, market distribution, etc.), (ii) abuse of dominant position (e.g. abusive discrimination, rebates and rebates, etc.), (iii) control of concentrations and control of foreign investment, and (iv) State aid.

The program for compliance with competition rules put in place by the Group is detailed in section 5.6.1.4 of this document.



## Risk identification

## Risk monitoring and management

### 3.2.1 d) Compliance with the rules relating to the Protection of Personal Data

Thales is exposed to the risk of noncompliance with the regulations concerning the protection of personal data and, more specifically, the European General Data Protection Regulation (GDPR) which came into force on May 25, 2018.

Like any entity based in the European Economic Area, Thales is impacted by this Regulation as a "data controller" when the Group has to process the personal data of its employees.

Thales is also impacted by this Regulation as a "data processor" when it has to process personal data on behalf of its customers.

Thales has deployed a compliance program, under the coordination of a Group Data Protection Officer (DPO) supported by a network of correspondents in the various functions and entities, the basis of which is a Group personal data protection policy applicable both when Thales is the data controller and when it is a subcontractor.

As part of this personal data protection strategy, Thales has, for example, introduced a personal data processing register, reviewed the Group's policy procedures, provided training for its employees, and put in place tools to ensure that the Regulation is correctly applied.

The Group's data protection compliance program is described in section 5.6.1.6 of this document.

## 3.2.2 Protecting intellectual property

### Residual criticality: low

#### Risk identification

Given that it develops solutions with significant technological content, Thales is exposed to the risks of:

- infringement of its intellectual property rights;
- allegations of infringement of intellectual property rights belonging to third parties;
- dependence on technologies belonging to a third party;
- marketing of products incorporating key patents in the telecommunications field that could involve the infringement of intellectual property rights ("patent pools").

#### Risk monitoring and management

To monitor and manage intellectual property risks Thales relies on a governance structure comprising a network of Intellectual Property Managers (IPM) and IP legal officers who implement the policy decided at Group level and more particularly by the Technical Department.

Thales' intellectual property is protected by the enforcement of intellectual property rights (copyright, patents, trademarks domain names) and contractual rights.

To reduce the risk of reliance on critical third-party technologies, Thales has implemented a process to identify these technologies and manage each situation with a precise strategic Make/Team/Buy plan.

Given the nature of its activities and the specific features of its products, Thales conducts most of its research and development work inhouse and focuses on controlling the key technologies which are critical to the business.

To reduce the risk of third-party actions for alleged infringement of their intellectual property rights by Thales entities of the Group, Thales identifies and analyzes this risk in the context of its own patent filing procedures and/or when embarking on technical research or product development. In the event of a third-party claim against a Thales company, the legal and technical analysis of the allegedly infringing products and intellectual property rights are handled centrally by Thales experts with the assistance of specialist external consultants where needed.

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## 3.3 Financial risks

### 3.3.1 Liquidity, exchange rates, and customer credit

#### Residual criticality: low

##### Risk identification

##### 3.3.1 a) Liquidity

The Group's liquidity risk is the risk of it being unable to meet its cash needs out of its financial resources. In particular, it relates to Thales' level of exposure to changes in the main market indicators that could lead to an increase in the cost of credit, or even to a temporary limitation of access to external sources of financing.

##### Risk monitoring and management

The Group manages this risk by endeavoring to anticipate its cash needs and ensures that these are hedged by the Group's short-term and long-term financial resources as follows:

- shareholders' equity, detailed in Note 8 to the consolidated financial statements;
- gross debt, detailed with a breakdown by maturity in Note 6.2 to the consolidated financial statements;
- a confirmed bank credit line totaling €1,500 million, not used as of December 31, 2022, maturing in 2027;
- and a commercial paper program (NeuCP).

##### Risk identification

##### 3.3.1 b) Foreign exchange

Due to the international nature of its business, Thales is exposed to the risk of exchange rate fluctuations.

The main exposure arises from current business activity, to the extent that part of this activity is billed in a currency other than the functional currency of the entity bearing the related costs. To a lesser extent, cash pooling and the holding of net assets in countries outside the eurozone also expose the Group to a foreign exchange risk.

The financial statements of Thales' subsidiaries located in countries where the functional currency is not the euro are translated into euros in the Group's consolidated financial statements. A fall in these currencies against the euro is likely to have a negative impact on the accounts. Its impact on profitability is limited however since the cost base of these subsidiaries is essentially in the same currency as their sales. The main currencies concerned are the pound sterling, the US dollar and the Australian dollar.

In addition, for certain Group businesses, in particular in civil aviation, the US dollar ("USD") is the reference transaction currency. For activities performed outside the dollar zone, the fall in the USD against the functional currency of the entity concerned might negatively impact the Group's financial statements. It should be noted in this regard that the inflight entertainment and connectivity business, which is mainly based in the United States, is naturally immune to this risk.

Lastly, the Group is also exposed to an "indirect" dollar risk on contracts denominated in currencies other than the dollar. This occurs when it is bidding against companies that benefit from a cost base in dollars. Aviation, space and defense are particularly likely to be exposed to this "indirect" dollar risk.

##### Risk monitoring and management

A significant portion of Thales' activity is naturally protected from foreign exchange rate fluctuations since more than 40% of its sales are generated in the euro zone, which is also the region where the Group conducts most of its manufacturing.

In the event that the US dollar is the reference transaction currency for business performed outside the dollar zone, a specific policy for hedging foreign exchange risk is implemented through market transactions (forwards and options).

A similar approach is adopted if a customer requires a contract denominated in a currency other than the functional currency of the entity in question.

Additional information can be found in Note 6.6 a) in the consolidated financial statements as of December 31, 2022.



## Risk identification

### 3.3.1 c) Customer credit

Credit risk relates to the risk that a party to a contract will default on its commitments or fail to pay what it owes.

More than 60% of Thales' sales come from government customers. Among the countries with which Thales works, some of them could present a significant credit risk which could for example lead them to suspend an order in production or render them unable to pay on delivery as agreed under the terms of the contract.

Less than 40% of Thales' sales come from non-government customers (private operators of critical infrastructure, aircraft manufacturers, etc.). These customers may encounter major and/or prolonged financial difficulties that could lead to payment defaults.

## Risk monitoring and management

To limit its exposure to customer credit risk, with respect to public-sector, state, or institutional customers, Thales takes out insurance with export credit agencies (such as Bpifrance) or private insurers.

Additional information can be found in Note 6.6 b) to the consolidated financial statements as of December 31, 2022.

With regard to its non-governmental customers, Thales regularly reviews their ability to meet their obligations. If necessary, Thales may request bank guarantees or support from their parent company or use credit insurers.

Additional information can be found in Note 6.6 b) in the consolidated financial statements as of December 31, 2022.

## 3.3.2 Pension commitments

### Residual criticality: low

#### Risk identification

Defined benefit pension plans are in place for certain Group employees, mainly in the United Kingdom, which are financed by the Group, under the provisions of the applicable national legislation. As such, as of December 31, 2022, Thales' pension commitments in the United Kingdom for continuing operations amounted to €2,915 million covered by €2,458 million in investments representing an underlying funding shortfall of €457 million.

Changing market parameters can lead to a substantial change, either up or down, in the amount of the shortfall, as well as the annual costs of defined benefit plans. The main sensitivity factors are as follows:

- the level of the discount rate for liabilities, with a decrease (or respectively increase) in this rate leading to an increase (or respectively decrease) in the latent shortfall;
- changes in the total return on investments;
- changes in the forecast inflation rate;
- a substantial modification in mortality tables;
- exchange rate fluctuations (mainly pound sterling against the euro).

#### Risk monitoring and management

Thales has introduced six-monthly reporting on its pension plan commitments and regularly examines the sensitivity of the underlying funding shortfalls to possible market changes. In the United Kingdom the defined benefit pension scheme has been closed to new entrants since 2002. They now benefit instead from a defined contribution scheme. The assets used to cover the defined benefit commitments are managed on the basis of the long-term maturity of the commitments they cover and in accordance with applicable regulations managed by trustees, with the Group being consulted. The Group is also involved in the plan's general risk management policy (in particular the investment policy and interest rate and inflation risks), under conditions that are reviewed at the time of the triennial valuations.

The latest three-year valuation of the UK's main scheme, carried out on the basis of its situation at the end of 2020, made it possible to keep the annual amount of the Group's contributions to this scheme unchanged.

Additional information can be found in Note 9.3 to the consolidated financial statements as of December 31, 2022.

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## 3.4 Risk control environment

### 3.4.1 Internal environment

In most of its activities, the Group is subject to a control environment imposed by its customers and regulatory authorities (Ministries of Defense, Industry, customer country authorities, civil aviation, etc.) which require demanding certifications and controls.

These specific constraints are in addition to legal obligations and are an integral part of the Group's control environment.

The Thales organization follows the internationally recognized "three lines of defense" model, which provides an effective way to improve risk management and control by clarifying key roles and duties. The management bodies and the General Management are the main stakeholders of these three lines of defense.

The first line of defense is the operational management functions that accommodate and manage risk, described in section a) below.

The second line of defense consists of functions that monitor risks (including risk assessment, financial control, security, quality, compliance, insurance), described in section b) below. The internal control system implemented within Thales is based on the COSO 2013 (Committee of Sponsoring Organizations of the Treadway Commission) and IFRACI international standards; it aims to provide reasonable assurance on the achievement of the Group's objectives through:

- the effectiveness and efficiency of internal processes;
- internal control of accounting and finance:
  - to ensure the reliability of information used internally for steering and control purposes, and of published accounting and financial information,
  - to prevent the risk of fraud;
- legal compliance, which aims to ensure that regulatory obligations are met.

The third line of defense is the Internal Audit function, whose mission is to provide independent assurance, and which is described in section c) below.

#### a) The main operational players of risk management

As of December 31, 2022, the Thales organization is based on a two-dimensional matrix structure, Global Business Units (GBUs) and countries:

- Global Business Units are organized into Business Lines (BL) that cover a coherent range of products, solutions and services; Globally, for the products, solutions and services entrusted to them, the Business Lines are responsible for strategy, product and marketing policy, competitiveness, customer access, contractual commitments, engineering, development, production, integration, quality and services, industrial organization, optimization of resources, and economic performance (contribution to operating income and cash generation);
- Each country manager is responsible for ensuring that all aspects of the Group's policy are properly implemented in the territory for which they are responsible, and for managing relations with local customers and partners.

The Group's main countries of operation (Australia, Canada, France, Germany, Netherlands, United Kingdom and United States) share responsibility for local offers and projects with Global Business Units. The Country Manager is involved in all decisions taken by Global Business Units regarding organization and appointment, or relating to offers, projects and competence centers of any kind in their territory. They are responsible for the development of human resources and the optimization of industrial resources. They are also responsible for Thales' institutional relations, as well as communications.

The head of each of the six main countries, excluding France, (see list above) reports to a "Non-Executive Chairman", appointed from among the Group's senior managers. This Non-Executive Chairman ensures cohesion between the country and headquarters, and acts as a liaison between the country manager and the Executive Committee of the Group.

In the rest of the world (other European countries, Africa, Latin America, Asia and the Middle East), the country or regional manager reports to the International Development Departments (DGDIs).

The Group defines common processes and internal delegation rules that reflect the sharing of responsibilities, provides entities with the corresponding tools, and organizes shared services.

These delegations are implemented within the legal entities and are coordinated by the countries.

The Group's management bodies include the Global Business Units, the countries and the functional departments and have overall responsibility for the Group's internal control system, relying in particular on internal processes and the work of the Risk Management Committee and the Risk Assessment Committee.

A key principle of the Group's governance is the accountability of the managers of the operating entities, who are responsible for implementing and maintaining the risk management system and the internal control system within their operating entities.

Finally, certain complex or high-risk operations are carried out exclusively by the central departments, which ensure the sharing, consistency and coordination of Group practices. A specific internal control system has been set up to manage the risks associated with these operations. As a result:

- total or partial acquisitions or disposals of businesses are the sole responsibility of the Group's General Management. Global Business Units propose projects at the periodic meetings of the Mergers and Acquisitions Committee, which is composed of the main central departments;
- all real estate transactions are the exclusive responsibility of the Group's Real Estate Department. The latter delegates certain operations, particularly outside France, either to a country organization or to a local company, while ensuring that they are supervised.

In 2022, the entities in the Ground Transportation Systems (GTS) Global Business Unit were gradually separated from the rest of the Group's activities in anticipation of their sale to Hitachi; the governance of these activities was adapted to this situation while ensuring strict compliance with the Group's rules, particularly in terms of compliance, transparency and cooperation between the various operational, functional and geographical divisions.





## b) The main internal control and risk monitoring functions

### Operations and performance function

The Operations and Performance Department manages all the operational resources needed to carry out projects, ensure customer satisfaction and quality, and contribute to risk management. It validates the most sensitive offers with the Finance and Information Systems Department, according to defined criteria, and organizes reviews of projects deemed critical as needed. It oversees plans to strengthen the skills and certification of bid and project managers, deploys and improves bid costing and project management tools, and provides ad hoc assistance and support to Global Business Units and countries that request it. In each entity, the Operations Director coordinates the management of all business risks in close cooperation with the Legal & Contracts Director and the Finance Director of their unit.

Within this department, the Quality and Customer Satisfaction function defines the quality policy and objectives, and initiates the customer satisfaction improvement process. It pilots the Chorus 2.0 process management framework, applicable to all Group entities. Its representatives in each operational entity carry out quality assurance activities for offers, projects and products, to ensure that customer requirements are taken into account and met, and to secure the execution of operations.

The Thales reference system, Chorus 2.0, structured by process, defines the rules, practices and methods to be implemented by each Group entity. It also contains all the governance notes governing the organization and operation of the Group. It is accessible to all Group employees via the intranet.

Its modular architecture allows it to be adapted to the context of the activity; it is accompanied, at the level of each country and each entity, by local rules and practices.

Chorus 2.0 provides all Group companies with a common language and a unified set of management processes defining the roles, rules, practices and operating methods to be applied; it also aims to achieve uniform organizational alignment throughout the Group.

Chorus 2.0 structures the Group's internal control system and is naturally part of the guidelines used by the Internal Audit, Risk Management and Internal Control Department.

Chorus 2.0 is an essential tool for each entity to have its management systems certified in terms of quality, health, safety and the environment and with regard to the norms and standards applicable to each activity.

Thales has obtained and maintains certifications in its various activities with respect to applicable standards and regulations, which attest to its ability to manage activities through the mastery and proper application of processes defined to meet its customers' expectations. In terms of Quality, all the Group's activities are certified to ISO 9001, to which a number of standards are added, depending on the activity, such as (non-exhaustive list) AQAP 2110 (NATO quality reference in the defense sector), EN 9100 (European standard describing a quality assurance system for the aeronautics and space sectors) civil airworthiness approvals Part 21 subpart G for production activities, Part 145 for maintenance activities, Part 147 for aeronautical maintenance training and state airworthiness approvals (FRA21Z design approvals, EMAR/FRA21G production approvals, EMAR/FRA145 Maintenance Organization approvals, etc.), ISO 14001 and ISO 45001 (for Environment, Health & Safety at Work aspects), ISO 27001 (for Information Security Management System aspects), ISO 20000 (for Service Management System aspects), ISO 37001 (for the Anti-Corruption Management System aspects).

Thales is committed to a continuous improvement process: the Group has set up internal and external assessments, based on international standards, which enable the Group to identify and prioritize its potential continuous improvement needs and to monitor the associated action plans.

To develop the maturity of its operations, Thales has built a maturity model called Thales Integrated Maturity Systems (TIMS). It is the benchmark structure deployed by the Group to support maturity management and improve performance.

This maturity model is shared by the entire Group and covers all the processes of the Chorus 2.0 management system.

Maturity assessments are entrusted to qualified assessors recognized within their disciplines, as well as to the quality managers of the operational entities.

### Finance function

The Group's Finance Department is represented in each Global Business Unit, in each operating entity, and in each of the main countries by a Finance Director who reports functionally to it. The implementation of internal control over accounting and financial reporting is entrusted to these Finance Directors, who have local teams within their area of responsibility to ensure that financial information is prepared in compliance with internal control rules.

At the time of the closing of the annual and half-yearly financial statements, the General Managers and their Finance Directors issue a letter of affirmation to the Group's Finance Department, certifying the accuracy and completeness of the financial data submitted for consolidation.

Accounting and financial operations are managed by the Group's Finance Department. Its central organization includes:

- an accounting and consolidation function, which is responsible for the preparation and presentation of the Group's consolidated statements. The teams in charge of consolidation ensure that regulatory and normative changes are taken into account. They use a single consolidation software package, chosen from among the market standards, which enables accounting information from the various Group entities to be fed back to them, while guaranteeing controls on consistency at the source. The transfer of entries to the headquarters is only authorized after validation. Training sessions and expertise on the tool within the Group's consolidation teams ensure that the software is mastered. The Group's accounting and financial procedures, presented in Chorus 2.0, are applicable to all entities. In particular, they define:
  - the accounting rules and principles applicable to the preparation of consolidated financial statements under IFRS,
  - the hierarchy and levels of reporting required by the Group, financial cycles, the role of finance in operational processes and the management rules to be applied by Group entities,
  - the content and format of periodic reports,
  - the respective roles of the central teams and the teams within the entities in the conduct of treasury and financing operations and the procedures to be applied in terms of short-term cash management, the operation of the foreign exchange risk hedging system and the associated reporting rules.

The ICQ internal control questionnaire, completed by the Finance Departments (see the section on Business Risk Assessment and Internal Control Functions below) and the accompanying instructions, constitute a complementary reference framework and contribute both to making financial reporting more reliable and to preventing the risk of fraud.

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## Risk control environment

The financial reporting system is based on these accounting and financial procedures, and the centralized consolidation process is supported by a single tool. The entity Finance Directors are responsible to the Group Finance Department for ensuring compliance with these procedures;

- a management control and budget function, which analyzes the Group's financial data and prepares monthly summaries with comparisons to the budget and to comparable periods in previous years. On this occasion, the financial forecasts for the half-year and the current year are reviewed and commented on in order to steer the activity towards the set objectives.

Monthly results are analyzed to identify budget variances and to update annual forecasts for order intake, sales, earnings and cash flow. This process, which is carried out within the entities, makes it possible to consolidate the vision of the Global Business Units and the Group and to identify, where necessary, the action plans required to achieve the objectives.

Annual budget targets are set in three stages:

- the Global Business Units draw up a strategic plan for a minimum period of four years, adjustable according to their business models, which is submitted for validation to the Group's General Management,
- in a second phase, each Global Business Unit, each major country of operation and the International Development Department present a detailed two-year budget plan to the Group's General Management. This plan is based on commercial assumptions set in advance by the sales departments, in line with the strategic plans of the Global Business Units,
- finally, the General Management sets the objectives of the Global Business Units, the major countries of operation and the International Development Department, ensuring overall consistency. The first year of the budget plan is then subject to monthly reporting, which serves as a reference for the Group's management;
- a treasury, financing and financial engineering function, which optimizes the financing of the Group and its contracts and manages the Group's financial risks (liquidity, foreign exchange, customer credit, pensions, etc.) on a centralized basis. The Group Treasury, Financing, and Financial Engineering Department (DTFI) is responsible for financing subsidiaries, managing the Group's cash positions in all currencies and offsetting cash surpluses and requirements. DTFI also manages the Group's foreign exchange position and, in particular, hedges the foreign exchange risk of all entities. Lastly, this department coordinates and supervises the implementation of market guarantees, customer financing and, more generally, instruments designed to secure payments receivable and cover the group against the financial consequences of contract interruption;
- a tax function, which provides support to the operational entities, particularly with regard to applicable tax controls and in the context of tax audits. This function also monitors tax consolidations carried out within the Group and checks their overall consistency;
- an insurance function, responsible for implementing the insurance policy and managing insurable risks. This centralized Insurable Risk Management Department also ensures that the policy is implemented by Group companies.

The Group is covered against the financial consequences of accidental damage to property or persons by appropriate insurance policies taken out with leading international insurers and reinsurers.

The insurance policies taken out by the Group to cover these major risks relate to risks such as:

- property damage and consequential business interruption,
- transport of goods,
- assembly and testing,
- aeronautical liability, including aeronautical product liability, and hull insurance,
- space product liability,
- risks of damage to or by ships borne by the subsidiaries in their capacity as integrators of naval products,
- general civil liability,
- environmental liability,
- liability of corporate officers and managers,
- individual Accident - Repatriation Assistance for personnel on assignment,
- cyber.

The Group did not suffer any major losses during the year 2022.

The Group's policy is to obtain insurance coverage on the market at rates and within limits that it considers reasonable in relation to market conditions. Insurance covering major risks is limited by coverage ceilings; in addition, general exclusions for the entire market (e.g. asbestos risk) apply to Thales.

For property damage and consequential business interruption insurance, the maximum limit of coverage in 2022 is €1.3 billion. This limit takes into consideration the estimated maximum possible loss caused to a specific industrial site.

The levels of liability insurance coverage are based on the measurement of reasonably foreseeable risks to the Group identified in the risk maps carried out in the main activities and at Group level. These levels of coverage are also a function of the coverage capacities available in the insurance market. Insurance coverage for aviation liability commitments is the subject of a specific program.

The insurance industry depends on the financial markets, among other things. Also, there is no guarantee that Thales will be able to maintain current levels of insurance with similar financial conditions in the future.

In order to reduce exposure to insurance market volatility, major risk coverage is structured in two tiers:

- the Group's retention of claims through captive insurance and reinsurance companies, for property damage and consequential operating losses, cyber, transport, general civil liability, assembly & testing and space risks,
- the transfer to the insurance and reinsurance markets of the payment of catastrophic or high intensity claims.



At the same time, an active policy of prevention and protection of industrial sites aims to reduce the frequency and magnitude of accidental fire or explosion risks as well as to detect other exposures to natural or environmental disasters and the vulnerabilities of critical industrial facilities. In 2022, 55% of the insured values have been audited as “multi-hazard” by the insurers in the context of their visits to the main operational sites. These physical audits were supplemented by video-conferences to monitor prevention plans with smaller sites, representing 2% of insured values.

In application of the Group’s processes, resources have been put in place to ensure that operations are maintained as effectively as possible and to minimize the consequences of an unforeseen event. A crisis management organization and tools make it possible to deal as effectively as possible with the immediate consequences of a catastrophic disaster and to take the necessary emergency measures.

In addition, a policy of prevention of critical supplier sites has been pursued, aimed at reducing the risk of operating losses for Thales due to an accidental incident occurring on their sites.

In addition, the Group continues to implement an insurance policy designed to cover the exposure of its employees in their professional activities. Finally, specific and/or local coverage is taken out to comply with current regulations or to meet the particular requirements of certain activities or projects, such as public-private partnership contracts.

### Ethics & Integrity

Ethics & Integrity develops and updates the Anti-Corruption Compliance Program and other integrity programs. It prepares and proposes to the General Secretariat the key areas of other ethical policies on which the Group should position itself. It contributes to the definition of the corporate responsibility policy with other General Secretariat departments.

It receives internal alerts sent via the Group’s alert system and participates in their processing in accordance with the procedure established by the Group.

In general, it defines and implements the means to promote and disseminate a culture of ethics and integrity within the Group.

### Legal and contracts function

The Legal and Contracts Department (LCD) is comprised of three organizations:

- A “corporate” organization at the service of the operational entities, drawing on legal experts.
- An organization of legal experts and “Contract Managers” deployed within the operational units to provide expertise in the contractual field, from the preparation of the offer to the end of the contract.

- An organization of “Chief Compliance Officers” and “Compliance Officers”, deployed throughout the Group, responsible for implementing the program to prevent corruption and influence peddling. It also develops, updates, deploys and implements the other compliance programs relevant to the Group, taking into account the most sensitive regulations applicable to its activities (Trade Compliance, Competition law, Intellectual Property Protection, Personal Data Protection, Environmental law), which are developed and updated by the Compliance Experts of the Legal & Contracts Department. When they are part of the alert monitoring committees (at Group level or at the level of the major countries in particular), the Chief Compliance Officers/ Compliance Officers receive internal alerts sent via the Group alert system or the alert system dedicated to the country concerned within the framework of the Group alert procedure, and take part in their processing.

The Human Resources Department (HRD) also has a network of lawyers specialized in labor law who provide support to Group entities. LCD and HRD call on external legal firms if necessary.

With the exception of disputes relating to relations with employees and trade unions, which are handled by the Human Resources Department, disputes and litigation are handled by the Legal and Contracts Department.

### Corporate risk assessment and internal control function

The Audit, Risks & Internal Control Department (DARCI) is responsible for developing and updating internal control assessment questionnaires (Yearly Attestation Letter (YAL) and Internal Control Questionnaire (ICQ)), and oversees the annual campaigns for responses to these questionnaires by business units. In 2022, DARCI’s work also focused on strengthening the internal control system, with the deployment of an anti-corruption Internal Control Manual (ACIM) for the entire Group, and the Minimum Anticorruption Questionnaire (MAQ), designed to prevent the risks of corruption and fraud within its very small entities (small subsidiaries, representative offices, permanent establishments).

- YAL questionnaire: the risk scenarios for which local entities are responsible are certified annually by their management in the form of the YAL questionnaire, which is updated each year and completed by the directors of the business units and their management team. 151 such questionnaires were completed by the Group’s business units in 2022. The responses to these questionnaires are analyzed by DARCI and the Risk Advisors network (see below). DARCI also verifies the sincerity and compliance of these declarations on a rotating basis: in 2022, 33 YAL questionnaires were subject to an internal audit;

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## Risk factors, internal control and risk management

### Risk control environment

- ICQ questionnaire: based in particular on the recommendation of the French financial markets authority "Internal Control System: Reference Framework" and in liaison with its statutory auditors, the Group uses an internal control questionnaire (ICQ) for its financial community, focusing on the reliability of financial processes and fraud prevention. The questionnaire is updated on a regular basis. The ICQ is made up of internal control objectives linked to the Group's processes and accounting cycles (clients/suppliers/fixtures); it enables the entities to identify their areas for improvement, whether these are due to imperfectly achieved control objectives, incomplete implementation of controls or procedures to be reinforced. In 2022, 179 questionnaires, covering all business units and shared services, were sent out by DARCI and 3 of the previous year's ICQ questionnaires were audited;
- MAQ questionnaire: this new questionnaire currently being rolled out includes 10 control points relating to the risks of fraud and corruption. It must be completed annually under the responsibility of the entity on which the very small entity in question is legally dependent. In 2022, the Group had around 200 active very small entities.

The Group has put in place a risk assessment process for all the activities and subsidiaries under its control. Each year, DARCI draws up and updates a chart of the main risks to which Thales is exposed, whether they are operational, strategic, compliance or financial. This mapping is organized by risk factors broken down into independent risk scenarios, measurable in terms of probability of occurrence and financial impact in relation to a common prudential rating scale, and each attributed to a single line of responsibility.

The Group has appointed a Risk Advisor for each of these risk factors, responsible for overseeing the risk management system under the coordination of the Risk Assessment Committee: risk characterization, monitoring of major incidents, and monitoring of the implementation and continuous improvement of the control system.

Twice a year, DARCI also draws up risk maps by Global Business Unit, by Major Country, as well as for certain cross-functional themes, in addition to the risks already identified and managed by operational management. The relevant Operational Departments, the Quality Department and the Insurance Department are involved in this work.

The selection and planning of internal audits conducted by DARCI (see (c) below) are primarily based on these risk analyses.

### c) Internal audit

DARCI ensures that risks are controlled and that an adequate level of internal control is maintained by carrying out audit and advisory missions. It can operate throughout the Group (Thales parent company and its controlled subsidiaries) as well as on non-controlled subsidiaries after agreement with the co-shareholders. Its scope of intervention covers all areas and processes (governance, administrative, accounting and financial, functional and operational). DARCI works in particular with the Audit and Accounts Committee, the Risk Management Committee, the Risk Supervision Committees, Group General Management and the statutory auditors.

Since 2006, DARCI has been continuously certified by the French Institute of Audit and Internal Control (IFACI), which ensures that its practices comply with international standards of the profession. In March 2022, a renewal audit conducted by IFACI based on its 2020 professional standards renewed this certification.

DARCI's interventions are governed by an Internal Audit charter which defines the basic principles of internal control and internal audit tasks, the scope and limits of its responsibilities and the forms of intervention with the entities.

In 2022, 77 audit or advisory assignments, resulting from Group risk analyses and planned according to criteria presented to and validated by the Audit and Accounts Committee, were carried out by the DARCI teams. These tasks took place on site, with auditors able to resume almost all of their international travel in 2022. These tasks covered the following topics:

- Operations: bids and projects, product policy, engineering and industry;
- Compliance: anti-corruption, export control, information systems security, personal data protection;
- Governance: organization, shared services, joint ventures, monitoring of acquisition operations;
- Internal control: integrity audits of internal control questionnaires (YAL, ICQ, and Welcome audit).

## 3.4.2 Supervisory, monitoring and control bodies

### Board of Directors

The Board of Directors controls the management of the Group, directly or through its committees. Detailed information on the organization Board of Directors' work, its rules of procedure and, more generally, its functioning and that of its committees, is provided in section 4.2.1.

### Audit and Accounts Committee

The resources implemented and the actions taken to strengthen internal control, to identify and manage risks, as well as the results of the operation of these systems, are reviewed at meetings of this Committee of the Board of Directors. It also reviews, at least once a year, the mapping of the Group's main risks, drawing on the work of the Board of Directors' Strategic and CSR Committee to monitor non-financial risks.

The Audit and Accounts Committee met five times in 2022.

The Audit, Risks & Internal Control Department (DARCI) presents an annual audit plan to the Audit and Accounts Committee covering the various aspects of the Group's legal and regulatory compliance, internal control assessment and risk identification and management. This presentation is updated halfway through the year.

At the time of the annual closing of the accounts, the Chief Financial and Information Officer reports to the Audit and Accounts Committee on risk exposure and significant off-balance sheet commitments.



### Risk Management Committee

This Committee, chaired by the Chairman & Chief Executive Officer, is responsible for defining the level of risk acceptable to the Group, allocating responsibilities for monitoring and controlling these risks, defining the strategy for transferring certain risks to insurance, validating the Group's risk map and, more generally, ensuring the completeness of the risk assessment and management system with a view to controlling risks. It is based on the work of the Risk Assessment Committee. In 2022, this committee met twice.

### Risk Assessment Committee

This committee is chaired by the Director of Audit, Risks and Internal Control (DARCI). It is responsible for analyzing losses and changes in threats, updating and prioritizing risk scenarios, ensuring that they are appropriated within the Group, drawing up risk maps and making recommendations to the Risk Management Committee to improve the Group's overall management and control of risks. In 2022, the Risk Assessment Committee met every half-year with each of the seven Global Business Units, and on one other occasion on a specific topic.

### Integrity and Compliance Committee

Chaired by the Company Secretary, this Committee is composed of the directors in charge of the Ethics, Integrity and Corporate Responsibility, Legal and Contracts, and Audit, Risks and Internal Control departments. It meets at least once a month and its main task is to oversee the development, deployment, implementation, evaluation and updating of the Group's Integrity and Compliance Program. It is also responsible for assessing the criticality of internal alerts received within the Group and allegations of integrity and compliance violations brought to its attention. This committee met 21 times in 2022.

### Corporate Social Responsibility (CSR) Committee

Established in early 2022 as part of the revision of corporate social responsibility (CSR) governance and the creation of a Corporate Social Responsibility Department (DRSE) within the Group, this committee, chaired by the Chairman and Chief Executive Officer, is a strategic decision-making body dedicated to CSR at Executive Committee level. Its role is to validate Thales' CSR policy, strategy and objectives, including the associated indicators and quantified targets. It ensures that the Group's strategy takes account of CSR goals and objectives, agrees on priorities and action plans to achieve these objectives, and periodically reviews progress. It also ensures that the resources, investments and resources committed to support the Group's CSR ambition and objectives are adequate.

### External audit and control of financial information

Each year, the Finance Department reviews the external audit instructions with the statutory auditors. It describes the various stages of intervention by the external auditors.

The consolidated companies are classified in 3 categories according to their size and the risks they may incur. They are subject to either an in-depth review, a limited review, or a review for statutory purposes.

In addition to their assessment of the financial statements, the statutory auditors also present recommendations to the Group's Management each year, in the context of the closing of the annual financial statements, concerning the improvement of internal control.

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## Governance and compensation

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## 4.1 Composition of the Board of Directors as of December 31, 2022

### 4.1.1 Directors

#### 4.1.1.1 Appointed by the General Meeting

##### PATRICE CAINE

**(52 years old)**

**Chairman and Chief Executive Officer**

**Chairman of the Strategy & CSR Committee**

**Date of first appointment**

December 23, 2014

**Current term expires**

2026 Annual General Meeting

**Number of shares held**

- 20,299 Thales shares (of which 15,599 are held personally in registered form and 4,700 are held through a holding company); and
- 107 through the Group savings plan.

Born on January 7, 1970, of French nationality. A graduate of the École Polytechnique and the École des Mines de Paris, Patrice Caine is an ingénieur en chef in the Corps des Mines. He began his career in 1992 with the pharmaceutical group Fournier before becoming a mergers and acquisitions and corporate strategy advisor at Chaterhouse Bank Limited in London.

From 1995 to 1998, he served simultaneously as head of mission for the Prefect of the Franche-Comté Region and as director of the Industrial Development and Energy Division at the Regional Directorate for Industry, Research, and the Environment (DRIRE).

From 1998 to 2000, he served on the Conseil Général des Mines, where he was responsible for human resources for the Corps des Mines. At that time, he was also responsible for training student engineers in the State technical corps at the École des Mines de Paris. From 2000 to 2002, he was technical advisor responsible for energy policy at the office of the Minister of the Economy, Finance, and Industry.

In 2002, Patrice Caine joined the Strategy Department at the Thales Group. He went on to hold management positions in various units – Aerospace and Naval, Communication, Navigation and Identification, Air Systems, Radio Communication Products, Networks and Infrastructure Systems, and Protection Systems.

In February 2013, Patrice Caine joined the Thales Executive Committee as Executive Vice President for Operations and Performance.

On December 23, 2014, he was appointed as Chairman and Chief Executive Officer of Thales by the Board of Directors.

He was awarded the National Defense Medal, bronze level. In 2014, he was named a Chevalier de l'Ordre National du Mérite [Knight of the National Order of Merit], and in 2017, a Chevalier de l'Ordre National de la Légion d'Honneur [Knight of the National Order of the Legion of Honor].

#### List of offices and other positions in French and foreign companies

##### Positions held in other companies

**In France:** Director of Naval Group and of L'Oréal <sup>(1)</sup>, Vice-Chairman of Gifas, Vice-Chairman of France Industrie (Cercle de l'Industrie and Groupe des Fédérations Industrielles), Chairman of the Association Nationale de la Recherche et de la Technologie (ANRT), member of the Conseil National de l'Industrie and its Executive Committee.

**Abroad:** none.

##### Other positions held by Mr. Caine over the last five years

**In France:** none.

**Abroad:** none.

(1) Listed company.



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## CHARLES EDELSTENNE

**(84 years old)**

**Director nominated by the Industrial Partner**

**Member of the Strategy & CSR Committee**

**Date of first appointment**  
May 19, 2009

**Current term expires**  
2026 Annual General Meeting

**Number of shares held**  
509 Thales shares

Born on January 9, 1938, Charles Edelstenne is a French national and a certified public accountant.

He spent his career at Dassault Aviation, where he started in 1960 as Director of the Financial Studies Department. He became the Company Secretary in 1975 and then Vice President for economic and financial affairs in 1986.

Between 2000 and 2012, he served as Chairman and Chief Executive Officer of Dassault Aviation.

In January 2013, Charles Edelstenne was named CEO of Groupe Industriel Marcel Dassault GiMD, and then was named Chairman in May 2018.

He served as the Founder, Manager, and Chief Executive Officer of Dassault Systèmes, where he currently serves as Honorary Chairman and member of the Board of Directors.

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** Chairman of Groupe Industriel Marcel Dassault SAS, Honorary Chairman and Director of Dassault Systèmes SE, Honorary Chairman of Gifas, member of the Board of Directors and Honorary Chairman of Dassault Aviation SA <sup>(1)</sup>, member of the Board of Directors and Chairman of Dassault Medias SAS, Chairman of Groupe Figaro SAS, member of the Board of Directors, member of the Compensation Committee, and Chairman of the Governance Committee of Carrefour SA <sup>(1)</sup>, CEO of Dassault Wine Estates SASU, Chairman of Rond-Point Immobilier SAS, member of the Board of Directors of Rond-Point Investissement EURL, Manager of Arie, Arie 2, Nili, and Nili 2 (partnerships), Manager of Maison Rouge, a real estate investment company, and member of the Board of Directors of Monceau DUMAS, a unit trust.

**Abroad:** Chairman of the Board of Directors of SITAM Belgium SA, Director of Dassault Falcon Jet Corporation (USA).

#### Other positions held by Mr. Edelstenne in other companies over the last five years

**In France:** member of the Supervisory Board at Groupe Industriel Marcel Dassault SAS, Director of Sogitec Industries SA, and President of Rond-Point Holding SAS.

(1) Listed company.

## BERNARD FONTANA

**(61 years old)**

**Director nominated by the Public Sector**  
(Article 6 of Ordinance No. 2014-948)

**Member of the Audit and Accounts Committee**

**Date of first appointment**  
January 30, 2018

**Current term expires**  
2025 Annual General Meeting

**Number of shares held**  
Not required to hold the minimum number of Thales shares provided for in the articles of association (Article 6-VI of Ordinance No. 2014-948)

Born on March 11, 1961, Bernard Fontana is a French national and a graduate of the École Polytechnique and the École Nationale Supérieure des Techniques Avancées de Paris.

He began his career in 1987 as a weapons engineer with the SNPE group (formerly Société Nationale des Poudres et Explosifs), where he held various positions, including director of the fine chemicals business, strategic director for the chemicals business, and then director for North America. In 2001, he became a member of the Executive Committee of the SNPE Group, responsible for the chemical and industrial explosives business.

In 2004, he joined steel group ArcelorMittal as Vice President for human resources for the Flat Products Europe sector. In 2006, he became Executive Vice President of ArcelorMittal, responsible for the automotive sector and then for human resources. In 2010, he took over the management of the stainless steel division, which was listed on the stock exchange under the name Aperam, and of which he then became CEO.

In 2012, he became CEO of Holcim, a leader in the global cement industry, where he directed the merger with Lafarge. In September 2015, Bernard Fontana was appointed CEO of Areva NP. In July 2016, he was named Chairman of the group, renamed Framatome in 2018.

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** CEO of Framatome. Member of the Governance Committee at GIFEN and CEO of GIFEN Services.

**Abroad:** Member of the Board of SSAB (Sweden) <sup>(1)</sup>.

#### Other positions held by Mr. Fontana over the last five years

**In France:** Executive Vice President of Areva NP.

**Abroad:** none.

(1) Listed company.

**DELPHINE GENY-STEPHANN****(54 years old)****Director nominated by the Public Sector**  
(Article 6 of Ordinance No. 2014-948)**Date of first appointment**  
May 6, 2021**Current term expires**  
2025 Annual General Meeting**Number of shares held**  
200 Thales shares

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article 6-VI of Ordinance No. 2014-948)

Born on November 19, 1968, a French national. Delphine Gény-Stephann is a graduate of the École Polytechnique, the École des ponts ParisTech, and the Collège des ingénieurs.

She began her career in 1994 at the Treasury Department of the Ministry of the Economy and Finance. From 1999 to 2005, she served as Head of Office at the Agence des participations de l'État. In 2005, Delphine Gény-Stephann joined the High Performance Materials division of the Saint-Gobain group as Development Director, later serving as Finance Director of the Ceramic Materials business. In 2013, she was appointed Director of External Venturing for the group, responsible for mergers and acquisitions for the Innovative Materials Sector. In 2014, she was named Director of Planning and Strategy for Compagnie de Saint-Gobain, a member of the Group's General Management Committee, before being named General Manager of the Silicon Carbide and Quartz business in 2017. She is also a member of the Board of Directors of Thales and served as a member of its Audit and Accounts Committee from November 2016 to November 2017.

At that time, she was appointed Secretary of State to the Minister of the Economy and Finance, a position she held until October 2018. She has been a consultant since 2019.

**List of offices and other positions in French and foreign companies****Positions held in other companies****In France:** Member of the Steering Committee of GENE0 Capital, member of the Supervisory Committee of Holding d'infrastructures des métiers de l'environnement (controlling entity of the Saur group), member of the EDF Board of Directors <sup>(1)</sup>.**Abroad:** Non-Executive Director of Eagle Genomics Ltd (UK).**Other positions held by Ms. Gény-Stephann over the last five years****In France:** none.**Abroad:** none.<sup>(1)</sup> Listed company.**PHILIPPE KNOCHE****(53 years old)****Independent Director****Chairman of the Governance and Compensation Committee****Date of first appointment**  
May 6, 2020**Current term expires**  
2024 Annual General Meeting**Number of shares held**  
500 Thales shares

Born on February 14, 1969, Philippe Knoche is a Franco-German national, an engineer of the Corps des Mines, and a graduate of the École Polytechnique.

He began his career in 1995 at the European Commission as a rapporteur in the Anti-Dumping Directorate. In 1998, he joined the Consortium de Réalisation as assistant to the Chairman of the Supervisory Board.

In 2000, he joined the Areva group as Director of Strategy, where he was subsequently appointed Director of the Processing Business Unit in 2004, Director of the Olkiluoto 3 project in 2006, and then Director of the Reactors and Services Business Group in 2010, when he joined the group's Executive Committee.

In July 2011, he was appointed as a member of Areva's Executive Board and as Executive Vice President for nuclear operations. In January 2015, he became CEO and a member of the Board of Directors.

Since July 2017, Philippe Knoche has served as CEO and a member of the Board of Directors of Orano, a company that emerged from the restructuring of the Areva Group and operates across all stages of the nuclear fuel cycle.

He is a regular speaker on energy, climate, and innovation as well as cyber security.

**List of offices and other positions in French and foreign companies****Positions held in other companies****In France:** CEO and member of the Board of Directors of Orano SA <sup>(1)</sup>, Chairman of Orano Chimie Enrichment, Orano Recyclage, and Orano Démantèlement, Chairman of Orano Mining, permanent member of the Strategic Committee of SET Holding, member of the Board of Directors of the Union des Industries et Métiers de la Métallurgie (UIMM), member of the Board of Directors of GIFEN.**Abroad:** Vice-Chairman of the World Nuclear Association, member of the Board of Directors of the International Council of Mining and Metals (ICMM).**Other positions held by Mr. Knoche over the last five years****In France:** Executive Vice President then Chief Executive Officer, member of the Executive Board then member of the Board of Directors of Areva SA <sup>(2)</sup>, Chairman of AREVA NP SA, Chairman of Société Française de l'Énergie Nucléaire.**Abroad:** none.<sup>(1)</sup> Company with listed debt instruments.<sup>(2)</sup> Listed company.



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## PHILIPPE LÉPINAY

(69 years old)

**Director representing employee shareholders**

**Member of the Strategy & CSR Committee**

**Date of first appointment**

March 8, 2007, effective on the April 1, 2007

**Current term expires**

2025 Annual General Meeting

**Number of shares held**

- 148 Thales shares;
- 693 Thales shares in the Group savings plan.

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article L. 225-25 (3) of the French Commercial Code).

Born on December 3, 1953, Philippe Lépinay is a French national and holds an engineering degree from the Institut de marketing international, Université Paris VII.

Between 1977 and 1986, he held various sales and marketing positions at the Appalette & Tourtellier Systèmes, Radiall, and SOPEMEA groups.

In 1986, he joined Thales Electron Devices as an export sales engineer; in 2000, he became Director of Development at Thales Engineering & Consulting.

He joined Thales International in 2003. Since 2013, he has served as VP and Director of International Relations at Thales.

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** Delegate for institutional relations at the Fédération française des associations d'actionnaires Salariés et anciens Salariés, Vice President of the Fédération des Associations d'actionnaires Salariés de Thales (FAST), member of the Supervisory Committee of the "Thales Employee Shareholding Fund" (FCPE), member of the Board of Directors of ENSOA (École Nationale des Sous-Officiers d'Active) and member of the Board of Directors of the Franco-Lebanese Chamber of Commerce.

**Abroad:** none.

#### Other positions held by Mr. Lépinay over the last five years

**In France:** President of the FAS, member of the Conseil d'orientation de la participation, de l'intéressement, de l'épargne salariale et de l'actionariat salarié (COPIESAS).

**Abroad:** none.

## ARMELLE DE MADRE

(52 years old)

**Independent Director**

**Date of first appointment**

June 28, 2017

**Current term expires**

2023 Annual General Meeting

**Number of shares held**

500 Thales shares

Born on May 2, 1970, Armelle de Madre is a French and Dutch national and a graduate of Columbia University in New York City and of HEC in Paris.

She began her career in 1993 as a marketing analyst at Renault. In 2001, she became Head of Training for the Head Office, then Head of HR for Renault's logistics activities. In 2006, she was appointed as Director of Human Resources, first in charge of the Flins plant, and then of Renault's Vehicle and Powertrain Engineering division, including the group's Technocentre, one of the largest R&D centers in France with over 16,000 employees.

She joined Schneider Electric in 2010 as Director of Strategy and Social Innovation; then, in 2011, she joined the Arkadin Group, a provider of Unified Communications solutions and subsidiary of NTT, one of the world's leading telecom operators, as Vice President for Human Resources responsible for Europe, the Middle East, and Africa (EMEA). In 2016, she became Vice President for Marketing (EMEA), and then, April 2017, Director of Human Resources for Arkadin. She joined the group's Executive Committee in the same capacity.

In September 2019, Armelle de Madre was appointed Director of Human Resources for Datadog, a New York-based infrastructure, network and application data monitoring and analytics platform.

She is also a member of the Women's Forum USA.

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** none.

**Abroad:** none.

#### Other positions held by Ms. de Madre in other companies over the last five years

**In France:** none.

**Abroad:** none.

**EMMANUEL MOULIN****(54 years old)****State Representative (appointed and renewed by decrees of November 2, 2020 and June 1, 2021), Director nominated by the Public Sector**

(Article 4 of Ordinance No. 2014-948)

**Member of the Strategy & CSR Committee****Member of the Governance and Compensation Committee****Date of first appointment**

November 2, 2020

**Current term expires**

2025 Annual General Meeting

Number of shares held The French State directly holds 2,060 Thales shares. Its representative, Emmanuel Moulin, isn't required to hold the minimum number of Thales shares provided for in the articles of association (section 5 of Ordinance No. 2014-948) and doesn't have any.

Born on October 22, 1968, Emmanuel Moulin is a French national and a graduate of Sciences-Po and Essec; he holds a master's degree in law from the Université Paris II, and graduated from ENA in 1996.

He then joined the French Treasury, where he served as an assistant in the Transport Office from 1996 to 1998, and then in the Political and Monetary Office from 1998 to 2000.

He was appointed as an alternate member of the Board of Directors of the World Bank in Washington before becoming the Company Secretary of the Paris Club from 2003 to 2005. He continued his career by becoming a senior banker at Citigroup in 2006, responsible for the public sector in France and Belgium.

In 2007, he was appointed Deputy Chief of Staff to Christine Lagarde, then Minister of the Economy, Finance, and Industry, where he was responsible for macroeconomic and financial affairs as well as European and international affairs.

He joined the Office of the President in June 2009 as economic advisor to President Nicolas Sarkozy. After his departure from the Élysée Palace in May 2012, he joined the Eurotunnel Group as Senior Vice President and then Executive Vice President as of January 1<sup>st</sup>, 2014.

In February 2015, he was appointed CEO of the investment bank Mediobanca in Paris.

In May 2017, he became Chief of Staff to the Minister of Economy, Finance, and Recovery.

Since November 2, 2020, Emmanuel Moulin has served as Director General of the Treasury.

**List of offices and other positions in French and foreign companies****Positions held in other companies****In France:** none.**Abroad:** none.**Other positions held by Mr. Moulin over the last five years****In France:** none.**Abroad:** none.**ANNE RIGAIL****(53 years old)****Director nominated by the Public Sector**

(Article 6 of Ordinance No. 2014-948)

**Date of first appointment**

May 6, 2021

**Current term expires**

2025 Annual General Meeting

**Number of shares held**

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article 6-VI of Ordinance No. 2014-948).

Born on March 8, 1969, Anne Rigail is a French national and a graduate of the École des Mines de Paris. She joined Air Inter in 1991. In 1996, she was appointed Air France Customer Service Manager for the Paris-Orly office.

In 1999, she became Head of passenger and baggage connections at the Air France hub at Paris-Charles de Gaulle, then Head of customer and baggage products for Ground Operations.

She was named Director of Operations for the Paris-CDG hub in 2005, and then Director of the Paris-Charles de Gaulle hub in 2009.

She joined the Executive Committee in 2013 as Senior Vice President for Flight Service, responsible for Flight Attendants.

In 2017, she was appointed Senior Vice President for Customer Service. In this capacity, she oversees ground and in-flight products and services, including the design of Air France airport lounges, the configuration and modernization of cabins, and the deployment of in-flight connectivity.

On December 12, 2018, Anne Rigail was appointed CEO of Air France.

**List of offices and other positions in French and foreign companies****Positions held in other companies****In France:** none.**Abroad:** none.**Other positions held by Ms. Rigail over the last five years**

**In France:** President of the Fondation Air France since July 2019, member of the Board of Directors of EDF <sup>(1)</sup> from May to December 2019, member of the Board of Directors of Servair from January 2017 to December 2018, and of its subsidiary ACNA until June 2017.

**Abroad:** none.<sup>(1)</sup> Listed company





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## LOÏK SEGALEN

(62 years old)

**Director nominated by the Industrial Partner**

**Member of the Audit and Accounts Committee**

**Date of first appointment**  
May 19, 2009

**Current term expires**  
2026 Annual General Meeting

**Number of shares held**  
509 Thales shares

Born on March 27, 1960, Loïk Segalen is a French national and a graduate of the École Centrale de Lyon and ESSEC.

He began his career in 1986 in the Finance Department of Dassault International.

He was named as a Financial advisor to the Vice President for economic and financial affairs at Dassault Aviation in 1990; he then served as a deputy Director of this department from 1998 to 1999, after which was appointed a full Director of that department.

In January 2009, Loïk Segalen was appointed Managing Director for Economic and Financial Affairs at Dassault Aviation.

In September 2011, he was appointed Managing Director for Economic and Social Affairs at Dassault Aviation.

In January 2013, he became Deputy CEO of Dassault Aviation.

He is a member of the Management Committee of Dassault Aviation.

He is an Officier de l'Ordre National du Mérite [Officer of the National Order of Merit] and a Chevalier de l'Ordre National de la Légion d'honneur [Knight of the National Order of the Legion of Honor].

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** Deputy CEO of Dassault Aviation <sup>(1)</sup>, Vice President of Gifas.

**Abroad:** Director of Dassault Falcon Jet Corporation (USA) and of SITAM Belgium SA.

#### Other positions held by Mr. Segalen over the last five years

**In France:** Director of Sogitec Industries.

**Abroad:** Director of Midway Aircraft Instrument Corporation (USA), Dassault International Inc. (USA), Sabca and Sabca Limburg (Belgium).

(1) Listed company.

## ANNE-CLAIRE TAITTINGER

(73 years old)

**Independent Director**

**Chairman of the Audit and Accounts Committee**

**Date of first appointment**  
May 15, 2012

**Current term expires**  
2026 Annual General Meeting

**Number of shares held**  
612 Thales shares

Born on November 3, 1949, Anne-Claire Taittinger is a French national and a graduate of the Institut d'études Politiques de Paris. She holds a master's degree in urban sociology, a graduate degree in urban planning, and an MBA from HEC (CPA). She began her career in 1976 in the Caisse des Dépôts et Consignations group as head of urban planning operations at the Société centrale d'équipement du territoire.

In 1979, she joined the Louvre Group as the Company Secretary and then became Chairman and Chief Executive Officer of Compagnie Financière Deville. She successively served as Chairman and Chief Executive Officer of Compagnie Financière Leblanc and of Elm-Leblanc, Vice-Chairman and Chief Executive Officer of the Deville industrial group, Chairman and Chief Executive Officer of Parfums Annick Goutal France USA, and then Chairman and Chief Executive Officer of Baccarat.

She became CEO and then Chairman of Société du Louvre in 1997. In 2002, she was named Chairman of Groupe Taittinger as well as CEO of its subsidiary Groupe du Louvre in the context of a separation of the roles of Chairman and the CEO. She stepped down as a Chief Executive Officer in July 2006, after having managed the sale of the Taittinger group to an investment fund in 2005.

Since September 2006, Anne-Claire Taittinger has been part of the pool investors acquiring Champagne Taittinger.

She became involved in the Women's Forum for the Economy and Society in 2004, where she was a co-founder and an investor.

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** President of SAS Le Riffray.

**Abroad:** none.

#### Other positions held by Ms. Taittinger over the last five years

**In France:** until July 2018: Director and member of the Nomination and Compensation Committees of Carrefour <sup>(1)</sup>. Until 2022: Member of the Management Committee of SAS E-Attestation.

**Abroad:** none.

(1) Listed company.

**ANN TAYLOR****(75 years old)****Independent Director****Date of first appointment**

May 15, 2012

**Current term expires**

2026 Annual General Meeting

**Number of shares held**

500 Thales shares

Born on July 2, 1947, Ann Taylor, a British national, was educated at the University of Bradford, where she earned a B.A. in Political Science and History, and at the University of Sheffield, where she earned an M.A. in Economic History.

In 1974, she was elected as the Member of Parliament for Bolton West, a seat she held until 1983.

Later she served as a Monitor with the Housing Corporation, and was a lecturer with the Hansard Society (a member of Birkbeck College) from 1983 to 1987.

In 1987, Ann Taylor was elected as the Labour Member of Parliament for Dewsbury. She was then appointed by Prime Minister Tony Blair as a Leader of the House of Commons in 1997 and 1998, and Government Chief Whip from 1998 to 2001. She participated in most government committees.

In May 1997, she became a Queen's (Privy Council) and was appointed its Lord President.

In 2001, she was named Chair of the Intelligence and Security Committee under the direct authority of the Prime Minister.

In 2005, she joined the House of Lords (as a Life Peer) where she is a representative to the Parliamentary Assembly of the Council of Europe (Political Committee) and the Western European Union (Defense Committee). She was a member of the NATO Parliamentary Assembly.

In 2007, Ann Taylor was a Minister in the British Government in the House of Lords. She was responsible for defense matters, including Minister for Defense Equipment and Support in 2007 and 2009. Also, she was the Minister for Defense and International Security from 2008 to 2010.

Ann Taylor is currently a member of the House of Lords, where she also sits on the Industry and Regulation Committee, the Privileges and Procedure Committee and the Appointments Commission. She is also Chair of the *Hansard Society for Parliamentary Democracy*.

**List of offices and other positions in French and foreign companies****Positions held in other companies****In France:** none.**Abroad:** participates in the advisory board of (advisory board) Thales UK Plc <sup>(1)</sup>.**Other positions held by Ms. Taylor over the last five years****In France:** none.**Abroad:** Chair of the Board and Vice-Chancellor of Bradford University.

(1) A Thales Group company.



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## ÉRIC TRAPPIER

(62 years old)

**Director nominated by the Industrial Partner**

**Member of the Governance and Compensation Committee**

**Date of first appointment**  
May 19, 2009

**Current term expires**  
2026 Annual General Meeting

**Number of shares held**  
500 Thales shares

Born on June 1<sup>st</sup>, 1960, Éric Trappier is a French national and a graduate of the École Sud Telecom (formerly known as the Institut National Telecom).

He began his career in 1984 at the Technical Division of Dassault Aviation (responsible for the development of ATL2 and Mirage 2000 systems).

In 1991, he became responsible for sales in India and Asia, and then the United Arab Emirates in 1996.

He was named Director of the Middle East and Africa region in 2000, Director of Military Exports in 2001, and Senior International Vice President in 2002.

In 2006, Eric Trappier was appointed Executive Vice President of Dassault Aviation.

He was appointed Chairman and Chief Executive Officer of Dassault Aviation in January 2013.

He is an Officier de l'Ordre National de la Légion d'honneur [Officer of the National Order of the Legion of Honor] and a Chevalier de l'Ordre national du Mérite [Knight of the National Order of Merit]. In 2022, he was awarded the Aeronautics medal.

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** Chairman and Chief Executive Officer of Dassault Aviation <sup>(1)</sup>, President of the UIMM, Honorary Chairman of Gifas.

**Abroad:** Chairman of Dassault Falcon Jet Corporation (USA), member of the Board of Directors of ASD (Belgium), Co-Chairman and Director Directors of Dassault Reliance Aerospace Limited (DRAL) (India), and Director of Dasbat Aviation LLC (United Arab Emirates).

#### Other positions held by Mr. Trappier over the last five years

**In France:** Director of Sogitec Industries (France), First Vice President then President of Gifas, Chairman of Cidef.

**Abroad:** Director and Chairman of Dassault International Inc. (USA), Chairman of the Defense Committee and then Chairman of ASD (Belgium).

(1) Listed company.

## MARIE-FRANÇOISE WALBAUM

(72 years old)

**Director nominated by the Industry Partner**

**Date of first appointment**  
September 17, 2013

**Current term expires**  
2026 Annual General Meeting

**Number of shares held**  
500 Thales shares

Born on March 18, 1950, Marie-Françoise Walbaum is a French national and holds degrees in economics and sociology from the Université Paris X.

She began her career in 1973 at BNP Paribas, where she held various retail banking and credit analysis positions until 1981. From 1981 to 1994, she successively held the positions of Project Leader at the General Inspection Department of BNP, CEO of SICAV, and CEO of the brokerage firm Patrick Dubouzet S.A. In 1994, she became head of listed and unlisted investments with a private equity portfolio at BNP Paribas, a company she will leave in the summer of 2012 after 39 years of service. Since that date, Marie-Françoise Walbaum has been professional board member.

### List of offices and other positions in French and foreign companies

#### Positions held in other companies

**In France:** independent Director of FFP <sup>(1)</sup> (and Chair of the Finance and Audit Committee and Member of the Governance, Appointments and Compensation Committee) and of Imerys <sup>(1)</sup> (and Chairman of the Appointments Committee and of the Compensation Committee), and member of the Supervisory Board of Isatis Capital.

**Abroad:** none.

#### Other positions held by Ms. Walbaum over the last five years

**In France:** independent Director of Esso <sup>(1)</sup> (and Chairman of the Audit Committee) until March 18, 2020.

**Abroad:** none.

(1) Listed company.

## Governance and compensation

Composition of the Board of Directors as of December 31, 2022

### 4.1.1.2 Employee representatives

#### ANNE-MARIE HUNOT-SCHMIT

**(58 years old)**

**Member of the Board of Directors representing employees**

**Member of the Strategy & CSR Committee as of the May 2022 AGM**

**Member of the Governance and Remuneration Committee as of the May 2022 AGM**

**Member of the Audit and Accounts Committee as of the May 2022 AGM**

**Date of first appointment**

December 9, 2016

**Current term expires**

December 8, 2024

**Number of shares held**

- 50 Thales shares;
- 190 Thales shares in the Group savings plan.

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article L. 225-25 (3) of the French Commercial Code).

Born on October 4, 1964, Anne-Marie Hunot-Schmit is a French national and holds a post-graduate degree in Applied Mathematics from the IAE in Paris. In addition, she is certified as a 'Company Director' by the IFA-Sciences Politiques Paris.

She joined Dassault Electronique in 1987 as a software developer and filed the first patent for a ground-based anti-collision system (GPWS/GCAS) before joining the first contract management team on the Mirage 2000-9 programs in 1998.

She joined Thales headquarters in 2007, where she was responsible for ethical standards in international trade before becoming head of price control.

From fall 2016, she was responsible for the financial control of bids and projects for the Land Transportation business. Between June 2020 and May 2022, she led the environmental risk assessment within the Group's HSE Department, and has since focused on her directorship and the two committees of which she is a member.

#### List of offices and other positions in French and foreign companies

##### Positions held in other companies

**In France:** none.

**Abroad:** none.

##### Other positions held by Ms. Hunot-Schmit over the last five years

**In France:** none.

**Abroad:** none.

#### NADINE RELIER-DAVID

**(59 years old)**

**Member of the Board of Directors representing employees**

**Member of the Strategy & CSR Committee**

**Date of first appointment**

May 11, 2022

**Current term expires**

December 8, 2024

**Number of shares held**

- 83 Thales shares in the Group savings plan.

Not required to hold the minimum number of Thales shares provided for in the articles of association (Article L. 225-25 (3) of the French Commercial Code).

Born on October 17, 1963, a French national, Nadine Relier-David began an apprenticeship contract with TRT in Brive-la-Gaillarde in 1987, since renamed Thomson TRT Défense, Thomson CSF and Thales SIX GTS France.

After obtaining a BTS in electronics, she held several positions in the production of communications equipment, followed by spares management in France and for export. In 2013, after following AFNOR training, she worked in auditing, purchasing, supplier performance and industrial management.

At the same time, she has been a magistrate at the social affairs court in Tulle since 2016, and has been on the Board of Directors of Aerocampus Aquitaine, an association in charge of an aeronautical and space campus, since 2017.

#### List of offices and other positions in French and foreign companies

##### Positions held in other companies

**In France:** none.

**Abroad:** none.

##### Other positions held by Ms. Relier-David over the last five years

**In France:** none.

**Abroad:** none.



#### To Thales' knowledge:

- There are no family ties between the members of the Board of Directors;
- no member of the Board of Directors has been convicted of fraud in the last five years;
- no member of the Board of Directors has participated as a director in a bankruptcy, receivership, liquidation, or court-ordered receivership during the last five years and no member has been the subject of an official public accusation and/or sanction pronounced by a statutory or regulatory authority;
- no Board Member has been prevented in the last five years by a court from acting as a member of a body dedicated to the administration management or supervision of an issuer or from being involved in the management or running of such a company's affairs;
- there is no potential conflict of interest between the private interests of its members and their duties towards Thales.

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## 4.1.2 Other Participants in the Meetings of the Board of Directors (Without Voting Rights)

The following persons are invited to all meetings of the Board of Directors and attend them without voting rights, alongside the Secretary of the Board of Directors and the members of the Executive Board whom the Chairman invites to attend depending on the agenda:

#### Representative of the French State by virtue of its golden share

**Emmanuel Chiva**, 53 years old, Head of the French Defense Procurement Agency.

He was appointed by decree of the Minister of Economy and Finance on September 26, 2022.

Representing the French State on the Board of Directors of Thales, by virtue of the golden share according to Decree No. 97-190 of March 4, 1997 instituting a golden share for the benefit of the French State (see page 226 and under Article 10 of the Company's Articles).

#### The Government Commissioner

**Jean-Luc Sourdois**, 62 years old, General Inspector of the Armed Forces.

Appointed Government Commissioner to Thales and its subsidiaries by order of the Minister of Defense dated July 3, 2019, under the legal and regulatory provisions applying to companies holding contracts relating to war equipment or more generally engaged in the manufacture or trade of these.

#### The Representative of the Central Social and Economic Committee

**Marielle Marichy**, 59 years old, appointed by the Central Economic and Social Committee (CSE) as its representative on the Thales Board of Directors, under Article L. 2323-65 of the Labor Code.

#### The statutory auditors

In accordance with the law, shall attend all meetings of the Board of Directors when accounts are being closed or reviewed for at least the part relating to such accounts. In addition, they may, at the invitation of the Chairman, participate in other meetings of the Board when their presence enriches the discussion. In the financial year 2022, the following were concerned:

- **Ernst & Young Audit**, represented by Jean-François Ginies, partner of the firm;
- **Mazars**, represented by Dominique Muller, partner of the firm.

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## 4.2 Corporate Governance

Under the law, the Company decided in 2008 to voluntarily refer to the Corporate Governance Code for listed companies established by Afep-Medef – the current version of which dates from December 2022 and can be referred to the AFEP website at <https://afep.com/wp-content/uploads/2022/12/Code-AFEP-MEDEF-version-de-decembre-2022.pdf> or at the Company's registered office.

### “Comply or Explain” principle

The Company complies with the recommendations contained in the Afep-Medef code except for those concerning:

Heading	Afep-Medef	Thales March 7, 2023	Explanation
<b>A. Independent Directors (ratios):</b>			
• Board of Directors	1/3 (controlled companies)	31%	<p>To ensure the best possible balance and alignment between the representatives of the Public Sector and the Industrial Partner, the floating shareholders and the General Management, the shareholders' agreement concluded between the Public Sector and the Industrial Partner provides a framework for the composition of the Board of Directors and its Committees.</p> <p>To meet the highest standards of corporate governance, the Board of Directors has adopted a consistent approach in which directors appointed by the Annual General Meeting on the proposal of a shareholder (Public Sector or Industrial Partner), a category of shareholders (employees) or trade unions cannot be considered independent. This automatically results in a deviation from the provisions of the Afep-Medef Code relating to the ratios of independent Directors on the Board of Directors, the Audit and Accounts Committee and the Governance and Compensation Committee.</p> <p>The Company emphasizes, however, that the directors nominated on the proposal of the shareholders who are party to the shareholders' agreement are primarily motivated by the interests of the Company, in accordance with their fiduciary duties. Also, they play a leading role within the Board and its Committees, which benefits all shareholders.</p> <p>In addition, the balance of interests under the agreement and the different nature of the two shareholders (the French State on the one hand and a major industrial player on the other) ensures that all parameters likely to lead to the best decisions for the Company are taken into account.</p> <p>Finally let it be noted that the Audit and Accounts Committee, along with the Governance and Compensation Committee, are chaired by independent Directors within the meaning of the Afep-Medef Code.</p>
• Audit and Accounts Committee	2/3	1/3	
• Governance and Compensation Committee	>50%	1/3	





## 4.2.1 Composition, Organization and Operation of the Board of Directors

### Reminder of the rules of the shareholders' agreement and composition of the Board of Directors

The Company is a public limited company with a Board of Directors. Under the terms of the shareholders' agreement between the Public Sector and the Industrial Partner (Dassault Aviation), as published by the AMF, the Board of Directors is composed of 16 directors, 14 of whom are appointed by the General Meeting, and 2 of whom are appointed by the trade unions under the law (Art. L. 225-27-1 and following of the French Commercial Code), the Statutes (Article 10).

Of the 14 seats filled by the meeting, 4 are occupied by "External Personalities" chosen in consultation between the Public Sector and Dassault Aviation, 1 by the employee shareholder representative, and the other directors are proposed to the General Meeting by the Public Sector (5) and by Dassault Aviation (4).

In addition, the shareholders' agreement states that the Chairman and Chief Executive Officer shall be chosen based on a joint proposal by the Public Sector and Dassault Aviation (or the Chairman of the Board and the Chief Executive Officer in the event of dissociation approved by the two shareholders.) Also, at least one director representing each party shall sit on all the Board Committees.

### • SUMMARY OF INFORMATION RELATING TO DIRECTORS (PREPARED IN ACCORDANCE WITH APPENDIX III OF THE AFEP-MEDEF CODE)

Directors as of December 31, 2022	Age	Gender	Nationality	Number of Thales shares	Number of offices held in other listed companies
<b>Appointed by the Annual General Meeting of Shareholders (14)</b>					
<b>On the proposal of the Public Sector (5)</b>					
Patrice Caine, Chairman and Chief Executive Officer	52	M	French	20,406 <sup>(e)</sup>	1
Delphine Gény-Stephann <sup>(b)</sup>	54	F	French	200	1
Bernard Fontana <sup>(b)</sup>	61	M	French	0	1
The French State, represented by Mr. Emmanuel Moulin <sup>(c)</sup>	54	M	French	2,060 <sup>(a)</sup>	—
Anne Rigail <sup>(b)</sup>	53	F	French	0	—
<b>On the proposal of the Industrial Partner (Dassault Aviation) (4)</b>					
Charles Edelstenne	84	M	French	509	3
Loïc Segalen	62	M	French	509	1
Éric Trappier	62	M	French	500	1
Marie-Françoise Walbaum	72	F	French	500	2
<b>Representing employee shareholders (1)</b>					
Philippe Lépinay	69	M	French	841	—
<b>External personalities (4)</b>					
Philippe Knoche Independent Director <sup>(d)</sup>	53	M	French and German	500	—
Armelle de Madré Independent Director <sup>(d)</sup>	52	F	French and Dutch	500	—
Anne-Claire Taittinger Independent Director <sup>(d)</sup>	73	F	French	612	—
Ann Taylor Independent Director <sup>(d)</sup>	75	F	British	500	—
<b>Appointed by the trade unions (2)</b>					
Anne-Marie Hunot-Schmit	58	F	French	240	—
Nadine Relier-David <sup>(f)</sup>	59	F	French	83	—

(a) The French State holds 2,060 of Thales' shares directly. Its representative, Emmanuel Moulin, isn't required to hold any (section 5 of Ordinance No. 2014-948) and doesn't have any.

(b) Director(s) proposed by the French State (section 6 of Ordinance No. 2014-948).

(c) State administrator representative, appointed by decree (section 4 of Ordinance No. 2014-948).

(d) Independence under the AFEP MEDEF Code, confirmed by the Board of Directors on March 7, 2023.

(e) Of which 4,700 shares held through a holding company controlled by the person concerned.

(f) Director representing employees appointed to succeed Ms. Frédérique Sainct, effective at the end of the Annual General Meeting of May 11, 2022.

● **SUMMARY OF INFORMATION RELATING TO DIRECTORS  
(PREPARED IN ACCORDANCE WITH APPENDIX III OF THE AFEP-MEDEF CODE) (REST OF THE SUMMARY)**

Directors as of December 31, 2022	1 <sup>st</sup> nomination	Current Term		Committees*			Attendance for the Financial year 2022			
		Starts	Ends	S&R	A&C	G&R	Number of meetings taken into account and attendance rate <sup>(a)</sup>			
							Boards	Committees		
<b>Appointed by the Annual General Meeting of Shareholders (14)</b>										
<b>On the proposal of the Public Sector (5)</b>										
Patrice Caine, Chairman and Chief Executive Officer	12/23/2014	05/11/2022	OGM 2026	■			10	100%	4	100%
Delphine Gény-Stephann <sup>(b)</sup>	05/06/2021	05/06/2021	OGM 2025				10	100%	n/a	n/a
Bernard Fontana <sup>(b)</sup>	01/30/2018	05/06/2021	OGM 2025		■		10	100%	5	100%
The French State, represented by Mr. Emmanuel Moulin <sup>(c)</sup>	01/30/2018	05/06/2021 and decree of 06/01/2021	OGM 2025	■		■	10	100%	9	90%
Anne Rigail <sup>(b)</sup>	05/06/2021	05/06/2021	OGM 2025	CSR <sup>(g)</sup>			9	90%	2	100%
<b>On the proposal of the Industrial Partner (Dassault Aviation) (4)</b>										
Charles Edelstenne	05/19/2009	05/11/2022	OGM 2026	■			9	90%	4	100%
Loïk Segalen	05/19/2009	05/11/2022	OGM 2026		■		9	90%	5	100%
Éric Trappier	05/19/2009	05/11/2022	OGM 2026			■	9	90%	6	100%
Marie-Françoise Walbaum	09/17/2013	05/11/2022	OGM 2026	CSR <sup>(g)</sup>			10	100%	2	100%
<b>Representing employee shareholders (1)</b>										
Philippe Lépinay	04/01/2007	05/06/2021	OGM 2025	■			10	100%	4	100%
<b>External personalities (4)</b>										
Philippe Knoche Independent Director <sup>(d)</sup>	05/06/2020	05/06/2020	OGM 2024			■	9	90%	6	100%
Armelle de Madre Independent Director <sup>(d)</sup>	06/28/2017	05/15/2019	OGM 2023				9	90%	n/a	n/a
Anne-Claire Taittinger Independent Director <sup>(d)</sup>	05/15/2012	05/11/2022	OGM 2026		■		10	100%	5	100%
Ann Taylor Independent Director <sup>(d)</sup>	05/15/2012	05/11/2022	OGM 2026				7	70%	n/a	n/a
<b>Appointed by the trade unions (2)</b>										
Anne-Marie Hunot-Schmit <sup>(e)</sup>	12/09/2016	12/09/2020	12/08/2024		■	■	10	100%	9	100%
Nadine Relier-David <sup>(f)</sup>	05/11/2022	05/11/2022	12/08/2024	■			6	100%	1	100%

(a) Attendance is calculated in relation to the total number of meetings for which the director was in office on the respective Board or Committee. The attendance rate of the director who left her office during 2022 (Ms. Frédérique Saint) was 100% of the four Board meetings, the two meetings of the Audit and Accounts Committee and the three meetings of the Governance and Compensation Committee which took place in 2022 until she left her office.

(b) Director(s) proposed by the State (section 6 of Ordinance No. 2014-948).

(c) State administrator representative, appointed by decree (section 4 of Ordinance No. 2014-948).

(d) Independence under the AFEP MEDEF Code, confirmed by the Board of Directors on March 7, 2023.

(e) Ms. Anne-Marie Hunot-Schmit was a member of the Strategy and CSR Committee until May 11, 2022, then joined the Audit and Accounts Committee and the Governance and Compensation Committee from that date.

(f) Director representing employees nominated to succeed, with effect from the Annual General Meeting of May 11, 2022, Ms. Frédérique Saint until the end of her term of office.

(g) Since early 2022, Ms. Anne Rigail and Ms. Marie-Françoise Walbaum have participated in meetings of the Strategy and CSR Committee for those agenda items with relevance for CSR.

\* **Committees:** Strategy and CSR (S&R), Audit and Accounts (A&A) and Governance & Remuneration (G&R).

**Statutes:** ■ Member, ■ President.



● **CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES DURING THE FINANCIAL YEAR 2022 (PREPARED IN ACCORDANCE WITH APPENDIX III OF THE AFEP-MEDEF CODE)**

	<b>Departures</b>	<b>Appointments</b>	<b>Reappointments</b>
<b>Board of Directors</b>	Frédérique Saint	Nadine Relier-David	Patrice Caine Charles Edelstenne Loïk Segalen Eric Trappier Anne-Claire Taittinger Ann Taylor Marie-Françoise Walbaum
<b>Strategic and Corporate Social Responsibility Committee</b>	Anne-Marie Hunot-Schmit	Nadine Relier-David	Patrice Caine Charles Edelstenne
<b>Audit and Accounts Committee</b>	Frédérique Saint	Anne-Marie Hunot-Schmit	Loïk Segalen Anne-Claire Taittinger
<b>Governance and Compensation Committee</b>	Frédérique Saint	Anne-Marie Hunot-Schmit	Eric Trappier

In compliance with the revised Afep-Medef code and the recommendation of the AMF, the biographical notes appearing in section 4.1.1 detail the list of offices held by members of the Board of Directors in Group companies and/or in listed companies, in France or abroad, and include information about their other activities, areas of expertise or experience.

The 2014 General Assembly set the General term of office for directors at four years.

The average age of the directors is 62.5 years as of December 31, 2022. At that time, in the absence of a specific provision in the Articles of Association, ordinary law applied to the age of directors:

- the number of directors over the age of 70 may not exceed one third of the directors in accordance with the French Commercial Code (Article L. 225-19 paragraph 2);
- the age limit for the Chairman is 65, under the French Commercial Code (Article L. 225-48).

### Governance Procedures: Non-Separation

The Company is a limited company with a Board of Directors and no separation of the functions of Chairman of the Board and Chief Executive Officer.

At the end of each term of office of the executive concerned, the Board considers whether it is appropriate to maintain the unification of these functions or to separate them.

Therefore, when Mr. Patrice Caine was reappointed Chairman and Chief Executive Officer on May 23, 2018, the Board of Directors considered that the lack of separation didn't restrict the active and effective exercise of its control and monitoring mission. The responsibilities of the Board of Directors and the role of each of its Committees with the limits placed on the powers of the Chairman and Chief Executive Officer are clearly established (see in particular the excerpt from the Board's internal rules of procedure and section 4.2.6 below).

The Board confirmed this choice at its meeting of March 2, 2022, in anticipation of the renewal of Mr. Patrice Caine's term of office as Chairman and Chief Executive Officer at the end of the Annual General Meeting of May 11, 2022. He based his decision on the following reasons:

**a) The appropriateness of this form of governance to the particularities of the Company's shareholder base**

The appointment of a joint candidate by the Public Sector and the Industrial Partner ensures the best possible cohesion in the decisions taken by the governing bodies in the interest of the Company.

**b) The appropriateness of this model of governance to the Company's operational needs**

It allows the General Management and the Board of Directors to make better decisions, with the benefit of the respective skills of the General Management and the members of the Board of Directors, while facilitating rapid and efficient decision making. The relevance of the uniqueness of roles of the Chairman of the Board of Directors and Chief Executive Officer was particularly evident during the health crisis (see the Universal Registration Document 2020, page 87). In addition, the Board's performance is very satisfactory according to the assessments of all directors, as evidenced by the assessments of the Board's performance carried out internally or by an external consultant (see page 89 for 2021 and page 94 for 2022).

**c) The existence of effective management control mechanisms**

In fact, the powers of the Chairman and Chief Executive Officer are limited by the obligation to submit many transactions for formal approval by the Board of Directors. The annual budget, strategic plan, acquisitions, disposals of shareholdings or assets over €150 million, strategic alliance along with the technological and industrial cooperation agreements, are submitted systematically to the Board for approval. The Shareholders' Agreement states that a majority must also approve such directors' decisions representing the Industrial Partner. Transactions for an amount greater than €50 million, which completion would imply a change in the Group's strategy, as previously approved by the Board (see p. 223), are also submitted to the Board of Directors.

In addition, the representatives of the two reference shareholders individually and collectively represent an effective counterweight to the Chairman and Chief Executive Officer on the Board of Directors.

In addition, more than half of the directors (excluding Patrice Caine) exercise or have exercised general management functions in international groups operating in sectors as diverse as defense, aerospace, digital, energy finance (see their biographies in action 4.1, p. 74 to 82), which guarantees a great wealth of debates and decisions based on the best skills.

Finally, the work of the specialized Committees – including the Audit and Accounts Committee, the Governance and Compensation Committee, of which the Chairman and Chief Executive Officer isn't a member and are chaired by independent Directors, provide a free and independent view of issues that are fundamental to the Company.

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**d) Other considerations**

The review of the compensation of the Chairman and Chief Executive Officer is carried out, in Committee and then in Board, without the presence of the concerned person. This review takes place at the same time as the review of the annual accounts

Furthermore, since 2021, the Board of Directors has held at least one meeting per year without the presence of the Chairman and Chief Executive Officer, as required by its rules of procedure. This annual meeting is chaired by the Chairman of the Governance and Compensation Committee, who may propose restricting all or part of the meeting to certain directors. By guaranteeing the participants' freedom of expression, this meeting makes it possible to address various subjects related to current events, the Company and its governance. A session was held on July 1, 2022, bringing together all the directors other than the Chairman and Chief Executive Officer. The following topics were discussed in particular: the good quality of the Board's governance, acquisition projects, competition for talent, the Group's resilience to the global geopolitical environment, and CSR issues. The Chairman of the Governance and Compensation Committee presented a summary of this to the Chairman and Chief Executive Officer.

Finally, the directors have the opportunity to exchange views during Board visits to Group sites, and in particular during the annual strategic Board meeting.

**Increasing the women's number on the Board of Directors**

The objectives set by law no. 2011-103 of January 27, 2011, relating to the balanced representation of women and men on the Boards of Directors, Supervisory Boards and modified professional equality (minimum 40% of women and men among directors, excluding directors representing employees and employee shareholders), have been reached since November 29, 2016.

As of December 31, 2022, the percentage of women on the Board of Directors was 46% (6 out of 13 directors), excluding the representatives of employees and employee shareholders, and 50% (8 out of 16 directors), including the directors representing employees and employee shareholders.

**Independence of Directors**

According to its rules of procedure, the Board of Directors, based on the report of the Governance and Remuneration Committee conducted on March 7, 2023, its annual review of the situation of its members concerning the definition of and criteria for independent Directors as specified by the Afep-Medef code.

The Board decided to maintain the strict approach adopted in previous years: directors appointed by the Annual General Meeting on the proposal of a shareholder ("Public Sector" or "Industrial Partner") or a category of shareholders (employees), or appointed by trade unions may not be considered independent within the meaning of the Afep-Medef Code. Under these conditions, only the "External Personalities," under the terms of the shareholders' agreement, can be declared independent (a maximum of 4 out of 16).

The Governance and Compensation Committee has carefully studied the responses to the detailed questionnaire sent to each of the "External Personalities" in early February 2023.

Among these, Ms. Armelle de Madre and Mr. Philippe Knoche were employed in 2022 by a group having business relations with Thales, namely Datadog Inc., of which Ms. Armelle de Madre is Director of Human Resources. Also, Mr. Philippe Knoche is Chief Executive Officer of Orano SA (see biographies on pages 76 and 77).

During its meeting on February 23, 2023, the Committee noted that the total amount of sales generated by the Group Orano and the purchase amount of Datadog's Group represented an amount well below the threshold of 1% of Thales' sales on the one hand and of the respective sales of Datadog and Orano, on the other hand. The Board set this 1% threshold as the materiality threshold for assessing whether or not the business relationship is significant.

On this basis, the Committee considered that nothing was likely to compromise the freedom of judgment of Mr. Philippe Knoche and Ms. Armelle de Madre in the performance of their duties as directors of Thales. Therefore, there was nothing to prevent them from being declared independent Directors by the Board.

The two other "External Personalities" directors indicated that they had no business relationship with the Company or its Group. The Committee's opinion is that their questionnaires don't contain any response calling for any restriction on the qualification of independent Directors.

Under the Afep-Medef code, the table below shows the independence criteria met by the directors concerned.

		Philippe Knoche	Armelle de Madre	Anne-Claire Taittinger	Ann Taylor
<b>Criterion 1</b>	Employee and corporate officer during the previous 5 years	✓	✓	✓	✓
<b>Criterion 2</b>	Cross-directorships	✓	✓	✓	✓
<b>Criterion 3</b>	Meaningful business relationship	✓	✓	✓	✓
<b>Criterion 4</b>	Family ties	✓	✓	✓	✓
<b>Criterion 5</b>	Statutory Auditor	✓	✓	✓	✓
<b>Criterion 6</b>	Term of office over 12 years	✓	✓	✓	✓
<b>Criterion 7</b>	Status of non-executive corporate officers	✓	✓	✓	✓
<b>Criterion 8</b>	Status of the major shareholder	✓	✓	✓	✓

In the table above, ✓ means that the independence criterion is met and ✗ means it is not met.

In conclusion, on the recommendation of the Governance and Compensation Committee, the board decided to declare Armelle de Madre, Anne-Claire Taittinger, Ann Taylor, and Philippe Knoche independent Directors.

As of March 7, 2023, the date the 2022 financial statements were closed, the Board of Directors had four independent Directors, representing 31% of its members (excluding directors representing employees and employee shareholders, as specified by the Afep-Medef code). This proportion is slightly lower than the one-third recommended by the Code for audited companies.



## Rules of procedure of the Board of Directors and the Committees

The internal rules of the Board of Directors, which were last revised by the Board on November 30, 2022, don't replace the legal and statutory provisions governing the Board of Directors and its Committees nor the Code of Ethics or the Code relating to insider information and trading in securities. For the provisions applicable to directors, all of these rules constitute a true Code of Ethics for directors (see in particular "Prevention of Insider Trading" below).

In addition to the specific provisions of the shareholders' agreement, the internal regulations are based on best practices in terms of corporate governance, particularly those contained in the above-mentioned AFEP MEDEF Code. The Governance and Compensation Committee is responsible for ensuring that it is periodically updated and submitting any revisions it deems necessary to the board.

The rules of procedure are organized into five chapters:

### I) Members of the Board of Directors (composition of the Board, independence, availability, primary duty, transparency, confidentiality, remuneration)

The rules of procedure state that:

- the members of the Board of Directors must inform the President of all management or administrative offices entrusted to them;
- each Executive Director must obtain the opinion of the Board of Directors before accepting a new corporate mandate in a listed company;
- Directors must inform the Board of Directors of any situation involving a conflict of interest, even a potential conflict of interest. In this case, they must abstain from attending the debates and voting on the corresponding deliberation.

Also, they must inform the Chairman of any proposed agreement that directly or indirectly concerns them, which is likely under the French Commercial Code, to require prior authorization by the Board of Directors.

In addition, directors must individually issue a statement regarding the following:

- none of them has been convicted of fraud in the last five years;
- none has participated as an officer of a company that has been subject to bankruptcy, sequestration, liquidation, or receivership in the last five years, and none has been subject to official public censure and/or sanction by a statutory or regulatory authority;
- a court has prevented none from acting as a member of an administrative, management, or supervisory body of an issuer or from intervening in the administration or conduct of the affairs of an issuer in past five years;
- none of them is related to any member of the Board or the Executive Board;
- no potential conflict of interests exists between the positions held at Thales and their private interests or other positions held;
- each director declares that he or she is aware of the Group's anti-bribery policy, including the related policy and Code of Conduct, as reviewed by the Board of Directors and transmitted to all new directors.

### II) Powers of the Board of Directors (representation and corporate interest, specific powers, shareholders' agreement)

The annual budget, the strategic plan, the appointment and dismissal of the Chairman and Chief Executive Officer (or the appointment of the Chairman and the Chief Executive Officer in the event of dissociation of these functions) acquisitions and disposals of equity interests or assets over €150 million (in terms of commitments or revenues), as well as strategic alliance and technological and industrial cooperation agreements, are systematically submitted to the Board for approval. Also, It is specified that the shareholders' agreement stipulates that a majority of the directors representing the industrial partner (Dassault Aviation) must approve these decisions.

Also, the Board of Directors is asked to approve transactions worth over €50 million whose implementation would imply a change in the Group's strategy, as previously approved by the Board.

### III) Information for the Board of Directors (communication, training)

In particular, it is expected that:

- Council files are sent to participants in a timely manner;
- the representative of the State under the specific action, the government commissioner, the representative of the Central Economic and Social Committee receive all the documents sent to the directors and are called to all Board meetings;
- all new directors receive a folder containing useful documents for taking up their duties. Also, they are given an information session on the Company, its organization, and activities, led by the Group's principal executives. Subsequently, each director may request additional training.

### IV) Committees of the Board of Directors (constitution and powers, organization, information, Audit and Accounts Committee, Governance and Compensation Committee, Strategy and Social and Environmental Responsibility Committee)

In addition to the powers of each Committee (see relevant sections below), it is specified that each Committee has the right to request from General Management any additional information it deems necessary to carry out its mission. The Board of Directors may, in exceptional cases, call on outside expertise.

### V) Operation of the Board of Directors (meetings, participation and representation, annual evaluation, updating of internal regulations)

This chapter sets out the main procedures for convening, meeting, participating in, and evaluating the Board of Directors. Also, It provides at least one annual meeting of the directors without the Chairman and Chief Executive Officer being present.

This part relating to the operation of the Board of Directors is the subject of the annual Statuary report in section 4.2.2 below.

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## Governance and compensation

### Corporate Governance

#### Prevention of Insider Trading

To take into account any applicable regulations and the recommendations contained in the AMF, Thales has implemented a system of “blackout periods” or no trading periods: In addition to the periods for the annual and half-yearly financial statements (at least 30 calendar days in each case), two periods have been introduced for quarterly information (first and third quarters) of at least 15 days each. In all cases, the period includes the day following the day of publication of the financial press release.

The financial calendar is posted on the Company’s website after the third quarter financial press release for the first half of the following year (including the General Meeting date). This schedule is completed for the whole year when the previous year’s annual results are published. The calendar is updated for the whole year when the previous year’s annual results are published.

The Company has informed the directors of their obligations to refrain from trading in Thales securities (and any related financial instruments) during the blackout periods relating to the annual, half-yearly financial statements and quarterly information (as defined by the Company). Also, they have to refrain from trading when they have access to privileged information (within the meaning of the regulations in force).

In addition, the directors have been informed of their reporting obligations to the *Autorité des marchés financiers* (AMF) and the Company in respect of the transactions referred to in Article L. 621-18-2 of the French Monetary and Financial Code. Besides, they are obliged to inform the Company of the list of persons closely related to them and inform those persons of their obligations.

Directors may if they wish consult the Company Secretary or the Secretary of the Board of Directors before dealing in any securities.

#### Obligation to Hold a Minimum Number of Shares

Under Article 10.3 of the Statutes, each director must hold at least 500 shares unless exempted by law. Also, the Chairman & Chief Executive Officer is subject to an obligation to retain shares that they hold as part of their long term compensation (see section 4.4.2.1 B).

#### Transactions’ summary Mentioned in Article L. 621-18-2 of the French Monetary and Financial Code Done in 2022

The summary statement (under Article 223-26 of the AMF General Regulation) of the transactions referred to in Article L. 621-18-2 of the Monetary and Financial Code carried out in 2022 by the persons required to report is provided in section 4.6.

## 4.2.2 Report on the Board of Directors’ Activities during the Financial Year 2022

#### Number of meetings and Attendance Rate

The Board of Directors met ten times in 2022. The average attendance of directors was 95%. Individual attendance rates are specified in section 4.2.1 above.

The statutory auditors are invited to attend meetings to review the interim and annual financial statements. Also, they may be invited to other Board meetings when a report on the work carried out by the Audit and Accounts Committee is presented, and their presence is likely to enrich the discussions.

#### Main Topics Covered

In addition to the recurring matters falling within the competence of the Board of Directors (annual budget and updated forecasts, closing of the consolidated and corporate annual accounts and review of the consolidated half-year accounts, determination of the remunerations package for the Chairman and Chief Executive Officer and setting the quantitative and qualitative criteria for his variable compensation, approval of the annual meeting documents and a notice to attend the Annual General Meeting, prior authorization, where applicable, of regulated commitments or agreements, the annual assessment of the functioning of the Board

and its Committees, various delegations of authority to the Chairman and Chief Executive Officer and reports on their use, annual review of the independence of Directors, etc.), the Board dealt with the following matters, on the basis of a Committee’s report, if any:

- monitoring the main strategic challenges of the Group’s various business areas;
- renewal of the term of office of the Chairman and Chief Executive Officer;
- implementation of the project to dispose of the Transport business;
- the share buyback program;
- acquisition opportunities;
- updates on the conflict between Russia and Ukraine and its consequences on the Group;
- implementation of the annual LTI (long term incentive) plan with performance conditions, applicable to Group employees;
- attractiveness and the retention of talents within the Group;
- setting of new gender balance targets for the Group’s management bodies by 2026;
- financing of the pension plan in the United Kingdom.

## 4.2.3 Preparatory Work for Board of Directors Meetings

#### Information for Directors

##### Board documents

Each year, a provisional timetable for meetings is drawn up halfway through the year for the following year.

The Board’s rules of procedure have set the period for the notice of meeting and provision of documents at five working days, unless this is impossible or there is an emergency, and three days is considered a desirable minimum.

Each notice includes the agenda and meeting documents (or at least the main points, if the documents cannot be completed at the time of dispatch) and the draft minutes of the previous meeting, usually sent out initially within one month of each meeting. In some cases, additional material is sent to directors after the notice of meeting, or may even be handed out during the meeting, if the matter is urgent.

The directors are also sent a press review and a selection of financial analyses relating to the Company. National press releases are sent to them directly by e-mail.





The prior sending of documents by e-mail, which can be accessed on dedicated secure tablets, has enabled the time frame for provision to be optimized; the documents are then sent out in paper form to directors who request this.

### Additional training

In accordance with the Board's rules of procedure, directors may ask to receive additional training. The Board has decided that CSR/Climate training will be provided to all its members during 2023.

### Organization and Operation of Board Committees

The Board of Directors has three Committees: an Audit and Accounts Committee, a Governance and Compensation Committee and a Strategic and Corporate Social Responsibility Committee.

#### Audit and Accounts Committee

As of December 31, 2022, the powers and duties of this Committee, which are reproduced in the Board's rules of procedure (Article 16), reflect, on the whole, the framework set out in the Order of 8 December 2008 implementing Directive 2006/43/EC and are also compliant with EU Regulation No. 537/2014 of 16 April 2014.

The Audit and Accounts Committee acts under the responsibility of the Board of Directors. Without prejudice to the powers of the Board of Directors, it is specifically responsible for the following tasks:

- 1) it monitors the process of drawing up the financial information and, where applicable, formulates recommendations to guarantee its integrity;
- 2) it monitors the effectiveness of internal control and risk management systems, as well as the internal audit where applicable, with regard to procedures relating to the preparation and processing of accounting, financial and non-financial information;
- 3) it supervises the selection procedure for the statutory auditors and issues a recommendation to the Board of Directors on the statutory auditors proposed for appointment by the General Meeting, including the renewal of their mandate;
- 4) it monitors fulfillment by the statutory auditors of their mission, taking account of the findings and conclusions of the *Haut Conseil du Commissariat aux Comptes* (Audit Office Control Board) following audits performed;
- 5) it ensures compliance by the statutory auditors with the terms and conditions of independence prescribed by current regulations;
- 6) it approves, within the framework authorized by the Board of Directors, the provision by the statutory auditors or members of their respective networks of services other than the certification of the company's financial statements and the companies that it controls directly and indirectly. It reviews and validates related procedures and ensures their compliance;
- 7) it reviews the procedure for regularly assessing whether the agreements relating to ordinary transactions entered into under normal terms and conditions actually meet these conditions, in accordance with Article L. 22-10-12 of the French Commercial Code.

It consults the statutory auditors on the following:

- 1) their general program of work as well as the various sample tests they have performed;
- 2) changes that they believe should be made to the financial statements to be published or to other accounting documents, making any relevant comments on the assessment methods used in their preparation;
- 3) any irregularities and inaccuracies that they may have discovered;
- 4) conclusions resulting from the comments mentioned above and adjustments to the profits for the period compared to those of the previous period;

- 5) risks to their independence and the safeguards applied to mitigate these risks;
- 6) significant internal control weaknesses they may have identified regarding procedures relating to the preparation and processing of accounting and financial information.

It receives from them each year:

- 1) a statement of independence;
- 2) an update of the information provided for their appointment, detailing the services provided by members of the network to which the statutory auditors belong, as well as services other than the certification of the financial statements that they have provided;
- 3) the additional report under Article 11 of EU Regulation No. 537/2014.

Each year, it examines the budget for professional fees for the statutory auditors. It reviews and analyzes the professional fees paid to the statutory auditors for the preceding financial year.

The Committee relies in particular, for performing its duties, on the work of the Finance Department and the Internal Audit department. It approves the annual program of the Internal Audit department and examines the activity reports. It is informed of the action plans implemented following the audits.

It takes note of the main characteristics of the risk management and internal control systems and the results of their operation. It reviews, at least once a year, the mapping of the Group's main risks, drawing on the work of the Strategy and CSR Committee to monitor non-financial risks.

It annually reviews the draft of the chapter entitled "Risk factors, internal control and risk management" of the Universal Registration Document, before it is presented to the Board.

It reports regularly to the Board of Directors on its work and the results of its assignment to certify the financial statements, the way in which this assignment contributed to the integrity of the financial information and the role that it played in this process. It informs the Board of Directors immediately of any problems encountered.

In addition, since 2010, with reference to the final AMF Audit Committee report of 22 July 2010, Committee members have been able to have a discussion with the statutory auditors at the end of each meeting without any meeting secretary or Thales representatives being present.

On December 31, 2022, the members of the Committee were:

- Anne-Claire Taittinger, Chairman and independent Director;
- Bernard Fontana;
- Anne-Marie Hunot-Schmit, Director representing employees;
- Loïk Segalen.

The composition of the Audit and Accounts Committee is consistent with the provisions of the French Commercial Code: the Committee members are all directors and at least one director, the Chairman, in addition to being qualified as an independent Director, has the requisite financial, accounting and statutory audit expertise (see the biography of Ms Anne-Claire Taittinger on page 79).

However, the Committee is not composed of two thirds independent Directors, as recommended by the Afep-Medef code, but only one-third (note that Ms. Anne-Marie Hunot-Schmit, the Director representing employees wasn't taken into account for this calculation). Under the shareholders' agreement, a representative of each of the two shareholders of the agreement sits on each Committee. In the case of the Audit and Accounts Committee, the representatives are Bernard Fontana, appointed on the recommendation of the Public Sector, and Loïk Segalen, appointed on the recommendation of Dassault Aviation (see page 79 for an explanation of this point).

The Committee met five times in 2022, with an attendance rate of 100%.

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The statutory auditors, who are invited to all Committee meetings, are involved in all discussions, except when there is a conflict of interest (e.g., during a review of the appointment of statutory auditors or renewal of their terms of office). Twice a year, they submit their report on the audit of the accounts (annual and half-year) and specify the accounting options used and the highlights of their audit of the financial statements.

The Senior Executive Vice President, Finance and Information Systems, the Company Secretary and the Director of Audit, Risks & Internal Control are invited to all meetings, as well as the Group Financial Control Director and, occasionally, depending on the agenda, other representatives of the Finance Department and the Group's Legal and Contracts Director.

In 2022, besides to the annual financial statements, the Committee also reviewed:

- the interim financial statements;
- the execution of complicated contracts and their accounting implications;
- the follow-up of the main disputes;
- the external audit plan and statutory auditors' fees;
- the organization of internal control, updates to the risk mapping, and assessment of the implementation of the annual audit plan;
- the audit plan for 2023;
- the evolution of cyber risk, including the analysis of LockBit incidents made public by this organization;
- the strengthening of the Group's anti-bribery and influence peddling policy;
- the finalization of the next three-year assessment of the Group's pension obligations in the United Kingdom and the corresponding financing plan;
- the first statement to be made in respect of regulations relating to the environmental taxonomy, in coordination with the Strategy and CSR Committee;
- the follow-up of the implementation of the regular assessment procedure for routine agreements in respect of 2021, leading to the ratification of a related-party agreement entered into in early 2022, as well as the reclassification of a related-party agreement as a routine agreement;
- the Board's report for 2021 covering risk factors, internal control and risk management.

During meetings more specifically devoted to audit and internal control, the Committee reviewed the reports of the Audit, Risks & Internal Control Department. It laid out its recommendations for the follow-up on assignments.

The Committee also reviewed the press releases relating to the financial results.

Following the meetings, which, in the case of the closing or examination of the financial statements, are held at least two (and wherever possible three) days prior to the Board meeting, a written report is produced and submitted to all directors at the next Board meeting. Pursuant to the AMF recommendation in its report on the Audit Committee of July 22, 2010, this report is systematically included or attached to the minutes of the next Board meeting after being approved by the Committee. This report sets out the main discussions within the Committee as well as the recommendations made to the Board.

### Governance and Compensation Committee

In compliance with Article 17 of the Board's rules of procedure, the Governance and Compensation Committee has the task of examining:

- the compensation policy for the Company's senior executives;
- the compensation of the Chairman and Chief Executive Officer and any commitment concerning him, the compensation of the directors and, if applicable, that of other corporate officers;
- the proposed "LTI" plans (long-term incentive) which are submitted to the Board;
- the proposed employee share ownership schemes;
- candidates for external directors, regarding whom the two major shareholders hold consultations in accordance with the provisions of the aforementioned shareholders' agreement;
- at least once a year, the independence of the directors;
- and in general, any issues relating to the application of the Afep-Medef Corporate Governance Code for Listed Companies.

The Committee is also responsible for preparing the Board's assessment of its own performance (see section 4.2.4 below) and reporting on it to the Board in order to facilitate discussion.

On December 31, 2022, the members of the Committee were:

- Philippe Knoche, Chairman, independent Director;
- Anne-Marie Hunot-Schmit, Director representing employees;
- Emmanuel Moulin; and
- Éric Trappier.

The Committee met six times in 2022, with an attendance rate of 100%.

The ratio of independent Directors recommended by the Afep-Medef code (at least half) isn't met, because it currently stands at one-third (the Director representing employees, Ms. Anne-Marie Hunot-Schmit, is not included in this calculation pursuant to the Afep-Medef code). Under the shareholders' agreement, a representative of each of the two shareholders of the agreement sits on each Committee. In the case of the Governance and Remuneration Committee, the representatives are Emmanuel Moulin, representative of the State, appointed on the recommendation of the Public Sector, and Eric Trappier, appointed on the recommendation of Dassault Aviation (see page 84 for an explanation of this point).

The Senior Executive Vice President, Human Resources, and the Company Secretary are invited to all Committee meetings, and the Chairman and Chief Executive Officer is invited to some of the meetings, depending on the agenda or in cases where his presence could be of particular value to the discussion.

The items reviewed by the Committee in 2022 included:

- the review of the total compensation of the Chairman and Chief Executive Officer (ex post 2021 and compensation policy for 2022);
- the independence of the directors;
- the Group's long-term incentive (LTI) policy and the preparation of a free share allocation plan with performance conditions and according to the level of responsibility of the beneficiaries;
- the procedures for the annual assessment of the performance of the Board of Directors and the report presented to the Board;
- the succession process for members of the Executive Committee;
- amendments to the Board's rules of procedure specifically aimed at clarifying the duties of the Audit and Accounts Committee in line with its proven practice, particularly in terms of risk management;
- the Board's report on corporate governance.



For all of these items, the Committee presented its recommendations to the Board: each meeting is recorded in a written report circulated to all directors at the next Board meeting. This report sets out the main discussions within the Committee as well as the recommendations made to the Board.

### Strategic and Corporate Social Responsibility Committee

In compliance with the Board's rules of procedure, the Strategic and Corporate Social Responsibility (CSR) Committee's main tasks are to assess the Group's strategy in its key business segments and with respect to CSR, in particular:

- to examine the Group's strategic approaches in each of its major fields of operation, before these are submitted to the Board of Directors;
- to analyze the framework for submission of the budget and the three-year rolling plan to the Board, and to examine the proposed annual budget in the context of this plan;
- to analyze major acquisitions and asset disposal plans (over €150 million), as well as proposed strategic agreements or partnerships;
- to examine the Group's CSR strategy and to ensure that the results of the strategy are monitored annually;
- to examine the Group's Extra-Financial Performance Statement to make recommendations to the Board.

As at December 31, 2022, the Strategic and Corporate Social Responsibility Committee comprised:

- Patrice Caine, Chairman;
- Charles Edelstenne;
- Philippe Lépinay, Director representing employee shareholders;

- Emmanuel Moulin;
- Nadine Relier-David, Director representing employees.

The Strategy and Corporate Social Responsibility Committee met four times in 2022, with an attendance rate of 96%, in particular to examine the 2022 budget, the proposed acquisitions and disposals, and follow-up of the disposal of the Transport business.

As decided by the Board following the 2021 assessment, Ms. Anne Rigail and Ms. Marie-Françoise Walbaum participated in the two meetings of the Strategy and CSR Committee in 2022 for the agenda items on Corporate Social Responsibility, namely:

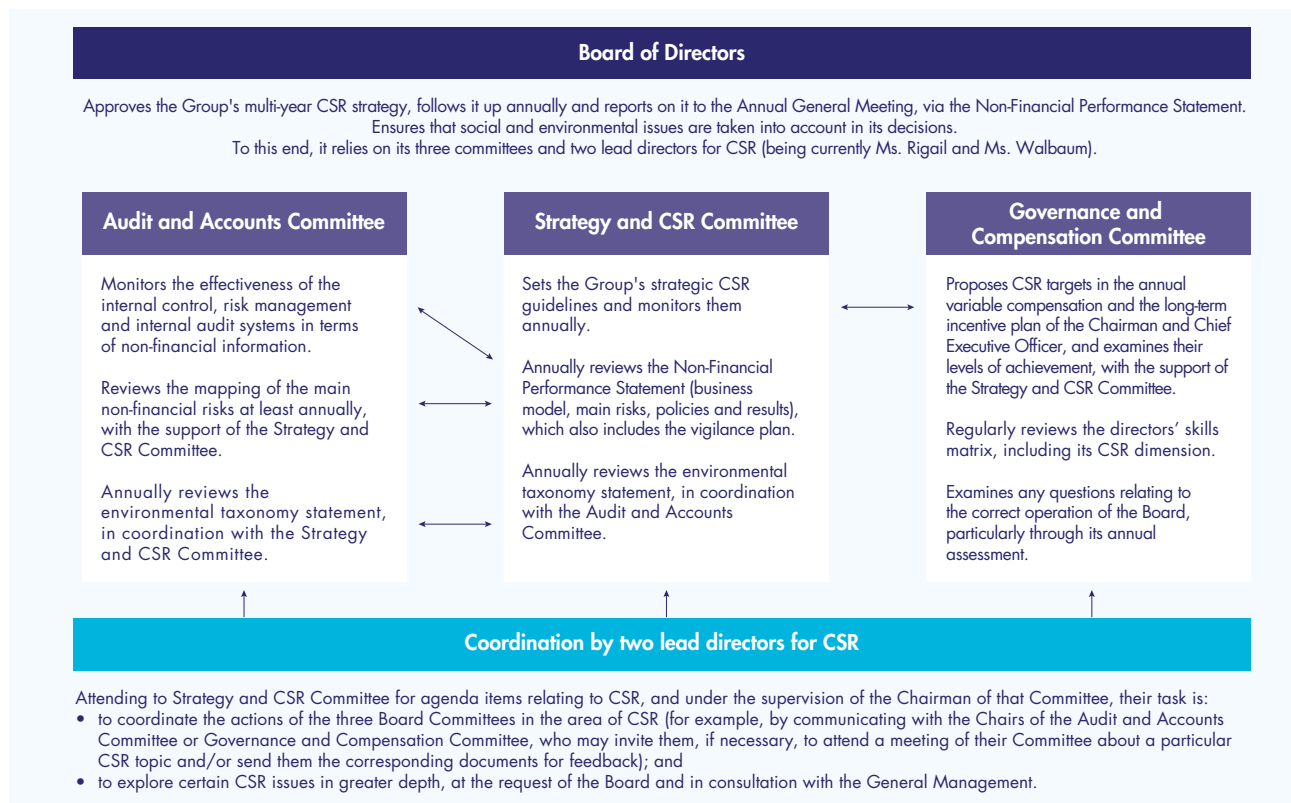
- the Non-Financial Performance Statement, as well as the environmental taxonomy statement;
- implementation of the low-carbon policy; and
- the setting of new gender balance targets for the Group's management bodies by 2026.

They were also able to deepen their knowledge of the Group's CSR issues during several dedicated information sessions organized by the General Management in 2022 and early 2023.

At the beginning of 2023, the Board formalized the role of these two directors in the context of the evolution of the Board's CSR governance presented below.

In 2022, the Senior Executive Vice President of Finance & Information Systems, the Company Secretary, the Senior Executive Vice President of Operations & Performance and the Executive Vice President of Strategy were invited to meetings by the Chair of the Committee. A written report was produced for each meeting and distributed to all directors at the following Board meeting, with supporting documentation as applicable. This report sets out the main discussions within the Committee as well as the recommendations made to the Board.

### SUMMARY PRESENTATION OF THE BOARD'S CSR GOVERNANCE



## 4.2.4 Assessment of the Board's performance

Each year, the Board assesses its performance either utilizing a formal self-assessment or an external assessment. In either case, the assessment is followed by a discussion with the Governance and Compensation Committee and then the Board.

After a 2021 assessment carried out with the support of an external consultant, an internal assessment was carried out in 2022 on the basis of a questionnaire drawn up with the assistance of the Chairman of the Governance and Compensation Committee, specifically addressing areas for improvement resulting from previous assessments. Any directors wishing to do so also had the opportunity to go into more detail in a meeting with the Company Secretary.

At the end of this assessment, the directors were satisfied with the quality of the Board's work and discussions, and particularly highlighted the progress made in its operation and that of its Committees, particularly its Strategy and CSR Committee.

They unanimously acknowledged that the times for strategic discussion and the background information provided were appropriate (Strategic Business Plan, review of opportunities). They also considered that the Board had been given sufficient information and time for discussion in the area of CSR and that the Board's operation in this area had improved, particularly thanks to the participation of two additional directors during the meetings of the Strategy and CSR Committee on these topics. Some highlighted the

opportunity to continue this effort, for example, by scheduling an additional CSR update around the end of the year, which was carried out in the Strategy & CSR Committee in January 2023.

They considered the annual frequency of the executive session as entirely appropriate in terms of Board governance.

They also highlighted the quality of the information provided to the Board and the Committees and the organization of their meetings. In this regard, they highlighted an improvement in transmission times in 2022, while wishing for this effort to continue.

The 2021 assessment (see page 89 of the 2021 Universal Registration Document) highlighted the desire for the Board to be able to expand its skills in the areas of CSR, digital technology and knowledge of non-OECD countries, if the opportunity arises during future renewals and in compliance with the shareholders' agreement. This desire was confirmed by a majority of directors during this 2022 assessment. In addition, some directors expressed a new need in the field of Space following several departures of Board members with such expertise.

Finally, the individual contribution of the directors was considered satisfactory. Some highlighted the return of in-person Board meetings as a key success factor in this regard.

## 4.2.5 Diversity Policy of the Board of Directors and Gender Balance in Governing Bodies

### Diversity Policy of the Board of Directors and its Committees (Information Referred to in Article L. 22-10-10, paragraph 2 of the French Commercial Code and in paragraph 7.2 of the Afep-Medef code)

The directors assessed the achievement of the Board's diversity targets initially set at its meeting on March 5, 2018 and subsequently confirmed, as well as their potential development for 2023.

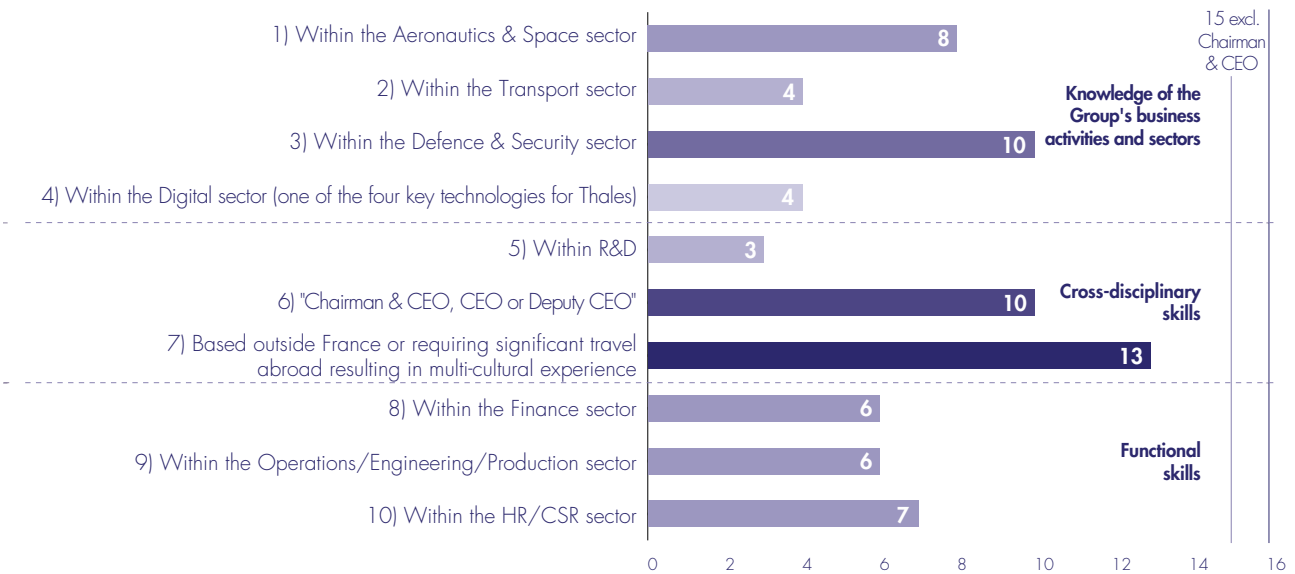
Diversity target wording	Findings from 2022	Possible reassessment of the target for 2023
<b>Varied and complementary expertise and experience within the Board</b>	By virtue of their experience, the directors possess skills in all of the Group's business sectors (aerospace, defense, space transport and digital technology) as well as in key cross-disciplinary areas such as finance, industry and human resources. Refer to the Director's skill matrix.	Target unchanged. The Board took note of certain desirable skills during the assessment conducted in 2022.
<b>A balanced representation of men and women on the Board and its Committees</b>	This target was considered met, given that 54% of Board members were men and 46% were women (excluding the directors representing employees and employee shareholders), the percentage of women members rising to 50% when the directors representing employees were taken into account.	Target unchanged
<b>Balance in terms of seniority of directors</b>	This target was considered met given the balanced representation of directors with less than four years' seniority, four to eight years' seniority and more than eight years' seniority on the Board of Directors.	Target unchanged

As since 2020, the Board furthermore reiterated that these diversity targets should be taken into consideration when it comes to complying with the rules of the shareholders' agreement regarding the composition of the Board and its Committees.

The self-assessment of the Board's skills performed by directors on the basis of positions personally held throughout their career, is presented below in an aggregate, non-nominative form. It attests to the diversity and complementarity of expertise and experience within the Board.



● **SKILLS ASSESSED BY THE DIRECTORS BASED ON POSITIONS PERSONALLY HELD (a)**  
(UP TO DATE AT MARCH 7, 2023)



(a) This list excludes the skills of the Chairman and Chief Executive Officer.

In the area of corporate social responsibility, the Board's collective expertise stems in particular from the directors' experience in the following areas, most of which is described in their biographies in section 4.1 above:

- Environment: offices as Chair or executive officers of groups with major decarbonization or environmental impact challenges, or contributing to their customers' decarbonization, or having created a CSR department or implemented CSR projects in this area;
- Social and societal: executive management of human resources, Chair of a sector employers' union, implementation of diversity and inclusion or occupational health and safety policies in international groups, secretary of employee representative bodies, active participation in an endowment fund or associations with an impact on society;
- Governance: offices as members of a Board CSR, governance, appointments, compensation or audit committee of listed companies (besides Thales) or a national parliamentary chamber, and having contributed to the increased handling of CSR matters;
- CSR regulations: direct involvement in the drafting or negotiation of legal texts in France (Pacte law) or at European level (green taxonomy, green bonds standards).

The variety and depth of this experience and that of other directors enable the Board to address CSR issues with perspective, and to analyze them in depth by drawing on internal and external experts (new Group CSR division, independent third party, etc.). In addition, the Board decided that CSR/Climate training would be provided to all its members during 2023.

**Gender balance on management bodies (information referred to in Article L. 22-10-10, paragraph 2 of the French Commercial Code and in paragraph 1.7 and 8 of the Afep-Medef code)**

At the end of 2022, the Group's Executive Committee within the Corporate Management structure comprised three women and 12 men. Women thus represent 20% of the Committee's membership, compared with 14.3% at the end of 2019, when it comprised of two women and 12 men.

At its meeting on March 30, 2022 upon the recommendation of its Strategy & CSR Committee and in accordance with the recommendations of the Afep-Medef code specified by the High Committee for Corporate Governance (HCGE) the Board of Directors decided on medium-term gender diversity targets for the Group's management bodies:

- pursuing the two gender diversity objectives set by the Board on February 9, 2021 for the period 2021/2023, i.e. 75% of Management Committees (GBUs, Business Lines, Major Countries, DGD, Group Executive Committee) to include at least 3 women, by 2023, and a target of 20% of women in levels of responsibility (pay grades) 10 to 12 <sup>(1)</sup>, by 2023, corresponding to the Ambition 10, 10-year strategic plan. The General Management has decided to include this last quantifiable criterion in the annual variable pay-scheme for all of the Group's entitled executives (more than 47,000 employees);
- accelerating progress over the 2024-2026 period, with new targets over the period: 75% of Management Committees with at least 4 women by 2026 <sup>(2)</sup> and 22.5% of women in levels of responsibility (pay grades) 10 to 12 by 2026.

At the end of 2022, the Group was in line with these objectives, with women representing 19.4% of employees in positions of highest responsibility (vs compared with 14.7% at the end of 2016 and 18.9% at the end of 2021) out of a population representing 13% of the total workforce. 75.6% of the Group's management committees included at least three women (vs. 27% at end-2016 and 71% at the end of 2021).

Thales has implemented a range of Group-level initiatives to help achieve these targets, including the publication of a global gender equality Index, an international mentoring program and active coordination of local gender-balance networks. Numerous steps have also been taken at the local level, including highlighting female engineers, awareness-raising and communications campaigns on stereotypes and unconscious bias, as well as initiatives to combat workplace sexism, etc.

These commitments and achievements are published in the Group's 2022 Extra-Financial Performance Statement approved by the Board of Directors on the recommendation of its Strategic and CSR Committee and provided in section 5.

<sup>(1)</sup> The Group's internal classification has 12 pay grades, with 12 being the highest. The number of employees in the 10 to 12 pay grades slightly exceeds the proportion provided for in section L. 20-10-10 2<sup>e</sup> of the Commercial Code (10%). It has been retained for the sake of homogeneity and consistency.

<sup>(2)</sup> At December 31, 2022, 44% of Management Committees were composed of at least 4 women.



## 4.2.6 Restrictions on the Chief Executive Officer's Powers

Since December 23, 2014, Patrice Caine has served as Chairman and CEO, with the confirmation of the principle of non-separation by May 23, 2018 and March 2, 2022 board meetings, with no limitation of powers other than those stipulated in the applicable legislation with respect to the specific powers of the Board of Directors or the Annual General Meeting.

The powers of the Chief Executive Officer are furthermore restricted by the Board's rules of procedure which stipulate, as mentioned in section 4.2.1 above, that any acquisitions or disposals exceeding €150 million, or any transaction exceeding €50 million falling outside the Group strategy, are automatically submitted for Board approval. These restrictions were confirmed without amendment by the Board of Directors when the Chairman and Chief Executive Officer was reappointed at the Annual General Meeting on May 11, 2022.

## 4.2.7 Succession plan

The development of a succession plan for the Chairman and Chief Executive Officer takes into account the Company's specific governance requirements, insofar as the shareholders' agreement between the Public Sector and the Industrial Partner provides that the Chief Executive Officer is selected based on their joint proposal.

In this context, the process provided for in the event of an unannounced succession occurring (resignation, indisposition, death, etc.) or at the end of a term of office, after discussion with the two shareholders concerned, is as follows: the shareholders who are signatories to the shareholders' agreement meet before the planned

departure or, in the event of an unexpected event, soon after the occurrence of this event, in order to select a successor (or two successors if the functions are separated). Once they have established their joint position, they will inform the Chairman of the Board of Directors and the Chairman of the Governance and Compensation Committee before the Board of Directors meeting convened to decide on such proposal, and the Board of Directors will then decide on the proposal in accordance with its governance rules.

## 4.2.8 Other Information

### Notice of Annual General Meetings and Conditions for Attendance

All shareholders, regardless of the number of shares they own, are entitled to take part in Annual General Meetings. They are sent a notice of meeting and business is transacted according to the law. The date and place of the meeting, the agenda and the draft resolutions of the meeting are published in the French official gazette (*Bulletin des annonces légales obligatoires*, BALO) at least 35 days prior to the date of the meeting, with the final notice of meeting being sent no later than 15 days prior to the meeting. The Board of Directors ensures, in the interests of all shareholders, that the period of notice for meetings is much longer than the minimum requirements.

At least 21 days prior to the General Meeting, all documentation required by current regulations is provided on the Company's website ([www.thalesgroup.com](http://www.thalesgroup.com)). It is available for shareholders at the registered office within the statutory deadline.

The date of the General Meeting is published on the Company's website at least six months in advance.

Participation in General Meetings, in any form whatsoever, is conditional upon registration of the shares in accordance with the conditions and within the time limits provided for under the current regulations.

Shareholders may vote electronically.

Any shareholder who has already voted remotely or by proxy, or requested an admittance card or share ownership certificate, may sell all or some of their shares at any time.

However, in accordance with the regulations in force since January 1<sup>st</sup>, 2015, should the intermediary account holder notify the Company of a disposal occurring before midnight (Paris time) on the second trading day prior to the General Meeting, the Company will invalidate or modify the vote, proxy, admittance card or share ownership certificate, as the case may be.

No sale or other operation carried out after midnight (Paris time) on the second trading day prior to the meeting, irrespective of the means used, is notified by the approved intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

The right to vote, and consequently the right to attend General Meetings, belongs to the beneficial owner at Ordinary General Meetings, and to the bare legal owner at Extraordinary General Meetings. Owners of pledged shares retain their voting rights. Undivided co-owners of shares are represented at the General Meetings by one of the co-owners or by a joint proxy who, in the event of disagreement, is appointed by the court at the request of the most diligent co-owner.

Each person present at the General Meeting has one vote for each share owned or represented, without limitation, subject to the following provisions on the right to a double vote, and to the exceptions provided by law.

### Double Voting Rights

Shareholders who can prove that their shares have been registered in their name in the Company's share register (kept by Société Générale Securities Services, duly authorized for this purpose – see section 6.2.1), for at least two years without interruption, are entitled to double voting rights at Annual General Meetings for each share so held. Registered shares that have been granted to a shareholder as free shares in respect of shares they already hold with double voting rights attached are also entitled to double voting rights as soon as the shares have been granted.

Double voting rights automatically cease for any share that has been converted to a bearer share or transferred (except as a result of intestate or testamentary succession, the division of community property between spouses, or an inter vivos gift to a spouse or relative in the line of succession, as well as in the event of a transfer following a merger or demerger of a shareholder company).

Double voting rights may be canceled by a decision of an Extraordinary General Meeting, following approval by a special General Meeting of Shareholders entitled to double voting rights.

Under the Articles of Association, there is no limit on voting rights.





### Key factors likely to have an impact in the event of a takeover bid

The structure of share ownership and the distribution of voting rights mean that Thales is unlikely to be affected by any public offering. Furthermore:

1. the two main shareholders (Dassault Aviation and TSA) have declared that they are acting in concert under a shareholders' agreement, the key terms of which are described in section 6.2.3.3, which stipulates in particular that the Chairman and Chief Executive Officer is chosen based on a joint proposal by the parties;
2. in the absence of termination on expiry of the contract on December 31, 2021, the agreement was tacitly renewed for

another period of five years expiring on December 31, 2026. It may be tacitly renewed for five-year periods;

3. any crossing of the threshold of one-tenth or a multiple of one-tenth of the share capital or voting rights of the Company must first be approved by the Minister for the Economy;
4. in addition, under the conditions set by Decree No. 93-1296 of December 13, 1993, the Minister for the Economy may oppose decisions on the sale or the allocation as collateral of assets referred to in the appendix of Decree No. 97-190 of March 4, 1997 (see section 6.2.3.3.5).

### General Meeting authorizations valid at December 31, 2022 for capital increases

(Table pursuant to Article L. 225-37-4 paragraph 3 of the French Commercial Code)

Annual General Meeting of May 11, 2022	Used by the Board of Directors	Observations
<p><b>Issue of securities giving access to equity capital</b></p> <ul style="list-style-type: none"> <li>• With pre-emptive subscription rights (17<sup>th</sup> resolution): 53 million shares, €3 billion debt securities</li> <li>• Without pre-emptive subscription rights and with the possibility of a priority period (18<sup>th</sup> resolution): 20 million shares, €2 billion debt securities</li> <li>• Without pre-emptive subscription rights by means of a public offering referred to in Article L. 411-2 paragraph 1 of the French Monetary and Financial Code (19<sup>th</sup> resolution): 20 million shares, €2 billion debt securities</li> <li>• Possibility of green shoe over-allocation (20<sup>th</sup> resolution): Max 15% of the issues made specific to each resolution/type of transaction above</li> </ul> <p>Duration 26 months, until July 10, 2024</p>	No use	<p>Overall ceilings (22<sup>nd</sup> resolution):</p> <p>In shares:</p> <ul style="list-style-type: none"> <li>• 20 million shares for resolutions 18, 19, 20 and 21;</li> <li>• 60 million shares for resolutions 17, 18, 19, 20 and 21.</li> </ul> <p>In debt securities:</p> <ul style="list-style-type: none"> <li>• €2 billion debt securities for resolutions 18, 19 and 20;</li> <li>• €3 billion debt securities for resolutions 17, 18, 19 and 20.</li> </ul>
<p><b>Issue of new shares in consideration for contributions of securities of third parties</b></p> <p>Limit of 21.3 million shares (21<sup>st</sup> resolution)</p> <p>Duration 26 months, until July 10, 2024</p>	No use	
<p><b>Issue of new shares reserved for a group savings fund (PEG) members</b></p> <p>Ceiling 2 million shares (23<sup>rd</sup> resolution)</p> <p>Minimum discount: 30% for 5-year PEE and 40% if the shares are held for 10 years</p> <p>Duration 26 months, until July 10, 2024</p>	No use	Note: employee shareholding transactions are now carried out on the basis of existing shares, previously purchased by the Company as part of a share buyback program.

### Agreements between an executive or significant shareholder and a subsidiary

During the financial year 2022, no agreement was entered into, either directly or through an intermediary, between a corporate officer or shareholder holding more than 10% of the Company's share capital and another company in which Thales directly or indirectly holds more than half of the share capital, except for of routine agreements entered into under normal terms and conditions.

### Procedure for the regular evaluation of agreements relating to current operations and concluded under normal conditions

At its meeting of February 25, 2020, the Board of Directors approved, on the recommendation of its Governance and Compensation Committee and its Audit and Accounts Committee, the procedure for the regular assessment of agreements relating to routine transactions entered into under normal conditions.

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This is part of an internal charter, the purpose of which is also to set out the methodology and procedure implemented to identify, qualify and process agreements entered into by Thales SA to which the provisions of Article L. 225-38 of the French Commercial Code are applicable (regulated agreements). This charter isn't made public.

The procedure provides that, at the end of each calendar year, the main departments concerned (in particular, the Corporate Secretary's Office and the Group Finance Department) review the information provided by the departments concerned when such agreements are entered into, modified, renewed or terminated, to analyze the normal nature of their terms and conditions along with the relevance of the criteria used to establish them.

Under Article L. 22-10-12, paragraph 2 of the French Commercial Code, persons directly or indirectly involved in any of the agreements concerned do not participate in this assessment.

Furthermore, the procedure provides that, when preparing the annual financial statements, the General Management reports on the work mentioned above to the Audit and Accounts Committee, which reports to the Board.

Following this review, the Board of Directors may, on the recommendation of its Audit and Accounts Committee, determine the course of action to be taken with respect to agreements that no longer meet the aforementioned criteria, or revise said criteria or, more generally, the procedure itself, in order to take into account any changes in legislation or regulations and/or changes in market practices.

In addition, should this review lead to the conclusion that the prior authorization of the Board of Directors has been omitted for a given agreement, it will be proposed to the Board of Directors to ratify it before it is presented to the Annual General Meeting for approval after the fact, in accordance with the applicable texts, or to amend or even terminate it.

At its meeting on March 7, 2023, the Board of Directors reviewed the report of the Audit and Accounts Committee on the performance for the financial year 2022 of the procedure for the regular assessment of agreements relating to routine transactions and concluded into under normal conditions.

The review identified 80 agreements for the financial year 2022 for Defense and Industry projects, R&D partnerships, project financing, transport or logistics, purchases of consumables, professional dues, and export credit insurance. It was also noted that the FSTA partnership agreement authorized in March 2008 was requalified as a routine agreement concluded under normal conditions by the Board decision of November 30, 2022.

This review led to the conclusion that the aforementioned agreements remain routine agreement, concluded under normal conditions, and that the criteria used by Thales SA to determine the agreements qualifying as such do not require any particular modification.



## 4.3 General Management and Executive Committee

### Executive Committee as of December 31, 2022



**Patrice Caine**  
Chairman and CEO



**Jean-Loïc Galle**  
Senior Executive Vice  
President, Operations  
& Performance



**Pascale Sourisse**  
Senior Executive Vice  
President, International  
Development



**Clément de Villepin**  
Senior Executive Vice  
President, Human  
Resources



**Pascal Bouchiat**  
Senior Executive Vice  
President, Finance and  
Information Systems



**Isabelle Simon**  
Executive Vice  
President, Group  
Secretary and General  
Council



**Philippe Keryer**  
Executive Vice  
President, Strategy,  
Research, and  
Technology



**Alex Cresswell**  
Executive Vice President  
of Thales UK



**Marc Darmon**  
Executive Vice  
President, Secure  
Communications and  
Information Systems



**Christophe Salomon**  
Executive Vice  
President, Land &  
Air Systems



**Philippe Duhamel**  
Executive Vice  
President, Defense  
Mission Systems



**Yannick Assouad**  
Executive Vice  
President, Avionics



**Hervé Derrey**  
Executive Vice  
President, Space



**Millar Crawford**  
Executive Vice  
President, Ground  
Transportation Systems



**Philippe Vallée**  
Executive Vice  
President, Digital  
Identity and Security

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## 4.4 Compensation of Corporate Officers

### 4.4.1 Information on the 2022 compensation of Corporate Officers

This section 4.4.1 presents the compensation paid or awarded during the financial year 2022 to all corporate officers and, more generally, the information required by the Article L. 22-10-9 I of the French Commercial Code. They are the subject of the 5<sup>th</sup> resolution presented to the Annual General Meeting of May 10, 2023. If this resolution is rejected, payment of the compensation awarded to the directors in respect of the 2023 financial year will be suspended and the Board of Directors will submit to a new Annual General Meeting a draft resolution presenting a revised compensation policy, according to the conditions set out in Article L. 22-10-34 I of the French Commercial Code.

Subsection 4.4.1.1 sets out the fixed, variable and exceptional components of the total compensation and benefits of any kind paid to the Chairman and Chief Executive Officer in the financial year 2022 or granted in respect of that year. They are the subject of the 4<sup>th</sup> resolution presented at this same Annual General Meeting. Payment of the Chairman and Chief Executive Officer's 2022 annual variable compensation and the payment of the performance units vested by him under the 2019 LTI Plan are subject to the approval of this resolution.

#### 4.4.1.1 Compensation of the Chairman and Chief Executive Officer for 2022

##### A. Fixed and variable annual compensation

Mr. Patrice Caine's annual fixed and variable compensation for 2022 was set under the compensation policy for the Chairman and Chief Executive Officer of Thales approved by the Shareholders' Meeting of May 11, 2022 (13<sup>th</sup> resolution).

It is composed of:

- a fixed compensation of €850,000 (gross amount);
- a variable annual compensation target of €850,000 if the objectives are met, capped at a maximum of €1,275,000 (150% of the target) if these objectives are exceeded.

The criteria for determining annual variable compensation are 75% financial and 25% non-financial. To compensate for outperformance on the financial criteria, the payment relating to these criteria may exceed the target up to 166.66%, which isn't the case for the non-financial part, capped at 100%. Therefore, the annual variable compensation is capped at 150% of the target.

The possibility of requesting the return of the variable compensation is not provided for in the 2022 compensation policy for the Chairman and Chief Executive Officer.

##### (i) Financial criteria of the 2022 annual variable compensation

The financial criteria were EBIT (35%), order intake (20%) and operating free cash flow (20%). The table below shows the payment scales for each of these financial criteria.

##### • FINANCIAL CRITERIA OF THE 2022 ANNUAL VARIABLE COMPENSATION

Criteria	Weighting	Thresholds	Payment in % of target
EBIT	35%	If results ≤ 90% of the budgeted target	0%
		If results = 100% of the budgeted target	35%
		If results ≥ 110% of the budgeted target	58.33%
Order intake	20%	If results ≤ 90% of the budgeted target	0%
		If results = 100% of the budgeted target	20%
		If results ≥ 110% of the budgeted target	33.33%
Free operating cash flow	20%	If results ≤ budgeted target – 2% of budgeted sales	0%
		If results = 100% of the budgeted target	20%
		If results ≥ budgeted target +2% of budgeted sales	33.33%
<b>TOTAL FINANCIAL CRITERIA</b>	<b>75%</b>		

The definition and calculation of these criteria are set out in section 2.3.

Criterion	Weight	Achievement (in € millions)	Level of achievement
EBIT	35%	1,935	115.9%
Order intake	20%	23,551	166.7%
Free operating cash flow, continuing operations	20%	2,595	166.7%
<b>Financial portion of annual variable compensation (as % of target)</b>	<b>75%</b>		<b>143.0%</b>

At its meeting on March 7, 2023, the Board of Directors reviewed the results obtained for the financial criteria. 2022 EBIT amounted to €1,935 million, representing a significant outperformance against budget, driven by the sharp increase in EBIT in the Digital Identity &

Security segment (+38%), whose margin achieved the medium-term objective one year ahead of schedule. This performance triggers a 115.9% payment on this criterion.



In addition, the Board welcomed the Group's excellent commercial dynamics, particularly in Space and Defense Systems. The entry into effect of 16 contracts worth more than €100 million, including the Rafale contract in the United Arab Emirates – the largest contract in the Group's history – took the Defense & Security segment's order intake to a new all-time high. The Aerospace segment continued to benefit from the good positioning of Thales Alenia Space satellites and the recovery in air transport. At €23,551 million, order intake was more than 25% above budget, triggering a payment at the ceiling (166.66%) for this criterion.

Finally, the Board noted the excellent level of free operating cash flow from continuing operations, €2,595 million, driven by the strong momentum in order intake, the mobilization of teams around the plan to improve cash flow generation, and the recording of customer payments in advance at the end of the year. This level is clearly above the budget objective and triggers a payment at the ceiling (166.66%) on this criterion.

In total, considering the weighting of the three financial criteria, the Board noted that the financial portion of the annual variable compensation amounted to €911,353, or 143% of the target. This level reflects the Group's outstanding financial performance in 2022.

## (ii) Non-financial criteria for annual variable compensation 2022

In accordance with the compensation policy mentioned above for the Chairman and Chief Operating Officer of Thales, his performance in 2022 has been evaluated based on the following four non-financial criteria:

Criterion	Weight	Achievement	Elements of assessment
Strategy <ul style="list-style-type: none"> <li>implement the disposal of the Transport business and resulting adaptations of the Group's structure</li> <li>continue growth initiatives in the Group's core business</li> </ul>	5%	95%	<p>The Board noted the near-complete implementation of the carve-out of this business at the end of 2022. It noted the very significant work done to minimize the impact of the disposal on the cost structure of the functions and countries concerned. However, it regretted that the decision of the competition authorities in the UK to submit the project to an in-depth investigation delays its finalization in the second half of 2023.</p> <p>It welcomed the fact that growth strategies established in high-potential countries contributed to a record level of order intake in 2022. It also noted that, at +5.5%, organic sales growth was at the top of the guidance range for 2022, and that this momentum would continue in 2023. Finally, it noted the acceleration of the external growth policy, with the finalization of 4 bolt-on acquisitions in the Group's core business.</p>
Cross-functional operational initiatives and crisis management: <ul style="list-style-type: none"> <li>deal with supply chain tensions</li> <li>continue to implement the recovery plan in Civil Aviation</li> </ul>	5%	95%	<p>The Board noted the Group's mobilization to deal with supply chain tensions. The implementation of crisis management plans, focused on anticipating supplier orders, diversifying supply sources, optimizing production processes, and the creation of tiger teams greatly limited the impact of these tensions on deliveries to customers. These efforts were appreciated and highlighted by some of the Group's largest customers, particularly in Civil Aviation.</p> <p>With regard to the recovery plan for Civil Aviation, the Board noted the recovery of activity, which could have been stronger if the sector had not been affected by supply chain tensions and the shutdown of activities in Russia. Support activities posted organic growth of more than 20%. However, the Board noted that the in-flight entertainment business remained highly affected by the production rates of wide-body aircraft, limiting the extent of the rebound in this activity in 2022.</p>
Talent and human resources: <ul style="list-style-type: none"> <li>Implement the overall recruitment plan with particular attention to attracting, developing and retaining key expertise while expanding the engineering competency centers</li> </ul>	5%	100%	<p>The Board noted the establishment of a global talent acquisition function and the renewal of the employer value proposition, focused on the role of "human intelligence" of employees in the development of innovations. It welcomed the sharp increase in recruitment, from 8,700 in 2021 to around 11,500 in 2022 (an increase of more than 40%), and the modest increase in the turn-over rate. Finally, it noted the initiatives to strengthen engineering talent and the ramp-up of competency centers in this area.</p>
CSR criteria accounting for 10%, broken down into four pillars, which were assessed in particular in the light of the progress towards the quantified objectives presented in Chapter 5 of the 2021 Universal Registration Document:			
Diversity and inclusion: <ul style="list-style-type: none"> <li>Increase the representation of women in the Group's management bodies</li> </ul>	2.5%	100%	<p>The Board noted that the proportion of women in management bodies had continued to grow in line with the 2023 targets, and that new specific initiatives had been put in place to further promote women at all levels of the organization and to improve their access to positions of responsibility. It noted the international extension of the Group mentoring program, involving around 100 people in 2022, and the implementation of talent reviews dedicated to women, as well as the Group's support for an ecosystem of associations to transform the Group's culture in terms of diversity, in particular the internal network With (We in Thales), with nearly 4,000 members.</p> <p>Finally, it noted the initiatives to raise awareness of the Group's scientific careers among girls and the strengthening of support for the "Elles bougent" association, which promotes scientific careers for girls.</p>

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Criterion	Weight	Achievement	Elements of assessment
Deployment of the Low Carbon Policy to reduce emissions in line with the Group's commitments for 2023 and 2030, and submission of these commitments to SBTi	2.5 %	100%	The Board noted that, despite the resumption of business travel linked to the end of the Covid-19 crisis, the Group had achieved a solid performance in terms of operational CO <sub>2</sub> emissions, down 9% between 2021 and 2022. As a result, emissions were down 40% compared with 2018, ahead of the target set for 2023. This performance mainly reflects the 11% decrease in energy consumption relative to sales between 2021 and 2022, achieved through the renewal of industrial equipment and energy conservation initiatives, and the sharp increase in renewable electricity purchases.  The Board highlighted the progress of the Procurement Department's action plan, focused at this stage on the highest-emitting suppliers. It noted that the Group commitments had been submitted to the SBTi in July 2022, and that the Group expected its targets to be validated in 2023.
Health and safety in the workplace: Strengthen the safety culture in the workplace to ensure a lasting reduction in the frequency of work-related accidents	2.5 %	100%	The Board noted that the development of the safety culture at work had continued in 2022, based on increased training of the teams and the implementation of proactive prevention indicators. It welcomed the fact that the lost time injury frequency rate (Tf1) was stable in relation to 2021, despite the sharp reduction in working-from-home following the end of the Covid-19 crisis. It was down 34% compared to 2018 and is therefore slightly ahead of the 2023 target (-30%).
Continue to strengthen compliance programs	2.5 %	100%	The Board noted the continued strengthening of compliance programs, with the deployment of anti-corruption internal controls, the minimum anti-corruption questionnaire for very small Group entities, and new digital platforms to facilitate certain compliance processes. It noted that, as in 2021, all potentially exposed employees who were due to receive training, i.e., more than 6,100 people, had completed the anti-corruption training module. Finally, it noted that, as planned, the ISO 37001 certification had been extended to the UK and the Netherlands.

At its meeting on March 7, 2023, the Board of Directors reviewed the above criteria, taking into account the weighting of these four non-financial criteria, and therefore decided, on the recommendation of its Governance and Compensations Committee, to set the achievement level of these criteria at 98%, i.e. €208,250.

This review led the Board to decide, on the recommendation of the Governance and Compensations Committee, that the annual variable compensation to be paid in 2023 to Mr. Patrice Caine for financial year 2022 should amount to €1,119,603, representing 131.7% of the target annual variable compensation.

## B. Long-term compensation

### 2019 LTI Plan

At its meeting on March 7, 2023, the Board of Directors noted that the Chairman and Chief Executive Officer's continued presence requirement was satisfied as set out in the long-term incentive plan granted on September 25, 2019. At its March 2, 2022 meeting, it

had already noted the achievement levels of this plan. Subject to the approval of its 4<sup>th</sup> resolution by the Annual General Meeting of May 10, 2023, the Chairman and Chief Executive Officer will therefore receive 5,760 performance units valued at the average of the previous 20 closing stock market prices up to February 24, 2023, i.e., an amount of €715,724. Half of this amount will be paid in kind with Thales shares at the closing price on the day of the said Meeting, and the balance in cash.

### 2020 LTI Plan

On March 7, 2023, the Board of Directors also noted the achievement level of the performance conditions relating to the long-term incentive plan granted on February 25, 2020 (2020 LTI Plan). It noted that the Annual General Meeting of May 11, 2022 had approved the plan adjustments following the reclassification of the Transport business as discontinued. The revised targets are described on page 99 of the 2021 Universal Registration Document.

Criterion	Weight	Realized	Level of achievement
Cumulative free operating cash flow 2020-2022	40%	€6.17 billion	100%
Average order intake for 2020-2022	40%	€21.30 billion	100%
Total Shareholder Return compared to a panel of European companies <sup>(a)</sup> Measured based on performance at December 31, 2022 compared to December 31, 2019	10%	+35.5%	95%
Total Shareholder Return compared to the Euro Stoxx index Measured based on performance at December 31, 2022 compared to December 31, 2019	10%	+35.5%	88%
<b>TOTAL LEVEL ACHIEVED</b> (in % of the maximum number of units)			<b>98.3%</b>

(a) The panel includes: Airbus, Atos, BAE Systems, Capgemini, Dassault Aviation, Leonardo, Rolls-Royce and Safran.

With respect to the free operating cash flow, the Board noted that the year 2022 ended an exceptional period with results significantly above what was targeted. Indeed, the mobilization of the teams from the start of the Covid-19 crisis enabled the Group to outperform its budget target in 2020. As the free operating cash flow reached an unprecedented level in 2021 and 2022, the achievement over the period exceeded the ceiling and therefore triggered a 100% payment on this criterion.

With regard to the order intake criterion, the Board noted that the excellent commercial performance in 2021 and 2022 had more than offset the year 2020, which was marked by the impact of the Covid-19 crisis on Civil Aviation and delayed orders in the other segments. Here too, this outperformance over three years triggered a 100% payment on this criterion.





Finally, the Board noted that the stock market performance of the Thales share with dividend reinvested was +35.5% over the 2020-2022 period. This increase reflects in particular the rerating of the Group's share during 2022. This level is above the median of the panel of European companies considered, as well as the Euro Stoxx, which was limited to +10% over the period. The entry point of the highest quintile is +42.3% for the panel and +47.5% for the Euro Stoxx. These 2 last criteria therefore trigger payments close to 100%.

The 2020 LTI Plan will therefore result in the payment, in 2024, of 7,081 performance units to Mr. Patrice Caine, subject to compliance with the continued presence requirement and approval by the 2024 Annual General Meeting.

### C. Other Commitments

#### Supplementary pension plan of Mr. Patrice Caine, Executive corporate officer

##### Progressive and conditional deferred compensation until December 31, 2019

Prior to January 1<sup>st</sup>, 2020, the Executive corporate Officer benefited from annual deferred compensation comprising two separate plans entitling him to progressive deferred compensation, the amount of which was determined using a points-based calculation method.

Patrice Caine acquired rights under the scheme for employees from 2011 to 2014, then from the scheme for corporate officers from 2015 to 2019. As of January 1<sup>st</sup>, 2020, in accordance with the approval of the Annual General Meeting of May 6, 2020, this deferred compensation plan was terminated and the entitlements were fixed as at December 31, 2019. As such, the Chairman and Chief Executive Officer no longer acquires any new rights under these plans. From January 1<sup>st</sup>, 2020, they were replaced by a defined contribution pension plan subject to Article 82 of the French General Tax Code.

The rules governing the progressive and conditional deferred compensation provided for a doubling of the annuity if the beneficiary remained a member of the Executive Committee for 10 years. As Patrice Caine had been a member of this Committee for seven years before the fixing of his rights (from 2013 to 2019), the company applied a multiplier of 1.7 to the annuity, in accordance with the texts in force, and deemed the condition of presence on the Executive Committee to have been met.

This plan (including the annuities and corresponding tax and social security charges) has been provisioned and funded by the company.

##### Employee scheme

The potential annual rights vested by the Chairman and Chief Executive Officer under the employee scheme amount to €10,260.

This scheme complies with Article L. 137-11 of the Social Security Code and the vesting of rights is subject to the beneficiary completing his career in the company:

- to receive an annuity, the beneficiary must (i) prove he has received compensation from Thales exceeding eight times the social security ceiling in respect of at least one calendar year between October 1, 2007 and December 31, 2019, and (ii) complete his career with Thales. The plan was closed to new members on July 4, 2019;
- the vesting of rights was progressive and based on the gross compensation received by the beneficiary each year in respect of his paid employment. The plan was based on the Agirc supplementary pension scheme and its points-based calculation method. The vesting concerned the portion of the salary not covered by mandatory pension schemes, i.e. amounts in excess of eight times the annual social security ceiling (PASS);

- the calculation was made each year based on the compensation reported to the French social security collection fund (URSSAF) using the official annual amounts of the social security ceiling and the Agirc reference salary. The vesting base was equal to 20% of the portion of the salary between 8 times the PASS and a maximum of 32 times the PASS, which had the effect of limiting the annual amount vested to around €14,213;
- this base was then divided by the Agirc reference salary for the year (cost of acquiring one point) to obtain the number of points acquired for that year, then multiplied by the conversion factor arising from the merger of the Agirc and Arrco schemes (applicable only to the number of points awarded each year until December 31, 2018). The potential compensation payable was equal to the total number of points vested multiplied by the value of an Agirc point at December 31, 2019.

##### Corporate officers' scheme

The potential annual rights vested by the Chairman and Chief Executive Officer under the corporate officers' scheme amount to €101,528.

Subject to the points below, the terms for vesting rights under the corporate officers' scheme are the same as those applicable to the employees' scheme as described above.

This scheme was based on defined contribution schemes but was not subject to Article L. 137-11 of the French Social Security Code insofar as payment was not subject to the beneficiary completing his or her career in the company.

However, this deferred compensation is only vested provided the beneficiary has completed a full term in office and has claimed his or her social security pension. In addition, entitlement on the retirement date remains conditional on the achievement of a performance condition: the average rate of achievement of the annual EBIT targets set by the Board for the corporate officer must be greater than or equal to 80% over the last three financial years ended before the date of termination of his or her term of office.

##### Defined contribution pension plan subject to Article 82 of the French General Tax Code from January 1<sup>st</sup>, 2020

The Chairman and Chief Executive Officer benefits from a supplementary defined contribution pension scheme, subject to Article 82 of the French General Tax Code, the main features of which are described here:

- 1) Title of the commitment under consideration: defined contribution pension plan;
- 2) Reference to the provisions identifying the corresponding plan category: Article 82 of the French General Tax Code;
- 3) Conditions for joining the scheme and other conditions applicable to benefit from it: beneficiaries are the corporate officers of Thales SA;
- 4) Method for determining the reference compensation set by the scheme concerned and used to calculate beneficiaries' rights: the contribution base is comprised solely of the fixed compensation of the beneficiary in respect of his or her position as a corporate officer of Thales SA payable for the period from December 1 of the previous year to November 30 of the current year, subject to social security contributions as provided for in Article 242-1 of the Social Security Code, paid during the calendar year. The amounts taken into consideration are gross amounts, i.e. before deducting the various charges corresponding to employee contributions to social security and protection schemes of all types;
- 5) Rate of vesting of rights: the scheme is funded annually;
- 6) Existence of a limit, amount and method of calculation of any limit: not applicable, as the scheme is calculated as a percentage of compensation;

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## Governance and compensation

### Compensation of Corporate Officers

- 7) Method of funding rights: contributions to the supplementary pension plan and flat rate amounts intended to offset the negative impact of tax and social security contributions on the net compensation are fully funded by the company. The beneficiary may, however, make personal voluntary contributions subject to the terms of the contract. If the beneficiary's term in office expires before November 30 of the current year, the contribution and flat rate sum will not be paid. The scheme provides for:
- the payment by the company of an annual contribution to an external insurance company, equal to 32% of the gross fixed compensation actually received between December 1 of the previous year and November 30 of the year in question (i.e. fixed compensation subject to social security contributions subject to the terms set out in Article L. 242-1 of the French Social Security Code). The performance condition has changed for 2022 and is calculated as follows:
    - if annual variable compensation is <50% of target: no contribution is paid,
    - if annual variable compensation is between 50% and 80% of target = between 0 and 100% of contribution (linear calculation),
    - if annual variable compensation is  $\geq$  80% of target = 100% of contribution,
  - Payment by the Company to the person concerned of an amount equal to the annual contribution to compensate for the negative impact of this change on the latter's net compensation after contributions and income tax;
- 8) Amount of the contribution and the supplementary payment at the end of the period:
- if annual variable compensation is  $\geq$  80% of the target, the contribution amounts to €270,667,
  - as such, the gross amount of the supplementary payment totals €270,667;
- 9) Corresponding tax and social security contributions payable by the company: The contributions or bonuses paid by the company in respect of Article 82 schemes are deductible from taxable income and are fully subject to social security contributions and charges.

### Benefits and rights upon the termination of office of Mr. Patrice Caine, Executive corporate officer

#### Severance pay

In accordance with the Afep-Medef code to which the Company has declared its adherence, an indemnity may be paid to Mr. Patrice Caine in the event that his term of office is terminated, except in the case of resignation, serious misconduct or gross negligence.

The amount of this severance pay is set at 12 months of his reference salary (fixed and variable remuneration paid during the last 12 months of activity, excluding long-term incentive plans). The Chairman and Chief Executive Officer resigned at the time of his

appointment and no longer has an employment contract with the Company.

The payment of this compensation is subject to the achievement of a performance criterion over the last three financial years: the average rate of achievement of the annual EBIT objectives set by the Board for the corporate officer must be greater than or equal to 80%.

#### Private unemployment insurance

In addition, it was decided to take out private unemployment insurance with the same performance criterion as the severance pay. It provides for compensation for a period of one year and for an amount limited to the sum of the amounts corresponding to 70% of the Social Security A and B tranches of the net taxable income and 50% of the C tranche of this same income. At December 31, 2022, this private unemployment insurance would have represented annual compensation equal to approximately €205,680, or 24.20% of the fixed compensation of the Chairman and Chief Executive Officer. The amount of the premium paid in respect of this benefit in kind amounted to €12,958 for 2022.

#### Other benefits in kind

In addition to this private unemployment insurance, Mr. Patrice Caine receives benefits in kind detailed in the table below summarizing the elements of his 2022 compensation.

### D. Other information required under Article L. 22-10-9 I of the French Commercial Code

#### 1) Pay equity ratios

Pay equity ratios measure changes in compensation disparities between the corporate officer and employees. To increase their relevance, they have been calculated on the scope of the Group's French companies and not on that of the listed parent company alone. The latter was not selected because its workforce was not considered representative<sup>(1)</sup>.

Consequently, these ratios were calculated as follows:

- in the numerator, the compensation paid to the corporate officer (fixed, annual variable, benefits in kind) or allocated to him (LTIP)<sup>(2)</sup>;
- in the denominator, compensation paid (fixed, variable annual, benefits in kind) or allocated (LTIP)<sup>(3)</sup>, based on a full-time equivalent, to active employees continuously present from January 1<sup>st</sup> to December 31, 2022, in the workforce of Group companies having their registered office in France (Thales SA and companies under its exclusive control within the meaning of Article L. 233-16 II of the French Commercial Code). The staff of French and foreign branches of these companies is included in the calculation if they have more than 50 employees. Expatriates are excluded from the calculation base. For 2019, this compensation is calculated excluding Gemalto as the acquisition occurred during the year.

<sup>(1)</sup> By way of illustration, the 2022 ratio for the parent company amounts to 16 if it is calculated in relation to the mean of employees and to 27 if it is calculated in relation to the median. These ratios are lower than those of the France scope given the nature of the parent company's workforce (mainly executives).

<sup>(2)</sup> The long-term incentive plan of the corporate officer was determined at fair value determined in accordance with IFRS. The valuations of the 2018 and 2019 plans have been corrected since the 2020 Universal Registration Document, following their review by an actuary. The average ratios published in 2019 were 28 in 2018 and 33 in 2019.

<sup>(3)</sup> The long-term incentive plan for employees was measured at fair value under IFRS 2 under the same accounting standards.



● TABLE OF RATIOS UNDER PARAGRAPHS I.6 AND I.7 OF ARTICLE L. 22-10-9 OF THE FRENCH COMMERCIAL CODE

	2018	2019	2020	2021	2022
Compensation paid to the corporate officer (in €)	1,780,393 <sup>(a)</sup>	1,918,536 <sup>(a)</sup>	2,013,177	1,701,718	2,832,658
Compensation paid to the corporate officer (in €)	+15%	+8%	+5%	-15%	+66%
Average compensation paid to employees (in €)	66,225	66,104	67,222	66,728	70,339
Change in average employee compensation (in %)	+3%	+0%	+2%	-1%	+5%
Ratio compared to average employee compensation	27	29	30	26	40
Change in the ratio compared to the previous year (in %)	+12%	+8%	+4%	-15%	+58%
Ratio compared to median employee compensation	30	32	33	28	45
Change in the ratio compared to the previous year (in %)	+12%	+8%	+4%	-15%	+58%
Company performance: EBIT (in M€)	1,685	2,008	1,352	1,649	1,935
Change compared to the previous year (in %)	+9%	+19%	-33%	+22%	+17%

(a) The long-term incentive plan of the corporate officer was determined at fair value determined in accordance with IFRS. The valuations of the 2018 and 2019 plans have been corrected since the 2020 Universal Registration Document, following their review by an actuary. The average ratios published in 2019 were 28 in 2018 and 33 in 2019.

The decrease in the ratios observed in 2021 is mainly due to the variable compensation paid in 2021 in respect of 2020 (amount impacted downwards by the Covid-19 crisis), which represents a greater weight for the Chairman and Chief Executive Officer than for eligible employees. In addition, unlike the Company's performance indicator (EBIT), the impact of the Covid-19 crisis is visible on the compensation "paid" in 2021, as shown in the table above.

Similarly, the increase in the ratio observed in 2022 reflects the level of variable compensation paid in 2022 for 2021, which is no longer affected by the Covid-19 crisis as was the variable compensation paid in 2021 for 2020. It also reflects the strengthening of the long-term component of compensation approved by the Annual General Meeting, whose IFRS valuation now reaches 100% of fixed compensation.

## 2) Contribution of the Chairman and CEO's 2022 compensation to long-term performance

In reviewing the 2022 variable compensation, the Board noted that its design offered balanced and straightforward incentives for both the achievement of the most critical dimensions of the annual budget (profitability, growth, cash generation) through the portion of annual variable compensation based on financial criteria and the achievement of value creation objectives over a longer time horizon (growth, cash generation, stock market performance), through the long-term compensation.

In 2020, the Board noted that the compensation policy played its role in the Covid-19 crisis. It impacted the Chairman and Chief Executive Officer with a significant decrease in his annual variable

compensation (47% decrease between 2019 and 2020). Also, it helped him and his management team focus on the key levers of value creation in the post-crisis period, particularly cash generation and order intake. In 2021 and 2022, this policy made it possible to reward the Group's remarkable sales growth and cash generation performance.

In addition, on an annual basis, variable annual compensation includes non-financial criteria to promote the successful achievement of annual or multi-annual strategic objectives and to take into account the social and environmental issues that are central to the Group's long-term performance.

The increase in the weight of the long-term incentive (LTI) plan approved by the Annual General Meeting of May 11, 2022 also helps to reinforce the Chairman and Chief Executive Officer's incentives to maximize long-term value creation. The introduction of a non-financial criterion into this long-term incentive plan complements the incentives already implemented through the non-financial criteria of annual variable compensation.

The fixed, variable, and exceptional elements of the total compensation and benefits of any kind paid in 2022 or granted under the same financial year to the Chairman and Chief Executive Officer, which will be submitted to a vote by the Shareholders' Meeting of May 10, 2023, according to Article L. 22-10-34, II of the French Commercial Code (4<sup>th</sup> resolution), are set out above and supplemented by the tables below, which have been prepared according to the Afep-Medef code. The compensation components are summarized in the table below.

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## Governance and compensation

## Compensation of Corporate Officers

● **TABLE SUMMARIZING THE 2022 COMPENSATION ELEMENTS FOR MR. PATRICE CAINE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Elements of compensation	Policy approved by the Annual General Assembly on May 11, 2022	Paid for the financial year 2022	Granted for the financial year 2022 (in amount or accounting value)
Fixed annual compensation	The policy provides an annual fixed compensation of €850,000.	€850,000	
Annual variable compensation	<p>The policy provides a target annual variable compensation equal to €850,000.</p> <p>The criteria for setting are as follows:</p> <ul style="list-style-type: none"> <li>Up to 75% financial (see description above). The targets were set by the Board as part of the budget process but not made public for reasons of confidentiality;</li> <li>Non-financial for the balance, i.e. 25% of the variable compensation (see description above).</li> </ul> <p>In the event of outperformance on financial targets, variable compensation may reach a maximum of €1,275,000, i.e., 150% of the annual fixed compensation.</p>		€1,119,603 <sup>(a)</sup>
<b>Total annual compensation</b>		<b>€1,969,603 of which 56.9% is annual variable compensation and 43.1% is annual fixed compensation</b>	
Multi-year variable compensation	None	—	—
Long-term compensation	<p><b>2022 unit plan (2022 LTI Plan)</b> – The number of units definitively vested will depend on the degree of achievement, calculated over three financial years, of performance conditions related to free operating cash flow, organic sales growth, reduction of operational greenhouse gas emissions (CO<sub>2</sub>e), and Thales' stock market performance. Also, vesting is subject to a four-year continued presence condition (i.e., until March 1, 2026, inclusive), except in the event of death, disability, or retirement. Half the payment is made in kind with Thales shares and half is made in cash. The detailed conditions of this long-term incentive plan are set out on page 111 of the 2021 Universal Registration Document.</p>	—	€849,879 <sup>(b)</sup>
Long-term compensation	<p><b>2019 unit plan (2019 LTI Plan)</b> – Number of performance units granted: 5,760</p> <p>The value of the units validated and vested is calculated according to the mean of the last 20 closing prices of the share recorded on February 24, 2023, i.e., €124.25.</p> <p>The payment of the value of the validated and vested units will be made half in cash and half in kind with Thales shares, subject to approval by the Annual General Meeting of May 10, 2023 (4<sup>th</sup> resolution).</p>	€715,724 (amount definitively vested)	—

(a) The payment of Mr. Caine's 2022 annual variable compensation is subject to the approval of the 4<sup>th</sup> resolution of the Annual General Meeting of May 10, 2023.

(b) IFRS value at grant date of the performance units under the 2022 LTI Plan of the Chairman and Chief Executive Officer.



Elements of compensation	Policy approved by the Annual General Assembly on May 11, 2022	Paid for the financial year 2022	Granted for the financial year 2022 (in amount or accounting value)
Exceptional compensation	None	—	—
Non-compete clause	None	—	—
Indemnity related to taking office	None	—	—
Defined contribution pension system	<p>The Thales corporate officer benefits from a defined contribution pension plan, the amount of which represents 32% of the fixed base salary actually paid from December 2021 to November 2022.</p> <p>The 2022 contribution is conditional upon the achievement of the performance conditions applicable to the annual variable compensation for the previous year and is subject to the following performance condition: (i) if annual variable compensation is &lt;50% of target: no contribution is paid; (ii) if annual variable compensation is between 50% and 80% of target = between 0 and 100% of contribution (linear calculation); (iii) if annual variable compensation is ≥ 80% of target = 100% of contribution.</p> <p>For more details see section 4.4.1.1.C.</p>	Offset of the tax impact and expenses related to the 2022 contribution to the plan: €270,667	2022 contribution to the plan, paid by Thales to the insurer, on behalf of the corporate officer: €270,667
Progressive and conditional deferred compensation until December 31, 2019	<p>Prior to January 1, 2020, the Executive Corporate Officer benefited from annual deferred compensation.</p> <p>As of January 1<sup>st</sup>, 2020, in accordance with the approval of the Annual General Meeting of May 6, 2020, this deferred compensation was terminated and the entitlements were fixed as at December 31, 2019.</p> <p>The potential annual rights amount to €111,788.</p> <p>Entitlement to the annuity on the retirement date remains conditional on the achievement of a performance condition: the average rate of achievement of the annual EBIT targets set by the Board for the corporate officer must be greater than or equal to 80% over the last three financial years ended before the date of termination of his or her term of office.</p> <p>For more details see section 4.4.1.1.C.</p>		
Severance pay	<p>An indemnity may be paid to Mr. Patrice Caine in the event of the termination of his corporate office, except in the event of resignation, serious misconduct or gross negligence and subject to the achievement of the same performance conditions as for the defined contribution pension plan.</p> <p>The amount of the indemnity is set at 12 months of his reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding long-term compensation).</p> <p>Check more details in section 4.4.1.1.C.</p>	—	—
Compensation for serving as a director	By decision of the Board of Directors on March 2, 2022, Mr. Patrice Caine does not receive any remuneration for his directorship, which the Company retains.	—	—
Benefits in kind	<p>Mr. Patrice Caine is entitled to:</p> <ul style="list-style-type: none"> <li>● the services of a chauffeur-driven car for his business travel;</li> <li>● external legal and tax assistance;</li> <li>● a private unemployment insurance, the benefit of which is subject to the achievement of the same performance conditions as those stipulated for the termination indemnity.</li> </ul> <p>For more details see section 4.4.1.1.C.</p> <p>Additionally, he is covered by the French employee health insurance plan, an annual medical check-up similar to the one provided to Thales senior executives, and directors' and officers' liability insurance <sup>(a)</sup>.</p>	<p>€3,987</p> <p>€33,293</p> <p>€12,958</p>	

(a) The company's expenses for health insurance and the annual medical check-up in the financial year 2022 amount to €4,088. Liability insurance is a collective insurance, and the cost cannot be individualized.

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### 4.4.1.2 2022 compensation of other corporate officers

#### A. Principles of director compensation

The total amount of remuneration distributed among the directors (and any non-voting directors) for services rendered to the Board, including remuneration owed to Committee members for their participation in these Committees, is set at €600,000 per year and has been unchanged since 2008. The Board decided that the directors would receive:

- for services to the Board, a fixed remuneration of €14,000 per year (prorata temporis in the event of an appointment or of a resignation during the year), adjusted down if necessary to respect the total envelope, and a variable remuneration based on attendance at meetings of €2,500 per meeting;
- for services rendered to the Committees, remuneration (exclusively variable) based on attendance of €1,250 per meeting. The chairmanship of each Committee is remunerated by an additional €2,000 per year (prorated based on the number of sessions chaired, if applicable).

If, on account of the high number of meetings (variable compensation being paid first), the total amount of €600,000 per financial year (gross amount before any deductions) is likely to be exceeded, the fixed component of directors' compensation is reduced in order to remain within the annual budget approved by shareholders.

The Chairman and CEO does not receive any compensation in respect of his position as Chairman and member of the Board of Directors.

#### B. Directors' remuneration for the 2022 financial year

For 2022, the fixed portion of this compensation amounts to €8,250 for each director. The directors' compensation amounts to a total (gross amount before any deductions and withholdings) of €599,250 (the same amount as in 2021). This amount includes compensation not collected by the Chairman and Chief Executive Officer in his capacity as a director and as the Chairman of the Strategy and CSR Committee, which the Company retains. This compensation was paid in full in January 2023. As recommended by the Afep-Medef Code, of the total of €559,000 actually paid, the variable portion is the majority and amounts to €435,250 (approximately 78% of the total).

For information purposes, the gross amount (before any withholding or deduction) paid during the year 2022 (after possible retention by the Company) and constituting the compensation due for the year 2021 amounted to €557,750.

The table of directors' compensation in Appendix 3 was compiled in accordance with the Afep-Medef Code, providing compensation details for each director (see 4.4.1.4 below).

### 4.4.1.3 Compliance with the recommendations of the Afep-Medef code

Recommendations of the Afep-Medef code	Thales provisions for Mr. Patrice Caine, Executive corporate officer
<b>Severance pay</b>	
Only in case of forced departure	Yes
Performance conditions over 2 years	Performance conditions over the last three financial years
Maximum amount: two years of compensation (fixed + variable)	12 months of reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding long-term compensation)
<b>Defined contribution pension scheme</b>	
Performance conditions	(i) if annual variable compensation is <50% of target: no contribution is paid; (ii) if annual variable compensation is between 50% and 80% of target = between 0 and 100% of contribution (linear calculation); (iii) if annual variable compensation is ≥ 80% of target = 100% of contribution.

### 4.4.1.4 Summary tables established according the Afep-Medef code

#### • TABLE 1: SUMMARY OF COMPENSATION, OPTIONS AND SHARES GRANTED TO THE EXECUTIVE CORPORATE OFFICER

(in thousands of euros)	2022	2021
<b>Patrice Caine, Chairman and Chief Executive Officer</b>		
Compensation attributed for the financial year (detailed in Table 2)	2,019.8	1,943.7
Valuation of options granted during the financial year	–	–
Valuation of performance shares granted during the financial year	–	–
Valuation of performance units granted during the financial year	849.9 <sup>(a)</sup>	443.1 <sup>(b)</sup>
<b>TOTAL</b>	<b>2,869.7</b>	<b>2,386.8</b>

(a) IFRS value at grant date of performance units under the Chairman and Chief Executive Officer's LTI 2022 Plan. It is specified that, subject to approval by the General Meeting of May 10, 2023, the 5,760 performance units under the 2019 LTI Plan, for which the continued presence requirement has been met, will also be paid out, corresponding to an amount of €715,724.

(b) IFRS value at the grant date of performance units under the Chairman and Chief Executive Officer's LTI 2021 Plan.





● **TABLE 2: SUMMARY OF THE COMPENSATION OF THE EXECUTIVE CORPORATE OFFICER**

(in thousands of euros)	2022		2021	
	Due in respect of the financial year	Paid during the financial year	Due in respect of the financial year	Paid during the financial year
<b>Patrice Caine, Chairman and Chief Executive Officer</b>				
Fixed compensation	850.0	850.0	800.0	800.0
Variable compensation <sup>(a)</sup>	1,119.6	1,115.8	1,115.8	446.0
Exceptional compensation	—	—	—	—
Compensation for serving as a director <sup>(b)</sup>	—	—	—	—
Benefits in kind <sup>(c)</sup>	50.2	50.2	27.9	27.9
<b>TOTAL PATRICE CAINE</b>	<b>2,019.8</b>	<b>2,016.0</b>	<b>1,943.7</b>	<b>1,273.9</b>

(a) Cf. section 4.4.1.1 on the assessment of the 2022 variable compensation.

(b) Does not receive any compensation for his position as a director or for his participation in the Strategy and CSR Committee. This compensation is retained by the Company (decision of the Board of Directors on March 2, 2022). The amount of the compensation calculated and not paid to Mr. Patrice Caine for 2022 following these decisions amounts to €40,250.

(c) The Executive corporate officer benefits from the services of a chauffeur-driven car, external legal and tax assistance, and private unemployment insurance.

● **TABLE 3: COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS (GROSS AMOUNTS BEFORE ANY WITHHOLDING TAX AND/OR ANY DEDUCTION)**

Beneficiary (gross amounts in euros)	Granted in respect of financial year 2022	Variable portion/total (%)	Granted in respect of financial year 2021 and paid in 2022	Paid during the financial year 2021 <sup>(a)</sup>	Notes
L. Broseta (until 05/06/2021)	-	-	11,629	26,775	(c)
Y. d'Escatha (until 05/06/2020)	-	-	-	18,437	(c)
Ch. Edelstenne	35,750	77%	39,500	34,000	
B. Fontana	33,575	79%	33,575	32,087	
D. Gény-Stephann	28,262	75%	16,632	-	(c)
Ph. Knoche	40,250	80%	40,250	20,063	
Ph. Lépinay	38,250	78%	39,500	34,000	(b)
A. de Madre	30,750	73%	30,750	31,500	
A. Rigail	28,262	68%	14,507	-	(c)
D. de Sahuguet d'Amarzit (until 05/06/2021)	-	-	11,629	24,650	(c)
L. Segalen	37,000	78%	39,500	37,750	
A.-C. Taittinger	41,500	80%	39,000	39,750	
A. Taylor	25,750	68%	30,750	31,500	
E. Trappier	38,250	78%	35,750	36,500	
M.-F. Walbaum	35,750	70%	33,250	31,500	
Inter CFE-CGC (A.-M. Hunot-Schmit)	44,500	81%	39,500	34,000	
FGMM-CFDT (N. Relier-David) from 05/11/2022	21,562	75%	-	-	(c)
FGMM-CFDT (F. Sainct) until 05/11/2022	19,188	85%	44,500	42,750	(c)
Treasury Accountant – Ordinance No. 2014-948 (D. Gény-Stephann + B. Fontana + E. Moulin + A. Rigail + D. de Sahuguet d'Amarzit + L. Broseta)	60,401		57,528	52,488	
<b>TOTAL GROSS COMPENSATION PAID</b>	<b>559,000</b>	<b>78%</b>	<b>557,750</b>	<b>527,750</b>	(d)

(a) Since the decision of the Board of Directors on February 27, 2017, directors' compensation has been paid annually. Therefore, the payments made in 2021 correspond to the sum of the fixed and variable portions of the directors' compensation for the financial year 2020. Those made in 2022 correspond to the sum of the fixed and variable portions for the financial year 2021.

(b) Mr. Philippe Lépinay has informed the Company that he paid €3,500 in 2022 to the Association du Personnel Actionnaire de Thales (APAT).

(c) Amounts determined prorata temporis.

(d) These amounts do not include compensation not received by the executive corporate officer (and retained by the Company) in respect of his position as a director. By including this last amount, the gross amount of directors' fees granted for each of the financial years 2021 and 2022 is €599,250, which remains below the annual budget (€600,000) authorized by the Annual General Meeting.

## Governance and compensation

### Compensation of Corporate Officers

- **TABLE 4: SHARE SUBSCRIPTION/PURCHASE OPTIONS GRANTED DURING THE FINANCIAL YEAR TO THE EXECUTIVE CORPORATE OFFICER BY THE ISSUER OR BY ANY GROUP COMPANY**

None. Since 2012, the Company no longer grants share/purchase subscription options.

- **TABLE 5: SHARE SUBSCRIPTION/PURCHASE OPTIONS EXERCISED BY THE EXECUTIVE CORPORATE OFFICER DURING THE FINANCIAL YEAR**

None.

- **TABLE 6: PERFORMANCE SHARES GRANTED DURING THE FINANCIAL YEAR TO THE EXECUTIVE CORPORATE OFFICER BY THE ISSUER OR BY ANY GROUP COMPANY**

No performance shares were attributed to Mr. Patrice Caine in the financial year 2022.

Under the 2022 remuneration policy approved by the Annual General Meeting of May 11, 2022, in its 13<sup>th</sup> resolution, he was awarded long-term remuneration in the form of performance units. The main conditions are listed below.

Director's name	Plan date	Maximum number of performance units	Acquisition conditions
Patrice Caine	03/02/2022	14,080	Units acquired after an acquisition period of 4 years and subject to performance conditions as of March 2, 2022

- **LONG-TERM COMPENSATION CRITERIA AND WEIGHTINGS (LTIP 2022)**

2022 LTI Plan criteria	Weighting	Targets	Thresholds	Payment in % of target total
Cumulative free operating cash flow over the period 2022-2024	35%	Floor: 90% x (budget 22 + budget 23 + budget 24) Target: budget 22 + budget 23 + budget 24 Ceiling: 120% x (budget 22 + budget 23 + budget 24)	If results < floor	0%
			If results = floor	17.5% (1,540 units)
			If results = target	35% (3,080 units)
			If results ≥ period ceiling	56% (4,928 units)
Organic sales growth 2022-2024 (compound annual growth rate, CAGR)	35%	Floor: 90% x CAGR (budget 22 + budget 23 + budget 24) Target: CAGR (budget 22 + budget 23 + budget 24) Ceiling: 120% x CAGR (budget 22 + budget 23 + budget 24)	If results < floor	0%
			If results = floor	17.5% (1,540 units)
			If results = target	35% (3,080 units)
			If results ≥ period ceiling	56% (4,928 units)
Reduction of operational greenhouse gas emissions (CO <sub>2</sub> e) <sup>(a)</sup> Absolute value 2024 compared to 2018 (at constant scope)	10%	Floor: -35% Target: -36.83% Ceiling: -38.75%	If results < floor	0%
			If results = floor	5% (440 units)
			If results = target	10% (880 units)
			If results ≥ period ceiling	16% (1,408 units)
Total Shareholder Return compared to the Stoxx Europe Total Market Aerospace & Defense index - Measured based on performance at December 31, 2024 compared to December 31, 2021	10%	Floor: median of the Stoxx Europe Total Market Aerospace & Defense index Ceiling: highest quintile of the index	If TSR < index median	0%
			If TSR = index median	10% (880 units)
			If TSR is in the highest quintile of the index	16% (1,408 units)
			Linear variation between the median and the entry point of the highest quintile	
Total Shareholder Return compared to the CAC 40 index - Measured based on performance at December 31, 2024 compared to December 31, 2021	10%	Floor: CAC 40 median Ceiling: highest quintile of the index	If TSR < index median	0%
			If TSR = index median	10% (880 units)
			If TSR is in the highest quintile of the index	16% (1,408 units)
			Linear variation between the median and the entry point of the highest quintile	

(a) Scope 1 + Scope 2 + Scope 3 "Business travel".



- **TABLE 7: PERFORMANCE SHARES OR UNITS THAT BECAME AVAILABLE TO THE EXECUTIVE CORPORATE OFFICER DURING THE FINANCIAL YEAR**

As indicated in Tables 1 and 6, Mr. Patrice Caine's compensation as a corporate officer does not include performance shares.

On May 12, 2022, following the approval of the 11<sup>th</sup> resolution of the Annual General Meeting of May 11, 2022, the Chairman and Chief Executive Officer received 2,277 performance units valued at the closing share price on March 2, 2022, i.e., an amount of €243,183. Half of this amount was paid in kind with Thales shares at the closing price on the day of the said Meeting, and the balance in cash.

- **TABLE 8: PAST AWARDS OF SHARE SUBSCRIPTION AND/OR PURCHASE OPTIONS TO THE EXECUTIVE CORPORATE OFFICER**

None. Mr. Patrice Caine has not received any share subscription and/or purchase options during his time in office.

- **TABLE 9: PAST AWARDS OF PERFORMANCE UNITS TO THE EXECUTIVE CORPORATE OFFICER**

Corporate officer's name	Award year	Number of units allocated	Acquisition conditions
Patrice Caine	2017	3,840	Units acquired after an acquisition period of 4 years and subject to performance conditions over the period 2017/2019. The achievement of the performance level is presented in the 2019 Universal Registration Document, p. 93.
Patrice Caine	2018	2,277	Units acquired after an acquisition period of 4 years and subject to performance conditions over the period 2018/2020. The achievement of the performance level is presented in the 2020 Universal Registration Document, p. 95.
Patrice Caine	2019	5,760	Units acquired after an acquisition period of 4 years and subject to performance conditions over the period 2019/2021. The details of the other conditions are shown in the 2018 Universal Registration Document, p. 97. The number of units and specific parameters of the 2019 LTIP have been adjusted following the approval of the Annual General Meeting's 6 <sup>th</sup> resolution of May 6, 2021 (see section 4.4.2 of the 2020 Universal Registration Document, p.104). Achievement of the performance level is presented in the 2021 Universal Registration Document, p. 98.
Patrice Caine	2020	7,081	Units acquired after an acquisition period of 4 years and subject to performance conditions over the period 2020/2022. The number of units and specific parameters of the 2020 LTI Plan have been adjusted following the approval by the Annual General Meeting of May 6, 2021 of its 7 <sup>th</sup> resolution (cf. section 4.4.2 of the 2020 Universal Registration Document, page 104). Details of the other conditions can be found in the 2020 Universal Registration Document, page 105 and 106. Finally, the floors and ceilings were further adjusted by the Board on March 2, 2022, following the classification of the Transport operating segment as a discontinued business (see section 4.4.1.1.B of the 2021 Universal Registration Document, page 99). Achievement of the performance level is presented above in section 4.4.1.1.B
Patrice Caine	2021	10,720 (maximum)	Units acquired after an acquisition period of 4 years and subject to performance conditions over the period 2021/2023. Details of the other conditions can be found in the 2020 Universal Registration Document, page 110
Patrice Caine	2022	14,080 (maximum)	Units acquired after an acquisition period of 4 years and subject to performance conditions over the period 2022-2024. Details of the other conditions can be found in the 2021 Universal Registration Document, page 111.

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## Governance and compensation

### Compensation of Corporate Officers

- **TABLE 10: SUMMARY TABLE OF THE EXECUTIVE CORPORATE OFFICER'S MULTI-YEAR VARIABLE COMPENSATION**

None.

- **TABLE 11**

Executive Corporate officer	Patrice Caine
Start date of current term <sup>(a)</sup>	May 11, 2022
Term end date	2026 Annual General Meeting
Employment contract	No
Supplementary pension plan	Yes <sup>(c)</sup>
Indemnities or benefits due or likely to be due as a result of termination or change of duties	Yes <sup>(b) (c)</sup>
Indemnity relating to a non-competition clause	No

(a) Patrice Caine was initially appointed Chairman and Chief Executive Officer on December 23, 2014.

(b) For more details see section 4.4.1.1 C above "Benefits and rights upon the termination of office".

(c) For more details, see section 4.4.1.1.C above "Supplementary pension plan of Mr. Patrice Caine, Executive Corporate officer".

### 4.4.2 Compensation policy for Corporate Officers for the 2023 financial year

In accordance with Article L. 22-10-8 of the French Commercial Code, this section 4.4.2 presents the compensation policy applicable to corporate officers.

Sections 4.4.2.1 and 4.4.2.2 set out the remuneration policies applicable to the Chairman and Chief Executive Officer and for Directors, respectively, from the financial year 2023, which will be submitted for approval to the Annual General Meeting of May 10, 2023 (6<sup>th</sup> and 7<sup>th</sup> resolutions). If the 6<sup>th</sup> resolution is approved:

- in accordance with Article L. 22-10-8 of the French Commercial Code, the compensation policy in section 4.4.2.1 will apply to the Chairman and Chief Executive Officer as from the financial year 2023, subject to possible revision at a subsequent Annual General Meeting deliberating on the same subject;
- in accordance with the compensation policy, the elements of the total compensation and benefits of any kind for the Chairman and Chief Executive Officer paid during the 2023 financial year or granted for the same financial year will be submitted to a vote of the shareholders at the General Meeting called to approve the financial statements for the 2023 financial year, pursuant to Articles L. 22-10-9 and L. 22-10-34 I. and II. of the French Commercial Code, which moreover stipulate that the payment of variable and exceptional items is subject to the approval of the General Meeting.

If the 7<sup>th</sup> resolution is approved, under Article L. 22-10-8 of the French Commercial Code, the compensation policy presented in section 4.4.2.2 will apply to the directors from the 2023 financial year, subject to possible revision at a subsequent Annual General Meeting ruling on the same subject.

#### Process to establish the compensation policy for corporate officers

The compensation policy for corporate officers is overseen by the Governance and Compensation Committee in accordance with the Board of Directors' rules of procedure.

To design the compensation policy for the Chairman and Chief Executive Officer, the Governance and Compensation Committee takes into consideration several parameters: salary policy for Group executives and employees, analyses prepared by an outside consultant, practices of comparable companies, strategic priorities, shareholder feedback, recommendations of proxy-voting firms, stakeholder comments, changes in the Afep-Medef Code, etc. Also, it considers the rate of achievement of financial and non-financial objectives in past years and the budget for the coming year. Through its Chairman, the Governance and Compensation Committee obtains all relevant information from the Human Resources Department, particularly concerning changes in salary practices within the Group, and from the other departments involved in establishing the policy (the Finance Department and the Company Secretary).

The Governance and Compensation Committee issues recommendations to the Board of Directors. After examination, the Board submits its decision to the vote of the Annual General Meeting. Changes are only effective after the approval by the Annual General Meeting.

An independent Director chairs the Governance and Compensation Committee to limit conflicts of interest. He can also call on an external consultant. Finally, the Chairman and Chief Executive Officer never participates in deliberations or votes in the Board of Directors on his own compensation.

When it deems it necessary, and in particular to take into account changes in the Afep-Medef code, the Governance and Compensation Committee studies whether it is appropriate to change the compensation policy for directors.



#### 4.4.2.1 Compensation policy for the Chairman and Chief Executive Officer for the 2023 financial year

The Board of Directors, based on the recommendation of its Governance and Compensation Committee, which met on February 1 and 23, 2023 and March 7, 2023, adopted this compensation policy for the Chairman and Chief Executive Officer for 2023.

##### A. General framework

Compensation for the Chairman and Chief Executive Officer includes the following items:

- annual fixed compensation;
- an annual variable remuneration whose target is equal to 100% of the fixed compensation, based on a combination of financial and non-financial criteria. The weight of the financial criteria is dominant;
- long-term incentive plan (LTIP) linked to the value of the Thales share, in the form of performance shares or units; it is specified that the variable compensation of the executive corporate officer systematically includes one or more criteria linked to social and environmental responsibility in its annual or long-term component;
- a severance pay <sup>(1)</sup>;
- a private unemployment insurance <sup>(1)</sup>;
- a supplementary pension plan with several components <sup>(1)</sup>;
- legal and tax assistance;
- same health insurance coverage as for senior executives;
- liability insurance for corporate officers;
- coverage of professional expenses according to Thales rules;
- the benefit of an annual health check-up, identical to that of senior executives;
- the services of a chauffeur-driven car.

The Company adheres to the principles set out in the Afep-Medef code (section 26.1), according to which, in particular:

- the compensation of the executive corporate officer must be competitive, tailored to the company's strategy and context. Also, it must promote its performance and competitiveness over the medium and long term and make it possible to attract, retain and motivate a high-performance executive;
- the following principles are considered when setting such remuneration: comprehensiveness, the balance between the elements of compensation, consistency with the company's other executives and employees, the intelligibility of the rules (simple, stable, and transparent), and balance against the company's corporate interest, market practices, the executive's performance, and the views of other stakeholders.

The compensation of Executive Committee members and most of the Group's senior managers is composed of a fixed part, an annual variable part, and a Long-Term Incentive Plan (LTIP). The respective proportion of each component is established by taking into account the level of responsibility of each position, and the compensation studies carried out in the various national markets where Thales operates.

Thus, for the Chairman and Chief Executive Officer, these components are broken down proportionately as follows:

- the fixed part is established considering the level of responsibilities and on benchmark compensation studies for comparable profiles;
- the target annual variable compensation is equal to 100% of the fixed compensation; the maximum cap for this annual variable compensation is 150% of fixed compensation;
- the value at grant date of the target long-term compensation may not exceed 100% of fixed compensation <sup>(2)</sup>.

Long-term compensation is based on the achievement of demanding performance criteria at the end of a three-year period. It vests in a single instalment at the end of a four-year period. Most of the long-term incentive is subject to internal performance criteria linked to strategic objectives laid down by the Board that take into account the objectives communicated to financial markets (if they exist).

The Chairman and Chief Executive Officer is also obliged to retain the Thales shares received as follows:

- with regard to shares resulting from the unit-linked plans from which he has benefited in his capacity as Chairman and Chief Executive Officer, shares equal to 50% of the net gain after tax from the LTIP, until he has built up a portfolio of shares equivalent to one year's fixed salary;
- with regard to shares under free share plans which he has received in his capacity as Chairman and Chief Executive Officer, 30% of the shares vested, until he has built up a portfolio of shares equivalent to one year's fixed salary, then 10% of the shares vested beyond that. In this respect, to calculate compliance with this one-year fixed salary requirement, shares resulting from unit-based plans subject to retention obligations will be added to the shares resulting from free share plans that are also subject to this obligation.

These retention obligations will apply throughout the duration of his duties as executive corporate officer.

The Chairman and Chief Executive Officer also benefits from a supplementary pension plan described in section 4.4.2.1.B.d, which includes several components.

Lastly, severance payments to the Chairman and Chief Executive Officer may only be made in the event of forced departure, subject to the achievement of performance conditions over three financial years. They are capped at 12 months of reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding LTIP). This amount is lower than the recommendations of the Afep-Medef code.

Pursuant to the Afep-Medef code (section 26.1.2), the rules for determining the Chairman and CEO's compensation should be stable and the performance criteria used should be, to the greatest extent possible, long lasting. In principle, fixed compensation should only be reviewed at relatively long intervals (section 26.3.1 of the Afep-Medef code).

The compensation policy for the Chairman and Chief Executive Officer provides for a plan applicable in the case of exceptional events (see section 4.4.2.1.B.f).

<sup>(1)</sup> Other compensation subject to performance conditions.

<sup>(2)</sup> If long-term compensation takes the form of performance units, their value at grant date will be equal to 120% of the fixed compensation to take into account tax and social security charges payable by the beneficiary.

# Governance and compensation

## Compensation of Corporate Officers

### B. Detailed compensation policy for the Chairman and Chief Executive Officer

#### a) Overall compensation structure

At its meeting of March 7, 2023, the Board of Directors decided, on the basis of the recommendations of the Governance and Compensation Committee, to make the following main changes to the Chairman and Chief Executive Officer’s compensation policy in 2023 compared to that adopted by the Annual General Meeting of May 11, 2022. The reasons for this and the terms and conditions are set out in the sections below:

Summary of changes proposed to the Annual General Meeting of May 10, 2023 (compared with the policy approved by the AGM on May 11, 2022)	
Annual fixed compensation	● Unchanged
Annual variable compensation	● Unchanged
Long-term compensation (2023 LTI Plan)	<ul style="list-style-type: none"> <li>● Proposal to change the form of long-term compensation: instead of performance units, free performance shares may be allotted up to 100% of the annual fixed compensation <sup>(a)</sup>.</li> <li>● Strengthening of the obligation to retain shares until the end of the term of office, to cover 30% of the shares vested until the beneficiary has built up a portfolio of shares corresponding to one year’s salary, then, after that, 10% of the shares vested.</li> </ul>
Other items of compensation	● Unchanged

(a) Subject to approval by the Annual General Meeting of May 10, 2023 in its 10<sup>th</sup> resolution and compliance with the provisions of Article L. 22-10-60 of the French Commercial Code. Failing this, compensation in performance units may be allotted, the value of which shall be equal to 120% of the fixed compensation to take into account tax and social security charges payable by the beneficiary.

In its decision, the Board of Directors took into account the approval rate of 99.44% of the items mentioned in I of Article L. 22-10-9 of the French Commercial Code (12<sup>th</sup> resolution) and the approval rate of 59.92% of the compensation policy of the Chairman and Chief Executive Officer by the Annual General Meeting of May 11, 2022 (13<sup>th</sup> resolution) (the second rate was mainly due to the negative vote by the French State shareholder, which represented 39% of the voting rights at this meeting).

Therefore, the Board of Directors decided to:

- keep the fixed compensation of the Chairman and Chief Executive Officer unchanged (€850,000);
- maintain the weight of the annual target variable compensation unchanged (100% of the annual fixed compensation), i.e., €850,000, and the maximum (150% of the annual fixed compensation), i.e. €1,275,000, in the event of exceeding the objectives.

The Board wished for the 2023 LTI Plan to be made up of free performance shares in order to:

- strengthen the alignment of this incentive plan with shareholders’ interests, since its value will now fully track the share price, while performance units are currently paid in cash, 50% of which in shares;

- use the same instrument as that applied to the Executive Committee and all senior managers receiving long-term compensation; and
- allow more favorable treatment in terms of social security contributions for both the Company and the beneficiary.

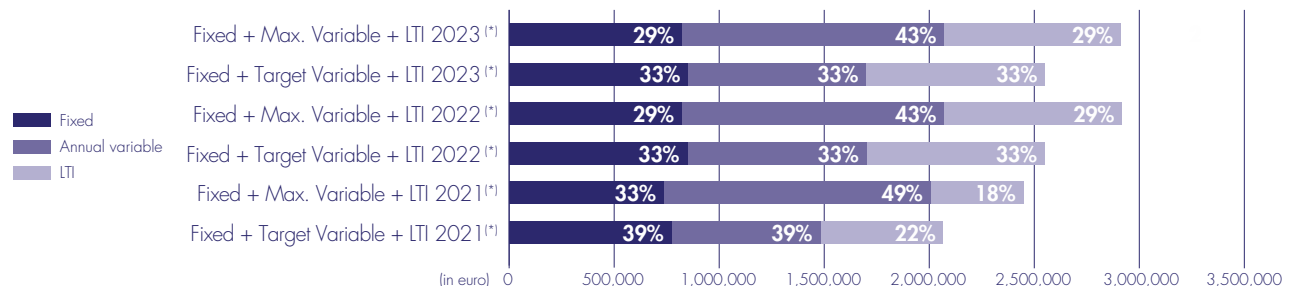
The free allotment of shares to the beneficiary remains subject to the approval by the Annual General Meeting of May 10, 2023 in its tenth resolution and compliance with the provisions of Article L. 22-10-60 of the French Commercial Code.

It is therefore expected that the Board may allot free performance shares if the above conditions are met and, failing that, performance units. These two forms of compensation are referred to collectively as “LTI” below.

In accordance with its previous practice, the Board doesn’t apply any deferral period to the payment of the remuneration of the Chairman and Chief Executive Officer, other than that provided for in section L. 22-10-34 of the French Commercial Code, under which the Chairman and Chief Executive Officer’s variable annual remuneration for 2023 will be paid after approval by the shareholders at the 2024 General Meeting.

Finally, the compensation policy does not provide the possibility of asking the Chairman and Chief Executive Officer to return his annual variable compensation or LTI.

In summary, the fixed, annual variable and long-term shares of compensation are allocated as follows.



\* Valuation of LTI plans in euros based on their IFRS fair value at grant date. For 2023, assumption of an LTI plan in the form of free performance shares.





### Rationale for the policy and its criteria

For annual and long-term variable compensation, the Board has set thresholds and performance criteria that contribute to the objectives of the compensation policy. In fact, the financial criteria (EBIT, order intake, organic sales growth, free operating cash flow) are key indicators of the Group's performance and competitiveness. The Climate criterion used in the LTI (reduction in operational emissions) corresponds to the indicator on which the Group has set long-term targets and for which it has both the largest scope for action and the most mature assessment methods. In addition, these criteria are consistent with those used in the compensation policy for other Group executives and employees. The thresholds have been positioned to reinforce the incentives to exceed budgetary targets. Regarding long-term compensation, the purpose is to stimulate the Group's development over the long term and accelerate the CSR roadmap. Lastly, the Board wished to pay attention to the clarity and stability of the calculation rules.

The Board noted that this total compensation policy provides clear and balanced incentives simultaneously to achieve the most critical dimensions of the annual budget (profitability, growth, cash generation), through variable yearly compensation, and to meet value creation targets over a longer horizon (growth, cash generation, stock market performance, environmental performance), through long-term compensation. In addition, the Board considered it essential to complement this financial approach with the inclusion, on an annual basis, of non-financial criteria to promote annual or multi-year strategic objectives and reinforce the consideration of social and environmental issues that are central to the Group's long-term development.

Also, the Board emphasized that this remuneration policy contributes to the Group's business development strategy. Incentives for developing new business (variable remuneration linked to order intake or organic revenue growth) are balanced by incentives to achieve profitability (EBIT and free operating cash flow), both for the current year (annual variable compensation) and in the medium term (LTI computed over three years).

Finally, the balance between annual and long-term variable components ensures that the compensation policy contributes to the Group's sustainability by minimizing the incentive to achieve annual objectives at the expense of medium-term development.

Also, the Board noted that the fixed annual compensation and other elements of compensation (pension plans, severance pay, private unemployment insurance, benefits in kind) contribute to the competitiveness of the compensation policy, which is designed to attract, retain and motivate a high-performing executive. These three objectives serve both the Group's corporate interest and its long-term development.

### b) Criteria for determining the 2023 annual variable compensation

As in 2022, the criteria for determining annual variable compensation are 75% financial and 25% non-financial. To reward the outperformance on financial criteria, the payment relating to these criteria may exceed the target up to 125% of the annual fixed compensation, which isn't the case for the non-financial part, which remains capped at 25%. Therefore, the annual variable compensation is capped at 150% of the target.

#### (i) Financial criteria for 2023

The Board of Directors decided to maintain the same financial criteria and weightings as those used to determine the 2022 variable compensation, namely:

- EBIT for 35%;
- Order intake for 20%;
- free operating cash flow for 20%.

For each criterion, annual variable compensation will only be paid if a demanding threshold is reached. For the first two criteria (EBIT and order intake), no amount is due when the actual figure reported is less than or equal to 90% of the target. For free operating cash flow, no amount is due when the actual figure reported is below the budgeted objective by more than 2% of targeted budgeted sales.

The trigger ranges for each of the financial criteria are unchanged from 2022 and are detailed below:

Financial criteria for annual variable compensation	Weighting	Thresholds	Payment in % of target
EBIT	35%	If results $\leq$ 90% of the budgeted target	0%
		If results = 100% of the budgeted target	35.00%
		If results $\geq$ 110% of the budgeted target	58.33%
Order intake	20%	If results $\leq$ 90% of the budgeted target	0%
		If results = 100% of the budgeted target	20.00%
		If results $\geq$ 110% of the budgeted target	33.33%
Free operating cash flow	20%	If results $\leq$ of the budgeted target - 2% of sales targeted	0%
		If results = 100% of the budgeted target	20.00%
		If results $\geq$ budgeted target + 2% of sales targeted	33.33%
<b>TOTAL FINANCIAL CRITERIA</b>	<b>75%</b>		

The definition and calculation of these criteria are set out in section 2.3 of the 2022 Universal Registration Document.

As in previous years, the targets for each financial criteria correspond to those in the Group's annual budget approved by the Board of Directors. For confidentiality reasons, the exact objectives underlying these financial criteria can not be disclosed.

The quantified levels of achievement for each financial criterion will be detailed retrospectively in the 2023 Universal Registration Document.

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**(ii) Non-financial criteria for 2023**

For 2023, the Board decided, as for 2022, to retain four non-financial criteria, including one related to Social and Environmental Responsibility accounting for 10% of the target variable compensation, and three individual criteria accounting for 5% each:

- strategy (5%): finalize ongoing disposals (Transport and aeronautical electrical systems) and pursue growth initiatives in the Group's core business;
- cross-functional operational initiatives and crisis management (5%): continue to manage the components crisis, paying particular attention to inflation, and strengthening supply chain resilience;
- talent and human resources (5%): support the transformation plans for the Engineering/Industry business lines and implement the global plan for strengthening and optimizing the Group's resources;
- a CSR criterion (10%) broken down according to the four pillars of the strategy in this area. As in 2022, they will be assessed in the light of the progress towards the quantified objectives presented in Chapter 5 of the 2022 Universal Registration Document and more specifically the detailed targets for 2023 announced in the Group's medium-term CSR plan:
  - diversity and inclusion: increase the representation of women in the Group's management bodies, with two quantifiable targets for 2023: 20% of women at the highest levels of responsibility (NR 10-12); 75% of Management Committees with at least 3 women,
  - continue to roll out the Low-Carbon Strategy to reduce emissions in line with the commitments made by the Group for 2023 and 2030, with a quantifiable target for 2023 to reduce operational CO<sub>2</sub> emissions by 35% in absolute terms compared to 2018,
  - occupational health and safety: strengthen the occupational safety culture to ensure a lasting reduction in the frequency of work-related accidents, with a quantifiable target for 2023 to reduce the frequency of accidents with time off work to below 1.50,
  - continue to strengthen Compliance programs.

Each of the four criteria presented above will account for 2.5%, and performance in terms of this CSR criterion will also be assessed overall in relation to the establishment of a new CSR strategic plan for the coming years, particularly in terms of climate change given the ongoing certification process with SBTi.

**c) 2023 Long-Term Incentive Plan (LTI Plan or LTIP)**

The LTIP is designed to reward the Chairman and Chief Executive Officer based on the Group's long-term performance. In accordance with the Afep-Medef Code (section 26.1.2), the performance and employment conditions applicable to this plan are based on those applicable to the LTI Plans of Executive Committee members and other senior Group executives who are beneficiaries (see section 6.2.3.5.1), without said conditions being identical. In this regard, notably, only the Chairman and Chief Executive Officer's LTI Plan includes an external financial criterion linked to Thales' stock market performance, which is justified by his corporate office.

For the two internal performance criteria, the Board of Directors decided to maintain a three-year measure based on average (for organic sales growth) or cumulative (for the free operating cash flow) achievement of the annual budget targets.

Subject to the approval by the Annual General Meeting of May 10, 2023 of the 10<sup>th</sup> resolution and compliance with the provisions of

Article L. 22-10-60 of the French Commercial Code, the 2023 LTI Plan may consist of free shares allotted subject to performance conditions.

Failing this, the 2023 LTI Plan will consist of performance units indexed to the Thales share price. The units will be paid 50% in Thales shares and 50% in cash.

The value (IFRS) at the time of the allotment of the 2023 LTI Plan will be at most equal to 100% of the fixed compensation<sup>[3]</sup>.

The LTI are subject to a four-year vesting period. The LTI definitively vested in 2027 will depend on the level of achievement of performance conditions measured over three financial years (2023/2025).

Pursuant to Article L. 22-10-34-II of the French Commercial Code, payments relating to the LTI will be submitted to the vote of the shareholders' Annual General Meeting under the conditions provided for by the law.

**(i) 2023 LTI Plan performance criteria**

For this 2023 LTI Plan, the Board of Directors decided to apply the criteria and weightings used for the 2022 LTI Plan, having noted that they are challenging and are aligned with the Group's main drivers of long-term value creation:

- 35% based on a business growth target, measured by the compound annual growth rate (CAGR) in organic sales for the period 2023/2025;
- 35% based on a competitiveness objective, measured in terms of cumulative operating free cash flow over the period 2023/2025;
- 10% based on the target of reducing operational CO<sub>2</sub> emissions by 2025, measured in relation to 2018 levels and at constant scope; this CSR criterion is directly linked to the Group's climate performance, i.e. the objective of reducing operational CO<sub>2</sub> emissions (Scope 1, Scope 2, and Scope 3 "Business Travel"). For 2025, the target objective has been set at -38.75% compared to 2018. This is fully in line with the medium-term carbon trajectory for this indicator, i.e. -50% by 2030. Moreover, it is worth noting that the measurement of operational CO<sub>2</sub> emissions, disclosed in section 5.5.3.2, is reviewed by an Independent Third Party in the framework of the Non-Financial Performance Statement, therefore guaranteeing the quality of this measurement.

As part of its annual review of the CSR strategy, the Board decided that in 2024, it will consider whether it is appropriate to amend the CSR criteria attached to the Chairman and Chief Executive Officer's annual and long-term variable compensation in light of future changes to this strategy and the corresponding objectives, and, for the climate criterion in particular, progress in the certification process with SBTi;

- 20% based on Thales' stock market performance measured by the Total Shareholder Return (including the reinvested dividend). The calculation is made on the performance as of December 31, 2025, compared to that of December 31, 2022, evaluated:
  - half (10%), compared to the Stoxx Europe total market Aerospace & Defense index members as of December 31, 2025,
  - the other half (10%) in relation to the CAC 40 Index members as of December 31, 2025.

<sup>[3]</sup> If long-term compensation takes the form of performance units, their value at grant date will be equal to 120% of the fixed compensation to take into account tax and social security charges payable by the beneficiary. The value of each unit will be equal to the average closing share prices quoted on the Euronext market over the 20 trading days preceding March 7, 2027.



### (ii) Thresholds and objectives attached to the 2023 LTI Plan performance criteria

The thresholds and objectives, set in a demanding and motivating manner by the Board, are as follows:

2023 LTI Plan criteria	Weighting	Targets	Thresholds	Payment in % of target total
Cumulative free operating cash flow over the period 2023/2025	35%	Floor: 90% x (budget 23 + budget 24 + budget 25) Target: budget 23 + budget 24 + budget 25 Ceiling: 120% x (budget 23 + budget 24 + budget 25)	If results < floor	0%
			If results = floor	18%
			If results = target	35%
			If results ≥ period ceiling	56%
Organic sales growth 2023/2025 (compound annual growth rate, CAGR)	35%	Floor: 90% x CAGR (budget 23 + budget 24 + budget 25) Target: CAGR (budget 23 + budget 24 + budget 25) Ceiling: 120% x CAGR (budget 23 + budget 24 + budget 25)	If results < floor	0%
			If results = floor	18%
			If results = target	35%
			If results ≥ period ceiling	56%
Reduction of operational greenhouse gas emissions (CO <sub>2</sub> e) <sup>(a)</sup> Absolute value 2025 compared to 2018 (at constant scope)	10%	Floor: -36.83% Target: -38.75% Ceiling: -40.78%	If results < floor	0%
			If results = floor	5%
			If results = target	10%
			If results ≥ period ceiling	16%
Total Shareholder Return compared to the Stoxx Europe Total Market Aerospace & Defense index - Measured based on performance at 12/31/2025 compared to 12/31/2022	10%	Floor: median of the Stoxx Europe Total Market Aerospace & Defense index Ceiling: highest quintile of the index	If TSR < index median	0%
			If TSR = index median	10%
			If TSR is in the highest quintile of the index	16%
			Linear variation between the median and the entry point of the highest quintile	
Total Shareholder Return compared to the CAC 40 index - Measured based on performance at 12/31/2025 compared to 12/31/2022	10%	Floor: CAC 40 median Ceiling: highest quintile of the index	If TSR < index median	0%
			If TSR = index median	10%
			If TSR is in the highest quintile of the index	16%
			Linear variation between the median and the entry point of the highest quintile	

(a) Scope 1, Scope 2 and Scope 3 "business travel".

For the free operating cash flow and organic sales growth criteria, the targets will correspond to the cumulative amounts (for free operating cash flow) or the compound annual growth rates (for organic sales growth) set out in the Group's annual budgets approved by the Board of Directors in 2023, 2024 and 2025 for the corresponding financial years.

After the end of the 2025 financial year, the Board of Directors will disclose the LTI that actually vest following a review of the achievement of said performance conditions.

### (iii) Additional vesting criteria for the 2023 LTI Plan

If the beneficiary should leave the Group during the vesting period, all LTI entitlements shall be forfeited. Entitlement shall only be maintained in the event of death, disability or retirement.

The Chairman and CEO must hold the Thales shares delivered to him:

- with regard to shares resulting from the unit-linked plans from which he has benefited in his capacity as Chairman and Chief Executive Officer, up to 50% of the net gain after tax from the corresponding LTI Plans, until he has built up a portfolio of shares equivalent to one year's fixed salary;
- with regard to shares under free share plans which he has received in his capacity as Chairman and Chief Executive Officer, up to 30% of the shares vested, until he has built up a portfolio of shares equivalent to one year's fixed salary, then up to 10% of the shares vested beyond that; in this respect it is specified that, for compliance with this one-year fixed salary requirement, shares resulting from unit-based plans subject to holding obligations will be added to the shares resulting from free share plans that are also subject to this obligation.

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## Governance and compensation

### Compensation of Corporate Officers

These retention obligations will apply throughout the duration of his or her duties as executive corporate officer.

In accordance with section 26.3.3 of the Afep-Medef code and the Internal Code on Insider Trading, the Chairman and CEO has undertaken not to use any hedging instruments in relation to his risk exposure on any shares or performance units he holds.

#### d) Supplementary pension plan

Following the approval by the Annual General Meeting of May 6, 2020, the Chairman and Chief Executive Officer benefits from two supplementary pension schemes: one in the form of progressive and conditional deferred compensation prior to December 31, 2019, and the other in the form of a supplementary defined-contribution pension, subject to Article 82 of the French General Tax Code, set up to provide the beneficiary with a pension annuity that is substantially equivalent to the previous progressive and conditional deferred compensation scheme.

##### (i) Progressive and conditional deferred compensation prior to December 31, 2019

Prior to January 1<sup>st</sup>, 2020, the Chairman and Chief Executive Officer benefited from a scheme giving entitlement to progressive deferred compensation, the amount of which was determined according to a points-based allocation method identical to that provided for by the supplementary collective pension scheme in place within Thales for Group executives whose compensation exceeded the Agirc contribution ceiling.

More specifically, Patrice Caine has acquired potential rights:

- for the period from 2011 to 2014, under the Thales Employee Plan;
- for the period from 2015 to 2019, under the Rules applicable to Thales' Corporate Officers;

As of January 1<sup>st</sup>, 2020, in accordance with the approval of the Annual General Meeting of May 6, 2020, this deferred compensation was terminated and the entitlements under the two aforementioned schemes were fixed as at December 31, 2019. As such, the Chairman and Chief Executive Officer has no longer acquired any new rights under these plans since that date.

The fixed rights acquired under the Thales Employee Plan amount to €10,260. This is subject to the provisions of Article L. 137-11 of the French Social Security Code. As a result, the payment of the annuity is subject to a condition of completion of the career in the company.

The fixed rights acquired under the scheme applicable to Thales' corporate officers amount to €101,528 (for more information on this point, see 4.4.1.1 C).

The scheme applicable to Thales' corporate officers does not fall under the provisions of Article L. 137-11 of the French Social Security Code. However, the benefit of the annuity on the day of retirement remains conditional on the achievement of a performance condition: the average rate of achievement of the annual EBIT targets set by the Board for the corporate officer must be greater than or equal to 80% over the last three financial years ended before the date of termination of his or her term of office. The fulfillment of this performance condition will be assessed by the Board at the time of the departure of the corporate officer.

The plan regulations provided for a doubling of the annuity for officers who remain a member of the Executive Committee for 10 years. As Patrice Caine had been a member of this Committee for seven years before the date of fixing of rights (from 2013 to 2019), the Board of Directors applied a coefficient of 1.7 to this annuity, in accordance with the texts in force, and deemed the condition of presence on the Executive Committee to have been met.

##### (ii) Defined contribution pension plan for the Chairman and Chief Executive Officer

Following the decision of the Annual General Meeting of May 6, 2020, the Chairman and Chief Executive Officer benefits from a defined contribution pension plan provided by an external insurer and financed by the Company, which allows an annuity or lump sum payment (Article 82 of the French General Tax Code).

For a given year, the Company contributes 32% of the fixed base compensation actually received by the executive corporate officer between December 1 of the previous year and November 30 of the year in question. In addition, the Company pays the concerned party an equivalent amount to offset the impact of the salary and income tax expenses due by the premium paid by the Company.

Following the approval of the 10<sup>th</sup> resolution by the Annual General Meeting of May 6, 2021 (section 4.4.3.1.B page 112 of the 2020 Universal Registration Document), this defined contribution plan is not conditional on continued presence in the company at the time of retirement, and its payment is conditional on the achievement of a performance condition recorded in respect of financial year N-1 determined as follows:

- if annual variable compensation < 50% of target: no contribution is paid;
- if annual variable compensation between 50 and 80% of target = between 0 and 100% of contribution (linear);
- if annual variable compensation ≥ 80% of target = 100% of contribution.

Accordingly, payments are made after the Annual General Meeting has noted that the performance conditions applicable to variable compensation for financial year N-1 have been met.

##### e) Other Elements of the Compensation of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer benefits from two other compensation components described in section 4.4.1.1, as follows:

###### (i) Severance pay

In accordance with the Afep-Medef Code to which the Company has declared its adherence, an indemnity may be paid to Patrice Caine in the event that his term of office ends, except in the case of resignation, serious misconduct or gross negligence.

The amount of this severance pay is set at 12 months of his reference salary (fixed and variable compensation paid during the last 12 months of activity, excluding the long-term incentive plan). The Chairman and Chief Executive Officer resigned at the time of his appointment and no longer has an employment contract with the Company.

The payment of this severance pay is subject to the achievement of a performance criterion over the last three financial years: the average rate of achievement of the annual EBIT objectives set by the Board for the corporate officer must be greater than or equal to 80%.

###### (ii) Private unemployment insurance

The beneficiary is entitled to private unemployment insurance with the same performance criteria as the severance pay. It provides for compensation for a period of one year and for an amount limited to the sum of the amounts corresponding to 70% of the Social Security A and B tranches of the net taxable income and 50% of the C tranche of this same income.



In addition, the Chairman and Chief Executive Officer receives the following other items of compensation, also unchanged from 2022:

- legal and tax advice;
- private healthcare benefits identical to those offered to senior executives;
- company representatives' civil liability insurance;
- reimbursement of business expenses in accordance with Thales rules;
- an annual health check-up, like other Thales senior executives;
- the services of a chauffeur-driven car.

The Chairman and Chief Executive Officer doesn't receive any compensation for his position as a director of Thales. He has no service contract with Thales SA or one of the companies controlled by it, within the meaning of Article L. 233-16 II or III of the French Commercial Code.

For more information, please refer to section 4.4.1.1.

#### f) Exceptional events

This section describes the measures envisaged in case of an exceptional event.

In the event of (i) a transaction that significantly changes the Group's scope of consolidation, or (ii) the occurrence of circumstances or events outside the Company that have a significant impact on the Group and could not have been foreseen at the time of approval of this compensation policy by the Board of Directors for presentation to the Annual General Meeting, the Board of Directors reserves the right to exercise its discretionary power to adjust upwards or downwards one or more of the parameters attached to the performance criteria (weighting, triggering thresholds, objectives, targets, etc.) of the annual or long-term variable compensation (LTIP) of the executive corporate officer. This will ensure that the results of the application of the said criteria reflect both the performance of the corporate officer and that of the Group. Following the same logic, the Board of Directors may adjust the trigger levels, objectives and targets in the event of changes in accounting standards.

These adjustments will be determined by the Board of Directors on the recommendation of its Governance and Compensation Committee and disclosed on the Company's website.

It should be noted that this option is different from that provided for in Article L. 22-10-8-III paragraph 2 of the French Commercial Code.

No provision has been made for the Board of Directors to depart from this compensation policy in the event of exceptional events other than those mentioned above.

### 4.4.2.2 Compensation policy for directors for financial year 2023

During its meeting on March 7, 2023, the Board of Directors renewed the unchanged directors' remuneration policy approved by the Annual General Meeting on May 11, 2022 (14<sup>th</sup> resolution).

#### a) Annual compensation

The total amount of compensation distributed among the directors (and non-voting director, if any) for services to the Board, including that due to the directors who are members of the Committees in respect of their participation in them, is set at €600,000 per year.

Directors receive:

- for services to the Board, a fixed remuneration of €14,000 per year (prorata temporis in the event of an appointment or of a resignation during the year) adjusted down if necessary to respect the total envelope (see below), and variable compensation based on attendance at meetings amounting to €2,500 per meeting;
- for services to the Committees, compensation (entirely variable), based on attendance of €1,250 per meeting, with the Chairman of each Committee receiving an additional €2,000 per year (prorated based on the number of meetings chaired, if applicable). Directors who are not members of the Strategy & CSR Committee who have been appointed by the Board to participate in meetings of this Committee for CSR topics on the agenda also receive €1,250 per meeting.

Censors, if any, receive compensation that is entirely variable, based on attendance at meetings and amounting to €2,500 (or less, if the Board so decides) per meeting;

If, on account of the high number of meetings (variable compensation being paid first), the total amount of €600,000 per financial year (gross amount before any deductions) is likely to be exceeded, the fixed component of directors' compensation is reduced in order to remain within the annual budget approved by shareholders.

The Chairman and CEO does not receive any compensation in respect of his office as director.

In accordance with the recommendations of the Afep-Medef code, this structure was set up so that the variable component makes up most of the directors' compensation. Directors are therefore encouraged to observe strict attendance at meetings, which is essential if they are to carry out their duties effectively.

No provision has been made for the possibility of requesting that directors return the variable component of their compensation.

#### b) Exceptional compensation

In accordance with Article L. 225-46 of the French Commercial Code, additional compensation may be allocated to directors outside the authorized annual budget of €600,000 on an exceptional basis by decision of the Board in the following cases:

- pursuant to the Board's rules of procedure, the Chairman may request that specific committees be set up to study a proposed transaction, such as the signature of a major contract or the completion of an investment or divestment, for which the referral to one of the standing committees does not seem the best way for such transaction to be appraised and subsequently voted on by the Board. In such cases, the Board of Directors may decide to grant its members exceptional compensation in the form of a flat fee pro-rated for the meetings attended;
- the Board may also entrust specific tasks to a director and decide to grant him or her exceptional compensation commensurate with the work performed;

This exceptional compensation, where applicable, will be subject to the provisions of Articles L. 225-38 to L. 225-42 of the French Commercial Code.

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## 4.5 Compensation of Other Officers

The total compensation paid in 2022 to Executive Committee members, excluding the Chairman and Chief Executive Officer, represents a total of €13,794 thousand. It includes a variable portion of 37.4% for 2021. As for the Chairman and Chief

Executive Officer, the variable portion is indexed to financial and non-financial performance criteria.

### • DETAILS OF THE SALARIES PAID TO THE EXECUTIVE COMMITTEE (EXCLUDING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER) IN 2021 AND 2022

<i>(in thousands of euros)</i>	2022	2021
	Paid during the financial year	Paid during the financial year
<b>Executive Committee (excluding the Chairman and CEO)</b>		
Fixed compensation	6,040	5,922
Variable compensation	5,156	3,778
Defined contribution pension	2,544	1,610
Severance payment	—	847
Benefits in kind	54	58
<b>Total before employer social contributions</b>	<b>13,794</b>	<b>12,215</b>
Employer social contributions	4,623	3,873
<b>TOTAL EXPENSE</b>	<b>18,417</b>	<b>16,087</b>

Starting in 2020, members of the Executive Committee benefit from a defined contribution pension whose contribution paid by Thales to the insurer is considered a benefit in kind.

Additionally, at the end of December 2022, 209,029 performance shares and 25,805 phantom shares were granted to members of the Executive Committee other than the Chairman & Chief Executive Officer. The breakdown by grant date and their detailed characteristics, as well as any options exercised, are provided in section 6.2.3.5 (page 228). The summary of transactions carried out by directors, non-voting directors and related persons is shown in section 4.6.





## 4.6 Summary statement of transactions mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out in 2022

In accordance with Article 223-26 of the General Regulations of the French financial markets authority (AMF).

To the Company's knowledge the following declarations have been sent to the AMF by persons required to file a declaration <sup>(1)</sup>, for publication on its website (<http://www.amf-france.org>):

Senior executive's name	Financial instrument	Nature of the transaction	Total transaction amount (in euros)	Unit price (in euros)
<b>Patrice Caine</b>	Share	Payment in kind <sup>(a)</sup>	121,584	117.70
<b>Pascal Bouchiat</b>	Share	Free share acquisition <sup>(b)</sup>	—	—
<b>Alex Cresswell</b>	Share	Free share acquisition <sup>(b)</sup>	—	—
<b>Marc Darmon</b>	Share	Free share acquisition <sup>(b)</sup>	—	—
	Share	Disposal	216,000	108.00
	Share	Disposal	240,000	120.00
	Share	Disposal	478,159	120.05
<b>Hervé Derrey</b>	Share	Disposal	257,400	128.70
	Share	Free share acquisition <sup>(b)</sup>	—	—
	Share	Disposal	89,748	108.00
	Share	Disposal	89,856	128.55
<b>Philippe Duhamel</b>	Share	Free share acquisition <sup>(b)</sup>	—	—
<b>Jean-Loïc Galle</b>	Share	Free share acquisition <sup>(b)</sup>	—	—
	Share	Disposal	236,000	118.00
<b>Philippe Keryer</b>	Share	Free share acquisition <sup>(b)</sup>	—	—
<b>Isabelle Simon</b>	Share	Free share acquisition <sup>(b)</sup>	—	—
<b>Pascale Sourisse</b>	Share	Free share acquisition <sup>(b)</sup>	—	—

(a) Payment made partly in kind with Thales shares of the value of units granted under the LTIP and subject to performance conditions.

(b) Acquisition price: €109.55.

<sup>(1)</sup> These are the persons required to report in accordance with Article L. 621-18-2 a), b) and c) of the French Monetary and Financial Code. The persons referred to in Article L. 621-18-2 b) of the French Monetary and Financial Code include the members of the Executive Committee.



## 5

# Corporate responsibility and non-financial performance

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# 5 Corporate responsibility and non-financial performance

A corporate responsibility policy to support sustainable economic growth

## 5.1 A corporate responsibility policy to support sustainable economic growth

“2022 was marked by a strengthening of the Group’s Corporate Social Responsibility organization and governance, reflecting Thales’ growing commitment to environmental, social and governance issues. In an increasingly demanding environment, the CSR approach is essential to the Group’s success and aims to help build a safer, more environmentally friendly and inclusive world, in line with the Group’s corporate purpose of building a future we can all trust.”

**Isabelle SIMON**  
Company Secretary of Thales

### 5.1.1 Thales’ contribution to a safer, more inclusive and environmentally-friendly world

For more than twenty years, Thales has been proactively implementing a strong corporate responsibility policy based on the highest international standards and rooted in the corporate purpose that the company adopted in 2020:

#### “Building a future we can all trust”

The Group thus responds to the demands of its customers, investors, employees and civil society for a more transparent and more confident relationship between the company and all its stakeholders.

All of the Group’s activities are driven by this corporate purpose, which underpins Thales’ Corporate Social Responsibility (CSR) ambition to contribute to the construction of a safer, more environmentally-friendly and inclusive world.

Thales mobilizes its capacity for innovation to promote sustainable performance:

- Safer: in the area of defense, which accounts for about half of its activities, the Group continues to innovate so that the armies it

serves can benefit from high-performance operational solutions; in the field of cybersecurity, where the Group has achieved sales of nearly €1.5 billion in 2022.

- Environmentally-friendly: in the field of civil aviation, for example, the optimization of aircraft trajectories and operations, thanks to the use of the Group’s solutions, appears to be a major lever for achieving the goal of dividing air sector emissions in half by 2050.
- More inclusive: the Group is working to reduce the digital divide thanks to its activity in communication satellites, which offer connectivity to people who are lacking it, allowing them to access the Internet and knowledge.

Whether military or civilian activities, Thales’ mission is to develop sustainable solutions to help its customers master increasingly complex environments and make quick and effective decisions at every decisive moment. This is consistent with its CSR challenges.

### 5.1.2 Thales’ main CSR commitments

Strategy for a low-carbon future	Diversity and inclusion	Ethics and compliance	Workplace health and safety
<p>Reduction of operational CO<sub>2</sub> emissions <sup>(a)</sup></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>-35%</b></p> <p>2023</p> </div> <div style="text-align: center;"> <p><b>-50%</b></p> <p>2030</p> </div> <div style="text-align: center;"> <p><b>Net Zero</b></p> <p>2040</p> </div> </div> <p>Stimulate product innovation and eco-design across the portfolio.</p> <hr/> <p>Establish a robust action plan with suppliers.</p> <hr/> <p>Submission of 2030 targets for SBTi validation.</p>	<div style="text-align: center;"> <p><b>75%</b></p> <p>2026</p> </div> <p><b>Management Committees</b> with at least 4 women</p> <div style="text-align: center;"> <p><b>22.5%</b></p> <p>2026</p> </div> <p>Of women in <b>management positions</b> <sup>(b)</sup></p>	<p><b>Anti-corruption</b></p> <div style="text-align: center;"> <p><b>100%</b></p> <p>2021</p> </div> <p>Exposed persons trained every 2 years</p> <p><b>Extension of ISO 37001 certification</b></p> <hr/> <p><b>New digital ethics charter</b></p>	<div style="text-align: center;"> <p><b>-30%</b></p> <p>2023</p> </div> <p>Frequency rate of <b>accidents with lost time</b> <sup>(c)</sup></p>

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

Thales’ strong CSR ambitions are reflected in a series of quantified commitments covering four key issues for the Group.

In 2021 and 2022, these objectives accounted for 10% of the variable compensation of all eligible employees (around 63% of the workforce), or approximately 53,000 people.

Also in 2022, a climate target was incorporated into the long-term incentive plans (LTI) of Thales’ management (see section 4.4).





### 5.1.3 A CSR approach based on the consideration of risks and analysis of the impact of Thales' business

In 2021, the Group updated its materiality matrix, which aims to identify and classify environmental, social, societal and governance issues specific to Thales by order of importance, taking into account:

- the impact of these issues on the Group's business; and
- their importance to the relevant stakeholders.

This procedure was carried out in several stages with the help of a specialized external partner, who was responsible for the methodology applied to this exercise. By analyzing the sector studies and benchmarks, the Group first identified more than fifty challenges faced by companies in similar sectors in the environmental, social, societal and governance fields.

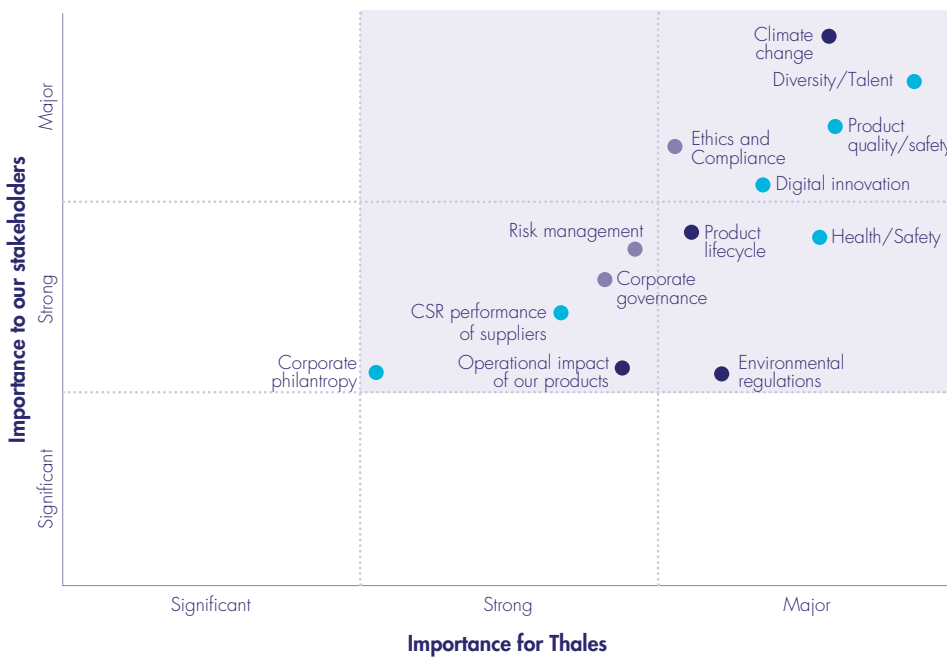
Then, several panels of stakeholders (see section 5.6.2.1) were consulted about these issues in order to rank them in order of importance to them (vertical axis of the matrix). In total, close to 90 people were consulted, representing the Group's key stakeholders: customers, employees, members of the Board of Directors, investors and financial actors, suppliers and partners, employee and civil society representatives.

Secondly, the Group also evaluated the importance of these issues for its own activity and their impact on the company's performance (horizontal axis of the matrix).

Finally, the results of these efforts were completed internally by a task force involving the Group's main departments (Human Resources, Investor Relations, CSR, Purchasing, and Ethics and Integrity departments) and then presented to the Executive Committee and Board of Directors.

This materiality matrix, which is complementary in its identification approach to the risks selected for the Group's Non-Financial Performance Statement, reinforces the relevance and effectiveness of the Group's CSR policy by ensuring that it best meets the expectations of Thales' key stakeholders.

In 2022, this matrix was reviewed by Thales' CSR Department: no significant information likely to impact its relevance was identified.



- **Environmental issues**  
Thales's ability to respond and adapt to the challenges of climate change, to manage the life cycle of its products, to control their impact on the environment and to respond to more stringent environmental legislation.
- **Social and Societal Issues**  
Thales's ability to successfully control the safety and quality of its products, to develop digital innovations that benefit society, to implement a rigorous HSE policy, to rely on responsible suppliers and to develop a coherent corporate sponsorship policy.
- **Governance issues**  
Thales's ability to ensure the implementation of a rigorous ethics, compliance and integrity policy; to manage its risks responsibly; and to ensure that its governance is in line with current standards and requirements.



# 5 Corporate responsibility and non-financial performance

A corporate responsibility policy to support sustainable economic growth

## 5.1.4 Enhanced CSR governance adapted to the Group's challenges

Thales aims to implement a corporate responsibility policy that meets the highest international standards. This goal is based on the conviction that this commitment is essential to the creation of a true relationship of trust necessary for the sustainable development of our societies.

Given the growing importance of societal and environmental issues as well as stakeholders' expectations in these areas, Thales has decided to strengthen its internal governance and organization in terms of Corporate Social Responsibility by establishing a CSR department that reports directly to the Group Secretary.

### A central CSR division based on dedicated networks

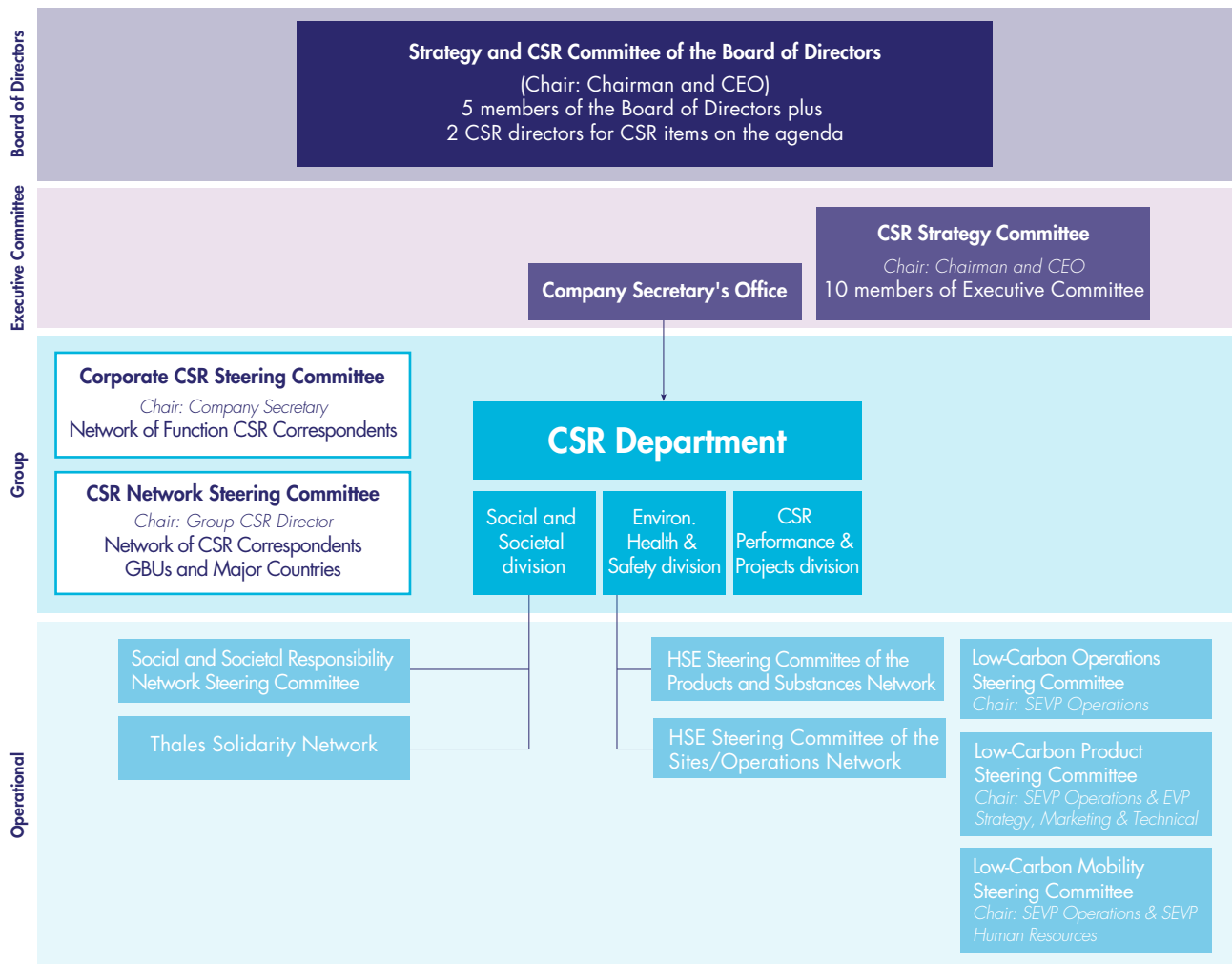
This department reports to a Chief Sustainability Officer (or Head of Corporate Social Responsibility, CSO), who reports directly to the Group Secretary's Office, enabling CSR issues to be addressed by an integrated organization in direct contact with the Group's top leadership.

To fulfill this mission, the Head of Corporate Social Responsibility draws on the knowledge and coordinated action of three poles of expertise: the Environment, Health and Safety department, the Social and Societal Responsibility department, as well as the CSR Performance and Project Management Office.

In addition, since CSR issues are intended to be integrated into all of the Group's key business lines and functions, the Corporate Social and Environmental Responsibility Department also relies on a network of 23 CSR Correspondents within the Global Business Units, the Major Countries, the International Division and the Group's interdisciplinary functions.

A strong relationship with the Group's entities is also established via networks dedicated to the various components of CSR (HSE, Social and Societal). This network-based operation is essential so that CSR initiatives can be rolled out quickly and consistently throughout the Group while adapting them to local cultures and challenges.

### Governance incorporating all key players







Several bodies are involved in the management of the Group's CSR actions at all levels of governance.

#### Board of Directors' specialized committee

At the Board of Directors level, the Strategic and CSR Committee is responsible for reviewing the Group's CSR strategy and for monitoring its results on an annual basis. This committee of the Board includes five directors<sup>(1)</sup> and is chaired by the Chairman and Chief Executive Officer, Patrice Caine.

As decided by the Board following the 2021 assessment, two directors participate in meetings of the Strategy and CSR Committee for agenda items on Corporate Social Responsibility.

The main CSR topics covered by the Strategic and CSR Committee are detailed in section 4.2.2.

#### CSR strategic decision-making body at the executive level

Chaired by the Chairman and Chief Executive Officer and organized at least once a quarter by the Chief Sustainability Officer, the CSR Strategic Committee is made up of 10 members of the Executive Committee.

Its role is to validate Thales' CSR policy, strategy and objectives, including the associated indicators and quantified targets. It ensures that the strategy is aligned with the Group's CSR ambition and objectives and gives approval on priorities and action plans to achieve these objectives, whose progress it periodically reviews. It also ensures that the resources and investments committed to support Thales' CSR ambition and objectives are adequate.

#### Cross-functional steering and coordination bodies of the Group's CSR policy

CSR is rolled out at all levels within the Group, in terms of both business (Global Business Units/Product Lines) and geographical aspects (Country, Region, Site).

The Corporate CSR Steering Committee, chaired by the Group Secretary, brings together the CSR correspondents of the corporate functions and the heads of the CSR Department. Its mission is to develop and share key CSR issues, priorities and initiatives and periodically review the deployment of roadmaps in relation to objectives.

The implementation of this strategy is then coordinated across all activities by the CSR Network Steering Committee, led by the Head of Corporate Social Responsibility.

#### Cross-functional operational network steering bodies

The Group has also set up specific operational steering bodies:

- the Social Responsibility Steering Committee, co-chaired by the CSO and the Director of Learning, Culture, Diversity & Inclusion;
- the HSE Steering Committee - Sites/Operations as well as the HSE Steering Committee - Products and Substances, chaired by the Head of the HSE Division.

#### Steering bodies for specific projects and topics

Several Low Carbon Steering Committees (Operations, Mobility and Products) are responsible for defining and implementing the Group's carbon emission reduction policy in their respective areas.

The Thales Solidarity Committee is responsible for defining and implementing the Group's sponsorship policy.

This network-based governance facilitates appropriation by all employees of Thales' CSR issues and contributes to better achievement of objectives.

## 5.1.5 A CSR dynamic based on a longstanding, growing commitment with many players

### United Nations Global Compact

In 2022, Thales reconfirmed its commitment to the United Nations Global Compact, to which it has been a signatory since 2003. The Group therefore implements the ten principles relating to human rights, labor laws, environmental protection, and anti-corruption advocated by this initiative through agreements and procedures.

In 2022, Thales was also chosen from among the 850 companies selected globally to test the new Communication on Progress (CoP) via the Early Adopter Programme. In order to add value, standardize and therefore streamline CSR reports for all participating companies, this new CoP switches from a narrative-based communication to a standardized questionnaire, accessible via the Global Compact's digital platform. Starting in 2023, all signatories of the United Nations Global Compact will be required to report on their progress using this new framework.

<sup>(1)</sup> Including one Director representing employees, and one Director representing employee shareholders.

# 5 Corporate responsibility and non-financial performance

A corporate responsibility policy to support sustainable economic growth

As a signatory to the United Nations Global Compact, Thales is therefore committed to implementing policies and processes that respect applicable law in the countries in which it operates and which take into account the United Nations Guiding Principles on Business and Human Rights.

## OECD

Thales has been involved for many years in various working groups initiated by the OECD, such as those dedicated to the fight against corruption or the ethics of artificial intelligence.

In this respect, and in accordance with its commitments, Thales also takes care to apply the OECD Guidelines and ensure they are applied by multinational companies within its own activities and in its supply chain (see section 5.7).

## United Nations Sustainable Development Goals

Since 2015, Thales has been increasingly involved in promoting the United Nations Sustainable Development Goals (SDGs).

In 2022, Thales selected four priority sustainable development objectives, for which the Group's contribution is presented and detailed in its Integrated Report:

- SDG 9: Industry, Innovation and Infrastructure;
- SDG 13: Climate Action;
- SDG 5: Gender equality;
- SDG 16: Peace, Justice and Strong Institutions.

These Sustainable Development Goals are fully taken into account by the Group and are integrated into the CSR policy accordingly.

SDG	GOAL	ACHIEVEMENTS
	"Adapt industries to make them sustainable, through more rational use of resources and increased use of clean technologies."	<ul style="list-style-type: none"> <li>● 83% of employees work at an ISO 14001 certified site.</li> <li>● 84% of new developments incorporate eco-design</li> </ul>
	"Incorporate climate change measures into policies and strategies."	<ul style="list-style-type: none"> <li>● Rollout of the strategy for a low-carbon future for operational emissions aligned with the 1.5°C trajectory set in the Paris Agreement.</li> <li>● 40% reduction in operational emissions (Scope 1, Scope 2 and Scope 3 "business travel") since 2018.</li> </ul>
	"End all forms of discrimination against women and girls worldwide."	<ul style="list-style-type: none"> <li>● 19.4% of the highest-level positions are held by women (target of 20% in 2023).</li> <li>● 75.6% of Management Committees have at least three female members.</li> </ul>
	"Significantly reduce corruption and bribery in all their forms."	<ul style="list-style-type: none"> <li>● In 2022, 151 business units carried out a local corruption risk assessment/mapping.</li> <li>● Corruption prevention training for 100% of persons concerned.</li> </ul>

## EFRAG

In 2021 and 2022, Thales participated in the EFRAG (European Financial Reporting Advisory Group), which was charged with developing the draft European CSR standard on behalf of the European Commission.

## Ambition4climate

Thales also participates in the Ambition4climate initiative led by Afep (*Association Française des Entreprises Privées*) as well as in the work conducted by this professional organization and the Shift Project on the analysis of "climate" risk and the way to take it into account in the evaluation of companies and in corporate strategy.

Thales' main commitments in terms of corporate responsibility are presented in the Group's integrated report. This report, published yearly since 2016, aims to provide all stakeholders of the Group - employees, customers, suppliers, business partners, local communities, public authorities, NGOs, etc. - with details about how the organization interacts with its ecosystem and uses capital to create value in the short, medium, and long term.



## 5.1.6 A CSR policy recognized by non-financial players

Thales' CSR commitments and performance have been assessed for many years by the main extra-financial rating agencies.

Aware of the growing importance of these assessments for its stakeholders, particularly financial stakeholders, the Group is developing a proactive policy towards most of the rating agencies that are deemed the most influential.

Agencies	Assessments <sup>(a)</sup>		
	2020	2021	2022
VigeoEiris/Moody's ESG <sup>(b)</sup>	45	57	61
CDP - Climate Change	C	A-	A-
Sustainalytics <sup>(c)</sup>	29.9	27.9	27.7
ISS ESG	C	C	C+
MSCI	AA	A	BBB
Ecovadis	N/A	N/A	71
Gaia <sup>(b) (d)</sup>	62	62	65

(a) These assessments are those transmitted by the extra-financial rating agencies at the time the document was drafted (Dec. 2022). They are subject to change over time.

(b) These figures are indicated on a basis of 100.

(c) It should be noted that the Sustainalytics agency assesses the company's ESG risk. As a result, the lower the result, the lower the estimate of this risk.

(d) The Gaia agency reviewed its assessment methodology in 2022. As a result, the ratings were recalculated retroactively.

The majority of these assessments view Thales as one of the best performing companies in its industry. For example, Ecovadis' assessment places Thales among the top 5% in the aerospace and defense sector (Gold Level).

### SBTi

The main objective of the SBTi initiative is to define and promote best practices for reducing greenhouse gas emissions that are based on climate science. In March 2023, the independent Science Based Targets Initiative (SBTi) has approved Thales' greenhouse gas emissions reduction objectives for 2030. This confirms the compatibility of these objectives with the Paris climate agreement.

Thales thus confirms its commitment to do the following by 2030:

- Reduce by 50.4% the CO<sub>2</sub> emissions related to its operational processes (Scope 1) and to the Group's energy consumption (Scope 2), compared with the 2018 baseline year;
- Reduce by 15% the CO<sub>2</sub> emissions related to its supply chain and to the use of Thales' products by its customers (Scope 3), compared with the 2018 baseline year.

These reduction targets, expressed in absolute terms, cover 97% of Thales' greenhouse gas emissions.

### TCFD

Since 2020, Thales has been a signatory of the TCFD principles and recommendations (task force on climate-related financial disclosures), and has thus confirmed its commitment to this G20 initiative (see section 5.5.3.2.1 and 5.11.1).

The robustness of its CSR commitments was also recognized by the Group's banking partners once again this year, since the bank line of credit set up in 2020, whose conditions included climate targets, is still in force at the end of 2022 and its maturity has been extended by one year (from 2026 to 2027).

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# 5 Corporate responsibility and non-financial performance

Risks taken into account for the non-financial performance statement

## 5.2 Risks taken into account for the non-financial performance statement

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

In 2022, this working group met again to assess changes in these risks as well as the impact of the Covid-19 pandemic on the six risks selected for the Non-Financial Performance Statement. The Group considers that this crisis has not substantially changed the type of CSR risks to which it is exposed.

The six risks selected on that basis relate to:

- diversity and inclusion;
- workplace health and safety;
- environmental impacts of the Group's business activities;
- impacts of regulatory changes;
- compliance with rules of ethical business conduct (particularly anticorruption and influence peddling);
- vigilance regarding suppliers' compliance with corporate responsibility issues.

### Risk identification

#### 1. Diversity and inclusion

In a more globalized cultural and technological environment, increasing team diversity and developing a more inclusive corporate culture are key ways to support innovation, creativity and performance thanks to a broader range of approaches, perspectives, and ideas.

A lack of diversity in its teams could affect the Group's ability to properly account for major technological changes and respond to changes in the expectations of its stakeholders, and thus have a negative effect on its competitiveness and profitability.

### Risk monitoring and management

Since 2016, proactive targets have been introduced Group-wide to strengthen diversity and inclusion in the broad sense of the term. These targets are regularly monitored (see section 5.4.2).

In 2022, the Group wanted to enter a new phase by setting up a new "social and societal responsibility" division within the CSR department in order, in particular, to strengthen the diversity of the teams within Thales and to promote the inclusion of employees with respect for their unique characteristics.

More specifically, with regard to gender equality, which represents an essential component of Thales' CSR policy and professional equality, since 2004, the Group has rolled out action plans negotiated in France and Europe as part of agreements with trade unions.

The Group's initiatives in this area are described in section 5.4.2.

<sup>(1)</sup> Representatives from the Finance, Health, Safety & Environment, Human Resources, Purchasing, Audit, Risks & Internal Control, Strategy & Marketing, Ethics & Corporate Responsibility, and Communications Departments, plus the Company Secretary and corporate management.



## Risk identification

## Risk monitoring and management

### 2. Workplace health and safety

Certain activities for which Thales is responsible, conducted on its sites or on external sites, may expose its employees, subcontractors or other parties (industrial partners, customers, visitors) to various physical risks, for example electrical and chemical risks, or risks related to electromagnetic radiation. The risks are greater for activities that are unusual in terms of their frequency (exceptional activity, specific maintenance) or of working conditions (night work, large number of people working on a site at the same time, cramped premises, land, naval, or railway construction sites). Wherever the Group operates, numerous and diverse regulations relating to the working environment and industrial safety apply to all its activities.

Particularly risky activities are subject to additional provisions. This regulatory environment aims to protect the health, safety, and quality of life at work of the employees for which the Group is responsible and to ensure a safe and healthy working environment. As a result, the lack of control of these provisions and/or the quantitative, qualitative, or temporal insufficiency of the measures implemented could expose the Group to financial or administrative sanctions, impair its operational performance, incur its liability and/or damage its reputation, appeal, and value. In addition, the Group's activities may be significantly affected by a national, regional, or even a global crisis of a biological (pandemic) or physical (volcanic eruption, earthquake, tsunami, hurricane, etc.) nature. Safeguarding the health of its employees and persons acting under the responsibility of the Group may incur significant additional costs, to which may be added efforts to maintain the continuity of its activities in safe and healthy conditions. As a result, the Group's ability to meet its commitments could be directly or indirectly affected (lack of provision of equipment, inability to access sites, etc.).

Thales has set up a dedicated organization combining the dimensions of sites, Global Business Units/Product Lines and legal entities, in order to prevent occupational health and safety risks at work on the Group's facilities as well as on external sites. Cross-functional and multidisciplinary steering committees, created to eliminate or reduce these risks, meet several times a year (see Chapter 5.4.4). This organization and these committees are in charge of:

- regular assessments and monitoring of the risks to which employees and the various stakeholders may be exposed;
- specific analyses of the risks linked to the substances and products handled;
- implementing concrete actions to prevent health and safety risks in the workplace and, in conjunction with the Human Resources Department, to improve quality of life and well-being at work (see Chapter 5.4.4);
- anticipating major crisis situations that may occur on a national, regional, or global scale.

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# 5 Corporate responsibility and non-financial performance

## Risks taken into account for the non-financial performance statement

### Risk identification

#### 3. Impacts of the Group's activities on the environment

The Group's activities are likely to affect the environment through 1) the emissions they generate and the use of natural resources, or 2) in the event of an industrial accident. In addition, the use of the products and solutions provided by the Group, throughout their life cycle, contributes to 1) the production of atmospheric emissions, including greenhouse gases contributing to climate change, and 2) the production of end-of-life waste.

The industrial footprint of Thales sites and operations, which remains small, exposes the Group to only limited risk of potential sanctions or harm to its image, particularly if certain operations do not comply with the increasing number of laws and regulations in this area.

The Group's activities are likely to be affected by the energy crisis and changes in energy costs, particularly in Europe.

The low-carbon strategy implemented by the Group for several years reflects its commitment to the fight against climate change and its desire to contribute to the drop in its emissions and those of its value chain. Despite the many initiatives already undertaken (see opposite), the Group may be unable to fully achieve some of the stated objectives over the time frame it has set itself.

Risks induced by climate change (natural disasters, supply chain disruptions, economic instability, etc.) could have negative effects on the Group's ability to adapt, on its performance and on the resilience of its business model.

### Risk monitoring and management

The Group constantly analyzes the environmental impact of its activities, considering regulatory, social, and technical developments and the sensitivity of the environments concerned. It also strives to optimize its operations, as far as possible in order to limit its industrial footprint.

The Group has introduced an organization, processes, and tools to control the activities carried out at its industrial sites and to limit their environmental impact (see section 5.5.1.3).

For several years, the Group has implemented a process to assess and reduce its sites' exposure to natural disasters (see section 5.5.3.2.2) in order to reduce its vulnerability to the physical effects of climate change. In 2022, it also conducted an in-depth forward-looking analysis of the resilience of its subsidiaries to the physical risks associated with climate change and of its business models, in reference to the IPCC scenarios (see section 5.5.3.2.1). Thales has also conducted an in-depth analysis of its environmental compliance (covering France, the United Kingdom and the Netherlands) by a specialized legal firm (see section 5.5.2.2).

Biodiversity protection is taken into account in the Group's environmental footprint reduction strategy (see section 5.5.4.2.4).

The Group has made quantified and measurable commitments to reduce its impact on the environment. In particular, it is pursuing a strategy to reduce its carbon footprint, with targets for 2023 and 2030 aligned with the Paris Agreement and taking into account the Science Based Target initiative methodology. These targets were revised in 2021 to achieve a "Net Zero" level for operational emissions by 2040, ten years earlier than the 2050 horizon set out in the European Green Deal (see section 5.5.3.2.1). This strategy for a low-carbon future is supported by detailed action plans in four areas: mobility, operations, purchasing and products.

The "operations" component is based on a renewable energy purchasing strategy and includes specific energy efficiency action plans (see section 5.5.3.2.3) that contribute to the Group's resilience during the current energy stress period. The "purchasing" component is reflected in the involvement of suppliers and subcontractors, particularly those with the highest emissions, in the implementation of the Group's low-carbon strategy.

Achievement of the Group's stated objectives is measured on a regular basis and is consolidated and published annually (see section 5.5.8).





## Risk identification

### 4. Impacts of regulatory changes

The complexity and rapid evolution of environmental regulations, as well as non-financial reporting constraints, the increasing integration by the Group's clients of ESG criteria in calls for tenders, changes in societal expectations or voluntary sector commitments could disqualify technical solutions developed by the Group or its subcontractors, particularly for products and solutions with long development cycles (e.g. aeronautics).

This could result in:

- the need to qualify and implement alternative solutions;
- making supply chains evolve;
- upgrading certain industrial facilities;
- significant costs and delays related to these changes;
- the need for new information collection and analysis tools and the development of standardized quantification methods;
- developing a number of internal skills and resources.

Regulatory differences between countries make it more difficult to verify the compliance of marketed solutions, and could introduce a comparative competitive disadvantage.

## Risk identification

### 5. Compliance with rules of ethical business conduct (especially the fight against corruption and influence peddling)

Thales' business encompasses a variety of sectors in more than 60 countries.

Failure to comply with the laws and regulations applicable to ethical business conduct (which are increasingly extraterritorial in scope) and, in particular, the fight against corruption and influence peddling may have serious legal and financial consequences for the Group, and severely damage its reputation.

## Risk monitoring and management

The Group's analyses of environmental risks are regularly updated on the basis of an active international regulatory monitoring process that considers new issues, the expectations of our customers and voluntary sector commitments. Specific attention is paid to regulatory developments relating to products and chemical substances (e.g. REACH in Europe), the circular economy, water, pollution and climate change, and biodiversity.

In 2022, Thales continued to implement changes related to UK regulations (UK REACH) and carried out internal work to anticipate the planned updating of the REACH EU regulation.

More generally, substances at risk of being banned or restricted for use are identified in order to implement alternative solutions in anticipation of regulatory deadlines (see section 5.5.4.2.3).

This approach is integrated into the design of new products. The regulatory differences are also factored into the design of the Group's products and solutions.

## Risk monitoring and management

The Group's Anti-corruption Compliance Program, which has been in place for many years, is continuously strengthened to prevent and detect the risks identified by the Group based on a specific mapping dedicated to the risks of corruption and influence peddling, as required by the French "Sapin II" legislation. This mapping was updated in 2022. This program has been developed by the Ethics & Integrity Department (DEI), validated by the Integrity and Compliance Committee (CIC) (see 3.4.2), and is implemented by the network of Chief Compliance Officers and Compliance Officers, under the supervision of the CIC.

In 2022, the ISO 37001 "Anti-bribery management system" certification was 1) renewed for a scope comprising Thales SA, the companies it controls in France, and several subsidiaries of Thales International SAS (Thales EURAM, Thales AMEWA and Thales NSEA), and 2) extended to two major countries of its international organization, the United Kingdom and the Netherlands.

In 2023, the Group plans to extend the scope of this certification to two additional major countries in its international organization: Canada and the United States.

In 2022, the Group began rolling out its new Anti-Corruption Internal Control Manual (MCIA) and the Minimum Anti-Corruption Questionnaire (MAQ) specifically aimed at some 200 very small Group entities (small subsidiaries, representative offices, stable establishments, etc.).

In addition, external and internal audits are performed regularly to ensure strict compliance with Group rules and procedures on the prevention and detection of corruption and influence peddling. In particular, the following were audited in 2022, within the Group's scope: a) the implementation of the third-party integrity assessment process, b) the deployment of the internal anti-corruption training plan, and c) the internal alert system.

The Group's corruption and influence peddling prevention and detection policy is described in section 5.6.1.2 of this document.

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# 5 Corporate responsibility and non-financial performance

Risks taken into account for the non-financial performance statement

## Risk identification

## Risk monitoring and management

### 6. Vigilance concerning supplier compliance with corporate responsibility issues

In 2022, the amount of Group's purchases (orders issued) reached more than €10 billion. They are made worldwide from around 20,000 active suppliers of all sizes, many of whom have their own subcontracting chains.

Despite the Group's increased vigilance, it is difficult to guarantee that all stakeholders in the supply chain will be fully compliant with laws relating to social, environmental, and ethical responsibility.

Should any supplier fail to comply with laws relating to social, environmental, and ethical responsibility, it might affect the Group's business activity, image, and profitability.

Monitoring and management of this risk are included in the Duty of Care Plan (see section 5.7) pursuant to law No. 2017-399 of March 27, 2017 on the Duty of Care of parent companies and contracting companies.

The Non-Financial Performance Statement also includes the disclosures required under Article L. 225-102-1 III paragraph 2 of the French Commercial Code. These include disclosures about the consequences of the company's business activities and the use of the goods and services it produces on climate change, its corporate commitments to sustainable development, the circular economy, the fight against food waste and food insecurity, respect for animal welfare and responsible, fair, and sustainable food, collective agreements signed within the company and their impact on the company's economic performance and employees' working conditions, initiatives aimed at combating discrimination and promoting diversity, and measures taken for people with disabilities, as well as actions intended to promote exercise and sports.

However, Thales does not provide information on the following subjects, which are considered insignificant with regard to the Group's activities:

- Societal commitments to combat food insecurity;
- Societal commitments to respect animal welfare;
- Societal commitments in favor of responsible, equitable and sustainable food.

See the related cross-reference table in Chapter 8.7.



## 5.3 Non-financial performance scorecard

Topic/risk	Policies	Key performance indicator	2020 results	2021 results	2022 results
1. Diversity and inclusion	<p><b>Thales' commitment:</b> <b>Bring out the best in everyone.</b> <i>"At Thales, I work in teams that are open to diversity and that value our differences and backgrounds."</i></p> <p><b>Cross-functional initiative taken by the Executive Committee as part of the Group's Ambition 10 strategic vision:</b> Being a global leader with a strong local presence means embracing diversity in all its forms: gender, age, origin, and nationality. A truly diverse global organization has an additional advantage when it comes to competitiveness and attracting and retaining top local talent. Diversity stimulates innovation and creativity thanks to a broad range of approaches, perspectives, and ideas. Inclusion, which presupposes the acceptance of diversity and recognition of its importance, improves Thales's collective performance.</p>	Percentage of women in top positions 2023 target: 20%	18%	18.9%	19.4%
		Percentage of Management Committees with at least three female members 2023 target: 75%	68%	71%	76%
2. Workplace health and safety	<p><b>Thales' commitment:</b> <b>Be attentive to everyone</b> <i>"At Thales, my manager trusts me: they empower me and monitor my well-being."</i></p> <p><i>"At Thales, I have all the resources and support I need to maintain a healthy work-life balance."</i></p> <p><b>Thales' commitment:</b> <b>HSE policy</b> <i>"Thales is committed to providing a safe and healthy working environment for its employees at its own sites and at external sites."</i></p>	Absenteeism rate	3.3%	3.0%	2.9%
		Frequency rate of accidents at work 2023 target: 1.55	1.56	1.47	1.47
		Severity rate of accidents at work	0.056	0.030	0.046
		Percentage of employees working at an OHSAS 18001/ISO 45001 certified site	77%	77%	80%
3. Environmental impacts of the Group's activities	<p><b>Thales' commitment: HSE policy</b> <i>"Thales is committed to safeguarding the environment by limiting impacts (energy, climate, natural resources, etc.) and preventing pollution risks."</i></p>	Reduction of operational emissions <sup>(a)</sup> Absolute value compared with 2018 2023 target: -35%	-30%	-36%	-40%
		Reduction of other emissions <sup>(b)</sup> Absolute value compared with 2018	-26%	-33%	-31%
		Recycling rate of non-hazardous waste <sup>(c)</sup>	60%	70%	73%
		Percentage of employees working at ISO 14001 certified sites	84%	82%	82%
4. Impacts of regulatory changes	<p><b>Thales' commitment: HSE policy</b> <i>"Thales is committed to designing, purchasing, producing, and providing solutions, products, and services that meet health, safety, and environmental requirements."</i></p>	New developments incorporating eco-design	44%	84%	84%
		Percentage of Product Line Architects and Product Line Managers trained in or made aware of eco-design	33%	64%	100%

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# 5 Corporate responsibility and non-financial performance

## Non-financial performance scorecard

Topic/risk	Policies	Key performance indicator	2020 results	2021 results	2022 results
5. Compliance with rules of ethical business conduct (especially the fight against corruption and influence peddling)	<b>Thales' commitment:</b> <b>Zero tolerance of corruption</b> <i>"Ethical conduct, integrity, and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company"</i> <i>(extract from the Code of Ethics)</i>	Number of operational entities that conducted a local assessment/mapping of corruption risks	149	153	151
		Anti-corruption training <sup>(d)</sup>	1,350	6,774	6,176
		Multi-year objective: training of 100% of the populations concerned		100%	100%
		Alerts received via the Group's whistleblowing system, including valid alerts relating to (depending on their authors) allegations of corruption <sup>(e)</sup>	25 -	44 1	41 6
6. Vigilance concerning supplier compliance with corporate responsibility issues	<b>Thales' commitment:</b> <b>Get all its suppliers to support its approach to corporate responsibility</b> <i>"Thales establishes relationships of mutual co-operation with its suppliers based on mutual loyalty."</i> <i>(extract from the Code of Ethics)</i>  Thales requires its suppliers to comply with commitments relating to Human Rights, labor standards, and environmental protection.	Percentage of new suppliers committed to the principles of Thales' new Integrity & Corporate Responsibility Charter 2023 target: 100%	91%	97%	99%
		Percentage of suppliers assessed among those considered as "at risk" according to the Duty of Care mapping. 2023 target: 100%	24%	59%	97%

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

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

(c) Excluding special waste.

(d) In 2022, 1,797 employees took the "general e-learning" course, 440 employees attended the virtual class and 3,939 employees took the "thematic e-learning" courses.

(e) Regarding the alerts that were declared valid relating to alleged acts of corruption:

- Four alerts were closed without further action after carrying out internal investigations and confirming the absence of proven acts of corruption;
- One alert was closed with an action plan; although the internal investigation made it possible to identify the non-compliance with the procedure, it did not corroborate the aforementioned allegations;
- One alert was still being processed as of December 31, 2022.



## 5.4 Human resources geared towards Group performance

In a context of great unpredictability on the markets, due to the health crisis, armed conflicts in Europe and inflation, Thales is continuing to evolve and adjust its model. It is within this framework that human resources agilely support the Group's transformations and implement specific HR policies to contribute to the sustainable growth of Thales while guaranteeing a safe and high-quality working environment to help employees succeed.

Financial year 2022 was more particularly marked by the following developments:

- **The recruitment of 13,956 <sup>(1)</sup> new employees**, in a context of intense competition on the labor market, bringing the number of employees in Thales worldwide to 85,253 (an increase of more than 5% in the workforce).

In order to deploy the Group's ambitions and objectives in terms of recruitment at all levels of the organization, the Group made some changes in its Talent Acquisition department in 2022.

- **The employer value proposition has been redefined** in line with Thales' corporate purpose, which puts people at the heart of its approach. It is based on three pillars: technological know-how for the benefit of society, the attention paid to employees' work-life balance as a key ingredient of their success, and the wealth of career paths fueling collective expertise.
- **The creation of a Corporate Social Responsibility division**, which brings together Thales' commitments to its employees in the fields of diversity and inclusion, as well as the initiatives undertaken by the Group and employees for the benefit of civil society, notably through the Thales Solidarity program (see Chapter 5.1).

- **Support for the project to sell Thales' Transportation business**, which has more than 8,600 employees in 49 countries where the Group operates.
- The continuation of **constant cooperation with trade unions and staff representative institutions**, which are key elements of a social policy of progress. In 2022, the European Works Council and employee representative bodies in France strongly supported the Group's operational transformations.

Thales has been a signatory since 2003 of the United Nations Global Compact on human rights, labor law, environmental protection and the fight against corruption, and defends its principles in its sphere of influence (see section 5.1).

Similarly, **the Group attaches particular importance to respecting the five main principles of the International Labor Organization (ILO), included in the 10 fundamental conventions, namely:**

- freedom of association and the effective recognition of the right to collective bargaining (Conventions 87 and 98);
- the elimination of any form of forced or compulsory labor (Conventions 29 and 105);
- the effective abolition of child labor (Conventions 138 and 182);
- the elimination of discrimination in respect of employment and occupation (Conventions 100 and 111);
- a safe and healthy workplace (Conventions 155 and 187).

### 5.4.1 Strengthening the Group's appeal

Amid an increased competition on the labor market, Thales set up a global governance of the Talent Acquisition department in 2022 under the responsibility of a Group Talent Acquisition Director.

This new global organization is used to deploy Thales' ambitions and objectives in all of the Group's activities and countries of operation to meet the challenges it faces in terms of recruiting talented people (rare and sought-after skills, shortage of female candidates) while generating synergies in terms of processes, tools and recruitment strategy.

Thales is also committed to implementing an active employee development policy in order to retain their loyalty and support them in their personal development throughout their careers. This approach also ensures that the Group's resources and needs are properly aligned, a key issue for Thales.

<sup>(1)</sup> Approximately 11,500 excluding work-study students and apprentices, and excluding the Transport business.

# 5 Corporate responsibility and non-financial performance

Human resources geared towards Group performance

## 5.4.1.1 Attracting the most talented employees

The Group is convinced that diversity of teams is an undeniable performance advantage and therefore pays particular attention to recruiting people with diverse profiles in terms of background, age and gender.

The Group has been committed to the younger generation for many years and promotes technological careers to young people, especially to young girls. It is also attentive to the representation of women at all levels of the organization.

### Inspiring careers

#### Partnerships with academia and associations

In 2022, Thales continued its partnerships with schools and universities in France and abroad in an effort to encourage the integration of young people into the labor force and attract the Group's future employees, notably by participating in forums, round tables, and conferences. Following the unprecedented health crisis, the teams in charge of these partnerships quickly adapted to maintain connections with the academic world and to continue to promote Thales to young people through new modes of communication and collaboration.

Thales strengthened its partnership with the "Article 1" association, which helps students from underprivileged backgrounds to be mentored by professionals throughout their studies, during their search for internships, and when choosing their career. As such, 21 mentoring pairs were set up in 2022 and 23 additional mentors were trained to support students.

In 2022, Thales renewed its partnership with the "Elles Bougent" association, which aims to attract young women to engineering careers. Thus, 457 mentors and relays, Group employees, spread across all sites in France convey their enthusiasm for their specialties in order to encourage young women in their career choices. To this end, they organize dedicated meetings within their respective sites as part of national events such as Industry Week and the Innovatec Challenge, and participate in local initiatives (round tables, forums, presentations in schools). They regularly welcome high school students on site so that they can discover what it means to be an engineer in an industrial Group such as Thales.

Actions allowing elementary school students to discover scientific careers are also being developed to help children discover science and mathematics from the earliest age.



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*"This decoration is a wonderful sign of recognition that I receive with humility and pride. It's a great encouragement to continue my commitment to promoting engineering for women."*

*Trang Pham, Electronic Engineer, Director of Regional Development at Thales and Regional Delegate of the Elles Bougent Association, received the knight's insignia from the Legion d'Honneur on February 9, 2022.*

#### The Thales ambassador network

There are nearly 120 Campus Managers in an internal network made up of former students of partner schools now working in the Group who act as Thales ambassadors to students. In 2022, campus managers were particularly active, participating in 240 face-to-face and virtual events with schools and universities (vs. 200 events in 2021) and 120 recruitment forums (vs. 110 forums in 2021).

#### The Thales Employer brand

Redefined in 2022, the Thales employer brand is reflected in an employer value proposition aligned with the Group's corporate purpose by putting people at the heart of the approach.

It is the men and women of Thales who, thanks to their "human intelligence", enable the Group to develop the best innovations.

This approach is based on three pillars: technological know-how, attention paid to the balance of employees and the wealth of career paths.

It thus promotes an approach focused on people and CSR commitments, while promoting the technological dimension, which remains an essential differentiator for applicants. It also highlights the rich career path offered by the Group, a source of collective expertise.





The Group is pursuing its development strategy on social networks in order to improve its visibility and attractiveness. At the end of 2022, more than 1,075,000 people were following news about the Group on LinkedIn (vs. 550,000 in 2019).

Similarly, the new "Careers with Thales" website makes it possible to increase the visibility of the Group's wide range of business lines and its various activities while improving applicants' experience in the recruitment processes.

These various initiatives contribute to spreading the Group's reputation as an employer and its positioning in the various French and international rankings as a preferred company for employees and new graduates.

As an example:

- Thales is placed second in the Universum ranking of preferred companies of engineering students in France <sup>(2)</sup>;
- Thales is placed third in the Universum ranking of the most attractive companies for Engineers in France <sup>(2)</sup>;
- Thales Alenia Space in Italy is second in the Randstad Employer Brand 2022 ranking, which rewards the most inspiring and successful Italian companies.

### Encouraging the hiring of women

Thales has continued its efforts in the area of hiring women. In 2022, for all contract types combined, women accounted for 32% of Group new hires (4,386 women out of 13,787 new hires <sup>(3)</sup>).

This proportion remains constrained by the under-representation of women in higher education in engineering and computer science, which varies between 15 and 25% depending on the country.

	Total	France	Major countries of operation <sup>(a)</sup>	Other countries of operation
Women as % of total new hires in 2022	32%	30%	26%	39%

(a) United Kingdom, Germany, United States, Australia, Netherlands, Canada.

### Engaging with all generations

The Group strives to maintain a wide and balanced representation of age groups in its workforce, as it is convinced of the benefit of complementary experiences and intergenerational dialog.

Thales promotes the YES (Young Employee Society) association, which aims to facilitate the integration of newcomers within the Group and encourage exchanges between the various functions and the various entities. The network is open to all new Thales employees, regardless of age.

Breakdown of headcount by age groups	% of employees
Less than 30 years old	14%
30-39 years old	25%
40-49 years old	28%
50 years and older	34%

### A policy to integrate young people

Thales has long had a dynamic policy of integrating young people into the workforce. Internships and apprenticeships are the main lever for recruiting young people within the Group.

In 2022, the Group maintained its commitment by entering into 1,604 work-study contracts in France and 1,763 internship agreements. At the global level, nearly 4,340 young people were offered an internship or a work-study contract.

### Promoting the retention of older employees

Thales also pursues a proactive policy with respect to the so-called senior categories, with the aim of preventing any form of discrimination related to age, and to support their professional development in a context of rapid transformation of organizations and changes to the corporate culture. Through Group collective agreements, they benefit from dedicated systems allowing them to consider their career development by benefiting from the means to adapt their duties or working conditions to their personal situation.

## 5.4.1.2 Developing and rewarding talent

Thales' success and performance depend on its ability to earn the loyalty of its talented personnel and to support them in their career development, to anticipate transformations and changes in work organization and to reward them and maximize their value in the performance of their activities.

The "Leadership@Thales" model is structured around three dimensions "Imagine Tomorrow", "Build Today" and "Together", broken down into six skills essential to the collective performance of Thales.

Thales also deploys a global and responsible compensation policy that gives employees a stake in the Group's results and rewards their commitment.

<sup>(2)</sup> Source: Universum in 2022.

<sup>(3)</sup> The number of new hires in the Group only takes into account employees who have declared their gender. The total number of employees recruited was 13,956.

# 5 Corporate responsibility and non-financial performance

## Human resources geared towards Group performance

### Dynamic and forward-looking skills management by job family

All employees are divided into 18 job families representing Thales' main business lines. The operational leader of each family, accompanied by dedicated support in Human Resources and training, monitors the development of the business lines, anticipating major trends to come and defining the skills associated with each expertise. This dynamic skills management enables managers and their employees to identify individual and collective development plans and thus anticipate future developments in the business line.

In 2022, the transformation work of certain job families continued, always with a view to better defining or identifying new jobs in line with the Group's internal developments and the reality of the market, in particular to support recruitment and training practices. This is the case for the Engineering, IS/IT<sup>(4)</sup> and industrial specialties business lines.

Thanks to this permanent management of skills, the Group responds to changes in the global business lines and markets as well as the expectations of its employees.

### Professional support for employees

Each year, the Group's employees have regular "check-in" meetings with their managers to discuss their career objectives and progress in achieving them, feedback from their working environment, training needs, and workload.

In this context, the objectives are defined according to the SMART method. They must be Specific, Measurable, Achievable, Realistic and Time-bound. In 2022, performance management highlighted two aspects in particular: "WHAT", which makes it possible to assess the actual achievement of the set objectives and "HOW", which assesses the quality of cooperation and collective work to achieve these objectives in line with the Leadership@Thales model.

In addition, as part of the career management and skills development policy, a dedicated "development check" step was introduced in 2022 to allow employees to discuss their development and training needs as well as their longer-term development with their manager.

At December 31, 2022, more than 84% of the Group's employees had thus been able to establish their annual objectives with their manager using the dedicated tool.

### Training sessions

Thales' commitment to training stems from the view that building a successful career path means maintaining every employee's expertise at all times. The LearningAndCulture@Thales department, in charge of training, has three objectives:

- supporting the deployment of the Group's strategy, and in particular the Group's growth and transformation projects;

- taking into account employees' individual aspirations in terms of career development, mobility, and the acquisition of new skills;
- defining and deploying a shared culture within the Group, ensuring that it is understood and adhered to by employees, particularly in the areas of diversity and inclusion, leadership, digital transformation, and employee engagement.

Thus, LearningAndCulture@Thales participates in the training and career development of employees in the various countries of the Group, by offering them the opportunity to learn continuously, in different ways, with a common base of Thales culture, according to the principle "Learn every day, in every way, in one Thales Culture."

In 2022, the digitization of the training offer continued. Following the launch of the ULearn global training management platform, 77% of the Group's employees attended at least one training course via this new tool during 2022 (compared with 63% in 2021).

Remote training has continued to develop, particularly virtual classes, which open up the boundaries of learning and connect employees from different activities and countries, thus strengthening the Group's common culture.

In the major countries where it operates<sup>(5)</sup>, the Group has twelve corporate university campuses called "Thales Learning Hubs", which have special facilities for organizing seminars, training sessions, and workshops. In 2022, classroom teaching resumed at these campuses as the pandemic faded.

The 2022 training courses were mainly related to:

- the transformation of the business lines, especially for the Sales, Marketing, Technology and Information System, Industry, Finance, Project Management and Software Engineering teams;
- training on the prevention of corruption and influence peddling;
- selective "Global Leadership" programs for leaders, with an innovative 2022 program, the Thales Accelerator Program, aimed at talented young persons;
- the deployment of alternative training methods such as team learning, called "Learning Moments" or "Actions in Work Situations" (AST);
- support for the LearningAndCulture@Thales teams in taking their activity online, thereby helping internal training instructors to improve the way they lead virtual classes.

<sup>(4)</sup> Information technology and systems.

<sup>(5)</sup> Germany, France, Italy, the Netherlands, the UK, Canada, the US, the UAE for the Middle East & Africa; Australia and Singapore for Southeast Asia.

### Talent Accelerator Program

In 2022, 100 of Thales' young employees, from 23 different countries, with a variety of different jobs and activities, had the opportunity of participating in the Group's new leadership program dedicated to talented young persons. For a week, these employees took part in challenges, had the opportunity to talk with members of the Group's Executive Committee and faced each other during a final hackathon.

*"During their learning path, participants became living models of the three dimensions of the Leadership@Thales model "Imagine Tomorrow", "Build Today" and "Together."*

Anne Sherwood – VP Learning-Culture, Diversity and Inclusion

As a training organization, the LearningAndCulture@Thales teams and the Quality teams obtained Qualiopi certification in 2022 in France, confirming the professionalism and quality of services provided by Thales' internal trainers.

### Key figures on training for the year 2022

- 994,158 hours of training in the Group
- 77% of employees trained
- 12 hours of training on average per employee
- 328,276 hours of digital training provided, an increase of more than 19% compared to 2021
- 19,800 employees received more than 132,000 hours of digital training via the UdeMy training platform dedicated to engineering
- 216,656 hours of training completed in virtual classrooms, an increase of 60% compared to 2021.

### An attractive mobility and expatriation policy

Through its dynamic international mobility policy, Thales meets the operational needs and wishes of employees, particularly young people, to enrich their career path with experience abroad.

2022 led to a gradual return to normal conditions in terms of mobility and expatriation, after a sharp decline in international employee movements, in 2020 and 2021, due to the health crisis.

At the end of 2022, the Group had 668 internationally mobile employees, including 64 employees in the "Digital Identity and Security" (DIS) GBU.

Out of 604 Thales employees (excluding DIS) <sup>(6)</sup>:

- 480 were on Long-Term Assignment (including Thales Global Mobility and Commuters) or Short-Term Assignments;
- 59 were in the Career Plus program, which is designed to meet the operational needs and desires of employees of all backgrounds who want to gain temporary international experience;
- 65 young European Economic Area citizens aged between 18 and 28 had a 6 to 24-month volunteering assignment abroad (International Internship Program).

These 604 employees from 26 different countries were assigned to 60 destination countries. Most of them come from Europe (68% from France) but some come from the Asia-Pacific region (Australia, Singapore, etc.), North America and certain emerging countries (such as Brazil).

Europe remains the leading destination zone (43%), closely followed by the Middle East (mainly the UAE, Saudi Arabia, and Qatar) and the Asia-Pacific region.

### Encouraging employees' voluntary commitment to communities

The Thales Solidarity program allows the Group's employees to engage in volunteer missions to support associations. In 2022, more than 300 volunteer employees from five countries took part in missions: mentoring students or job seekers, promoting scientific careers among young people, developing various skills such as STEM <sup>(7)</sup>, hackathon, etc.

Throughout the year, many employees also participated in financial or in-kind collections, via the schemes put in place locally, such as salary rounding in France, or during exceptional collections for the Ukrainian population (see section 5.6.3.6.3).

### A compensation system that gives employees a stake in the Group's results

The Group's compensation and benefits policy is based on transparency, fairness, and dialog. It aims to encourage performance, recognize skills and retain talented employees. It combines collective results and individual performance and takes into account market practices in the countries where the Group operates.

In 2022, compensation rose by over 4.6% in France, notably including both individual pay rises and the collective pay rises negotiated with trade unions.

<sup>(6)</sup> The expatriation policies between the DIS GBU and the rest of the Group are not yet completely harmonized.

<sup>(7)</sup> Science, technology, engineering and mathematics.

# 5 Corporate responsibility and non-financial performance

## Human resources geared towards Group performance

### Variable compensation

More than 63% of the Group's employees receive variable compensation. 40% of this variable compensation depends on the level of achievement of individual objectives, 10% on the achievement of the Group's CSR objectives, as detailed below and 50% is linked to the achievement of Thales' economic objectives.

In order to more closely involve all employees in the achievement of the Group's CSR objectives, it has been decided that from 2021 onwards, for employees eligible for variable compensation, 10% of this variable compensation would be dedicated to CSR objectives, corresponding to the Group's commitments to the four main pillars of its CSR strategy:

- diversity and inclusion (2.5%);
- compliance: the fight against corruption and influence peddling (2.5%);
- workplace health and safety (2.5%);
- environment and low-carbon strategy (2.5%).

### Profit-sharing and incentive programs

In order to strengthen the loyalty of employees beyond their local entity and demonstrate solidarity among the French entities of the Group, as well as to give employees more of a stake in its results, development, and improved performance, the Group has entered into pooled profit-sharing and incentive agreements.

<i>(in millions of euros)</i>	2018	2019	2020	2021	2022
Amount distributed as profit-sharing	46.2	36.4	80.3	60.8	77
• of which share of Thales, parent company	1.37	1.09	2.4	1.7	2.2
Amount distributed as part of incentive programs	51.4	42.6	27.2	11.6	27
• of which share of Thales, parent company	1.4	1.2	0.8	0.3	0.7

In France, all employees benefit from an employee savings scheme organized around:

- a Group savings plan (PEG) with assets totaling approximately €455 million at December 31, 2022, excluding employee shareholding. The mutual fund for employee shareholders is the main framework within which the Group's employees hold company shares under the Group savings plan (PEG). Assets under management in this fund in the form of Thales shares total €405 million on behalf of 29,130 unitholders;
- a Collective Company Retirement savings plan (PERECO) set up in 2021 following negotiations with the unions. This scheme, which has replaced the PERCO collective retirement savings plan, allows employees to build up savings for their retirement. In this framework, employees will receive a matching contribution from the company according to their seniority. At December 31, 2022, assets under management in the PERECO amounted to €584 million on behalf of 46,552 unitholders.

The sums invested in the FCPE solidarity funds represent 23% of the total funds invested by employees in these two schemes.

### Thales employee share ownership

At December 31, 2022, the participation of employees and former employees in the capital of Thales, all forms of ownership together (FCPE, direct shareholding and shares resulting from free share plans), amounted to 2.97% of the share capital.

### Free allocation of shares and phantom shares

On June 30, 2022, the Board of Directors approved the implementation of a plan to grant free shares, all subject to certain performance conditions, to 815 French senior executives.

A phantom share plan (monetary equivalent of one Thales share), with all shares subject to performance conditions, was also set up for 323 non-French senior executives.

These two plans will benefit a total of 1,138 employees in 28 countries of the Group.

Medium-term (3-year) and short-term (2-year) loyalty programs were also put in place for 1,724 technicians, engineers, and executives.

## 5.4.2 Promote diversity and an inclusive culture

Thales operates in an ever-changing international and multicultural environment. Promoting diversity is key to ensuring the Group's collective performance. The Group's ambition is to promote diversity and to create the conditions for an inclusive working environment to enable employees to develop with respect for each employee's differences and unique characteristics.

To this end, the Group draws on the Social and Societal Responsibility division, which reports to the CSR department, as well as a network of Diversity and Inclusion correspondents within the Group's various entities, functions and countries.

In addition, the Thales Code of Ethics reiterates the importance of equal treatment, which requires avoiding discrimination on grounds of origin, sex, sexual orientation, age, political or religious opinion, trade union membership or disability, at all stages of the employee's career path (recruitment, training, promotion, compensation, communication, etc.). To this end, training programs for non-discrimination, inclusive recruitment and unconscious bias are available online for all Group employees.

Lastly, a digital alert platform, accessible 24/7, is available to all Group employees around the world and enables them to report discrimination (see 5.6.1.8).



### 5.4.2.1 Engaging the teams towards greater diversity

The Group has long been committed to proactively making advances with regard to equality at work. In Europe the IDEA agreement signed in 2009 includes commitments in all areas of gender equality: recruitment, career development, equal pay, and work/life balance.

In 2016, Thales' Chairman & CEO made ambitious long-term commitments regarding the recruitment of women, women's access to high-level positions, and the presence of women on Management Committees.

At December 31, 2022, women represented 27% of the total headcount (compared with 26.8% in 2021).

In this context, Thales set targets in 2021 for women's access to positions of responsibility, namely that by 2023:

- the proportion of women in senior management (grades LR10 to 12) would be at least 20%;
- the proportion of Management Committees <sup>(1)</sup> including at least three women would be 75%.

At its meeting on March 30, 2022, the Board of Directors decided to set new targets for the 2024-2026 period, reflecting an acceleration in its trajectory, namely: 22.5% women in NR10 to 12 by the end of 2026 and 75% of Management Committee with at least four women by 2026 <sup>(2)</sup>.

	2016	2017	2018	2019	2020	2021	2022
Proportion of women in senior management (grades LR10 to 12)	14.9%	15.5%	16.5%	17.2%	18.0%	18.9%	19.4%
Proportion of Management Committees including at least three women	27%	34%	49%	50%	68%	71%	76%

#### Ensuring equal rights between men and women

In 2004, in France, the Group established a framework agreement on equality in the workplace, which guarantees an equal situation for all employees by defining principles of equality in terms of compensation and training.

In 2021, Thales published a World Equality Index for the first time to assess the comparative situation of women and men within entities with more than 250 Group employees. Based on five criteria for a total score of 100 points, this index aims to measure any differences between women and men in terms of compensation and career development. This tool then allows companies to implement suitable gender equality action plans. In 2022, the index was extended to companies with more than 200 employees, enabling 55 Group entities to be analyzed.

On March 1, 2023, 21 Group companies in France published their Gender Equality Index for the year 2022. Thirteen of them score above 85 points, including Thales Services Numériques (95/100), Thales Seso SAS (93/100) and Thales SA (92/100). Nine companies saw their ratings increase compared to 2021, particularly Thales AVS France, which gained 5 points, with Thales SIX GTS France and Thales DMS France up 10 points, each reaching a total score of 89/100.

#### Encouraging the hiring of women

##### Leadership programs

Various leadership programs specifically dedicated to women are implemented in the Thales entities around the world.

In Australia, the "Female Future Leader" program was launched in 2022. Thus, 45 future female managers divided into two cohorts have had the opportunity to work around the concepts of trust, resilience and impact. These employees received specific support for a year and a half, focused on monitoring their career progression at the end of this program.

In India, the "Fly High" program offers young women the opportunity of joining a leadership program dedicated to women to prepare them for future responsibilities. This system allows them to explore and identify the challenges they will face, to develop strategies to meet these challenges and to set up action plans for their work and

personal development. Launched in 2019, this program has already benefited 34 women and more than 40 are being trained.

In France, in 2022, the "Avionics" GBU set up the "RISE" program (Release your Impact and Self Confidence to Evolve) to enable twenty women specializing in certain business lines such as R&D and industry to receive specific support for a year. This program includes coaching, personal development and mentoring.

##### Mentoring

In 2022, the fifth promotion of the International Women's Mentoring program brought together 85 pairs from all functions and GBUs to promote women's career development. Implemented via the "MentorcliQ" platform, this program consists of meetings between mentors and mentees every four to six weeks as well as group gatherings.

Other local mentoring initiatives have also been developed in Australia and Singapore and in the Space, Defense Mission Systems, and Land and Air Systems GBUs.

In North America, the "MentorcliQ" platform offers five mentorship programs involving more than 400 employees in cycles of approximately six months each. One of them, the Women@Thales program, is specifically dedicated to career development for women.

##### The WiTh mixed network

With close to 4,000 members, both men and women, "WiTh" (We in Thales) is an international network of solidarity and support for gender equality at Thales that contributes to women's career development. It is divided into 50 local networks with site-by-site management for each of them. The WiTh network also benefits from Group-level governance and specific governance in certain regions such as France, America and Asia.

In 2022, through the WiTh network, Thales joined the "Cercle Inter'Elles", an association bringing together the diversity networks of sixteen companies in the technology and scientific sector with the aim of creating the conditions conducive to gender balance in these sectors, at all levels of organizations.

<sup>(1)</sup> As well as the Group Executive Committee, this includes the Management Committees of the GBUs, the Business Lines, the major countries where the Group operates, and the DGDl (covering the other countries where the Group operates), a total of 45 committees.

<sup>(2)</sup> At December 31, 2022, 44% of Management Committees were composed of at least four women (compared with 42% in 2021).

# 5 Corporate responsibility and non-financial performance

Human resources geared towards Group performance

## Recognizing women's talents

### The DMS Awards for Diversity and Inclusion

Each year, the Group's Defense Mission Systems (DMS) GBU organizes the Diversity and Inclusion Awards in its six main countries<sup>11</sup>. The aim of these awards is to turn the spotlight on employees or teams for remarkable initiatives in Diversity and Inclusion. In 2022, six projects were awarded, including that of a French female employee for her commitment to introducing young girls to scientific careers to promote the inclusion of women in technical positions.

### International Women's Rights Day and International Women in Engineering Day

Every year, these two events are an opportunity to highlight the Group's expert women who talk about their careers, aspirations and hopes for the future of engineering.

Other initiatives are organized in the Group's countries, such as International Day of Women and Girls in Science, which is celebrated each year in the United Kingdom.

### Women's Role Models in China

In 2022, employees with inspiring careers were showcased through interviews. These women shared their experiences, career goals and visions on women's progress in sectors where they are traditionally underrepresented.

## 5.4.2 Promoting the inclusion of all employees

Thales' ambition is to create the conditions for a working environment, in which all employees feel they can be themselves, respected in their differences, capable of contributing collectively to the Group's challenges while contributing to its singularity.

### Inclusion of employees with disabilities

The policy in place for many years with regard to employing people with disabilities allows the Group to move forward each year in this area.

This is the case in France thanks to "Mission Insertion", a body dedicated to the issue of employing people with disabilities, which aims to welcome people with disabilities, to promote their employment and to help them integrate into the company.

Despite the new calculation methods<sup>(3)</sup> which since 2020 have allowed only direct employment of workers with disabilities to be counted, the employment rate of people with disabilities remains above 6%.

	2017	2018	2019	2020	2021 <sup>(a)</sup>
Employment rate of people with disabilities in France	6.52%	6.71%	6.92%	6.36%	6.69%

(a) Data covering 2021, reported during the 2022 financial year.

In France, a three-year 2021/2023 collective agreement for persons with disabilities and integrating all of Thales' entities was unanimously signed by the trade unions and approved by the French administrative authorities. It defines a global support policy, including:

- a comprehensive system for the recruitment of persons with disabilities and associated objectives: recruitment of 120 employees, 140 interns and 50 work-study participants;
- specific arrangements for caregivers;
- measures to support employees to maintain their employment and develop their career.

During 2022, 111 new employees, including 26 interns and 20 young people with disabilities, joined the Group in France.

In addition, 253 job retention initiatives (equipment, specific training, adapted transport, dedicated support, etc.) benefited Group employees.

### Ongoing support for people with disabilities during and beyond the Covid-19 crisis

During the health crisis, employees with disabilities were the subject of particular attention: return to work on site after validation by the occupational physician, systematic reminder of the contact details of the network competent in this area (occupational physician, disability officers, social assistants) by managers, adaptation of protection measures according to disabilities, support for parents of children with disabilities to cope with the closure of specialized structures... In 2022, Thales maintained the various measures and arrangements put in place for employees with disabilities in France.

As part of its partnership with the Université Paris-Est Créteil (UPEC), Thales contributed to the creation of the UPEC Partnership Foundation, which since June 2021 has been offering a chair in "Disability, Autonomy, Employment, and Health at Work." Thales has been participating in this ambitious program to promote access to training for people with disabilities and to prevent their exclusion from employment.

In 2020, Thales initiated a cycle of digital training for its disability reference persons in partnership with UPEC. At December 31, 2022, 32 disability reference officers had earned their diplomas.

In 2022 Thales provided all its employees with digital training modules, accessible in French and English, to enable them to train in the design of documents, videos and other digital media accessible to people with disabilities.

Thales has also continued steps to become certified according to the AFNOR X 50-783 "Organismes Handi-accueillants" (disability-friendly organizations) standard for all its sites in France. As such, at the end of 2022, all 46 French sites received this certification.

<sup>(3)</sup> New terms and conditions resulting from Law No. 2018-771 of September 5, 2018 for the freedom to choose one's working future, which no longer allow the use of subcontracting with specialized disabled work centers (EAs), sheltered employment centers (ESATs) or self-employed persons with disabilities to be counted.





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Participation in the "HUGO" program, whose goal is to ensure the training and recruitment of young people with disabilities on work-study contracts in the software sector, has been continued, as well as the "Aspie-Friendly" program, the purposes of which is to support autistic students in gaining employment.

In 2022, partnerships with actors in the sheltered sector allowed us to maintain a volume of purchases from and subcontracting to specialized disabled work centers (EAs) and sheltered employment centers (ESAT) of more than €4 million.

During the European Disability Employment Week, DuoDay and the International Day of Persons with Disabilities, various events organized all over the world were an opportunity for everyone, whether disabled or not, to become informed and to talk about the situation of people with disabilities.

During Duo Day, 240 employees volunteered to welcome a person with disabilities to discuss jobs and disability situations. In this context, Thales has experimented with the "Reverse Duo Day", allowing employees to join an ESAT or support an ESAT worker for a day.

### LGBT+ people

Thales is committed to including lesbian, gay, bisexual, and transgender people as well as all other people of minority gender and sexual orientation.

Since 2019, Thales has been a signatory to the *Autre Cercle* LGBT+ Commitment charter, an association aiming to promote diversity and prevent discrimination against LGBT+ people in the work environment. With this commitment, Thales guarantees an inclusive work environment for lesbian, gay, bisexual and transgender people.

Accessible in several languages on the Group's intranet, online training and a booklet on the inclusion of LGBT+ people are regularly relayed in internal communications. In 2022, during World Day Against Homophobia and Transphobia, and during Pride Month, the Group reaffirmed its commitment to combating discrimination related to sexual orientation and gender identity. A communication campaign highlighting LGBT+ employees was distributed internally throughout the Group as well as on social networks.

In France, the LGBT+ Barometer <sup>(4)</sup> of the *Autre Cercle* ("Other Cercle") and the IFOP was renewed from January 24 to February 11, 2022 in order to review the situation in the Group and measure changes since the last survey. 3,900 people responded to the survey. In this context, an increase in the number of visible LGBT+ people and a decrease in the number of people preferring not to reveal their sexual orientation or gender identity were observed compared to 2019.

In Australia, Thales has reviewed all internal processes to ensure LGBT+ inclusion. For example, specific paid leave is now granted to employees in a gender transition situation.

In the United Kingdom, several initiatives have been implemented, such as the publication of an inclusive language guide.

Thales Mexico is recognized by the Human Rights Campaign as one of the best companies to work for as an LGBTQ+ person.

*"It is an honor to receive this award that rewards the work done by Thales Mexico to make our company ever more diverse and inclusive. This award reflects our commitment to the LGBTQ+ community and reinforces the fact that each individual is respected in their uniqueness, which we are very proud of. Our actions continue in this sense."* Nadia Gonzales – Director, Latin America and Mexico.

In France, the AGA-THALES network brings together a community of employees sensitive to the situation of LGBT+ people and helps combat discrimination related to sexual orientation or gender identity.

### Cultural diversity

With a presence in all regions of the world with nearly 141 nationalities, Thales is basically an international and multicultural Group.

This diversity is a source of richness and is part of the Group's strength, enabling understanding of the ecosystems in which it operates. Several initiatives are implemented every year to create an inclusive environment where dialog and interaction between employees from different cultures are sources of innovation.

In 2022, Thales Canada committed to deepening its relations with aboriginal peoples and businesses. As such, Thales Canada became a member of the Canadian Council for Aboriginal Business <sup>(5)</sup> with the objective of strengthening relations between Indigenous and non-Indigenous communities.

Since the launch of the first reconciliation action plan in 2019, Thales Australia has been working to improve living conditions and opportunities for Aboriginal and island communities in the Torres Strait (Graduate program, scholarships and internships for young Aboriginal people, publication of all positions to be filled within Thales on employment sites dedicated to Aboriginal people, awareness-raising session, mentoring, etc.). In September 2022, a new 2022-2024 Reconciliation Action Plan (RAP) was developed by the RAP Committee with the aim of strengthening ties with Aboriginal communities, continuing to offer career opportunities to young people and continuing to raise awareness among all Australians on the subject.



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*"Our past. Our Present. Our Future.  
The Extraordinary Potential of Us".*

*"Our vision of reconciliation is to foster a culture in which all Australians understand, respect and are proud of the history and culture of Aboriginals and Torres Strait Islanders."*  
The RAP Committee.

### Forms of cognitive diversity

The aim of the diversity networks "Cognitive Mind" and "Cognitive Diversity" is to promote all forms of cognitive diversity (Asperger's, intellectual giftedness, learning difficulties, hypersensitivity, etc.) within the Group and to raise awareness about their distinctive features, promoting mutual understanding between employees so that they learn to work and live together better.

<sup>(4)</sup> In 2022, 3,900 employees responded to the survey.

<sup>(5)</sup> Canadian Council for Aboriginal Business.

# 5 Corporate responsibility and non-financial performance

Human resources geared towards Group performance

## 5.4.3 Pursuing a high-quality social dialog

For a long time, Thales has pushed for collaboration with social partners on all subjects of common interest. 2022 was an opportunity to bring together, during a multi-day seminar, the main players (central trade union organizations and members of management in particular) in the social dialog in France to share observations on the functioning of the social dialog, agree on everyone's expectations and define together the issues and priority themes for the next decade. This initiative is rolled out in all of the Group's French entities.

### 5.4.3.1 Examples of adapted dialog

Thales promotes social dialog at all levels of the organization.

The Group has had a European Works Council since 1993, currently made up of 39 members from eleven European countries<sup>(1)</sup> and representing more than 71% of the Group's workforce.

It met ten times in 2022 (four plenary meetings, two extraordinary meetings and four offices) mainly to discuss the planned disposal of the Transport business, but also the new organization of the Group's CSR Department, the economic and financial outlook of Thales and the consequences of the war in Ukraine for the Group's activities.

The agreement concerning the European Works Council also provides for the organization of discussion and information meetings at the level of each GBU to enable members of the committee belonging to it to discuss its transnational strategic and social outlook. The work of these committees is returned at the meetings of the Bureau.

In France, representation of the staff is structured around the Central Economic and Social Committees and site committees as well as a network of local representatives. Sites with more than 50 employees also have a Health, Safety, and Working Conditions Commission. The structure of these bodies is the result of collective bargaining.

### 5.4.3.2 A basis of social measures originating from dialog with the social partners

Over the years, Thales and its social partners have entered into collective agreements applicable to all of the Group's employees in France.

The measures resulting from these agreements form the basis of social measures relating to health and working conditions, employee benefits, equality at work, disability, retirement, and pension schemes, and evolve regularly to harmonize and consolidate the social benefits offered to employees.

In 2022, the Group's social partners in France continued to work on bringing Thales DIS France SAS into the Group's collective agreements already in force within Thales, allowing us to offer all employees harmonized working conditions.

In 2022, more than 72 collective agreements between companies and institutions were signed in the Group's various French entities.

Internationally, the Group entities respect the conventions of the ILO relating to the right to organize and collective bargaining<sup>(2)</sup>; at the end of 2022, 82% of Group employees worldwide were covered by collective agreements.

### 5.4.3.3 Social dialog to support Group transformations

Thales is committed to an approach to anticipating skills that allows each employee to secure their career development through access to training, to have better visibility of career paths and mobility opportunities, in order to protect jobs in strategic, economic and industrial choices chosen by Management.

In 2022, the social partners supported the Group's transformations by being particularly involved in business acquisition and disposal projects for the Group. The main acquisitions and disposals recorded in 2022 are described in section 2.4.3, page 45.

More specifically, in 2021 and 2022, the plan to sell the Transportation business led the social partners to meet on numerous occasions, at the level of the European dialog bodies and the representative bodies of each of the countries concerned.

The Thales European Works Council met four times as part of the information-consultation procedure. It benefited from in-depth expertise carried out by an external firm to assess the terms and conditions of the project as well as its consequences, particularly in seven countries<sup>(3)</sup> before being able to issue an opinion.

In addition, information-consultation procedures were conducted in France, the Netherlands, Italy and Spain. In Germany, a collective agreement on the reconciliation of interests was signed with the social partners.

Lastly, information meetings were held for the employees targeted by the project when countries did not have staff representative bodies.

Thales' European Works Council is regularly informed of the progress of this disposal project, whose finalization is expected in the second semester of 2023.

Lastly, whether at Group level or locally, the staff representative bodies are regularly informed and/or consulted on Group reorganization plans according to the methods provided by the regulations and agreements applicable in the relevant country.

<sup>(1)</sup> France, United Kingdom, Germany, Italy, Netherlands, Spain, Belgium, Austria, Portugal, Norway, Switzerland.

<sup>(2)</sup> Convention no. 87 on freedom of association and protection of the right to organize and Convention no. 98 on the right to organize and collective bargaining.

<sup>(3)</sup> Germany, United Kingdom, Spain, Italy, France, the Netherlands and Canada.



## 5.4.4 Providing a safe, high-quality work environment

### 5.4.4.1 High-quality working conditions

#### Actions taken for a better work-life balance

In 2022, the Group continued the Smart Working approach which meets the threefold objective of accelerating the Group's competitiveness and collective performance, offering flexibility in terms of when, where, and how we work, and lastly, improving well-being at work and the balance between working and personal life for our employees.

The Group continued awareness-raising sessions relating to the right to disconnect through a training course open to all Group employees on the ULearn platform. In the training program "The manager, a key player in quality of working life", managers are made aware of their leading role in the quality of working life and trained on proper implementation of employees' right to disconnect.

Thales encourages the practice of physical and sports activities by its employees by providing them with the equipment necessary for these activities (sport rooms, changing rooms, showers, etc.) or by organizing, in partnership with the occupational physician, awareness-raising sessions on the importance of regular physical activity. The Social and Economic Committees of the entities in France also pay part of the costs incurred by employees in carrying out the sports activities of their choice.

#### The promotion of parenthood

In 2022, Thales continued to promote parenting and work-life balance. For example, in France, 489 children of employees attended daycare in 2022 (compared to 444 in 2021). In France, the Group also offers an emergency childcare solution if usual childcare arrangements are unavailable.

In 2022, Thales Australia reviewed its parenting policy by implementing:

- parental leave with pay of 20 weeks for the first parent and 10 weeks for the second;
- the Families@Thales program, in partnership with Parents@Work, offers parents online learning sessions, tips and practical tools to help them find a balance between career, family life and well-being.

#### Combating harassment and sexist behavior

The Group provides the managerial and HR teams in France with a guide defining the procedure for processing alerts to situations that may indicate harassment or violence at work. This guide aims to provide the best possible support to employees who might be forced to take such a step, from receiving the alert to issuing the results of an investigation report, if need be.

A digital alert platform, accessible 24/7, is available to Group employees around the world, enabling them to report any instances of harassment or discrimination (see section 5.6.1.8).

Thales is firmly committed to combating all forms of sexism. The Group participates in the #StOpE inter-company initiative, which brings together 150 organizations committed to combating routine sexism in the workplace. To this end, a number of initiatives have been organized in France and internationally to prevent sexism: mandatory training for managers, communication kit, comments board, conferences, etc. An online awareness-raising module, available in French and English, is also accessible to all Group employees.

Thales also has about a hundred sexual harassment and sexist behavior reference persons representing Management and the Social and Economic Committees.

#### Protection of personal data

In order to ensure the Group's compliance with the various regulations relating to the protection of personal data, a network of 505 Data Protection Correspondents and Relays, including 52 for the Human Resources Function, has been set up in the countries in which Thales operates.

In 2022, relays in HR also benefited from awareness-raising sessions on their roles and objectives in terms of personal data protection.

The annual goals of each of these relays include a specific objective in this respect.

In addition, Thales' data protection network actively worked in 2022 to update the data processing register following the change in digital tool implemented in 2021.

In general, any deployment of new tools or functionalities in the HR domain is analyzed to ensure compliance with the GDPR (see section 5.6.1.6).

### 5.4.4.2 Workplace health and safety

#### Governance and policy

When it updated its Health, Safety and Environment (HSE) policy in May 2021, the Group renewed its commitments to prevent risks and protect its employees that have been part of the Group's ethical principles for more than 20 years.

This voluntary, responsible action is coordinated by the Group's HSE department, which reports to the Group CSR department. It works at operational level within countries and GBUs by implementing specific measures relating to safety culture and the strengthening of management skills linked to the prevention of professional risks.

The Group policy is based on two pillars regarding health and safety:

- to ensure the health, safety, and well-being at work of the company's women and men, as well as staff working at its sites and at external worksites under its responsibility;
- to design, purchase, manufacture, and supply solutions, products, and services that meet health, safety, and environmental protection standards.

Performance is regularly managed through the monitoring of dedicated indicators.

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# 5 Corporate responsibility and non-financial performance

## Human resources geared towards Group performance

### ● PERFORMANCE RELATING TO SAFETY AT WORK (NFPS)

	2023 target	2018	2021	2022	Change 2018/2022
<b>Accidents at work</b>					
Frequency rate of accidents at work with time lost (FR1 of Thales employees)	1.55	2.22	1.47	1.47	-34%
Change in severity rate of accidents at work		0.053	0.030	0.046	-13%
<b>ISO 45001 certification</b>					
Percentage of employees working at an OHSAS ISO 18001/ISO 45001 certified site		83%	77%	80%	-3pts

Note: 2018 frequency and severity rates of accidents at work restated to include Gemalto. Percentage of employees working at certified sites excluding Gemalto in 2018.

The Group has an “HSE culture” roadmap covering a period of four years. The first three years of implementation of this initiative enabled a significant improvement in the Group’s performance through:

- strengthening leadership support and the acceptance by all employees of the importance of HSE issues (“HSE Masterclass”) to be rolled out in all management committees of the organizations in all countries;
- supporting teams in implementing best practices on the ground (“HSE 4 US”).

Aspects relating to the quality of working life, to well-being, and to psychosocial risks are closely coordinated with the Group’s HR Division, and with the prevention and occupational health departments (see section 5.4.4.1). In some countries such as Australia, specific initiatives to address mental health issues are being implemented (Mental Health Program).

Each of the operating entities undergoes an annual self-assessment of occupational health and safety risks, coordinated by the Group Risk Assessment Committee. This ensures the implementation of best HSE management practices at sites and external worksites. It can, if necessary, lead to an annual improvement plan developed with experts from the country or Group HSE network.

Since 2021, the Group decided to apply CSR objectives for employees eligible for variable compensation. As a result, CSR targets corresponding to the Group’s commitments account for 10% of their variable compensation, with health and safety performance accounting for 2.5% (see section 5.4.1.2). The Group’s performance in this area was positive in 2022 so these objectives were met.

#### A dedicated HSE structure

Eager to continually improve its performance in terms of health and safety and to prevent industrial risks, the Group has set up a global governance structure based on the network of expert HSE Managers:

- a dedicated network of “HSE site/operation” coordinators at the level of countries, entities, and external worksites, depending on geographical presence;
- a dedicated network of “HSE products and services” coordinators at the level of GBUs and product lines, enriched by representatives in cross-functional departments (product policies, engineering, industry, purchasing, services, bids and projects, etc.).

The specific cross-functional HSE Steering Committees of international experts drive the implementation of the HSE policy and ensure expertise and momentum by enabling the roll-out of prevention standards. They determine the annual action plans and capitalize on feedback to improve the HSE culture. Operational management relies on these networks coordinated into dedicated job families, determines recruitment and training needs, and anticipates future HSE challenges.

The other operational and cross-functional departments (human resources, occupational medicine, industry, engineering, purchases, etc.) are linked to these lines of work to ensure policy consistency in terms of prevention of occupational hygiene, health, and safety risks.

The members of the extended international HSE network meet as a steering committee once a year. In 2022, a two-day convention dedicated to the French network addressed the main themes:

- the Group’s HSE vision, performance and situation;
- the strategy for a Low-Carbon Future;
- development of the safety culture;
- feedback and best practices;
- environmental issues, particularly the European green taxonomy, international regulations on controlled substances, eco-design, and industry;
- the new HSE governance and corporate social responsibility.

The dashboard to monitor the Group’s performance indicators has been produced and circulated monthly since June 2021. This dashboard was enriched in 2022 and now includes the investigation rate of accidents with lost time and the number of weak signals (near-accidents and dangerous situations) reported by employees at all Group sites.

### 5.4.4.3 Maintaining skills and raising awareness of risks

#### Training

Knowledge of operational risks and the associated mitigation measures is essential for enabling managers and employees to maintain not only the right level of vigilance, but also their awareness of risks, control measures, and best practices to adopt.

The Group’s Human Resources and HSE organizations implement and maintain training courses on occupational health for all Group employees.

Training to meet specific needs identified at sites or on external worksites complements the programs established at Group level. In 2022, particular attention was placed on awareness of specific risks linked to working from home as well as to psychosocial risks (best practices for safety and quality of life for working from home, right to disconnect, hygiene practices, etc.).

Maintaining skills relating to health and safety in the Group, with the support of dedicated training modules, is ensured by internal trainers, HSE Managers, or specialized external bodies. Online training modules are made available to all employees through “Thales Learning & Culture.”



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All these training courses (except units dedicated to the health crisis) relate to:

- general training courses on workplace safety (welcome and on-the-job training, fires, first responders, etc.);
- specific training courses on risks faced (electrical, chemical, radiation, ergonomic, psychosocial risks, etc.);
- training courses on tools (risk analyses, regulatory monitoring, standards, audit and inspection techniques);
- training courses on safety management and best practices.

To improve support for managers and employees on HSE issues, the Group strengthened its specific training program for HSE coordinators in 2020, aiming to develop their operational leadership skills, with particular attention to support for local managers. In addition, training sessions on HSE culture, defining the leadership model, were developed for site/country/GBU Management Committees. These were rolled out to certain units in France, Australia, and Germany.

Excluding specific "Covid" awareness-raising and remote training modules, in 2022 more than 100,000 hours of face-to-face training on safety were provided in the Group. This included training courses dedicated to safety at employees' place of work, but also development of skills for HSE experts and the HSE Masterclass for top management.

### Raising awareness – Communication

Regular awareness and communication programs, devised and implemented locally, enable the level of ownership and awareness of risks to be maintained among all employees. The Group publishes a quarterly HSE newsletter and organizes a Group awareness-raising campaign each year on a dedicated topic.

For example, in October 2020, the Group launched a global "HSE 4 US" campaign dealing with the four basic rules regarding health, safety, and the environment. In 2022, the specific HSE culture program was continued, with special emphasis on the culture of reporting information on near-accidents and dangerous situations.

## 5.4.4.4 Performance

### Health crisis linked to Covid-19

In April 2022, Thales ended the central crisis management system activated in January 2020. The network of HSE experts continued to play a role in managing the health crisis with the support of the specific International HSE Steering Committee in order to ensure health guidelines were applied consistently at Group sites while taking into account specific national requirements, in full coordination with the other country crisis functions and units. This network of experts remained mobilized to support employees and ensure their health and safety (in particular during international assignments).

In addition, Thales continues to actively participate in the vaccination campaigns carried out by the health authorities in the Group's various countries of operation and remains committed to supporting its employees, in particular by providing psychological support or communication initiatives to maintain contact with colleagues in the event of lockdown.

### Management on the ground

Thales has integrated the management of risks related to workplace safety into its Group management system, available to all employees at all entities worldwide.

The HSE process requires all sites to implement a safety management system to avoid, manage and limit risks for operational activities,

while complying with the general principles of prevention. Risk analyses, necessary adaptations, and rules are regularly updated.

Integrated into the various processes that govern the Group's activities, this HSE process defines best practices and methodological guidelines, and specifies the rules that must be followed at all levels of the organization. It also sets out the risk management and accident alert procedures.

Risk analyses are performed at all Group sites and regularly updated depending on activities, scientific and technical developments, and the emergence of new challenges. These analyses allow the operational departments, with the support of HSE experts, to:

- verify compliance of the activities carried out and products used or put on the market, and ensure the continued compliance of facilities;
- ensure that employees are not exposed to certain risks, or failing that at least reduce and manage them;
- monitor the availability of collective and individual protective equipment for residual risks that cannot be avoided;
- ensure that activities are not likely to harm people and/or the environment through technological accidents;
- analyze and anticipate the impact of new regulations;
- ensure continued compliance with instructions and procedures by employees and external partners, including through the organization of emergency scenario drills;
- integrate hygiene, health, and safety aspects into management on the ground;
- manage risks.

Risk assessments and analyses of legal requirements and compliance obligations are based on active regulatory monitoring and are formally documented at all Group sites, as well as at external worksites.

In addition, implementation of the *lean* culture incorporates HSE aspects into operational practices: coordination of teams, site visits, and improvements. At the same time, HSE experts support operational teams to ensure consistency and monitoring on the ground, based on the ISO 45001 management standard. For example, on December 31, 2022, 80% of the Group's global staff were working at a site or in an organization that was certified according to this management standard. Certifications grouped by country are largely implemented within Thales, and there are now 137 certified sites compared to 132 in 2021.

### Occupational health and safety performance (NFPS)

Percentage of employees working at ISO 45001 certified sites:

**80% in 2022**

### CHANGE IN NUMBER OF EMPLOYEES WORKING AT AN ISO 45001 CERTIFIED SITE \*



\* 2018: Without Gemalto, 2021 and 2022: with Gemalto.



# 5 Corporate responsibility and non-financial performance

## Human resources geared towards Group performance

### Monitoring of performance and continuous improvement

Certified sites carry out internal audits enabling continuous sharing of best practices and improvement to the HSE management systems. In 2022, this surveillance resumed almost normally with the easing of the constraints linked to the crisis. The surveillance audits by external bodies provide external oversight.

The Group strengthened its internal tools by setting up a system to assess HSE maturity, implemented in all entities since 2017. This reinforces the HSE culture and the involvement of managers and employees to support improvement in the Group's performance and that of its partners. Self-assessments of the maturity of HSE management systems are implemented on all industrial sites and are reinforced by assessments that rely on a team of 21 qualified senior internal auditors. In 2022, seven assessments were carried out.

The health and safety performance for the Group's employees, monitored monthly by the Executive Committee, continued to be affected (albeit to a lesser extent than in 2021) by:

- the after-effects of the health crisis and lockdowns;
- the adaptation of modes of working, with a large number of employees working from home for part of the year;
- modes of operation being disrupted at times and a gradual return to normal rhythms.

#### Occupational health and safety performance (NFPS)

Global frequency rate of accidents at work:

**1.47 in 2022**

#### CHANGE IN FREQUENCY RATE (ACCIDENTS AT WORK WITH LOST TIME)<sup>(1)</sup>

2018	Thales employees	2.22
2021	Thales employees	1.47
2022	Thales employees	1.47

The frequency rate of accidents at work with lost time corresponds to the number of workplace accidents with time off work per million of hours worked.

The rates for each country are relatively varied and depend on the activities carried out there. Including Gemalto, the consolidated rate at the end of 2018 was 2.22. In 2022, the overall business environment was marked by a gradual return to normal with respect to Covid-19 restrictions (teleworking, teamwork, travel restrictions).

Despite this, the frequency rate of workplace accidents with lost time per million hours worked remained stable at 1.47 accidents with lost time per million hours worked in 2022, a significant improvement of nearly 34% compared to 2018.

Significant prevention work is carried out on a daily basis by the teams on the ground and the focus continues to be on actions that enable the impact of the most serious accidents to be reduced. In 2022 particular attention was paid to the identification of weak signals, i.e. near-accidents and dangerous situations in order to strengthen proactiveness in terms of prevention. In 2022, the main cause of work-related accidents with time lost was same-level falls, which accounted for more than 27% of cases.

#### Occupational health and safety performance (NFPS)

Global severity rate of accidents at work:

**0.046 in 2022**

#### CHANGE IN SEVERITY RATE \*

2018	Thales employees	0.053
2021	Thales employees	0.03
2022	Thales employees	0.046

\* 2018 severity rate recalculated with Gemalto. The rate without Gemalto was 0.048 in 2018.

#### CHANGE IN NUMBER OF LOST DAYS \*

2018	Thales employees	4,682	6,874
2021	Thales employees	2,319	4,276
2022	Thales employees	3,312	6,406

■ Number of days lost to accidents at work.  
■ Number of days lost to accidents during commuting times.

\* Number of days lost in 2018 with Gemalto.

The severity rate of accidents at work is the number of days of absence following a workplace accident per million of hours worked.

The severity rate of accidents at work was 0.053 in 2018 for the whole Group after consolidation following integration of the ex-Gemalto DIS employees.

In 2022, the severity rate of accidents at work was 0.046, a sharp improvement of 18% compared to 2018.

In addition, 73% of Group sites did not have any lost days due to accidents at work in 2022 and therefore show frequency and severity rates of 0.

The Group's performance also shows an increase in the frequency and severity of accidents linked to commuting between 2021 and 2022. This was due to the significant increase in commuting following the end of lockdowns around the world.

<sup>(1)</sup> The data presented includes Gemalto in the scope.





## 5.4.5 Géris in support of regional development

### 5.4.5.1 Regional Policy

For many years, Thales has contributed to the appeal of the regions in which it operates.

This appeal comes in particular from a regional policy based on in-depth knowledge of the regions, but also on the quality of the partnerships it maintains with regional economic and social actors and representatives of institutions and local community services.

This policy, defined in a Group agreement designed to promote career development and employment through anticipatory initiatives, is based on three priority lines of action:

- maintenance and development of skills;
- integration of young people, education and training;
- co-development of the industrial fabric and open innovation.

### 5.4.5.2 Presentation of Géris

Since 1982, in order to implement this regional policy, Thales has had a dedicated regional economic development company in France, Géris Consultants SAS (Géris). It contributes internally to the deployment of the Group's Anticipation Agreement and, externally, carries out commercial activities focused on maintaining and creating sustainable industrial jobs in the French regions with large companies that are restructuring.

Géris represents Thales at CIADEL (*Club des Industriels Acteurs du Développement Economique Local*), and shares its practices with the equivalent structures of large companies such as Airbus, EDF, Sanofi, Saint-Gobain, Schneider Electric and Total.

### 5.4.5.3 Géris' main assignments for the Group

Géris also provides direct support to internal conversion projects for Thales' industrial sites. For example in 2021, after having carried out a regional study for the Thales DIS site in Pont-Audemer, Géris mapped out the skills present at this industrial site in order to have an objective, qualified, and quantified representation of the skills present so as to be able to consider viable reindustrialization routes.

The study was conducted collaboratively with staff, thus contributing to the quality of the social dialog within the entity. This study confirmed the feasibility of the project to partially convert the site to the electronic card production center for Thales, thus securing the continuity of more than 200 industrial jobs in this region. Géris will assist in the completion of the first phase of the project by contributing to the management of the engineering of the retraining of nearly 80 employees.

In addition, Géris is involved in the recruitment action plan for Thales at Cholet, a fast-growing site. Géris' contribution is to support leaders and department heads in the implementation of a proactive policy of partnership with regional higher education institutions, including universities, with a view to recruiting young graduates from BUT (*Bachelor Universitaire; Bac +3*). This will allow recruitment practices to be expanded and action taken as far upstream as possible to improve Thales' attractiveness as an employer.

As part of the France 2030 Strategy, led by the Digital Health Sector Strategic Committee and the management of Thales, Géris has been supporting the Moirans site since early 2022 in the project to create the ProxiiMed platform aimed at creating a new

collaborative approach in the national medical imaging devices sector. ProxiiMed is conceived as a third-party place, potentially hosted by the current Thales-Trixell site, offering shared material resources and skills to help SMEs/SMLs and labs in the sector develop and industrialize new imaging systems in compliance with national and international legislation while allowing them to quickly access the market by anticipating regulatory issues.

In addition, Géris supports employees in their plans to take over or create a business (56 new projects in 2022 involving 60 employees). The amount of financial aid granted under loans that can be converted into grants to project sponsors varies from €20,000 to €30,000 depending on the project's ambition.

Géris' consultants also advise SMEs/SMLs in the regions via solidarity and inter-company cooperation schemes called "Pass'Compétences" and "Fast'Pass". This finds expression in the provision of voluntary employee experts from large companies (mostly from Thales) to growing SMEs or start-ups to carry out short 10-day assignments spread over 12 months (Fast'Pass), or structuring interventions from 12 to 24 months (Pass'Compétences).

Due to its nationally recognized expertise in the implementation of these systems, Géris is participating in the roll-out of these initiatives to deep tech start-ups in close collaboration with the France-Industrie association, which launched the "Skills Transfer" experiment in 2022.

In this same context and at the request of the OPCO 2i, the UIMM, the GIFAS and the State, Géris was selected in 2021 to conduct a study to draw up an inventory of relations between large companies and SMEs in the Aerospace sector on the theme of temporary provision of rare skills as part of the Study of the Development of Jobs and Skills. This study was completed in April 2022.

Another of Géris' missions is to facilitate the insertion of young people through specific actions such as the participation of the Thales work-study participants in the Altern'Up competition and the promotion of the Shared Work-Study Plan. These two systems are managed by the FIPA (Innovations for Learning Foundation) of which Thales is a member.

Finally, on this subject, Géris leads the network of *Ingénieurs Pour l'École* (IPE) Thales with a total of 16 in 2023, which is one of the strongest contingents provided by the members of the National Association of IPEs, whose chairman is Mr. Jean-Cyril Spinetta. This association assigns the Thales IPE, the employees put at its disposal, to large-scale missions focusing on the theme of the insertion of young people into the labor force in academies located in the regions where Thales recruits most of its employees. The financial coverage of these provisions by Thales amounts to 70% of the payroll of the engineers or managers seconded.

### 5.4.5.4 Géris' non-Group assignments

Finally, Géris makes its know-how available to large companies that are restructuring by helping them fulfill their legal obligations. In this way, Géris is regularly commissioned to search for buyers of closed industrial sites (two in 2022) and to carry out economic revitalization missions. These interventions consist of supporting SMEs/SMLs creating sustainable industrial jobs in regions affected by closures and lay-offs. The revitalization projects carried out by Géris since 2009 have led to the creation of nearly 7,150 permanent jobs in France (including more than 600 in 2022), in more than 1,300 SMEs/SMLs.

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# 5 Corporate responsibility and non-financial performance

## The Environment

### 5.5 The Environment

*“Management of environmental impacts has been at the heart of Thales’ development strategy for more than 20 years. Recognizing the importance of these issues at the global level and the challenges they pose, the Group has adopted a responsible and ambitious environmental protection policy. Thales has set itself the ambition of significantly reducing the environmental footprint of its own activities, engaging its employees to achieve its objectives, and helping its customers reduce their own footprint through the design and development of sustainable solutions and products.”*

**Sophie LE PENNEC**  
Head of HSE at Thales

#### 5.5.1 Governance, Policy and Performance

##### 5.5.1.1 Governance

The HSE (Health, Safety, Environment) unit of the Group’s CSR Division, created in 2022 (see section 5.1.4) is responsible for implementing Thales’ environmental policy.

This unit is responsible for proposing the strategy and defining the Group’s Health, Safety and Environment policy as well as the associated processes, methods and standards. It supervises and monitors their implementation throughout the Group and relies on two dedicated HSE networks:

- a network of “HSE site/operations coordinators” in countries and entities where the Group has operational activities (including external projects);
- a network of “HSE products and services coordinators” in the Global Business Units (GBUs) and product lines, including representatives in cross-functional positions (product policies, engineering, industry, purchasing, services, bids and projects, etc.).

The deployment of the HSE policy is organized through the HSE Steering Committees, which provide their expertise to implement local and international risk prevention and control standards.

These Committees define the guidelines and annual action plans to be implemented and allow experiences to be capitalized on to improve the HSE culture within the Group.

The Group’s operational and cross-functional functions are involved as necessary in this overall coordination action to ensure the consistency of HSE risk prevention policies.

##### 5.5.1.2 Policies implemented

###### Long-standing commitments renewed and strengthened

Thales’ environment policy aims to reduce the environmental impacts and risks of activities around the world and of the products placed on the market.

To comply with current regulations and anticipate changes and new rules, in environmental terms, this policy is divided into the following main areas:

- preserving the environment by limiting the impact of the Group’s activities (particularly energy, climate, mobility, emissions, water, waste, natural resources, recycling, biodiversity), while preventing pollution risks and reinforcing resilience to climate change;
- designing, purchasing, manufacturing, and supplying eco-design solutions, products, and services that meet the highest requirements in terms of health, safety, and environmental protection.

In order to implement this policy with its employees, partners and suppliers, Thales pays special attention to:

- communicating and promoting a culture of environmental protection both internally and among stakeholders while preventing and managing the associated impacts and risks;
- cultivating a spirit of responsible innovation driven by its employees’ commitment to face current and future challenges, in particular those linked to climate change;
- participating in collective efforts undertaken through national and international programs of the Group’s ecosystem and using its technologies to understand and preserve the environment;
- assessing, monitoring, and subscribing to a process of continuous improvement, particularly through internal and external audits that the company carries out or has carried out.

The environmental risks identified in the NFPS correspond to environmental impacts linked to the Group’s activities and changes in regulations. They are described in section 5.2.

To give these commitments tangible form, Thales has set medium- and long-term environmental and sustainable performance targets since 2007 (see section 5.5.1.3).

In addition, the Group continues to work on controlling its water needs, optimizing waste management, preserving biodiversity and managing in advance the gradual replacement of regulated hazardous substances included in the composition of its products and which are a source of obsolescence for these products.



### 5.5.1.3 Performance

**Performance related to environmental impact in connection with the Group’s activities and the anticipation of environmental standards in product design (NFPS):**

	2018	2021	2022	Change 2018/2022	2023 target	2030 target	2040 target	2018/2022 trend
<b>Environmental management</b>								
Percentage of employees working at an ISO 14001 certified site	89%	82%	82%	-6 pts				↘
<b>Natural resources</b>								
Recycling rate of non-hazardous waste <sup>(a)</sup>	55%	70%	73%	+18 pts	75%			↗
<b>Eco-design</b>								
New developments incorporating eco-design	N/A	84%	84%	N/A	100%			↗
Percentage of Product Line Architects, Product Line Managers, Product Design Authorities, and Design Authorities trained in or made aware of eco-design	N/A	64%	100%	N/A	100%			↗
<b>Climate</b> (thousands of tons of CO <sub>2</sub> )								
Reduction of operational emissions <sup>(b) (d)</sup>	343	226	205	-40%	-35%	-50%	Net Zero	↘
Reduction of other emissions <sup>(c) (d)</sup>	13,799	9,312	9,541	-31%	-7%	-15%		↘

Detailed figures can be found in the table in section 5.9.3 “Environmental Indicators.”

(a) Excluding special waste. Special waste refers to waste produced outside the Group’s normal activities, for example during construction works.

(b) Scopes 1 and 2 and Scope 3 business travel.

(c) Scope 3 - purchases of goods and services and use of products and services sold. After incorporating improvements made in modeling, see section 5.5.3.2.4.

(d) Expressed as an absolute value relative to 2018.

### 5.5.1.4 Standards and ratings

The Group’s environmental policy is assessed by the main non-financial rating agencies (see section 5.1).

In addition, Thales, which has completed the CDP (Carbon Disclosure Project) “Climate Change” questionnaire since 2010, received a grade of A- in 2022. This “leadership” level recognizes companies that have adopted best practices in the fight against climate change. In addition, since 2019 (with the exception of 2021), Thales has been responding to the CDP’s “Water Security” questionnaire, which assesses the consideration of current and future water management risks, both in terms of strategy and use (in 2019, Thales was awarded grade B-, the industry average, the responses were not rated in other years).

## 5.5.2 Prevention and continuous improvement process

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

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

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



In 2022, 147 sites were ISO 14001 certified, compared with 146 in 2021, and 82% of the Group’s employees work at a site certified according to the ISO 14001 standard, which includes, among other things, the management of the environmental impact of products. The decrease in the percentage of employees working at a certified site between 2018 and 2021 is linked to the integration of Gemalto.

Each year, audits are carried out by the Group’s internal audit teams (audits to assess the maturity of the management system), by external auditors (in the context of ISO 14001 certification), or through risk prevention visits (environmental engineering and fire protection) made by insurers.

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

This software suite also enables all Group entities to report and record environmental incidents and accidents in a standardized manner, and to manage remediation action plans.

These environmental risk management processes, particularly those related to climate change, are described in section 3.1.7.

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# 5 Corporate responsibility and non-financial performance

## The Environment

### 5.5.2.1 Controlling industrial risks

Only six of the Group's sites present significant industrial risks: Four are classified as Seveso in Europe (1 "upper tier" and 3 "lower tier") and two sites are classified as "high industrial risk" in Australia.

Safety management systems (including a major accident prevention policy, an internal operations plan, a hazard study and associated risk management scenarios, etc.) are implemented and inspected regularly by the national HSE coordinators and by the supervisory authorities, in accordance with applicable regulations. These sites are regularly monitored.

Insurance and compensation policies for victims of accidents, including technological accidents for which the Group may be liable, cover all sites insured by the Group, including those classified as Seveso. Risks arising from unforeseen situations (pollution, fire, etc.) are managed locally with the relevant Group departments contributing their expertise if necessary.

They are subject to specific accident prevention and management procedures and complaint handling. The roll-out of the eHSE software package and its accident reporting module makes it possible to precisely identify the nature of accidents, to analyze them, to take the necessary management and prevention measures, and to capitalize in order to share feedback.

The analysis of risks related to industrial and technological procedures likely to affect facilities and people (operational, reputational, financial, business continuity, etc.) was updated in 2022 via the Group Risk Assessment Committee, aiming to:

- verify the proper control of transactions with regard to technological risks, the exposure of individuals and the continuation of transactions;
- ensure compliance of activities and updating of risk scenarios;
- incorporate the necessary changes in processes with regard to development challenges.

In 2022, only six environmental incidents occurred within the Group, with no significant impact on people or the environment.

### 5.5.2.2 Environmental risks

The Group's risk mapping incorporates a specific environmental aspect. It deals with the risk factors caused by climate change as well as environmental risk factors related to the Group's activities and the increasing evolution of environmental rules and standards in the countries in which Thales operates.

The analysis of environmental risks that could affect human health, the environment, and the Group (reputational and financial impact, ability to continue certain activities, etc.) is reviewed periodically with the help of AXA Insurance risk prevention specialists. It was updated in 2022 by incorporating changes in the activities carried out by Thales, scientific and technical advances in environmental matters and the emergence of new challenges. It is rounded out by including the potential opportunities associated with these changes.

This environmental risk analysis aims in particular to:

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

In addition, in 2022, the Group launched an analysis of its environmental risks with the assistance of a law firm with regard to its various activities, from a legal and regulatory standpoint.

This analysis covered the following five themes:

- Chemicals and hazardous substances,
- Conflict minerals,
- Ecodesign (Green by Design, non-renewable natural resources and recyclability),
- Waste (production, holding, disposal and recovery),
- Global warming and carbon footprint.

The Group chose a European geographical scope initially with a focus on France, the Netherlands and the United Kingdom, countries in which Thales has a strong industrial activity.

A forward-looking analysis of the Group's resilience in relation to the physical risks arising from climate change was also performed (see section 5.5.3.2.2).

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

- an improvement plan integrating the experts' recommendations and the conclusions of the study, translated into action plans at all levels of the business;
- a summary of the significance of the impact on the Group.



### 5.5.2.3 Materiality of environmental impacts

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

The compilation of all the evaluation tables for the significant environmental impacts of the Group's sites and activities (more than 200 sites in total), as well as the evaluation of their materiality for the surrounding environment – and in particular with regard to their nature, their quantification, and the sensitivity of the receiving environments – make it possible to consolidate the following materiality table:

Materiality of impacts	Industrial activities	Tertiary activities	Comments
Greenhouse gas emissions	Low	Low	The Group's industrial activities do not require intensive energy consumption. Excluding refrigerant gases, only one site has atmospheric industrial emissions of GHGs. The Group-wide consolidated impact is therefore considered low (scopes 1 and 2).
Atmospheric emissions (other than GHGs)	Negligible	None	With the exception of about ten sites out of total of 186, the Group's industrial activities do not emit atmospheric pollutants
Soil pollution	Moderate	Negligible	The Group's industrial activities cause little pollution, with only a few sites having to deal with soil and/or underground water pollution that occurred a long time ago.
Energy consumption	Low	Negligible	The Group is not energy intensive (see section 5.5.3.2.3).
Production of non-hazardous waste	Low	Negligible	The Group's activities generate small amounts of non-hazardous waste, the great majority of which is recycled (see section 5.5.4.2.1).
Production of hazardous waste	Low	Negligible	Due to its industrial activities, the production of hazardous waste is very low and limited. It accounts for only 16% of total waste production and are treated in appropriate channels.
Water consumption	Low	Negligible	The Group has very low water consumption, and does not operate in any areas with water stress. Many action plans have been implemented for more than 20 years to optimize water consumption; they are supplemented and optimized by the implementation of recycling loops where possible. This impact is therefore not significant.
Emissions into water	Negligible	None	Only 30 sites within the Group's scope covered by environmental reporting have industrial water discharges; the others do not have them. Industrial sites with discharges into the natural environment are also very limited in number. They collect and treat all their effluent before discharge into the natural environment.

### 5.5.2.4 Awareness-raising, training, and participation of employees

The members of the extended international HSE network meet at a conference once a year. In 2022, this two-day event was held exclusively for the French network, while web conferences brought together Site & Operations and Projects/International Products HSE coordinators. Four major topics were discussed, including environmental challenges and the Strategy for a Low-Carbon Future (see section 5.5.3.2.1). The content discussed in these agreements is accessible online for all employees and contributes to their awareness of these complex issues.

Online training modules are available to introduce Group employees to the basics of environmental risk control, in particular to general topics such as "eco-responsibility" and specific issues such as managing chemicals, labeling hazardous materials, and issues related to climate change.

In 2022, particular attention was paid to raising awareness and training managerial teams and committees as well as to climate issues and rolling out the low-carbon future policy.

In 2022, nearly 1,100 employees attended specific ecodesign awareness sessions. To support environmental knowledge within the Group, other dedicated training courses are offered to various professional groups: environment, procurement, design, sales, etc.

The CSR Division, through its HSE unit, also participates in the various conventions organized by the other business lines (supplier conferences, product seminars, operations seminars, etc.), to explain the Group's commitments, as well as to give visibility on the control of HSE performance with regard to Thales' objectives as well as the action plans broken down by operational staff and coordination with all the Group's processes.

Thales' global teams are also committed to protecting the environment through voluntary local actions. In particular, 2022 was marked by a week dedicated to biodiversity issues, followed by a Challenge during the Sustainable Development weeks, offering teams at each site the opportunity to highlight their initiatives and best practices, and to carry out concrete actions (see section 5.5.4.2.4).

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# 5 Corporate responsibility and non-financial performance

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In addition, at the end of 2022, the Group made an international commitment to a responsible dynamic based on the promotion of four energy-efficient "eco-gestures":

- 1) Regulating indoor temperature according to seasons (19°C in winter and 26°C in summer), with particular attention to optimizing temperatures for datacenters;
- 2) Switching off lighting at night and non-working days as well as in unoccupied areas;
- 3) Switching off equipment at night and on non-working days, as well as equipment in unoccupied areas;
- 4) Switching off ventilation at night and on non-working days, as well as in unoccupied areas.

Finally, it should be noted that several groups of "eco-conscious" employees wishing to engage more in their workplace in their daily functions and activities have been set up throughout the Group, to exchange on various subjects such as energy saving and waste management. The HSE teams work in concert with these groups of employees to develop synergies and promote local actions.

### 5.5.2.5 Relations with stakeholders

Thales shares its environmental challenges with administrative authorities, employees, customers, partners, suppliers and subcontractors, as well as with civil society. The procedures in force allow any alerts or requests to be swiftly received, dealt with and communicated. It is also possible to send questions to the Group's HSE Unit in the Corporate Social Responsibility Department using a dedicated email address.

To meet the expectations of its stakeholders (customers, civil society, investors, rating agencies, employees, etc.), Thales communicates its environmental policy, makes its environmental data available on its website, and responds to requests from non-financial rating agencies (see section 5.1).

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

Through the Thales Solidarity program (see section 5.6.2.7), Thales supports non-profit projects that put innovation and technology at the service of three challenges, including that of environmental protection. In 2022, a partnership with the Coral Guardian association helped restore the coral reefs of the Punta de la Mona Special Conservation Zone, in the Mediterranean, which are in a state of deterioration as a result of increased human activities.

In addition, the Group's HSE teams participate in the work of the International Aerospace Environmental Group (IAEG) and the French Aerospace Industries Association (GIFAS). Thales' Vice President for Health, Safety, and Environment chairs the IAEG Strategic Planning Committee and the GIFAS Environment and Sustainable Development Committee.

Beyond its contribution to these business associations, Thales maintains direct relationships regarding environmental issues with numerous customers in its various business segments, particularly in the fields of Aeronautics, Space, Defense and Cybersecurity. These exchanges allow for a better understanding and integration of these customers' requirements, particularly as regards the environment, in developments and projects, and ensures the sharing of common positions on ideas and initiatives that are still in development.

### 5.5.2.6 Environmental disputes and alerts

Thales has not been involved in any environmental litigation that has resulted in compensation. In addition, in 2022, no site was the subject of an environmental request or complaint (within the meaning of the international standard ISO 14001) from the authorities or third parties. At December 31, 2022, provisions for environmental risks amounted to €13.8 million at Group level.





## 5.5.3 Policy on combating climate change and on energy sobriety

### 5.5.3.1 Governance

All the Group's employees are involved in the strategy for a Low-Carbon Future and apply it on a daily basis.

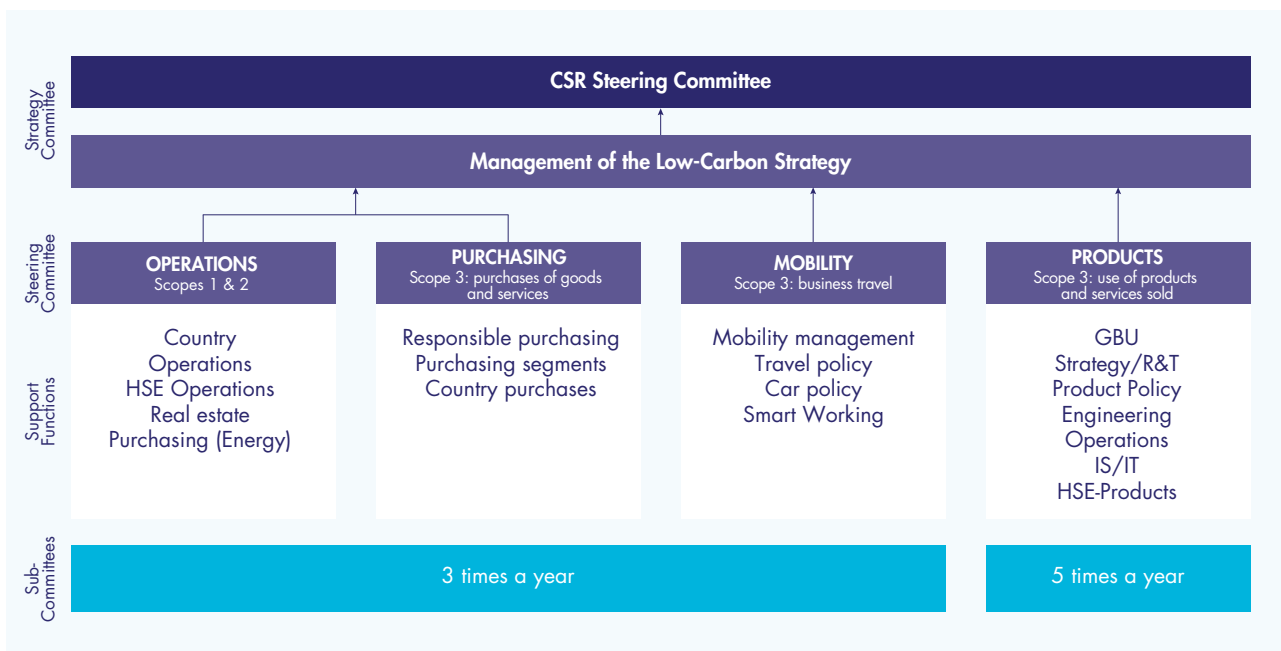
Its deployment is based on dedicated governance integrated into CSR governance (see section 5.1) supported by three low-carbon steering committees under the responsibility of one or more members of the Executive Committee the most concerned by these specific themes:

- the Low-Carbon/Operational and Procurement Emissions Steering Committee, headed by the Senior Executive Vice President for Operations and Performance;

- the Low-Carbon/Mobility Steering Committee, under the joint responsibility of the Senior Executive Vice President for Human Resources and the Senior Executive Vice President for Operations and Performance;
- the Low-Carbon/Products Steering Committee, under the joint responsibility of the Executive Vice President for Strategy, Marketing and Technology and the Senior Executive Vice President for Operations and Performance.

These committees report to the CSR strategic decision-making body, chaired by the Chairman and Chief Executive Officer of Thales. In their respective areas of focus they coordinate, identify and manage risks and opportunities in light of progress toward the objectives set for 2023, 2030, and 2040.

#### GOVERNANCE OF THE STRATEGY FOR A LOW-CARBON FUTURE



#### The respective steering committees for each of the three pillars: Operations & Procurement, Products, and Mobility

- meet at least twice a year and report to the Group's Strategic CSR Committee;
- establish multi-discipline working groups, which meet regularly to adjust the roadmaps and implement action plans.

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# 5 Corporate responsibility and non-financial performance

## The Environment

### 5.5.3.2 Policies implemented

#### 5.5.3.2.1 Strategy for a Low-Carbon Future

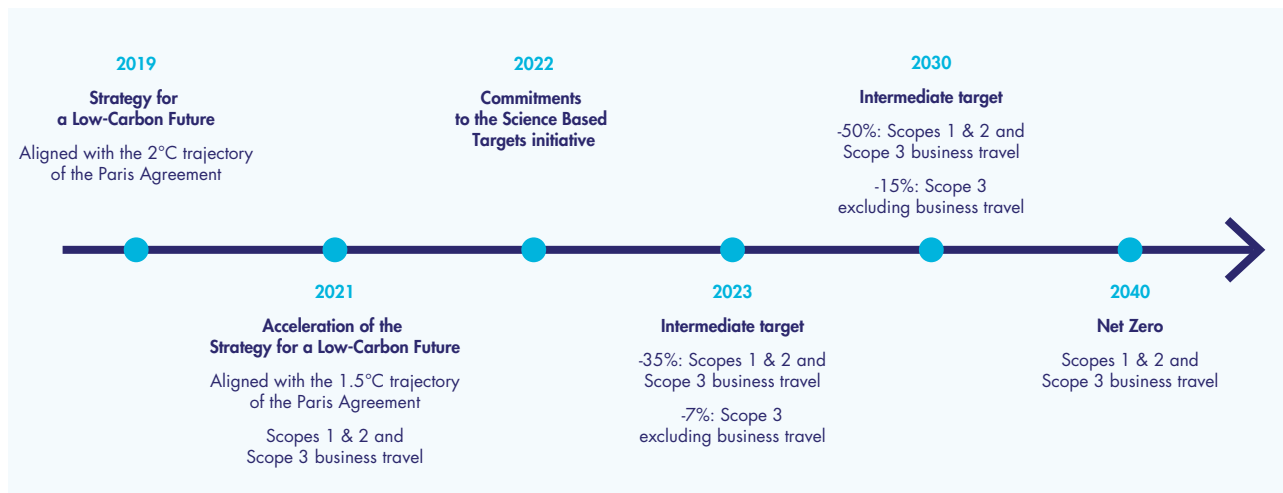
In line with its commitments made as early as 2015 (“Business Proposals for COP21”), and regularly reaffirmed since then (“French Business Climate Pledge” in 2017 and 2019), and in full alignment with the commitments made in 2019, the Group announced the acceleration of its strategy for a Low-Carbon Future in October 2021. This pro-active acceleration strategy aims in particular to accelerate the reduction of the Group’s GHG emissions.

The strategy for a Low-Carbon Future is also based on the recommendations of the TCFD (Task Force on Climate-related

Financial Disclosures) set up by the G20, to which the Group committed in 2020 by becoming a “signatory” of the principles and recommendations. A look-up table of TCFD-related items is provided in section 5.11.1. The Group applies the four pillars of the TCFD recommendations:

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

#### • ACCELERATION OF THE REDUCTION OBJECTIVES OF THE STRATEGY FOR A LOW-CARBON FUTURE <sup>(1)</sup>



#### • REDUCTION TARGETS FOR OPERATIONAL AND OTHER EMISSIONS

	OPERATIONAL EMISSION	KEY ACTIONS
SCOPES 1 & 2 and business travel	<p><b>REDUCTION TARGETS</b></p> <p>-35% by 2023 -50% by 2030 Net Zero by 2040</p> <p>In absolute value compared to the reference year 2018</p>	<p><b>Ambitious reduction of energy consumption</b></p> <p><b>Renewable energy supply</b></p> <p><b>The elimination of high emission refrigerant gases</b></p> <p><b>Reduction of internal business travel</b></p>
SCOPE 3 excluding business travel	<p><b>OTHER EMISSIONS</b></p> <p>-7% by 2023 -15% by 2030</p> <p>In absolute value compared to the reference year 2018</p>	<p><b>Action plans with 150 suppliers</b></p> <p><b>Improved eco-design approach</b></p>

#### 1) Operational emissions reduction objectives

The carbon trajectory resulting from the implementation of the action plan is aligned with a 1.5°C trajectory under the Paris Agreement, to achieve the short- and medium-term targets set by Thales for its operational emissions.

#### 2) Reduction objectives for other emissions and those of the Group’s customers

The carbon trajectory resulting from the implementation of the action plan is aligned with a 2°C trajectory under the Paris Agreement.

To achieve this objective, Thales relies on two levers of action (see section 5.5.3.2.4):

- Reducing the carbon footprint of the Group’s purchases from its suppliers by supporting them in their own low-carbon commitments;
- Reducing the carbon footprint of products sold on the market through the use of eco-design.

<sup>(1)</sup> In absolute value and relative to 2018.



By working to reduce the carbon footprint of its entire value chain, Thales demonstrates its commitment to:

- contribute significantly to the ambitious objectives of decarbonizing aviation;
- support the energy transition of the armed forces;
- promote a responsible space ecosystem and sustainable space travel;
- optimize the energy efficiency of the digital world through the development of digital solutions that are “energy efficient by design”.

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

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

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

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

#### 5.5.3.2 Numerous awareness-raising and training sessions

For more than three years, in order to specifically support the implementation of the Strategy for a Low-Carbon Future (involving several thousand people), many actions have been carried out. This is the case, for example, for those developed at each of the Group’s sites during Sustainable Development weeks or dedicated recordings made available to employees following the international HSE meetings in 2021.

In 2022, nearly 50 climate, digital, and biodiversity fresco workshops were organized throughout the Group, bringing together nearly 1,000 participants. This trend will continue and accelerate in 2023 with the provision of these awareness-raising workshops on the Group’s training platform (Talent & Culture), to enable all employees in France and abroad to participate in these frescoes and become facilitators.

Alongside these initiatives, all of the Group’s operating units and the teams in charge of product policy or engineering have started local working groups to support the rollout of the actions required to implement the Strategy for a Low-Carbon Future, including the necessary prior awareness raising.

In 2020, the Executive Committee wanted to strengthen the collective element in the recognition of CSR performance. In this context, it has been decided that, since 2021, 10% of variable compensation for almost all employees eligible (63% of the Group’s employees) will be based on CSR objectives corresponding to the Group’s commitments. The Low-Carbon Future strategy accounts for a quarter of this measure (see 5.5.2.2.1).

Finally, in October 2021, Thales devoted a half-day to discussions with investors on CSR (ESG Investor Day). This event, followed in 2022 by specific presentations tailored to investors’ needs, was an opportunity to present in detail the progress and acceleration of the Group’s Strategy for a Low-Carbon Future.

#### 5.5.3.2.3 Climate-related risks and adaptation

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

- the identification of risks but also of market opportunities, benefits, and associated financial issues;
- the implementation of the responsible procurement policy;
- the assessment of the resilience of business models to climate risks;
- the assessment of the resilience of the Group’s assets to physical climate-induced risks.

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

With the support of specialized partners and in conjunction with AXA, Thales is continuing its active policy of risk prevention engineering. For example risks likely to generate a major loss affecting people or the environment and/or significantly affecting the value chain (fire, machine breakdown, etc.) are monitored particularly closely.

To this end, as part of a preventive approach, the Group’s Insurance Division has drawn up and is piloting a plan to visit sites with a view to reducing the likelihood of accidents of any kind occurring and limiting the consequences of any incidents that might nonetheless occur.

In 2022, 75 sites received prevention visits, bringing the number of sites visited (out of 282 sites within the scope) to 232 since the launch of this program. In addition, more than 15 Group sites participated in audio conferences on risk prevention. A prevention visit of a purely environmental nature was made to a site this year.

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

- forest fires;
- situations of water stress;
- flooding;
- storms/high winds;
- the consequences of deforestation and disturbance of wildlife habitats;
- etc.

In 2022, the Group did not suffer any incidents related to climate phenomena or natural disasters.

In 2021 Thales also commissioned an in-depth study, conducted by AXA’s environmental engineering experts, on the vulnerability of its sites to water-related risks, based on three pillars:

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

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# 5 Corporate responsibility and non-financial performance

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In view of the Group’s activities and compared to other risks, the water-related risk is considered low, both in terms of vulnerability and of severity. However, due to climate change, projections for 2040 show an appreciable increase in areas experiencing water stress, prompting continued efforts to further reduce water consumption. For example, 16 sites experienced water restrictions in 2022 compared to three sites in 2021 and six sites in 2018.

In 2022, the Group launched an additional forward-looking study on the vulnerability of its activities (365 sites studied) to address all physical risks related to climate change and in line with the definitions of the green taxonomy (cold wave, heat wave, extreme temperature, forest fire, flood, drought, landslide, storm, etc.). This study takes into account two climate change scenarios defined by the IPCC (SSP2-4.5 and SSP5-8.5 for two time horizons (2030 & 2040)).

The purpose of this approach is to:

- assess current and future exposure related to the physical risks of climate change. Risk is calculated using three criteria: danger, exposure and vulnerability of assets;
- identify the sites most affected and the risks with the biggest impacts;
- propose the generic areas of adaptation solutions.

This study concludes that the Group’s asset portfolio is robust in the face of physical risks related to climate change. Of the 365 locations covered, only eleven are assessed as having a very high prospective risk and 35 as having a high risk. Heat waves, floods and landslides are identified as the main perils at the group level.

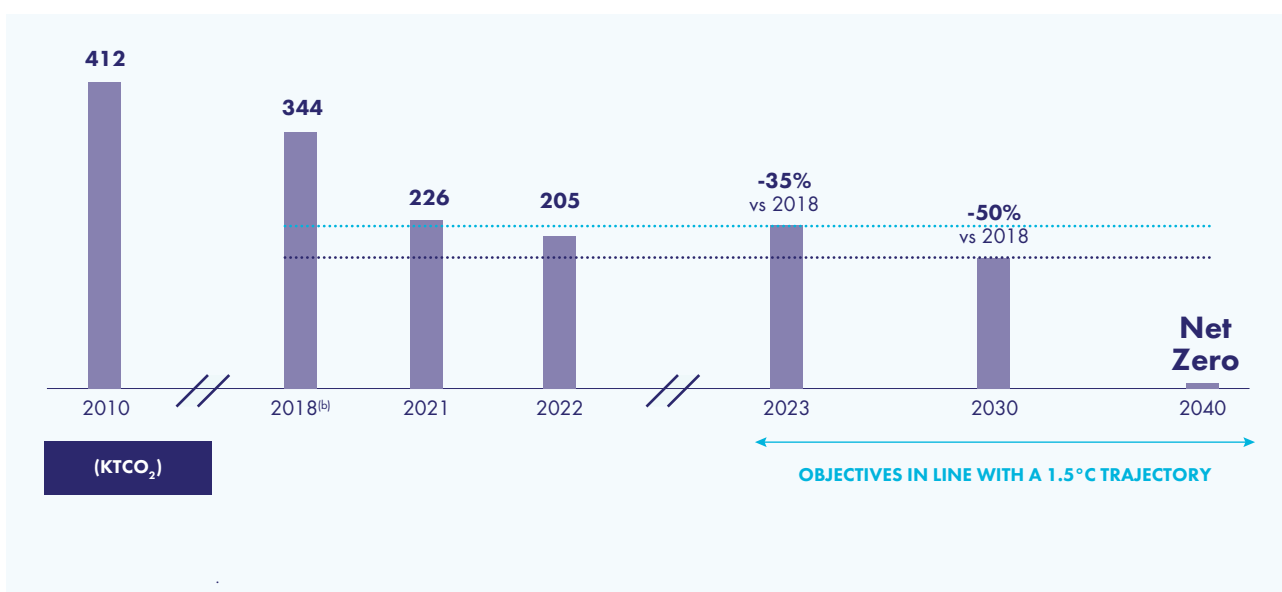
### 5.5.3.2.4 Reducing the carbon footprint of operational emissions

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

Performance relative to the environmental impacts of the Group’s activities NFPS							
<i>(in thousands of tons of CO<sub>2</sub>)</i>							
	2018	2021	2022	Change 2018/2022	2023 target	2030 target	2040 target
<b>Climate</b>							
<b>Operational emissions (Scopes 1&amp;2 and business travel)</b>	343	226	205	-40%	-35%	-50%	Net Zero
<b>Scopes 1 &amp; 2</b>							
Emissions linked to the consumption of energy and substances	253	187	148	-41%			
Of which total energy-related emissions	228	158	121	-47%			
<b>Scope 1</b>							
Substance and energy-related emissions	79	82	69	-13%			
Of which substance-related emissions	25	28	27	8%			
<b>Scope 2</b>							
Energy-related emissions	174	105	79	-54%			
Of which market-based electricity emissions <sup>(a)</sup>	168	100	75	-55%			
Electricity-related emissions expressed in “Location based” terms	168	148	139	-17%			

(a) Figures obtained by applying Thales’ methodology, taking into account renewable energy only where there is a specific eligible contract. The figures published in 2021 have been adjusted in line with this methodology.

#### • REDUCTION OF OPERATIONAL CO<sub>2</sub> EMISSIONS <sup>(a)</sup>



(a) Scope 1 + Scope 2 + Scope 3 business travel.

(b) 2018 including Gemalto.



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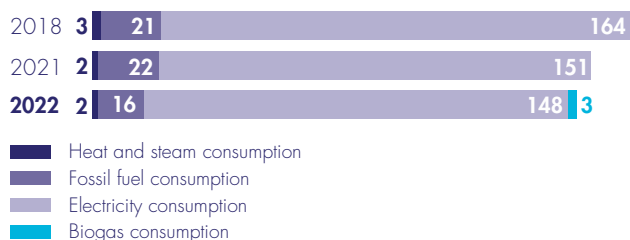
## Reducing energy consumption and related emissions

For several years, Thales has been implementing actions to reduce its energy consumption and GHG emissions associated with its activities.

This action plan to reduce energy consumption is based on:

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

### TRENDS IN ENERGY CONSUMPTION (thousands of metric tons of oil equivalent)



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

(in MWh)

	2018	2021	2022	Change 2021/2022
<b>Total share of electricity from renewable sources (%)</b>	<b>25%</b>	<b>32%</b>	<b>74%</b>	<b>+42 pts</b>
<i>Of which electricity bound by a specific contract (%)</i>	N/A	73%	95%	+22 pts
Electricity bound by origin guarantees	N/A	22%	68%	+46 pts
Electricity bound by PPA (Power Purchase Agreement)	N/A	1.1%	1.4%	+0.3 pts
Electricity related to self-consumption	N/A	0.2%	0.6%	+0.4 pts

For several years, the Group has also been committed to a strategy of purchasing energy from renewable sources, a strategy that was reaffirmed and intensified in 2022. The share of renewable electricity increased by 42 points compared to 2021 to reach 74% in 2022.

In 2022, a total of 99 sites (including all the sites in the UK, the Netherlands and Thales Alenia Space in Italy) have a specific contract for the supply of electricity from renewable sources meeting the eligibility criteria.

Since 2022, 75% of gas needs in France have been covered by a supply of renewable biogas.

The electricity generated through self-production and therefore self-consumed on site has increased by more than 13 times compared to 2020, reaching 3,138 MWh. Four sites (Toulouse, Cannes, New l'Aquila, and Tres Cantos) have had solar panels since 2020 and other sites such as Barcelona and Templecombe installed panels in 2022.

## Reducing substance-related emissions (Kyoto Protocol)

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

Many sites have continued to replace high-emitting refrigerants with equipment containing less emissive refrigerants, and have implemented action plans to limit leaks and, in some cases, to replace the least efficient equipment. As a result in 2022, SF<sub>6</sub> (sulfur hexafluoride), which accounted for nearly 20% of substance-related emissions in 2015, is now responsible for less than 1% of substance-related CO<sub>2</sub> emissions.

Thanks to the roll-out of these reduction plans, the Group's total energy consumption was reduced by 10% between 2018 and 2022, with a decrease of 3% between 2021 and 2022.

In 2022, 22% of the Group's employees worked at ISO 50001 "Energy Management Systems" certified sites. In addition, 24 sites employing 18% of the Group's workforce have obtained environmental performance certification for buildings (HQE, BREEAM, etc.).

To achieve this efficiency, energy audits are conducted regularly at the Group's most energy-intensive sites and have resulted in appropriate reduction programs. In 2022, an energy efficiency coordination unit was created to deal with the energy crisis and accelerate the reduction of energy needs at French sites. These actions enabled a 2% reduction in electricity consumption and 20% of gas consumption in France between 2021 and 2022. This coordination will not only continue its work in 2023 in France but will also extend to the ten Group countries with the highest consumptions in order to help them reduce their energy needs.

The Group's energy footprint is also reduced by the stated determination to reduce the use of fossil fuels (natural gas, fuel-oil, coal). As such, the ratio of fossil energy consumption to sales declined by 33% between 2021 and 2022, notably thanks to the development of biogas supply, which represented 75% of 2022 consumption in France.

Substance-related CO<sub>2</sub> emissions (listed in the Kyoto Protocol and R22) increased by 8% between 2018 and 2022 but decreased by 4% between 2021 and 2022. This variation is essentially due to better control of leaks on aging equipment or during maintenance operations and in some cases the replacement of obsolete equipment.

## Reducing the emissions footprint of employee mobility

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

### Business travel

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

- 1) **Less travel, fewer travelers:** Ask yourself whether it is really necessary to travel and if so what is the minimum number of people required. The widespread roll-out of communication tools (remote presence rooms, videoconferencing, applications on PCs and smartphones, etc.) makes it possible to avoid business trips while maintaining the spontaneity and confidentiality of discussions. This approach complements the "Smart working" initiative launched in 2019 (see section 5.4.).

# 5 Corporate responsibility and non-financial performance

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- 2) Travel Better:** If the trip is really necessary, make sure to minimize its carbon footprint by applying the various recommendations contained in the travel policy. The promotion of environmentally responsible modes of transportation (train and energy-efficient vehicles) for business trips that cannot be avoided supports the application of this principle. In addition, the short-term vehicle rental offer has been revised to include electric or hybrid vehicles in the fleet offered to employees. At the same time, discussions are under way between the Procurement Division and the Group's main air transport suppliers in order to give preference to travel on new aircraft which consume between 20 and 25% less fuel.

Precise monitoring is carried out by the HSE division to follow the Group's trends and inform the country/region HR Divisions as well as the Travel Managers. These checks will enable measures to be taken that contribute effectively to the reduction of the carbon footprint. In 2022, emissions from business travel are assessed at 57,000 metric tons of CO<sub>2</sub>, up by 44% on 2021 but down by 37% compared with 2018. The increase observed is explained by the return to normal activity after two years (2020 and 2021) during which travel was very limited due to the pandemic but remains aligned with the Group's stated ambition of controlling the impact of its business travel.

### Company car policy

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

The European countries of the Group account for more than 85% of the company car fleet, with a split of 70% position vehicles (i.e. granted as a benefit in kind) and 30% service vehicles (i.e. exclusively or mainly for use in performing the job).

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

- 1) diesel cars can only be included in the catalog by exception, taking into account the country's energy mix and when the annual mileage is greater than 45,000 km per year, with a CO<sub>2</sub> emission limit;
- 2) other engine versions are preferred, with a CO<sub>2</sub> emissions objective per kilometer in accordance with the NEDC (New

European Driving Cycle) standard with an equivalent to the WLTP (Worldwide Harmonized Light Vehicles Test Procedure) standard, which will be revised as the available technologies evolve. For this reason, the lower a company car's carbon emissions, the bigger the financial budget allocated to the vehicle.

For several years, new orders for company vehicles have shown a significant increase in hybrid electric vehicle, plug-in hybrid electric vehicles (PHEV) and pure electric vehicles (EVs), from 52% in 2021 to 78% in 2022. In 2022, these vehicle orders therefore account for more than half of the Group's total orders for company cars, and this trend is also observed for service vehicles.

### Commuting

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

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

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

### 5.5.3.2.5 Reducing the footprint of other emissions

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

(in thousands of tons of CO <sub>2</sub> )	2018	2021	2022	Change 2018/2022	2023 target	2030 target
<b>Climate</b>						
Other emissions	13,799	9,312	9,541	-31%	-7%	-15%
Of which emissions related to purchases of goods and services (Scope 3) <sup>(a) (c)</sup>	3,169	3,112	3,501	+10%		
Including emissions related to the use of products and services sold (Scope 3) <sup>(a) (b)</sup>	10,630	6,200	6,040	-43%		

(a) After integration of the DIS Global Business Unit.

(b) After integration of modeling improvements in 2021.

(c) Restated for inflation.





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

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

These emissions represented 3,501,000 metric tons of CO<sub>2</sub> in 2022, an increase of 10% compared with 2018. This increase is correlated with the increase in purchasing volumes (+22% between 2018 and 2022), which in turn is linked to the growth of the Group's various activities. The calculations are performed using emission factors associated with each of the Group's purchasing categories, as planned according to the "spend-based" methodology; they have also been restated in order to neutralize the particularly strong inflation effect in 2022.

In addition, a detailed analysis of the Purchasing segmentation revealed a previous double counting of CO<sub>2</sub> emissions related to business travel, which was incorrectly attributed to emissions related to the purchase of goods and services. This anomaly was corrected in 2022 by assigning these emissions only to the Mobility pillar (in the "business travel emissions" category<sup>[2]</sup>).

Group Purchasing has made the fight against climate change one of their six commitments for Responsible Purchasing, thus aligning with the Group's Strategy for a Low-Carbon Future.

In 2022, more than 400 of the Group's major suppliers belonging to the purchasing categories identified as the biggest GHG emitters received a "low-carbon" questionnaire. This questionnaire allows us to measure their degree of maturity through the communication of their own carbon footprint and their reduction strategy; more than 70% of suppliers who responded to the questionnaire say they are aligned with the Paris Agreement or have a strategy to reduce their emissions.

In October 2021, as part of ESG Investor Day, Thales committed to defining, by the end of 2023, quantified action plans with milestones with 150 of its major suppliers; the objective is to be able to reduce their carbon footprint and meet the Group's objectives of reducing its emissions by 50% by 2030. In 2022, more than 110 action plans were analyzed and validated. To do this, prior work was carried out to identify action levers; this enabled the creation of a library of levers by category of procurement in order to engage suppliers on roadmaps at short, medium and long-term horizons.

Thales has also undertaken to strengthen the calculation of the carbon footprint of its purchases in order to improve its monitoring: increase in the number of emission factors used and the depth of analysis within the purchasing categories, integration of the "activity-based" methodology on part of the scope, etc. In 2022, this work focused on twelve of the most emissive purchasing categories, the objective being to continue this action in 2023 in order to be able to specify the calculation of the footprint of the Purchasing segmentation.

Strengthening the CSR dimension in tender processes is a key factor in transforming supply chains. At the end of 2022, a new supplier selection criterion entitled "Extra-financial Performance - CSR" was defined and will gradually make it possible to better take into account and promote the CSR commitments implemented by suppliers, including elements relating to the reduction of their CO<sub>2</sub> emissions or the eco-designed solutions they can propose. The deployment of this provision will be strengthened in 2023.

In addition, several climate awareness-raising sessions, notably through "Climate Fresco" educational tools, were organized within Group Purchasing; more than 150 people took part in 2022.

At the same time, a network of correspondents has been set up within the Purchasing organization to share the "low-carbon" solutions proposed, relay key messages and escalate relevant initiatives likely to be shared within the Group.

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

### Reducing emissions from products and services sold

In 2022, Thales continued to refine its modeling of CO<sub>2</sub> emissions resulting from the use phases of products and services sold (see section 5.5.3.2.4). The Group is convinced of the importance of setting targets and implementing action plans to reduce emissions from the use phase of products which, for most of the Group's products, constitute the majority of emissions generated over the course of the products' lifecycles.

In order to update the calculations and models related to platforms for 2022, the associated emission factors were updated based on accessible public data.

In addition, some corrections were made to the technical characteristics of the products, with an insignificant impact on the results. In order to maintain comparability of data, the calculations relating to the phases of use of products and services sold were updated for previous years.

At the same time, the Global Business Units have continued to work on their roadmaps for reducing CO<sub>2</sub> emissions, identifying priority products and the work to be undertaken to meet the objectives defined for 2023 and 2030. Concrete examples of achievements and work in progress are given in section 5.5.6.

CO<sub>2</sub> emissions linked to the use phase of products placed on the market in 2022 are estimated at 6.04 million metric tons of CO<sub>2</sub> equivalent, down by 2.6% compared with 2021 and by 43% compared with 2018 (10.63 million metric tons of CO<sub>2</sub> equivalent according to the updated methodology and retroactively including the hardware of the DIS GBU).

This sharp decline compared to the 2018 reference year is explained by changes in activity in all sectors, technological improvements to products and solutions put on the market, but also stems from the decline in activity for aircraft manufacturers, largely as a result of the impact of the Covid-19 pandemic, despite the observation of a restart of these activities in 2022, this recovery being uneven among customers and product types.

<sup>[2]</sup> Counted twice, leading to an accounting reduction in CO<sub>2</sub> emissions related to purchase of goods and services. This decrease is reflected in a difference of 111,000 metric tons of CO<sub>2</sub>.

# 5 Corporate responsibility and non-financial performance

## The Environment

### 5.5.3.2.6 Solutions for the fight against climate change

#### Innovative solutions for sustainable mobility

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

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

- 1) an air traffic management system with the ability to update trajectories every minute based on the actual position of aircraft, combined with atmospheric monitoring that integrates wind and weather phenomena;
- 2) a flight management system that constantly monitors, adapts, and refines the aircraft's trajectory for an optimized, safer flight (avoiding dangerous weather events) and with lower fuel consumption;
- 3) the "Flight Footprint" system, which was labeled an "Effective Solution" by the Solar Impulse Foundation and audited by Carbone 4 in 2022. It is used to assess the actual impact (including the effects of CO<sub>2</sub>, nitrogen oxides and condensation trails) of each flight in order to reduce the carbon footprint of aviation. Currently being assessed by the Amelia regional company, it allows the real climate impact of its operations to be understood and alternative trajectories limiting this impact to be proposed;
- 4) the Green Flag operational process to maximize eco-responsible procedures between aircraft, airline and air traffic management (ATM) centers to reduce the carbon footprint of aviation. This concept, tested in 2022 with Air France and the Directorate of Air Navigation Services will be assessed at European level from 2023.
- 5) The development of simulators in the civil and military fields. As well as being developed with an eco-design approach, they also reduce the number of flight hours required for pilot training and thus avoid the corresponding emissions generated by real flights. For example, Helisim, the joint venture between Thales, Airbus Helicopters and Défense Conseil International specializing in helicopter flight simulator training, estimates that it has prevented the release of 11,000 metric tons of CO<sub>2</sub> into the atmosphere and continues to prevent the release of over 18 grams of CO<sub>2</sub> every second.

Thales participates in the European SESAR program, which coordinates research and development activities in the field of air traffic management. In particular, in 2020, Thales contributed to equipping commercial aircraft with new-generation flight management systems. These allowed environmental performance to be recorded on more than 20,000 flights. This innovative technology, based on the real-time transmission of trajectory data in four dimensions (latitude, longitude, altitude, time dating) to the control of air operations, makes it possible to optimize these operations and reduce their environmental footprint.

In a context of increasing urbanization, with 75% of the world's population expected to live in cities by 2050, creating the conditions for sustainable mobility is one of the most effective ways to help reduce CO<sub>2</sub> emissions.

Thus, in the rail sector, personalization and optimization of driving profiles are calculated for each stretch of the line and each type of train in order to minimize the necessary energy while respecting punctuality constraints.

The digital architecture of the new **signaling system** developed by Thales for subways, Seltrac™ G8, allows software functionalities to be continuously updated without disrupting traffic, as well as integrating technologies such as self-driving trains and subway trains. In addition, Thales is developing payment options that promote interoperability between different means of transport, making public transportation more attractive and helping to reduce CO<sub>2</sub> emissions.

Thales also offers subway operators an "as a service" analysis of their line and the creation of personalized driving profiles that are energy efficient while having a low impact on the journey time. Achievements showed a 10% to 20% reduction in energy consumption, with a 3% increase in the duration of the journey.

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

In 2022, SMRT Trains partnered with Thales through the "Next Generation Green CBTC Project" initiative to reduce electricity consumption and achieve energy efficiency gains on Singapore's oldest rail networks: the North-South and East-West lines.

The contribution of **navigation satellites** to traffic flow and management is another important example of Thales' solutions to combat climate change. It plays an obvious role in more intelligent and therefore more ecological travel. Navigation activities represent more than more than one third of the activity of the Observation, Exploration, and Navigation product line of Thales Alenia Space.

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



## Smart City

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

- 1) efficiently exploit the data of a connected city - to better understand and anticipate the needs of residents and offer them secure, operationally optimized services that simplify their lives;
- 2) inform users about the state of road or rail traffic almost in real time;
- 3) better manage day-to-day operations and facilitate the coordination of the various actors, particularly in the event of a crisis;
- 4) lastly, more generally to improve the environmental efficiency of cities: water and energy consumption, optimized use of transportation, etc.

### 5.5.3.2.7 Environmental monitoring and understanding the effects of climate change

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

Some of these observation tools are also used to monitor and prevent CO<sub>2</sub> emissions and environmental damage, in particular:

- 1) pollution and pollution movement tracking;
- 2) forest fires;
- 3) beach erosion;

- 4) deforestation;
- 5) illegal exploitation of mines or natural resources;
- 6) improving the safety of maritime transport.

Thales Alenia Space has already provided a wide range of earth observation satellites and instruments used for oceanography, altimetry, meteorology, mapping, climatology and crisis management. Geostationary meteorological satellites, optical measurement instruments, ERS and COSMO SKYMED radar satellites, altimetry satellites and radar instruments for oceanography, as well as atmospheric and radar instruments for ice observation contribute to these observations. Today, Thales Alenia Space is in charge of the S1 radar (A, B, C and D), S3 oceanography (A, B, C and D) and S6 Jason CS sentinels.

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

Thales Alenia Space currently contributes to five of the six missions of the new phase of Copernicus, the European Commission and ESA's Earth observation satellite program. Thales will be the prime contractor for CHIME (Copernicus Hyperspectral Imaging Mission for the Environment), which will look at agriculture, food security, soil condition, biodiversity, etc., CIMR (Copernicus Imaging Microwave Radiometer), which will measure ocean surface temperature and numerous other maritime parameters and Rose-L (Radar Observation System for Europe in L-band), to monitor soil moisture and polar ice thickness. The Group will also be responsible for the payload of the CO2M mission (monitoring CO<sub>2</sub> emissions) and the altimeter of the CRISTAL mission (topography of polar ice and snow).

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

## 5.5.4 Non-climate environmental policies

In addition to the climate policy, the Group has defined policies to reduce its other impacts on the environment.

### 5.5.4.1 Governance

The governance of the environmental impact of the Group's activities on the themes of Waste, Water, Pollution, Industrial Emissions and Biodiversity was strengthened in 2022 with the creation of an Environment Coordinator position within the CSR Division's HSE unit. This position complements Health & Safety, HSE Products - Substances and HSE Risk Management & Low Carbon Strategy. This organization is in charge of implementing policies dedicated to controlling non-climate environmental impacts.

### 5.5.4.2 Policies implemented

#### 5.5.4.2.1 Reduce, reuse and recycle waste

In terms of waste management, Thales applies the 3Rs rule: Reduce, Reuse and Recycle. Various associated measures make it possible to reduce the production of waste and to improve its processing: the selective collection of waste, the search for recycling channels or optimal treatment channels as well as changes in behavior (elimination of plastic, printing policy, reuse of cardboard and other packaging).

To reduce packaging consumption, several of the Group's sites now use container trucks and mobile service units to supply and transfer equipment from one site to another.

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# 5 Corporate responsibility and non-financial performance

## The Environment

Thales works with its packaging suppliers to reduce the environmental impact of downstream flows to its customers, in particular by optimizing the design of its packaging, making as much use as possible of materials with less environmental impact and optimizing external dimensions and weight of the solutions selected. Reusable packaging solutions for spare flows are deployed on a large scale. These levers are quantified and reported regularly using a certified tool made available by our main packaging supplier.

Nevertheless, the quantity of waste produced is highly dependent on the level of activity. Thus, the resumption of the Group's activity, combined with the health measures related to Covid-19, which continued at the beginning of 2022 (use of disposable protection and paper for the frequent cleaning of spaces) and the increased numbers of people physically present at the sites led to an increase in the production of non-hazardous waste per person by 5% compared to 2021 (excluding exceptional waste). Total non-hazardous waste production (excluding exceptional waste) increased by 8% compared to 2021. This increase in the intensity of waste production per person is mainly explained by an exceptional and specific operation to clean up industrial settling basins at a group site (>80% of the increase observed). Excluding this event, the increase in non-hazardous waste (excluding exceptional waste) was around 1%, which is very well under control given the increase in activity observed and the increased numbers of people present at sites.

### Performance relative to the environmental impacts of the Group's activities (NFPS)

	2018	2021	2022	Change 2018/2022	2023 target
<b>Natural resources</b>					
Recycling rate of non-hazardous waste (excluding special waste) <sup>(a)</sup>	55%	70%	73%	+18 pts	75%

(a) Special waste refers to waste produced outside the Group's normal activities, for example during construction works.

The actions carried out in 2022 led to a recovery rate for all waste (excluding exceptional waste) of 89%, up sharply compared to 2018 (80.3%), and in the recycling rate of non-hazardous waste (excluding exceptional waste), which was 73%, also up sharply (55% in 2018).

This improvement can be explained in particular by the recovery, by composting, of the sludge (settling basins) generated in 2022 in exceptional quantities, which alone represents 20% of the total quantity of non-hazardous waste produced.

Finally, the rate of landfilling of non-hazardous waste decreased between 2018 and 2022 from 21% to 10% (excluding exceptional waste).

The production of hazardous waste (excluding exceptional items) increased by 6% between 2018 and 2022, and by 4% between 2021 and 2022. This increase is linked to the growth of the Group's activity and production. Particular attention is paid to the management of this hazardous waste. Dedicated collection and storage areas are in place to facilitate their management before disposal.

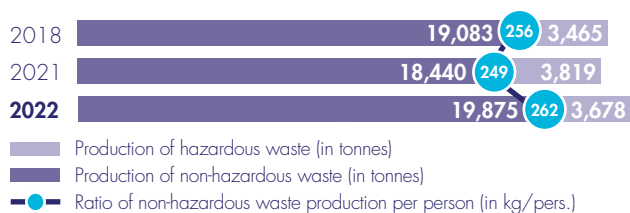
At the same time, the recycling rate of this hazardous waste was down sharply (36% in 2018 vs. 28% in 2022), due to the change in the treatment of chemical products (which tend now to be incinerated, with energy recovery), batteries, sludge and other hazardous waste. This reduction is partially counterbalanced by an increase in the recycling rate of oils, the quantity of which increased between 2018 and 2022.

Also, an internal process for reusing industrial equipment in France via a sales/donation system, called "Green Initiatives", makes it possible to promote the reuse of industrial equipment by other Group sites instead of discarding them. This initiative made it possible to carry out 42 transactions and avoid 550 metric tons of CO<sub>2</sub> emissions in 17 months.

Finally, for the majority of Thales sites, the management of company dining facilities is entrusted to catering companies, and the Group therefore has no direct impact on food waste. Nevertheless, as with all its partners, Thales is working with these companies to implement responsible solutions for processing and encouraging the reduction of food waste. As a result, between 2018 and 2022, the amount of catering waste in the Group's total non-hazardous waste production decreased by 37%.

This decrease was driven in particular by actions to raise awareness among employees by the Group's service providers and the development of anti-wastage programs.

### PRODUCTION OF HAZARDOUS AND NON-HAZARDOUS WASTE (excluding exceptional waste)



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



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**5.5.4.2.2 Conserving water**

Water is a fundamental resource that must be conserved. For more than 20 years, Thales has been involved in an extensive program to reduce its water consumption, including, in addition to leak detection and the renovation of pipes, the implementation of centralized management for network management, the replacement of high-consumption equipment, the optimization of industrial processes and the recycling of water for its reuse in industrial processes wherever possible.

In 15 years, this program has generated a significant and stable reduction in the Group’s water needs, thereby reducing the pressure on this scarce resource in a sustainable manner.

Risks related to water management have not been identified as being significant at Group level (see section 5.5.2.3). Nevertheless, despite the low level of consumption resulting from optimized multi-annual management plans (favoring recycling loops), and the absence of operations in water-stressed areas, water resource management remains a subject of attention for the Group, which remains committed to not increasing its consumption.

Moreover, Thales responds to the CDP’s Water Security questionnaire (see section 5.5.1.4).

	2018	2021	2022	2021/2022	Target
<b>Water</b>					
Water consumption (thousands of m <sup>3</sup> )	1,774	1,615	1,529	-5%	No increase in consumption

In 2022, overall water consumption was 1,529,000 m<sup>3</sup>, down by 14% from 2018. This reduction confirms the collective effort of all sites, including the Mulwala site (Australia) which, because of its industrial activities and processes, alone accounts for 31% of the Group’s water consumption. Its water consumption decreased by 16% between 2018 and 2022.

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

**5.5.4.2.3 Limiting industrial emissions**

<b>Industrial wastewater discharges</b>	<p>Thales’ activities do not generate large quantities of industrial water discharges: just over 600,000 m<sup>3</sup> in 2022. Eight sites account for 97% of these discharges, 63% of which are from the Mulwala site in Australia. Throughout the Group, these discharges have decreased by 4% compared to 2018, resulting from optimization measures, constant modernization of facilities and recycling and reuse of this water.</p> <p>In the summer of 2022, major flooding in the Mulwala region in Australia led the site, following approval by the administration, to release overflow water from its settling basins directly into the natural environment, with specific monitoring (volume and discharge load).</p>
<b>Industrial air emissions (excluding refrigerant fluids)</b>	<p>Thales’ activities do not generally give rise to atmospheric emissions, except for those from a few specific industrial sites or those linked to the operation of the sites (in particular, heating).</p> <p>On the few sites in question, industrial air emissions are channeled and treated when necessary (filters, scrubbers, etc.) and regularly monitored. These are mainly solvents.</p> <p>1,289 metric tons of solvents were used in 2022. Of the 114 sites concerned (out of 186 of the scope) only 10 account for 90% of solvent purchases.</p> <p>The Mulwala site alone accounts for 78% of these purchases and 52% of the atmospheric emissions caused by the manufacture of propellants requiring a large quantity of solvents.</p> <p>Note that between 2020 and 2022, solvent purchases related to the prevention and control of Covid-19 decreased by 61%, bringing the share of solvent purchases related to sanitary measures to 2.5%.</p> <p>Although the Mulwala site commissioned a new manufacturing process in 2019 associated with the increase in its production capacity, industrial atmospheric emissions associated with solvents decreased significantly by 32% between 2018 and 2022, and by 49% between 2021 and 2022 (some sites having eliminated solvents or replaced them with detergents).</p>
<b>Fight against noise and odor nuisance</b>	<p>Thales’ activities generate very little noise and odor pollution, but actions are taken to limit these factors. The few facilities that most commonly emit noise are refrigeration facilities, for which precautions are taken to limit their noise impact. Sound levels are periodically checked. The few sites affected by noise due to their activities are equipped with acoustic attenuation devices or have made adjustments to the time slots when noisy activities take place. In addition, the increasing use of computer simulation systems helps to reduce noise, for example in pyrotechnical tests.</p> <p>Only six of the Group’s sites report generating odor nuisance. These are odors resulting from evaporation basins, the use of solvents and paints. Appropriate measures have been implemented to reduce this nuisance: cleaning, installation of paddle wheels to increase dissolved oxygen levels, reduction in use, installation of suction and discharge treatment equipment, use of specific protective equipment for operators.</p>



# 5 Corporate responsibility and non-financial performance

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### Land use and prevention of pollution

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

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

Some industrial sites are subject to periodic water table monitoring. The cases in question are regularly monitored by the Group's HSE Division in coordination with the legal experts from the CSR Division dedicated to environmental issues, and in close coordination with the relevant supervisory authorities (state and regional environmental agencies, Regional Environment Directorates, Regional health authorities, local authorities, etc.).

In addition, the Group considers environmental factors when choosing its sites: climate and geological risks, impact of its activities on the human and natural environment, and land use. The goal is to ensure maximum compatibility between the activities and their environment. Therefore, certain activities such as pyrotechnics are subject to specific site requirements due to the risks they generate, requiring large safety zones around them as well as appropriate geology.

Three Thales sites (two in Australia and one in France) account for 78% of the surface areas occupied by the Group. These extended areas are necessary due to the specific activity of these sites. They are protected and subject to measures to promote biodiversity or are transformed into pastures or even farmland.

The surface areas occupied by the other sites represent 22% of the total surface area and are mainly divided between industrial zones (51%) and business areas (31%).

#### 5.5.4.2.4 Preserving biodiversity

The protection of ecosystems and associated ecosystem services (climate regulation, supply of raw materials, cultural enrichment, food, natural habitats, etc.) essential to the development of human communities is taken into account in Thales' strategy to reduce its environmental footprint (see section 5.5.1.2).

In 2006, an inventory of sites located near or within protected natural areas was drawn up to measure and monitor the impact of the Group's activities on biodiversity. This work has made it possible to consolidate a map of biodiversity-related risks for sites located in vulnerable areas and to assess that the Group's impact on biodiversity is low (see section 5.4.4.2). In addition, Thales encourages its employees to take steps to protect and enhance species and their habitats. Threats to biodiversity vary from one site to another, making its protection a local issue that is illustrated by the diversity of actions carried out on the Group's sites.

As part of new projects, and depending on the location and the sensitivity of the environment, the Group carries out impact studies on biodiversity and applies the doctrine of "Avoid, Reduce, Offset" (ARO), as with the in-depth studies conducted in 2021 as part of the new site project in Cholet as well as the offset work carried out at the end of 2022. Inventories of fauna and flora are carried out, avoidance measures are defined, planting projects are carried out, measures for managing green spaces more favorable to biodiversity are put in place, and employee awareness-raising actions are organized.

In addition, biodiversity "frescoes" (see above) were organized for the HSE France network (more than 100 people) in October 2022. In order to optimize the measurement and monitoring of actions in favor of biodiversity, these are monitored dynamically, shared and consolidated annually by the Group.

A biodiversity challenge launched in May 2022 on the occasion of International Biodiversity Day enabled us to highlight the initiatives implemented locally by the sites. A mapped inventory of the actions carried out also enabled the drafting of a guide on best practices for biodiversity.

The biodiversity challenge was therefore an opportunity to highlight the actions of more than 55 sites located in 12 countries. In addition, the Group's employees were able to showcase the "Coup de cœur" project in three geographical areas (Americas, Europe and Asia-Pacific).

The results of the monitoring show significant integration of the protection of biodiversity, including for sites not located in vulnerable areas. This involvement is characterized by the implementation of measures such as the creation of meadows or ponds to diversify habitats, the differentiated management of green spaces allowing the diversification of flora and fauna, the creation of shared gardens and vegetable plots to raise awareness and encourage employee involvement, and the planting of formerly concrete areas with native plant species to combat invasive plants and support the development of local flora.

For example, the establishment of a garden shared on the Montreal site (Canada, winner of the Biodiversity Challenge for the Americas) for the past four years, which has been maintained by volunteer employees on the site.

Some of these projects are carried out in partnership with local environmental protection authorities or organizations (*Office National des Forêts*, communities of municipalities, student associations, etc.), demonstrating Thales' collaborative approach in its commitment to the preservation of biodiversity.

Because of their location in a protected area, some sites such as Mulwala and Benalla in Australia, winners of the Biodiversity Challenge for Asia/Pacific, have put in place a habitat management plan. This management plan aims first to identify threatened species by carrying out environmental inventories, and then to fight against the spread of invasive species by planting exclusively native species. These sites also implement voluntary local measures to combat the fragmentation of natural habitats (100 trees planted at the Benalla site, establishment of cellular grazing on the Mulwala site).

In France, the Thales Pont-Audemer site, winner of the Biodiversity Challenge for Europe, signed a Real Environmental Obligation (REO) contract in early 2022 as part of the "Renaturons-nous" ("Let's Renaturalize") program, which contributes to the conservation of species and the re-greening of the Saint Ulfrant industrial zone, a reservoir of reptiles and amphibians referenced by the local Permanent Center for Environmental Initiatives (CPIE). In Toulouse, the continuation of projects carried out with the various associations of the Social and Economic Committee (CSE) has enabled the planting of a "micro-forest," fallow land, and recently to experiment with vegetation as insulation for the site's infrastructure. Since the site was established in Bordeaux, it has been subject to a biodiversity management plan that allows the return of endemic wetland species. In close partnership with the Bordeaux Metropolitan community of municipalities, this project is monitored by the Regional Environment Directorates.





In order to involve as many of its employees as possible and to act on a scale that goes beyond the immediate vicinity of its sites, Thales also supports environmental NGOs through its "Thales Solidarity" program and, in particular, through the collection of Rounding-up of Salaries (see 5.6.2.6.3.2). Since 2021, this scheme has made it possible to support the "Coeur de Forêt" association, whose aim is to respond to the dual challenge of preserving biodiversity and sustainable economic development through the implementation of reforestation projects. Thanks to the collection organized within the Group, more than 6,000 trees were planted in 2022 in the endemic forests of the north-east region of Madagascar.

In order to go even further, a detailed and specific questionnaire was rolled out to the sites in 2022. In addition, a qualitative analysis

of the dependencies and impacts of the Group's activities vis-à-vis biodiversity is in progress with the support of an expert on the subject who relies in particular on the ENCORE tool (Exploring Natural Capital Opportunities, Risks and Exposure). This analysis is the first step in defining a medium- and long-term action plan. It allows us to develop a response to the expectations of the Task Force on Nature-related Financial Disclosures (TNFD), the conclusions of the COP15 (Kumming-Montreal Global Biodiversity Framework [GBF] - December 2022), and future climate resilience issues.

Through these actions, Thales demonstrates its willingness to integrate biodiversity into its operational decision-making processes in order to contribute to environmental protection.

## 5.5.5 Policy of innovation in the service of the environment

### 5.5.5.1 Governance

The innovation approach for the environment, including ecodesign and the contribution to the circular economy is associated with the Group's key processes, including strategy, product policy, engineering, industry and purchasing. The Group is also developing methods and tools to help designers and product architects make eco-responsible choices at the various stages of specification and design of products and services, to capitalize on available environmental information, and to ensure that the solutions chosen comply with regulatory requirements.

A Group-wide Steering Committee comprising Group experts (HSE department, HSE product coordinators from all GBUs, heads of product policy and engineering) oversees the consistency of the approach, the sharing of information and best practices, and the construction of sustainable performance indicators, which are monitored quarterly by the CSR Division and the Group Executive Committee.

### 5.5.5.2 Policies implemented

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

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

The three approaches implemented in this process are:

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

#### 5.5.5.2.1 Product lifecycle analysis

In 2022, Thales carried out simplified lifecycle analyses (LCAs) on more than twenty products under development in the defense and civil sectors.

In addition, Thales carries out LCAs on products with specific life profiles such as satellites at the request of the European Space Agency (ESA). An LCA report was provided for one Galileo satellite, currently under review by the customer, and another for the Sentinel 1 Next Generation satellite. In addition, LCAs have been

initialized for the ROSE-L, CIMR and CHIME instruments, which will be finalized in 2023. In addition, Thales worked with a partner to establish a methodological guide for the production of LCAs adapted to space products, and for application on pilot cases to be carried out in 2023.

In another area, Thales is contributing with other manufacturers to work to integrate pyrotechnics into the LCAs of ammunition.

When requested by its clients, Thales adapts its approach and, for example, uses the POEMS methodology/tool, including an environmental impact analysis that is very comparable to an LCA, on behalf of the UK Ministry of Defense.

The use of product LCAs and environmental impact analyses over several years has allowed us to highlight the need to substitute hazardous substances and to define the phases of the lifecycle that have the greatest impact in terms of CO<sub>2</sub> emissions. For most of the Group's products and solutions, the use phase has the highest carbon footprint. This is mainly due to potentially very long product lifespan of 20 years or more and high usage rates. The analyses also show that actions to reduce CO<sub>2</sub> emissions generally lead to a reduction in other environmental impacts, thus identifying the real levers for action.

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

For a limited number of products with a short lifecycle in the use phase, and concerning consumer applications, in particular bank cards or SIM cards and associated peripherals, the implementation of LCAs adapted to the relevant environmental indicators for these products shows that the production phase generates the most significant impact. This phase of the lifecycle is the priority of efforts to reduce environmental impacts through the development of circularity and the reduction of quantities of material. (see section 5.5.6).

Finally, the Group contributes to the reduction of its customers' carbon emissions. Indeed, several products and systems developed by Thales make it possible, in a very significant way, to avoid some of the emissions of the customers who use them. In the aeronautical field, examples include traffic management systems, trajectory optimization systems, flight assistance systems, and simulators that limit the amount of real flight training (see section 5.5.3.2.5).

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# 5 Corporate responsibility and non-financial performance

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### 5.5.5.2.2 Developing eco-design

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

In 2022, a specific guide called "Frugal by design" was produced for architects and designers of the Group's various business lines: System, Hardware, Software, Artificial Intelligence, Data and Cloud-based Digital.

This guide highlights the need to combine innovation and "sobriety" (thrift) to reduce environmental impacts, and proposes key ecodesign guidelines that at the same time lead to increased customer value. These proposals are accompanied by examples for each of the technical areas concerned. It complements the tools already used by this community.

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

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

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

In addition, since 2017, Thales has been using the additive manufacturing process ("3D printing") to manufacture parts in the space field and is expanding its scope to other areas, particularly aerospace. This technology, combined with the use of topological optimization tools, limits material consumption for a given need. It also makes it easier to repair parts and allows for an optimized approach to service offerings. This manufacturing technology also allows for miniaturization, leading to a reduction in the volume and mass of parts, thereby reducing material consumption, as well as energy consumption during the manufacturing phase and in the use phase for equipment embedded on mobile platforms. The work carried out by Research & Technology, which has been carried out for several years, and which is continuing today, makes it possible to combine several functions in a single performance, which increases the benefit of this solution.

For certain specific activities such as bank cards and SIM cards, Thales is developing manufacturing processes that allow the use of recycled plastic for card bodies.

The table in section 5.5.6 includes some examples of products for which reductions in environmental impact have been achieved along the lines described above.

All of the actions described above have resulted in **84% of new developments incorporating eco-design in 2022.**

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

All Product Line Architects, Product Line Managers, Design Authorities and Product Design Authorities had received eco-design training by the end of 2022.

In addition, since 2019, training tools updated yearly and training sessions have been implemented in the Group's various entities and had reached more than 1,800 employees by the end of 2022. The objective is to allow product policy and engineering staff to integrate these issues into product road maps and into the different development stages, translating them into technical requirements that guarantee their implementation throughout the development process.

### 5.5.5.2.3 Preserving critical resources

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

### 5.5.5.2.4 Products' end of life

With regard to the end of life of products, and more specifically for the small proportion of them falling within the scope of the WEEE directive, the Thales entities concerned join eco-organizations in order to comply with their regulatory obligations.

Because most Thales equipment contains strategically sensitive components and/or data, many customers prefer to discard them, lock them in warehouses or destroy them themselves. However, to meet the expectations of some of them, Thales makes dismantling offers adapted to the various situations. Recycling is at the intersection of three priorities: ensuring safety and security, protecting the environment and unlocking the economic value of waste.

For example, Thales has dismantled around forty laser-designation pods, requiring full knowledge of the product to address health, safety and environmental aspects, and then allow the conventional recycling of rare minerals and more conventional metals, with the support of a partner.



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### 5.5.5.2.5 Obsolescence and substitution of hazardous materials

The increasing number of environmental regulations, as well as their evolution, leads to the limitation or even prohibition of certain substances. This leads to a growing risk that a piece of equipment or a system can no longer be manufactured or maintained throughout its lifecycle. This is why Thales has rolled out a proactive approach based on anticipating risks and implementing the necessary actions to control them. The Group pays particular attention to technologies involving substances on the Candidate List and Annex XVII to the REACH Regulation <sup>(1)</sup>, but also those referred to in other regulations such as the RoHS <sup>(2)</sup>, and WEEE <sup>(3)</sup> Directives, the POP <sup>(4)</sup> and ODS <sup>(5)</sup> Regulations in Europe and international conventions on this subject.

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

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

In the case of chromates, Thales began researching alternative processes for more than 30 industrial processes used for its applications by its subcontractors in 2013. The Group has committed more than €9 million to this effort and to the implementation of alternative processes in equipment and systems. By the end of 2022, depending on the entities, between 60% and 100% of substitutions had already been made, in line with the deadlines.

For the rare processes where there is no approved technical solution to date, or where the industrial implementation of alternative solutions has not yet been fully completed, Thales has ensured that it and its supply chains are protected:

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

Thus, compliance with the timetable in line with the authorization end dates set by the European Commission (September 2024 and January 2026) is ensured for the industrial processes concerned by the substitution of chromate; if necessary, stock buffers of items will be created to manage the transition and avoid supply disruptions.

Similarly, the Group assesses exposure to potential risks related to other substances such as lead, PFAS (per- and polyfluoroalkyl substances), bisphenol A and cadmium, and carries out studies to find alternative solutions whenever necessary. Dedicated action plans relating to the substitution of lead were initiated to anticipate as much as possible a possible ban on its use in Europe, with a gradual deployment of alternative solutions to new products when compliance with the technical specifications of these solutions has been demonstrated.

### 5.5.5.3 KPIs and performance

	2018	2021	2022	Change 2018/2022
New developments incorporating eco-design	N/A	84%	84%	N/A
Percentage of Product Line Managers, Design Authorities, and Product Design Authorities trained in or made aware of eco-design	N/A	64%	100%	N/A

<sup>(1)</sup> REACH: Regulation (EC) 1907/2006 of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the restrictions applicable to these substances.

<sup>(2)</sup> RoHS: Restriction of Hazardous Substances in electrical and electronic equipment - Directive 2011/65/EU of June 8, 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

<sup>(3)</sup> WEEE: Waste Electrical and Electronic Equipment - Directive 2012/19/EU of July 4, 2012 on waste electrical and electronic equipment.

<sup>(4)</sup> POP: Persistent Organic Pollutants - Regulation (EU) 2019/1021 of June 20, 2019 on persistent organic pollutants.

<sup>(5)</sup> ODS: Ozone Depleting Substances - Regulation (EC) 1005/2009 of September 16, 2009 on substances that deplete the ozone layer.

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### 5.5.6 Eco-responsible products and services

Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
<b>Eco-designed products</b>				
<b>Aeronautical</b>	Optimization of the system architecture.	Multi Application Critical Controller (MACC) Replacement of five modules with one to cover the needs of the auxiliary systems.	Reduction of consumption of materials and CO <sub>2</sub> emissions in the use phase.	60% reduction in CO <sub>2</sub> emissions
	Design optimization and predictive maintenance.	New RSMG digital radar for air traffic management.	Reduction of resource and energy consumption, reduction of maintenance operations.	10% reduction in CO <sub>2</sub> emissions Mass reduced by 30% Energy consumption reduced by 10%.
	A radar air traffic management station powered entirely by solar energy.	Deployment of the world's first radar air traffic management station entirely powered by solar energy in Calama, Chile. The system will be powered by 330 solar panels and take full advantage of the region's high degree of sunshine. This solar radar station consists of a STAR NG primary surveillance radar and an RSM secondary surveillance radar from Thales.	Replacing conventional energy sources (fossil fuel generators) with renewable sources (solar panels installed on the site), significantly reducing the CO <sub>2</sub> footprint of the radar station throughout its life.	The station consumes 415 MWh per year. Considering a solar panel emission factor of 48 kilos of CO <sub>2</sub> per MWh over its lifecycle and the average annual emission factor of the Chilean network, solar power supplies save approximately 146 metric tons of CO <sub>2</sub> per year.
<b>Space</b>	Optimization of the product architecture.	Low noise amplifier	Reduction of material consumption and CO <sub>2</sub> emissions in the launch phase.	50% reduction in CO <sub>2</sub> emissions.
	Use of 3D printing and combination of mechanical and thermal functions.	Satellite-mounted equipment support Integration of heat pipelines and thermal radiator into the mechanical structure, topological optimization.	Reduction in material consumption, mass and therefore CO <sub>2</sub> emissions in the launch phase.	Mass reduced by 1kg, i.e. more than 30% of the initial mass.
<b>Digital</b>	AT10K: Energy Star eco-labeled identity document reader.	Modification of the current reader to follow the Energy Star ecolabel criteria as "imaging equipment".	Reduction of energy consumption and therefore CO <sub>2</sub> emissions.	Energy consumption reduced by 30%.
	Use of recycled or bio-sourced plastic for SIM cards and bank cards.	New manufacturing processes allowing the use of recycled plastic for the manufacture of ECO SIM products: Recycled PET avoiding their disposal in the oceans, recycled polystyrene from electronic products. Roll-out of SIM and eco-designed bank card offerings.	Reduced use of natural resources, recyclability, circular economy. Reduced waste volumes and associated potential pollution. Support for projects contributing towards carbon neutrality.	50 million SIM cards and 70 million bank cards made of recycled or biosourced plastic in 2022.



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Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
Defense	Redesign with drastic reduction of size, weight and power	New products such as <b>XTRAIM</b> and <b>SOPHIE ULTIMA</b> which combine in one single product the features of several products offered today by the market	Reduction of raw material consumption and CO <sub>2</sub> emissions, improvement of the operational use phase	Reduction of raw material resource consumption and of CO <sub>2</sub> emissions and operational use phase
	Hybridization of energy to power on-board systems on military vehicles and shelters	DYON Automation of the switch between a vehicle's alternator and lithium batteries, supplemented by solar panels	Reduction of fossil energy consumption, therefore reduced need to transport fuel, reduction of the logistical footprint and of CO <sub>2</sub> emissions while at the same time providing operational benefits (range, lack of noise and heat signature, safer transport, etc.).	
	Use of 3D printing	Creation of an optimized air/liquid exchanger for the IRST (Infra Red Search and Track)	Reduction in the use of natural resources and in CO <sub>2</sub> emissions	Mass and volume cut to one third Use phase of CO <sub>2</sub> cut to one third

# 5 Corporate responsibility and non-financial performance

## The Environment

Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
<b>Functions for the climate</b>				
<b>Aeronautical</b>	Fully connected and scalable flight management system for the future	<b>PureFlyt</b> allows continuous control, adaptation and refinement of the aircraft's trajectory for an optimized flight	Reduced fuel consumption and associated CO <sub>2</sub> emissions	Reduction of up to 10% of CO <sub>2</sub> emissions from commercial aviation by 2023 through the combination of ATFM and PureFlyt systems
	Mastery of trajectory prediction algorithms combined with the use of eco-responsible AI	Air Traffic Flow Management ( <b>ATFM</b> )		
	Aid system for the sequencing of aircraft departures and arrivals, facilitating the flow of traffic.	<b>MAESTRO</b> sequencer: traffic flow management system (arrivals and departures) for airports and airspace.	Reduction of CO <sub>2</sub> emissions from aircraft during take-off and landing phases.	36 airports equipped with the sequencer system.
<b>Ground transportation</b>	Ticketing system for interoperable transportation	<b>TRANSCITY</b> , a modular and scalable ticketing solution integrating the constraints of cybersecurity and personal data protection	Improving the appeal of public transportation networks, helping to reduce CO <sub>2</sub> emissions	50 million transactions per day managed by TRANSCITY
	System for monitoring and controlling equipment in stations	Monitoring and control of equipment in the station, to optimize the operating mode in real time, according to the need	Improved energy efficiency and therefore reduced CO <sub>2</sub> emissions while at the same time ensuring punctuality and safety: 15% reduction in the consumption of traction energy	Control centers for over 100 subway lines in 31 countries
	Optimization of the train driving strategy based on data from on-board equipment	<b>GREENSPEED</b> Driver Advisory System Defines the best driving strategy from either static tables or by working with dynamic data from a Greenspeed Train Management System, which improves performance	Improved energy efficiency and therefore reduced CO <sub>2</sub> emissions while at the same time ensuring punctuality and safety: 15% reduction in the consumption of traction energy	Over 4,000 GREENSPEED users
	Optimization of subway driving, with or without driver	The <b>Green CBTC</b> function of the SELTRAC CBTC solution implements automatic driving that reduces energy consumption and favors brake power regeneration	Better energy efficiency and therefore reduction of CO <sub>2</sub> emissions while ensuring sufficient frequency (comparable benefit to the Greenspeed solution mentioned above): 15% reduction in the consumption of traction energy	SELTRAC CBTC on over 100 subway lines in 40 cities
	Data-driven software solution running in a private cloud, fully online and cyber-secure	<b>ARAMIS</b> , a management, control and command solution for reliable, safe, punctual and energy efficient rail traffic	Efficiency improvement of more than 30% Capacity improvement of more than 30% The two effects leading to a reduction in CO <sub>2</sub> emissions	72,000 kilometers of railway tracks equipped and 52,000 trains per day in 16 countries managed with ARAMIS





Field/Sector	Innovation	Products, service or solution	Environmental impact	Key figures
<b>Products for monitoring and understanding climate phenomena</b>				
<b>Space</b>	Spectrometer that will work in near-infrared and short-wave infrared for the measurement of anthropogenic CO <sub>2</sub> emissions	<b>CO2M</b> , the future flagship mission of the Copernicus program, from 2026. This mission responds to the commitment made by the European Commission at COP21 to have an operational space system for monitoring CO <sub>2</sub> emissions from 2028.	Measurement of CO <sub>2</sub> emissions and distinction between natural CO <sub>2</sub> and man-made CO <sub>2</sub> Evaluating the effectiveness of state policies Climate policy guidance Monitoring the achievement of national goals	Measurement of emissions with unparalleled accuracy: reinforced resolution of 4 km <sup>2</sup> with an imaging swath of 240 kilometers. Execution contract signed for two flight models: €260 million.
	Satellite carrying a synthetic aperture radar (SAR) instrument in L-band	<b>Rose-L</b> , environmental monitoring satellite in the context of Copernicus	Reduction of the time between the occurrence of a natural or man-made disaster and the first image taken after this disaster Land monitoring and emergency management	1 <sup>st</sup> tranche of the contract: €90m (€40m for TAS). Authorization for the next phase - phase CD of PFM and phase D1. Part 1 of FM2, awarded in December 2022 for a value of approximately €290 million.
	Satellite with a Copernicus Imaging Microwave Radiometer (CIMR) in the L to Ka bands	<b>CIMR instrument</b> , environmental monitoring satellite in the framework of Copernicus HPCM (High Priority Candidate Missions)	Earth Observation Mission, unique of its kind, that will provide an overall high-resolution measurement of floating sea ice, from 1.4GHz (L band) to 36.5GHz (Ka band) and measuring the temperature of the earth's surface light. CIMR is able to measure the concentration/extension of sea ice, sea surface temperature, salinity of the sea surface, in addition to many other variables: soil humidity, thin sea ice, sea ice drift, sea ice surface temperature, snow depth on sea ice, wind speed over the ocean, etc.).	PDR (Preliminary Design Review) System and Instrument successfully held at the end of 2022. An imaging swath greater than 1,900 km. A conical scanning at 6.7 km/s along track speed and 770 km/s across track speed, with a reflective rotary mirror of more than 7 meters in diameter.
	Satellite with Ka-band radar interferometer (wide area interferometry) At the end of the mission, controlled return to the atmosphere (in accordance with the French Space Operations Act 2008)	<b>SWOT</b> , an oceanographic satellite dedicated to measuring the level of surface waters and rivers, and to determining oceanographic dynamics with a very high degree of precision	Understanding the effects of coastal circulation on marine life, ecosystems, water quality and energy transfer Improved modeling of ocean/atmosphere coupling Monitoring of water storage changes in wetlands, lakes, and reservoirs	Launched in December 2022, commissioning under way. Start of operational measures on final orbit between March and June 2023. Ability to map all surface water on the earth in 11 days

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# 5 Corporate responsibility and non-financial performance

## The Environment

### 5.5.7 Implementation of Regulation 2020/852 of the European Parliament on the establishment of a European Green Taxonomy

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

These require Thales to publish, on the basis of its financial statements for the year ending December 31, 2022, the sales, operating expenses and capital expenditures relating to the Group's activities that are eligible and are aligned with the first two environmental objectives of the green taxonomy, i.e., climate change mitigation and climate change adaptation.

As described above, Thales' activities cover the defense, aeronautics, space, identity and digital security sectors. Among these products, solutions and services designed by Thales, some contribute to bringing major benefits to the fight against global warming, in particular:

- air traffic management (ATM) and avionics solutions that optimize aircraft trajectory and reduce the fuel consumed by air transport by up to 10%;
- flight simulators, which meet training needs with an extremely small carbon footprint;
- earth observation satellites, whose data are essential for understanding phenomena related to global warming;
- satellite navigation solutions: at the heart of programs such as Galileo and EGNOS, Thales Alenia Space is at the forefront of satellite navigation in Europe. These projects are essential building blocks for optimizing sea, air and land travel.

These activities illustrate how Thales' technological potential can be used to combat global warming. However, they are not currently listed among the activities eligible for the climate objectives of the taxonomy (Annexes 1 and 2 of the Delegated Regulation) and are therefore not currently covered by this Regulation.

#### 5.5.7.1 Methods used by Thales for the application of the green taxonomy

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

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

- the sales recorded are the consolidated sales for the year ended December 31, 2022 in accordance with IFRS;

- operating expenses only include research and development costs as reported in the consolidated profit and loss account. It was decided to limit the scope of operating expenses to those research and development costs not financed by the client due to the insignificance of the other amounts that could be considered;
- capital expenditure includes acquisitions of intangible assets and property, plant and equipment (information systems, technical expenses (engineering), production and services, real estate and fixed development costs, etc.), acquisitions of rights to use under leases for eligible projects, as well as expenses related to leasing contracts for professional vehicles.

The capital expenditure taken into account was assessed on a project-by-project basis and not by type of expense, in order to avoid double counting.

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

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

As part of the publication of data related to the application of the Green Taxonomy Regulation, Thales has decided to apply the following analysis thresholds:

- for sales and related operating expenses, an analysis threshold of 1% of the Group's sales was applied to each technical data hosting solution, whether dedicated to a Business Line or cross-functional to several of them. Thales has chosen the most precise level at which the analysis could be conducted (Global Business Unit (GBU) or Business Line);
- for capital expenditure, a threshold of €100,000 was applied per investment. For investment expenditure related to real estate, in accordance with current regulations, Thales did not take into account industrial and modular buildings in its analyses. For "mixed" buildings (hosting both industrial and office activities), only those with an office space of more than 1,000 m<sup>2</sup> were taken into account. In this case, the amounts included in the calculation of capital expenditure were determined pro rata to the total surface area.



For capital expenditure, the implementation of the Group's new policy on the selection of more environmentally friendly vehicles has enabled the collection of the necessary information and its integration into the reporting.

Finally, all capex comes from eligible and/or aligned activities of suppliers (vehicle leasing, building leasing, energy efficiency equipment, etc.).

This methodology is identical to the one used for the declaration published in 2022, with the exception of the addition, within capital expenditure, of expenses related to business vehicle leasing contracts.

## 5.5.7.2 Application of the green taxonomy for Thales

### 5.5.7.2.1 Eligibility analysis

#### 5.5.7.2.1.1 Eligibility of sales and operating expenses

With regard to sales and operating expenses, defense, aeronautical, space and IT security activities are not covered in the Green Taxonomy Regulation and its Delegated Regulations, in their version applicable at December 31, 2022.

As with the declaration published in 2022, it was noted that some of the Group's activities were potentially likely to fall within the scope of the cross-business activity "data processing, hosting and related activities" (8.1) for the climate change mitigation objective. It is therefore only in this field of activity that the eligibility analysis carried out, within the Group's activities where it is implemented, namely mainly the outsourcing activities distributed within the Business Lines of the Digital Identity and Security (DIS) GBU as well as in the and Secure Communications and Information Systems GBU (SIX).

#### 5.5.7.2.1.2 Eligibility of capital expenditure

With regard to capital expenditure, the Group considered the following activities eligible for the climate change mitigation objective:

- installation, maintenance and repair of energy efficiency equipment (7.3);
- installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings (7.5);
- Installation, maintenance and repair of renewable energy technologies (7.6);
- Acquisition and ownership of buildings (7.7); and
- Transport by motorcycles, passenger cars and commercial vehicles (6.5).

These activities are spread across the entire Group given their cross-business nature.

### 5.5.7.2.2 Alignment analysis

- Alignment is based on (i) compliance with the substantial contribution criteria, (ii) compliance with the principle of "do no significant harm" (DNSH) and (iii) compliance with the Minimum Guarantees.
- The alignment analysis focused solely on capital expenditure as sales and eligible operating expenses are zero after application of the analysis threshold.

#### 5.5.7.2.2.1 Meeting substantial contribution criteria

##### Installation, maintenance and repair of energy efficiency equipment (7.3)

The Group has an active and ongoing policy of maintaining and renovating its real estate portfolio. The analysis, which focused mainly on LED lights, confirmed that Thales fully meets the substantial contribution criteria for this activity.

##### Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings (7.5)

This mainly corresponds to the replacement of GTB/GTC (Technical Building Management/Central Technical Management) systems. Thales made sure with its suppliers that the products and components used met the substantial contribution criteria for this activity.

##### Installation, maintenance and repair of renewable energy technologies (7.6)

This mainly involves the installation of solar panels at Thales sites, for which the text does not provide for a substantial contribution criterion.

##### Acquisition and ownership of buildings (7.7).

These are real estate leases for buildings, excluding industrial buildings.

To conduct the alignment analysis, Thales took into account the existence of Energy Performance A Diagnostics (or equivalent in the European Union) or, failing this, ensured that the building analyzed was included in the 15% of the most efficient national or regional real estate portfolio in terms of operational primary energy consumption (data obtained by Thales via specialized third parties in the absence of existing certifications).

Thales has set itself the goal of re-leasing only buildings whose characteristics meet the substantial contribution criteria of the Taxonomy. However, given that the majority of real estate investment expenditure relates to lease renewals, it appears that only about 10% of eligible capital expenditure for this acquisition and building ownership activity meets these substantial contribution criteria.

##### Transport by motorcycles, passenger cars and commercial vehicles (6.5).

In the absence of availability of the information necessary to analyze compliance with the substantial contribution criteria for this activity, the alignment analysis could not be carried out and its alignment rate is considered zero.

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# 5 Corporate responsibility and non-financial performance

## The Environment

### 5.5.7.2.2 Compliance with the principle of “do no significant harm” (DNSH)

#### DNSH “adaptation to climate change” cross-functional to all of the above-mentioned activities

In order to be aligned, in addition to meeting the substantial contribution criteria, all eligible activities identified by Thales require compliance with the principle of “do no significant harm” in order to adapt to climate change.

To do this, in 2022 Thales conducted a rigorous assessment of the physical risks and vulnerability of its sites as recommended by the Delegated Regulation (Appendix A), with the help of an external provider.

Climate projections and impact assessment on Thales sites are based on available best practices and guidance and take into account scientific techniques for vulnerability and risk analysis, as well as related methodologies, in line with the latest Intergovernmental Panel on Climate Change reports, peer-reviewed scientific publications and open source or paying models.

On this basis, the Group plans to conduct an assessment of climate change adaptation solutions starting in 2023 to reduce the physical climate risk(s) identified following this vulnerability assessment.

#### DNSH “pollution” for the analysis of the activity of installing, maintaining and repairing energy efficiency equipment (7.3)

To ensure compliance with this specific DNSH, which deals with pollution prevention and control, Thales relied on its responsible purchasing policy, which commits all its suppliers to essential environmental, social and governance objectives (see section 5.6.2.5).

### 5.5.7.2.3 Compliance with the Minimum Safeguards

The implementation of the minimum safeguards set out in Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment was also verified via:

- the commitments made by the Group under the United Nations Global Compact (see section 5.1 of the 2022 URD);
- the Group’s integrity and compliance policy (see section 5.6.1 of the 2022 URD);

- the vigilance plan aimed at preventing serious violations of human rights and fundamental freedoms, the health and safety of individuals and the environment, resulting from the activities of the Company and those of the companies it directly or indirectly controls, as well as from the activities of subcontractors or suppliers with whom it has an established business relationship, when these activities are related to that relationship (see section 5.7 of the 2022 URD).

### 5.5.7.3 Results of the application of the Taxonomy for Thales

Given the scope of the activities currently covered by the Taxonomy and pending the publication of additional delegated acts extending this scope, Thales calculates that sales eligible for the taxonomy regulation as of December 31, 2022 stand at 0% of its consolidated sales for 2022 (€17,569 million, see section 7.1.1). As a result, its aligned sales are also 0%.

The Group estimates its 2022 operating expenses eligible for the taxonomy regulation as of December 31, 2022 to be 0% of its 2022 operating expenses as specified in the previous section (€1,064 million, see section 7.1). As a result, its aligned operating expenses are also 0%.

The Group estimates its 2022 investment expenses eligible for the taxonomy regulation as of December 31, 2022 to be €141.2 million or 19% of its 2022 investment expenses (€733.4 million, see Note 4 of the notes to the financial statements section 7.1). This figure is close to that reported in 2021 (19.7%). Of these eligible investment expenses, €25.1 million is aligned according to the criteria of the Green Taxonomy, representing 3% of total investment expenditure. As mentioned above, the difference between the eligibility and alignment of these investment expenses is linked to the fact that these investments mainly correspond to lease renewals for premises that do not meet the substantial contribution criteria.

The Group will continue its analysis of the interpretation and evolution of the Green Taxonomy Regulation and its implementing texts throughout 2023.

The Taxonomy data publication tables are presented in the Appendix (section 8.8).



## 5.6 A strong corporate responsibility policy throughout the value chain

*"Thales is committed to following rigorous and proactive integrity and compliance procedures based on a 'zero tolerance' policy. This approach to an increasingly demanding business ethics has enabled Thales, in March 2021, to be one of the first companies in its sector to be certified ISO 37001:2006 "Anti-Bribery Management System." This certification attests to the fact that the Group has a structured and robust Anti-Bribery Management System, supported by a very strong commitment from its managers, that is effective and compliant with the highest international standards in this area."*

**Arnaud RAFFESTIN**  
Head of Ethics & Integrity at Thales

### 5.6.1 Integrity and Compliance

Thales believes that ethical conduct that complies with the applicable regulations is imperative to preserve its reputation, its competitiveness and the sustainability of its activities.

The Group must comply with a significant number of regulations, norms, and standards and meet the increased expectations of all its stakeholders, particularly its customers, employees, partners, investors, financial and extra-financial institutions, non-governmental organizations, and civil society more generally.

The Group's Integrity and Compliance Program covers the following four areas:

- Corruption and Influence Peddling and related areas also pertaining to integrity (such as fraud, money laundering, conflicts of interest, insider trading, etc.);
- Trade Compliance (export control and compliance with embargoes and international economic sanctions programs);
- Competition Law; and
- the Protection of Personal Data.

Patrice Caine, Chairman and Chief Executive Officer of Thales, confirmed in 2018 and again in 2020, through a letter of commitment signed by him and all members of the Executive Committee and then adopted by their managers, his personal commitment and that of the Group to compliance with applicable regulations and procedures in terms of integrity and compliance. This commitment, a reflection of the managerial excellence pursued by Patrice Caine, will be renewed in 2023.

#### 5.6.1.1 A dedicated organizational structure

The Group's Integrity and Compliance Program benefits from a dedicated organization, managed by the Integrity and Compliance Committee.

Chaired by the Group Secretary and composed of the directors in charge of the Ethics & Integrity Department, the Legal & Contracts Department, and the Audit, Risks & Internal Control Department, the Integrity and Compliance Committee is responsible for overseeing the development, deployment and implementation, evaluation and updating of the Group's Integrity and Compliance Program.

To do so, the Integrity and Compliance Committee relies on a network of 20 Chief Compliance Officers and 108 Compliance Officers. With the exception of the HR Chief Compliance Officer (appointed by the Senior Executive Vice President Human Resources, in agreement with the Group Secretary, and who reports to both of them), the Chief Compliance Officers are appointed within the Legal and Contracts Department, and as such have a dual reporting relationship with the Group SVP, Legal and Contracts and with their respective functional or operational Director.

The Integrity and Compliance Committee meets monthly and, if necessary, at the request of one of its members. The Group Secretary reports periodically on the activities of the Integrity and Compliance Committee to the Executive Committee, the Risk Management Committee and the Board of Directors and/or these committees in relation to these subjects (Audit and Accounts Committee and Strategic and Corporate Social Responsibility Committee).

#### 5.6.1.2 The fight against corruption and influence peddling

Corruption, influence peddling and other integrity offenses (such as fraud, money laundering, conflicts of interest, insider trading, etc.) represent major risks exposing companies, their employees, and their managers to civil and criminal sanctions that could seriously harm their reputation.

Since the end of the 1990s, Thales has put a policy in place to prevent the risks of corruption, which is continuously being improved. This policy has been assessed, and the systems that support it have been readjusted to incorporate most recently the requirements of the French law on transparency, the fight against corruption, and the modernization of economic life, known as the Sapin II law.

In March 2021, in recognition of the robustness of the anti-corruption and influence peddling system and its implementation, Thales received the ISO 37001:2016 "Anti-bribery management systems" certification from AFNOR. Certification was issued with the scope covering Thales SA and the companies it controls in France, as well as some international subsidiaries of Thales International SAS (Thales EURAM Thales AMEWA and Thales NSEA).

In May 2022, the ISO certification was renewed for Thales SA on the original scope and was also extended to two major countries of the Group's international organization (the United Kingdom and the Netherlands).

In 2023, the Group plans to continue this process with a view to extending the scope of this certification to two additional major countries of its international organization (Canada and the United States).

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# 5 Corporate responsibility and non-financial performance

A strong corporate responsibility policy throughout the value chain

## 5.6.1.2.1 The anti-corruption compliance program

The Group's anti-corruption compliance program is based on several pillars:

- **a commitment at the highest level of the Group** to zero tolerance of corruption and influence peddling:
  - In April 2022, the Chairman and Chief Executive Officer launched, for all subsidiaries and companies controlled by the Group, the new anti-corruption training campaign aimed at Group employees who are potentially exposed to the risk of corruption and influence peddling, regardless of their status (temporary or fixed-term contract, full-time or part-time contract),
  - As indicated previously, the "Tone from the Top" managerial commitment campaign launched in September 2020, in which the Chairman and Chief Executive Officer sent a letter to the members of the Executive Committee reiterating his personal commitment to upholding the Group's rules on integrity and compliance, and asked them in turn to reaffirm the same commitment and communicate it to their direct employees, will be renewed in 2023;
- **a dedicated risk mapping for corruption and influence peddling**, established in accordance with the Group's general risk mapping methodology; this corruption and influence peddling risk mapping, which was updated in 2022, resulted in an update of the scope of the risks considered and the associated action plan;
- **a Code of Conduct - Prevention of corruption and influence peddling**. In line with the commitments made in the Code of Ethics, the purpose of the Code of Conduct is not only to explain the challenges of preventing corruption and influence peddling in a clear and simple manner, and to recall and illustrate the various types of behavior that must be avoided as they are likely to amount to corruption or influence peddling, but also to propose responses and recommend solutions to be implemented in certain high-risk situations that may be encountered by Group employees; this new Code of Conduct was the subject of an endorsement campaign in 2022 with all of Thales senior executives (LR 12 & LR 11) as part of the CSR objectives: 2,427 senior executives signed the new Code of Conduct, i.e. 100% of the target population; moreover, since January 2022, all new Group employees, as well as employees concerned by internal mobility, are also invited to sign this new Code of Conduct when they are hired or change positions;
- **a training system was reviewed and supplemented in 2022** in order to propose a specific training program designed for Thales' anti-corruption Compliance Program as well as its compliance and integrity organization.

The Group has set itself the objective of i) training all potentially exposed employees in the six months after they join the Group or after their internal transfer, and ii) repeating the training of exposed employees at least every two years.

The training program for the prevention of corruption and influence peddling is based on three training materials:

- an online anti-corruption training module (general e-learning) to be followed by all employees in roles exposed to these risks (low, moderate and high exposure);
- a face-to-face training module to be attended by employees in the most exposed roles (high exposure); and
- thematic training modules (thematic e-learning) that must be completed by employees who were trained more than two years ago.

In 2022, the 100% training objective regarding the prevention of corruption and influence peddling was one of the CSR objectives used to determine the amount of variable compensation for all employees eligible to receive it, i.e., approximately 63% of the Group's headcount.

Thus, 6,176 employees were trained, through the various training materials mentioned above: 1,797 employees took the "general e-learning" course, 440 employees attended the face-to-face training, and 3,939 employees took the "thematic e-learning" course, i.e., a participation rate of 100% of the targeted employees.

Since January 2022, these training courses have been accessible via the u-Learn platform to all other Group employees on a voluntary basis or as decided by their respective management; this is why in 2022, 2,406 additional employees have trained in the prevention of corruption and influence peddling.

- **a system for assessing the integrity of third parties** (mainly customers, suppliers, subcontractors and partners) that relies on the definition of risk profiles for each category of third party as well as preventive measures proportionate to the risks identified, which all Thales Group entities must observe when considering entering into or continuing a business relationship with a third party, in order to avoid being involved, directly or indirectly, in acts of corruption or influence peddling. These procedures cover, in particular, the training of all business partners ("Business Advisors" and "Key Industrial Partners") in the prevention of corruption, as well as the commitment of each supplier to train its employees and executives (and more specifically those holding the functions most exposed to corruption risk);
- **an internal Group alert system** (see section 5.6.1.8): in order to reinforce the confidential nature of the identity of the person submitting an alert and to ensure the traceability and follow-up of alerts in a secure environment, Thales set up a new platform in 2021 dedicated to the collection and processing of alerts (Thales Alert Line). This system is open to employees, external and casual workers and third parties (such as a member of staff of a client of the Group or supplier).

This system makes it possible to communicate all alerts falling within the scope of the Sapin II law and the law on the Duty of Care, as well as those relating to the reporting of situations or behaviors that would contravene the Code of Ethics (harassment, sexist behavior, infringement of the freedom of association or trade union rights, etc.) and/or the Code of Conduct - Prevention of Corruption and Influence Peddling.

In 2022, six alerts transmitted via this whistleblowing system were declared valid and (according to their authors) related to alleged acts of corruption or influence peddling (see section 5.6.1.8).

- **a strengthened system for monitoring and evaluating compliance measures** that meets the requirements of the Sapin II law and the latest French Anticorruption Agency recommendations:
  - this system comprises internal controls, including accounting controls designed to ensure the regularity, fairness and accuracy of financial and accounting information, and to help prevent and detect the risks of corruption, influence peddling, fraud, and money laundering,
  - the control and internal audit system includes 3 levels of control:
    - 1<sup>st</sup> level controls (or preventive controls carried out at the time of decision making or implementation of the operation), aimed at ensuring that the tasks required for an operational or support process have been carried out in accordance with the procedures laid down by the Group;
    - 2<sup>nd</sup> level controls (or detection controls carried out after the fact, on all or part of the decisions made and/or operations carried out), aimed at ensuring that the 1<sup>st</sup> level controls are properly carried out, at a predefined frequency or at random;



- 3<sup>rd</sup> level controls, aimed at ensuring that the control system complies with the requirements set by the Group and is efficient; these controls are conducted at random and are based on internal audits conducted by the Audit, Risks & Internal Control Department (DARCI) or external audits.
- The internal control and audit system also relies on specific tools to prevent and detect the risk of corruption and influence peddling:
  - the “**Anti-Corruption Internal Control Manual (MCIA)**”, which relies on the identification, description, and allocation of 150 controls to the relevant actors, in order to mitigate the risks identified in the mapping of corruption and influence peddling risks;
  - A new questionnaire dedicated to Very Small Enterprises (“VSEs”), (the “**Minimum Anti-Corruption Questionnaire**”), enabling each entity manager to ensure the deployment of the Group Integrity and Compliance Program in the VSEs attached to it.

The Group has also set up an anti-bribery management system (SMAC), which covers its entire anti-corruption compliance system.

This anti-bribery management system:

- defines the objectives of the anti-corruption compliance program;
- reiterates the associated policies and instructions;
- specifies the monitoring and performance indicators for the anticorruption compliance program, as well as the associated controls.

At least once a year, the Integrity and Compliance Committee carries out a management and non-compliance management review to steer the Group’s AntiCorruption Management System and measure its effectiveness: it reviews, in particular, changes in the Group’s external and internal circumstances and those of its stakeholders, managerial commitment, an assessment of the risks of corruption and influence peddling, the achievement of the Anti-Bribery Management System’s objectives using monitoring and performance indicators, the management of instances of non-compliance, the measurement of the effectiveness of the Anti-Bribery Management System, and whether the human and material resources available to support the Group’s actions in preventing and detecting corruption and influence peddling are adequate.

Finally, in its continuous improvement approach, the Thales Group participates in various national professional bodies (MEDEF <sup>(1)</sup>, GIFAS <sup>(2)</sup>, etc.) and international bodies (ICC, IFBEC, ASD, etc.) dealing with business ethics, as well as in the working groups of intergovernmental organizations (OECD, United Nations, etc.).

### 5.6.1.2.2 A compliance program that is integrated into operational processes

In order to enhance the Group’s corruption prevention culture and increase its effectiveness, the cornerstones of the anti-corruption compliance program are integrated into the various operational processes of the Thales reference system (Chorus 2.0) implemented by the entities in their governance and in the conduct of their business (e.g. the processes regulating the management of bids and projects, from the early stage of a deal, through the implementation of action plans to reduce commercial risks, with particular attention paid to the prevention of corruption and influence peddling).

### 5.6.1.3 A responsible lobbying policy

The supervision of Thales’ interest representation activities is overseen by the Vice-President of Institutional Relations, who reports directly to the Group’s Chairman and Chief Executive Officer.

Thales carries out its lobbying (or interest representation) activities at both the national and supranational levels, in compliance with local regulations in force, in particular the provisions of Article 25 of French law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption, and the modernization of economic life (the Sapin II Law), which aim to ensure the transparency of relations between lobbyists and the French public authorities.

In addition, the Group has a Responsible Lobbying Charter, which sets out the rules and commitments to be respected when conducting activities involving interest representation by Thales or on behalf of Thales, particularly in the context of groups or professional associations. This Charter is public and available on the website.

These rules supplement the provisions of the Code of Ethics and the Code of Conduct for the Prevention of Corruption and Influence Peddling as well as all the procedures of the Integrity and Compliance Program, including the procedures for approving gifts, invitations and patronage, sponsorship and membership, the procedure for assessing the integrity of third parties in the event of the use of a public affairs consulting firm, and the policy for preventing, detecting and managing conflicts of interest.

In addition, in 2022, the Group produced a practical guide on ethical and reporting obligations applicable in France. It is intended for all employees (regardless of their status and contract type) engaged in interest representation actions with French public officials.

In France, Thales is registered in the public register of interest representatives of the High Authority for the Transparency of Public Life (HATVP), where it annually reports its activities falling within the scope of the Sapin II law.

The Group is also registered in the European Transparency Register, a database listing interest representation activities carried out by organizations with the European institutions.

The Group systematically declares all its interest representation actions, whenever required by national law, as is the case in the United States for example, in accordance with the obligations imposed by the Lobbying Disclosure Act.

The Group reports its entire interest representation budget, particularly for France, the European Union, the United States and Canada.

In 2022, these expenses fell within a range of €400,000 to €500,000 for Thales SA and €100,000 and €200,000 for Thales Alenia Space France. These amounts cover a portion of the salaries of Thales’ interest representatives, their expense reports, gifts and invitations to public decision-makers, event expenses, and expenses incurred with professional federations.

The expenses recorded in the European Transparency Register fell within a range of €300,000 to €400,000 for 2021, with France and Europe combined accounting for 52% of the Group’s order intake.

Lastly, the Group prohibits the financing of political activities, even in countries where such financing is authorized and regulated by law, and undertakes to strictly comply with the principle of political neutrality.

<sup>(1)</sup> Medef: Mouvement des Entreprises de France.

<sup>(2)</sup> GIFAS: French Aerospace Industries Association.

## 5 Corporate responsibility and non-financial performance

A strong corporate responsibility policy throughout the value chain

### 5.6.1.4 A strict compliance program for export controls and economic sanctions (Trade Compliance)

Thales strictly complies with all applicable regulations on export control and economic sanctions. To this end, the Group is developing and deploying a "Trade Compliance" compliance program based on the most demanding standards.

This program covers the following two areas:

- Compliance with export control regulations. Some of the Group's activities fall under national or international regulations relating to export control, transfers of war hardware, and "dual-use" goods <sup>(3)</sup>. These regulations prohibit any export or transfer of the goods, technologies, and services concerned without the prior approval of the competent national or regional authorities;
- Compliance with international economic sanctions, defined as all financial or commercial restrictive measures adopted against a country, territory, or any natural or legal person (freezing measures, prohibitions on the provision of funds or economic resources, embargoes, restrictions on the import or export of goods or technologies, in particular).

#### 5.6.1.4.1 A specific compliance program implemented by a dedicated Trade Compliance organization

Thales' Trade Compliance program is based on the following pillars:

- A set of instructions and guidelines published and regularly updated by the Group in the Chorus reference system;
- A structured and globally deployed Trade Compliance organization;
- Training and awareness-raising sessions regularly conducted in all the business units concerned;
- The deployment of tools and specially designed IT solutions to automate control tasks and secure the Group's operations.

This program defines the roles and responsibilities of the main players in Trade Compliance as well as the best practices to be deployed by each business unit of the Group. It applies to all subsidiaries and companies controlled by the Group, in France and abroad, and is the reference on which all Business Units must rely on to develop their own Trade Compliance programs in order to secure the Group's commitment to carry out its activities in accordance with all applicable regulations.

Thales' Trade Compliance organization reports to the Group Legal and Contracts Department. Deployed as a matrix in the various business units according to the sensitivity of their activities, it reports functionally to the Group Trade Compliance Officer (GTCO).

The GTCO relies on a network of Trade Compliance Officers (TCOs) appointed within the Legal and Contracts Department of the business units concerned (Country or Global Business Units).

#### 5.6.1.4.2 A regularly audited compliance program

Thales' Trade Compliance program is the subject of a dedicated sub-process in the Chorus reference system (9.8.1 Trade Compliance). The objective of this sub-process, which is linked to process 9.8, "legally secure operations and defend the company's rights," is to continuously improve the Group's Trade Compliance practices and make Thales a leading player in this area.

This sub-process, which is linked to Chorus 2.2 process "Mapping Enterprise Risk, Assessing Internal Control and Auditing," enables the Quality Department and DARCI to regularly audit the existence and relevance of the effective implementation of the trade compliance programs of the Group's entities.

The implementation of the program is regularly audited by the Audit, Risks & Internal Control Department (DARCI). A priori and a posteriori controls of Thales' activities that are subject to national and international export control regulations are carried out systematically by the competent authorities in all the countries in which the Group operates.

Thus, for example in France, verifications are performed on parts at least every six months for each company exporting war equipment and similar goods.

### 5.6.1.5 Constant vigilance in the fight against anti-competitive practices

For several years, Thales has implemented a policy to detect and prevent the risks of anti-competitive practices targeting all risks of abuse of a dominant position or collusion with potential competitors likely to have the effect of limiting the effects of competition on the markets. This policy therefore covers, in particular but not exclusively, price fixing, coordination of calls for tenders, the distribution of clients, suppliers, and geographical areas, and, more generally, any commercial practice contrary to competition law.

This policy, which is subject to a continuous improvement approach, has been assessed, and the mechanisms that support it have been readjusted to incorporate changes in legislative and regulatory provisions, case law, or the decision-making practices of competition authorities, as well as to follow the recommendations of the main instruments of international organizations, such as the OECD.

In 2022, Thales strengthened and modernized the fight against anti-competitive practices in order to meet its commitment to continuous improvement while promoting the dissemination of a culture of compliance with the rules and perfecting the detection and prevention of anti-competitive practices.

In 2023, the Group plans to continue this approach by strengthening the roll-out of its new organization and developing new prevention and detection tools.

<sup>(3)</sup> These are goods, products or technologies that are essentially civilian but whose use could be diverted for prohibited military purposes or nuclear, biological or chemical proliferation.



### 5.6.1.5.1 Dedicated organization

The fight against anti-competitive practices is fully integrated into the governance of the Group Integrity and Compliance Program (see section 5.6.1.1) in which a dedicated organization is incorporated.

For matters relating to the fight against anti-competitive practices, the Integrity and Compliance Committee relies on a team of experts in competition law at the Group level that coordinates a network of more than thirty correspondents in this area from the Legal and Contracts Department covering all the activities and regions in which Thales operates.

### 5.6.1.5.2 Methods, Tools and Training

The Group's Competition Compliance Program, applicable to all subsidiaries and companies controlled by the Group, in France and abroad, is based on a set of methods, tools and trainings:

- **a public commitment at the Group's highest level of zero tolerance across all compliance pillars.**

For topics relating to the fight against anti-competitive practices:

- In 2021, the Group's Executive Committee, the Audit and Accounts Committee, and the Board of Directors reviewed the Code of Ethics manifesting the commitment of the executives and the Group to strict compliance with national and international regulations also aimed at combating anti-competitive practices. The new organization, tools, and procedures falling under the Competition Compliance Program will be presented to the Executive Committee during 2023,
- In addition, as part of the "Tone from the Top" managerial engagement campaign initiated in September 2020, the letter sent by the Chairman and Chief Executive Officer to the members of his Executive Committee (see section 5.6.1) concerns all of the Group's integrity and compliance rules, including competition rules,
- Finally, in 2019, expectations regarding compliance with competition rules by Partners and Suppliers were incorporated into the Integrity & Corporate Responsibility Charter;

- **a dedicated risk mapping specific to anti-competitive practices**, established in accordance with the Group's general risk mapping methodology. The methodology for mapping the risks of anti-competitive practices was completely reviewed in 2022. The first risk mapping exercise for anti-competitive practices in accordance with this methodology will be accompanied by action plans and recommendations on the most relevant training topics to be developed within the Group starting in 2023;

- **numerous guides and tools** designed to inform and raise awareness of competition rules among all Group employees. These documents include guides, instructions, brochures, fact sheets, or themes that are regularly updated.

All of these documents are available on the Group intranet.

As part of the strengthening and modernization of its fight against anti-competitive practices, the Group will deploy various key tools in 2023, including:

- A general document detailing the Group's Anti-Competitive Practice Detection and Prevention Policy, as well as the content of the Competition Compliance Program and the internal detection and prevention processes and mechanisms;

- An update of the Guidelines on competition rules intended to explain in a clear, simple, and concrete manner the challenges of combating anti-competitive practices while reiterating and illustrating the different types of behavior to be prohibited because they are likely to constitute agreements (horizontal or vertical) or abuse of dominant position. These practical guides also aim to propose answers and recommend solutions to be implemented in light of certain high-risk situations that the Group's employees may encounter;

- A process to systematically analyze cooperation with competitors presenting certain risk factors.

- **a mechanism for training and raising awareness of competition rules.** Training is carried out through an online competition law training module (e-learning), as well as through sessions conducted virtually or face-to-face. Their format and the topics discussed vary according to the most exposed functions and the target audience or according to the results of the risk mapping.

These training courses are designed for exposed employees regardless of their status (permanent or fixed-term contracts; full-time or part-time contracts) and apply to all subsidiaries and companies controlled by the Group.

The system covers (i) general training aimed at covering the main principles of competition law (agreements, abuse of dominant position) (ii) thematic training related to risks identified as high or recurring (the exchange of sensitive information in professional associations, exclusivity, R&D, cooperation), and (iii) targeted awareness-raising actions for management functions and members of the executive committees of the various Global Business Units and Product Lines.

All of these training courses address competition rules in a pragmatic way. They are explained in a clear and precise manner in order to be understood even by a non-expert audience and are presented in such a way that they are easily applicable to situations encountered by employees on a daily basis;

- **a Group alert system** (see section 5.6.1.8). This encompasses all alleged acts contrary to the Code of Ethics, including facts likely to constitute anti-competitive practices.

In addition, the Group ensures the strict compliance of mergers and acquisitions with merger control and foreign investment control procedures, where applicable. Each transaction is subject to rigorous analysis and monitoring of Thales' obligations in this context.

### 5.6.1.5.3 Control and Audit

The Group's operations are analyzed in the light of the principles of the Competition Compliance Program. The competition law correspondents ensure the dissemination of these principles and their application within their scope with, if necessary, the support of competition law experts at the Group level.

All measures implemented as part of the Competition Compliance Program are also monitored regularly.

The Group adapts its program and defines its priorities based on the issues analyzed during the year or feedback from competition law correspondents.

Lastly, the Group relies on internal and external experts (lawyers, auditors) if an alleged infringement of competition rules is identified.

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## 5 Corporate responsibility and non-financial performance

A strong corporate responsibility policy throughout the value chain

### 5.6.1.6 Careful and rigorous respect for personal data

Protection of personal data is a major issue for the Thales Group.

The Group's compliance with both EU Regulation 2016/679 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, known as the General Data Protection Regulation (GDPR) and with national provisions on the same subject is essential.

To do this, the Group has put in place a governance structure led by the Group Data Protection Officer (DPO), who relies on a network of 60 Correspondents at the Group level and their contacts (450 people) in the various functions, countries, and entities of the Group in order to put in place as extensive a network as possible and cover the entire organization.

The compliance program is divided into 8 pillars:

- Governance based around the Data Protection Officer;
- The Group personal data protection policy applicable to all Group entities worldwide and the associated documentation. To facilitate the roll-out of this compliance program, the Thales Group has put in place standard clauses on the protection of personal data for both purchase contracts and sales contracts as well as standard information notices of data subjects in order to meet the requirements of the regulations;
- The personal data processing register deployed throughout the Group via a global compliance tool that also makes it possible to analyze and manage requests to exercise the rights of data subjects and any personal data breaches;
- Carrying out impact analyses of the processing of personal data carried out by the Group's entities on their behalf and on behalf of their customers as data controller or processor;
- The transfer of personal data, particularly outside the EEA, following the "Schrems 2" case law;
- Training via a dedicated e-learning module, a new version of which was finalized at the end of 2022 and was rolled out in January 2023;
- Communication via a dedicated intranet site and regular meetings of the network as well as via communications at the Group level, such as during the World Data Protection Day in order to continue the dissemination of a culture of personal data protection throughout the Group;
- The performance of internal controls and audits several times a year to ensure the effective deployment of the compliance program.

The Group Personal Data Protection Officer and his team also work closely with other Group functions such as the Head of Information Systems Security and Engineering to ensure that the protection of personal data is taken into account by everyone both from a legal point of view as well as from a technical and organizational point of view.

### 5.6.1.7 A responsible tax policy

Thales' tax policy is a global policy applicable to all of the Group's countries and incorporates the Group's ethical rules, including the fight against tax evasion.

As an international group, Thales pays substantial taxes and duties in many countries.

The Group rigorously applies tax rules and is committed to complying with local regulations, international treaties and the directives of international organizations.

The Group's taxation is directly linked to the business strategy and activities. The Group only operates abroad with the goal of developing its business or meeting operational requirements. In addition, Thales complies with the principles set out by the OECD on transfer pricing.

In 2022, the Group signed a partnership agreement with the French tax authorities, pursuant to which the Group continuously and transparently discusses the tax implications of events.

The Group Tax Director is responsible for the tax function and reports directly to the Chief Financial and Information Officer, who is a member of the Group Executive Committee.

Tax risk is fully integrated into the risk analysis role of the Audit, Risks and Internal Control Department and is one of the internal control assessment items of the Yearly Attestation Letter.

### 5.6.1.8 A secure internal alert system open to all

Thales promotes a culture of trust based on ethics, integrity, and compliance and encourages its employees to report conduct or situations contrary to internal rules and legal or regulatory provisions falling within the scope of the internal alert system.

Thales has established a platform dedicated to the collection and processing of alerts (Thales Alert Line), which ensures the confidentiality of the identity of the whistleblower and the traceability and monitoring of alerts in a secure space; this system is open to employees, external and temporary workers, as well as third-party natural persons (such as a member of the staff of a client company or supplier of the Group).

This system makes it possible to communicate all alerts falling within the scope of the Sapin II law and the law on the Duty of Care, as well as those relating to the reporting of situations or behaviors that would contravene the Code of Ethics (harassment, sexist behavior, infringement of the freedom of association or trade union rights, etc.) or the Code of Conduct - Prevention of Corruption and Influence Peddling, and in general that concern events in violation of the Group's Integrity and Compliance Policy.

The admissibility of the report transmitted via the Alert Platform is examined collectively by an Alert Monitoring Committee within a maximum period of 15 calendar days from its receipt.

Thales also undertakes not to sanction, dismiss, or discriminate against any Group employee due to a report made in good faith relating to facts falling within the scope of the internal alert system. Similarly, the Group ensures that the identity of the whistleblower, the person(s) involved, and the information collected by any person responsible for collecting or processing the reports are kept confidential.



In 2022, the Group alert system received 41 professional alerts (compared with 44 in 2021, 25 in 2020, and 34 in 2019).

Of these 41 alerts received, 26 were considered valid by the Group Alert Monitoring Committee.

These 26 valid alerts were assigned by their authors to the following categories:

- 11 alerts concerned allegations of harassment, discrimination or violence in the workplace;
- 6 alerts related to allegations of corruption;
- 2 alerts related to potential conflicts of interest;
- 2 alerts concerned allegations of non-compliance with trade rules;
- 1 alert concerned allegations of money laundering, financial crime and accounting offenses;

- 1 alert concerned allegations of fraud;
- 1 alert related to a data protection issue;
- 2 alerts related to another category.

Among the 6 alerts declared valid that related (according to their authors) to alleged acts of corruption or influence peddling:

- 4 alerts were closed without further action following internal investigations, which confirmed the absence of proven acts of corruption;
- 1 alert was closed with an action plan following an internal investigation that identified non-compliance with a procedure but did not support the aforementioned allegations;
- 1 alert is still being processed as of the date of publication of this document.

## 5.6.2 A group that is attentive to its stakeholders

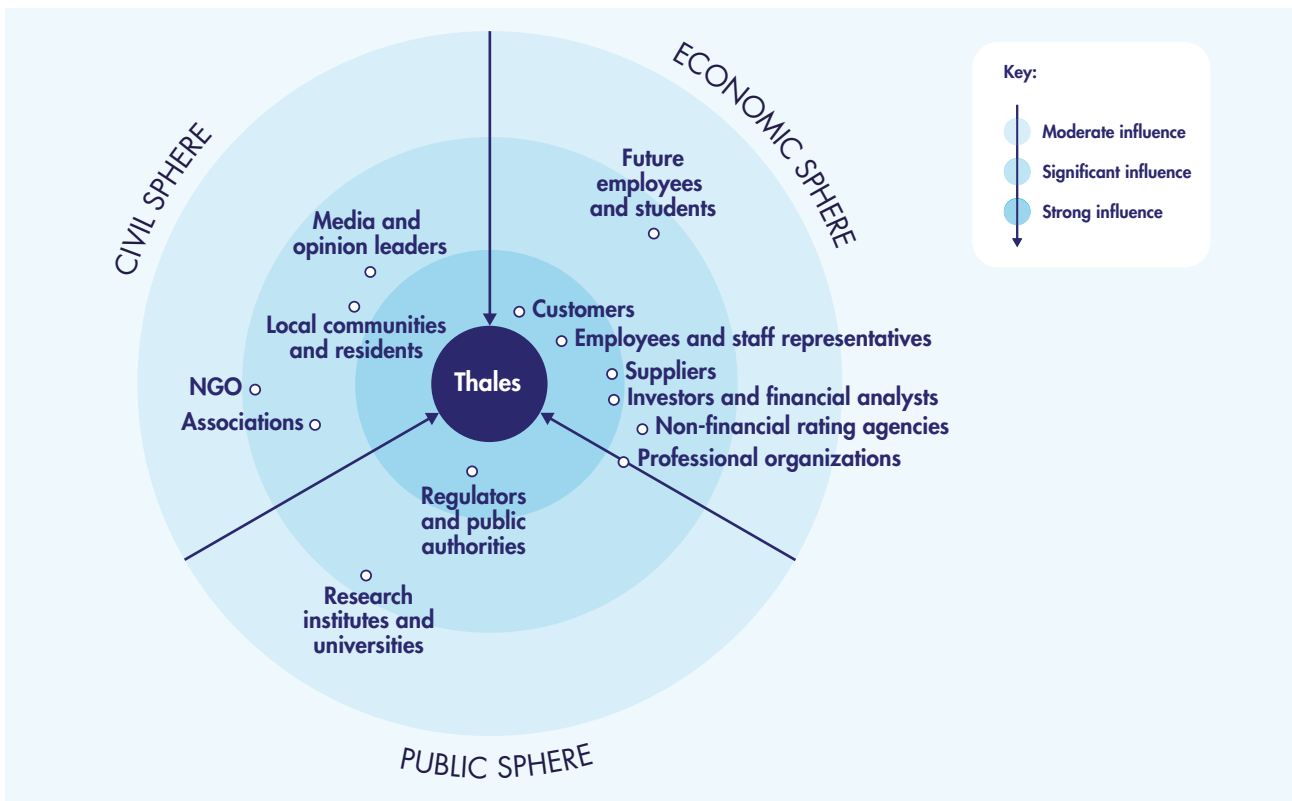
### 5.6.2.1 Stakeholder mapping

Convinced that decision-making is enriched by sharing different points of view, the Group encourages active engagement with all its stakeholders.

As part of updating its materiality matrix (see section 5.1), in 2021, Thales carried out an analysis of its stakeholders with the help of an external partner. The aim was to identify the main players in the

economic, administrative, and political spheres, as well as in civil society, that are likely to impact or be impacted by the Group's activities.

For each category of stakeholder, Thales develops a policy of appropriate, structured dialog, depending on their expectations and issues, thereby implementing its corporate purpose: "Building a future we can all trust".



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# 5 Corporate responsibility and non-financial performance

A strong corporate responsibility policy throughout the value chain

## 5.6.2.2 Relationships of trust with customers

Customer trust is at the heart of Thales' commitment and is one of its core values. The very nature of Thales' activities requires a long-term relationship and commitment. Thales must be a strategic partner for its customers, understanding their issues as well as their strategic objectives and operational needs. Its policy of having a local presence, based on proximity, listening and supporting customers in the long term, enables the Group to be a major industrial player in its main countries of operation and to develop its presence in countries that are growing rapidly.

### 5.6.2.2.1 A structure designed to serve customer relations

The structure of Thales is designed to develop as close a relationship as possible with the environment and activity of its customers:

- a global set-up ensuring a local presence, both commercially and in terms of operational capacity;
- a global network of 250 Key Account Managers (KAM) dedicated to managing customer relations across the Group's different organizations and activities;
- product lines building a strategy and product offer, systems and services tailored to the needs and strategic development of markets and customers;
- a marketing structure that synthesizes Thales' offer and the needs of markets and customers;
- project and support teams prepared to respond to contractual requirements and operational needs, working in close collaboration with customers and partners;
- a Quality and Customer Satisfaction structure supporting the teams and safeguarding customers' interests.

### 5.6.2.2.2 Regular measurement of customer satisfaction and trust

For Thales, evaluating the satisfaction and trust of its customers is a key indicator of its operational performance as well as a constant source of progress.

To do so, Thales has a global system for monitoring and controlling the quality of customer relations based on:

- a strategy of satisfaction surveys carried out every 18 months to 2 years;
- a network of independent consultants distributed across about a hundred countries to meet with customers and assess the relationship;
- a centralized digital platform collecting customer data and feedback;
- indicators and analyses for different market sectors, types of customers, product lines...;
- action plans organized by account managers to respond to the specific issues of each customers;
- cross-functional analyses to detect weak signals and highlight assets and differentiators, as well as customers' recurring expectations, to drive performance plans;
- dedicated visits organized with customers to share the results of this assessment, implement actions and monitor developments.

The global scale of this system is appreciated by customers, who clearly perceive Thales' desire to invest in relationships of trust and cooperation and eagerness to respond better to their main challenges now and in the future.

The results of the 2021-2022 customer survey showed that 73% of Thales customers surveyed were satisfied or very satisfied with the Group's services (up 1 point).

## 5.6.2.3 Safety and security at the heart of the Group's activities

### 5.6.2.3.1 Aviation safety: an approach involving the whole value chain

Thales contributes to aviation safety in two areas, namely avionics and air traffic management.

In the avionics sector, Thales is responsible for designing, manufacturing and maintaining flight systems that are crucial for aviation safety and UAV operation. Thales also provides services that contribute to flight safety to civil and military air operators.

In the area of air traffic management, Thales offers safer, more efficient and more ecological solutions by designing, manufacturing and maintaining air traffic management systems, monitoring equipment and navigational aids.

To carry out these activities, Thales has demonstrated its capabilities and validated its procedures to obtain the essential certifications issued by the competent civil and military authorities on the basis of the following regulations: Design (EU Part21 Subpart O, FRA21 O and Z), Manufacturing (EU Part21 Subpart G, FRA21), Maintenance (Part145: EU, US, China), Database (EU Part DAT). These certifications are monitored internally by the quality department and externally by the competent administrative and regulatory authorities.

The products designed by Thales are certified either in the context of certification according to the type of aircraft (which is the responsibility of the aircraft manufacturer) or by the country authority, either directly by EASA <sup>(1)</sup> or the French Defense Procurement Agency (DGA) <sup>(2)</sup> when general equipment certification is required.

Air traffic management products designed by Thales meet the requirements set by civil and military air navigation service providers as well as the European interoperability regulations ((CE) 2018/1139).

During the certification process, products and solutions developed by Thales have to meet the certification regulations set for the aircraft that apply to its onboard systems and equipment. These regulations have also recently governed protection against cyber security threats if they might have an impact on security (see section 5.6.2.3.4).

To ensure compliance of electronic and logistical materials to EASA requirements, a Design Assurance Level (DAL) is applied according to their level of critical importance. There are five DAL levels, DAL A being the most stringent. The process of safety analysis and allocation of the DAL is done at the system level according to the principles of the ED79/ARP4754 and ED135/ARP4761 standards. The implementation of these DALs at the level of each device is specified by the ED80/DO254 standards for electronic materials and ED12/DO178 for logistics. A level of cybersecurity assurance is also requested and implemented according to the criticality level, known as SAL (Security Assurance Level) according to 3 levels as defined in ED203A/DO254A.

As a UAV operator, Thales is committed to obtaining an LUC (Light Unmanned Aircraft Operator Certificate) in order to be able to carry out specific operations related to the safe use of UAVs in compliance with the European authorities.

<sup>(1)</sup> European Aviation Safety Agency.

<sup>(2)</sup> French Defense Procurement Agency.





For air traffic management, demonstration of compliance is also based on the safety analyses that are carried out in accordance with methods recognized internationally by air navigation services (Safety Assessment Methodology of Eurocontrol or MIL-STD-882E of the United States Department of Defense).

As a major player in aeronautics and air traffic management, Thales, along with other aeronautical manufacturers, is also involved in regulatory activities carried out by the civil and military aviation authorities (EASA in Europe, FAA <sup>(3)</sup> in the United States, DGAC <sup>(4)</sup> and DGA in France) but also in standardization activities within organizations such as EUROCAE <sup>(5)</sup>, RTCA <sup>(6)</sup> or SAE <sup>(7)</sup>.

Thales' managing team for the Avionics segment is personally committed to implementing and upholding the Group's safety policy for all of the Group's aeronautical activities. Thales' aeronautical entities have put in place a comprehensive safety management system (SMS) to develop a safety culture at all levels and make aviation safety the primary concern of all their employees. This policy covers all aspects of security, from operational safety (anti-default) to cybersecurity (anti-malware).

With this objective and in order to create an environment of trust encouraging each person to take responsibility for safety issues, the Group guarantees that it will protect against disciplinary measures any person who freely and immediately reports any violation of the rules and procedures related to safety that Thales would have committed involuntarily. An email address is available to all internal and external employees for this purpose, allowing them to report any event likely to have an impact on flight safety. Analysis committees for these notifications attended by engineering, operational safety, and cybersecurity experts meet weekly to assess their operational impacts and decide on the actions to be taken whenever there is a question of flight safety. Finally, Thales has a CERT - Computer Emergency Response Team - accessible 24/7 to customers, partners, or external players wishing to issue a cybersecurity risk notification concerning the Group's aircraft or flight management systems.

This safety culture extends to the entire aviation industrial chain throughout the life of Thales products; a safety charter has been signed with Airbus. It promotes the development of a proactive and transparent culture of exchanges in the field of security as well as a "Fair and Just Culture" that encourages employees to immediately communicate their potential concerns on this subject. This safety culture is ensured and maintained by regular training and communication on the subject.

Finally, Thales is a founding member of the ECCSA "European Center for Cybersecurity in Aviation" created by EASA to enable various aviation entities - airlines, aircraft manufacturers, and airports - to help each other and improve flight safety together.

In terms of organization, special monitoring of activities linked to air safety is carried out at Thales jointly by the certification department within the technical department, the quality department, and the operations department. The maturity of the security management system is regularly assessed. A Safety & Security Review Board, presided over by the Managing Director of the Avionics Global Business Unit, periodically reviews the key indicators for product safety and decides on improvements.

### Key figures

More than a million Thales devices are in service in the global fleet of civil and military aircraft, and about 100,000 devices are supplied and mounted on aircraft annually.

About a hundred incidents linked to product safety are analyzed and handled annually by Thales.

In 2022, Thales became a strategic partner of IATA <sup>(a)</sup> on the Cyber Security Program.

In 2022, EASA issued four Airworthiness Directives concerning Thales products. In accordance with the requirements of the regulator, these were modified as a result on all relative platforms within the stipulated deadlines.

(a) IATA: International Airlines Transport Association

### 5.6.2.3.2 Rail safety: a stringent approach based on a structured organization

Thales' rail activities (signaling and communication solutions for major lines and urban transport networks, as well as payment and ticketing systems) incorporate a rigorous and proven quality approach throughout their design and deployment.

All generic and customized products for each project, as well as Thales' services in this sector, meet the European (CENELEC <sup>(8)</sup>) or American (AREMA <sup>(9)</sup>) standards criteria for safety, quality assurance, certification, operational readiness and design.

In terms of structure, Thales has set up a Global Safety Council presided over by the Technical Safety Director of the Ground Transportation Systems segment. It meets twice a year and carries out three main tasks:

- Specification and follow-up of the implementation of instructions that define the structure of the Technical Safety department within the Ground Transportation Systems segment. This ensures that the policies specified and goals set in this area are implemented well;
- In conjunction with engineering, implementation of a common model for maturity levels of technical safety to fulfill and maintain the desired safety requirements for operations;
- Specification and implementation of crisis management principles and procedures to be adopted in the event of technical, product or operational safety incidents. All incidents are managed proactively through a secure and dedicated incident management server that contains all the relevant information required to enable active follow-up in real time.

This committee involves some twenty Safety Authorities distributed around the world, bringing together the Group rail transport safety experts to ensure ongoing sharing of knowledge, to review investigations and conclusions of any incidents, to discuss the experience gained and to implement corrective measures, to improve the development of a safety culture in units and, finally, to establish common methods aiming to boost safety.

<sup>(3)</sup> Federal Aviation Administration.

<sup>(4)</sup> French Civil Aviation Authority.

<sup>(5)</sup> European organization for civil aviation equipment.

<sup>(6)</sup> Radio Technical Commission for Aeronautics.

<sup>(7)</sup> Society of Automotive Engineers: a US-based, global professional association and standards developing organization for engineering professionals in various industries.

<sup>(8)</sup> CENELEC: European Electrotechnical Committee for Standardization.

<sup>(9)</sup> AREMA: American Railway Engineering and Maintenance-of-Way Association.

# 5 Corporate responsibility and non-financial performance

## A strong corporate responsibility policy throughout the value chain

The Safety Authorities work with independent accredited experts and national certification bodies to confirm compliance of Thales' products and solutions before their commercial service begins.

The Group's safety approach aims to support operations and engineering in establishing a management system that integrates a safety culture in which all employees are encouraged to contribute to maintaining and developing safety while guaranteeing confidentiality.

Finally, along with other major players in the sector, Thales participates in several technical task forces of CENELEC, the European organization that engages in the development of European standards.

### 5.6.2.4 Cybersecurity: proactively and effectively responding to growing threats

The increase in cyber threats against companies represents a major risk in an increasingly digital and dematerialized global context (see section 3.1.6). As a trusted partner and global leader in cybersecurity, Thales is committed to strengthening its cyber resilience and implements risk management methodologies in compliance with ISO 27000 standards and the main international standards such as the NIST<sup>(10)</sup> Cybersecurity Framework guidelines.

The Information Systems Security and Risk Department relies on multidisciplinary teams (audit, risks and vulnerability management, awareness-raising and training, incident response and crisis management, etc.), as well as an organization made up of Information System Security Managers (ISSM) for the Group, countries, and Global Business Units. The latter act in a coordinated manner and support the security of solutions and projects, notably by leading a community made up of several dozen Cybersecurity experts and CERT<sup>(11)</sup> champions.

All of these players are responsible for securing the Group's Information Systems and exchanging information with customers, suppliers, and, more generally, Thales' partners by:

- providing a global view of risks within the Group and proposing the most appropriate responses;
- identifying, preventing and responding to cyberthreats;
- deploying solutions to protect digital and physical assets both within the Group and in the systems and products sold by the Group;
- helping employees identify and prevent risky situations within their working environment;
- supporting the integration of cybersecurity solutions for the Group's customers and partners.

Key figures:

- 9 Security Operations Centers worldwide;
- More than 15 articles published on the cyber security intranet, accessible to more than 84,000 Thales employees, during 2022 with more than 250,000 aggregate views;
- More than 34,798 suspicious emails reported by Group employees to the internal phishing attempt reporting platform providing 15-minute diagnosis and supervised by CERT.

The recent publication of the new version of the information system security policy and its implementation in the Group Directives takes into account the latest changes in international regulations and standards, such as those recommended by the US NIST or ISO 27000. This new policy is adapted according to the specificities of the Group's various entities, regions or countries, or areas of application such as the Business Managed Networks Directive (development and production platforms) designed to be adapted to the specific characteristics of local scopes.

With this in mind, four strategic priorities have been defined in terms of digital security:

- Strengthening the implementation of the "zero trust" model in the design and implementation of all the security principles of our solutions;
- The development of a more secure authentication policy;
- Structuring of product security policies within the Group for the purpose of global consolidation and integration of ISO 27001;
- The recruitment of more than 1,000 cybersecurity experts in 2022.

The aim of this approach is to provide internal cybersecurity solutions to ensure appropriate protection of all information exchanged within the Group's Information Systems, regardless of their level of criticality, and to provide daily support to employees and partners in order to contribute to creating a trusted digital world.

Accordingly, Thales deploys numerous cybersecurity solutions to serve its employees, partners, and customers, such as secure communication exchange platforms (Citadel/Cryptobox), easier password management platforms (Easypass), as well as the services of the Security Operations Centers and computer security threat detection software. The Group's equipment is also integrated into the technical solutions of e-mail services (DMARC<sup>(12)</sup>, and DNS directories<sup>(13)</sup> signed by DNSSEC<sup>(14)</sup>).

To strengthen this relationship of trust, Thales' Audit and Internal Control policy aims to assess the organization's exposure to cybersecurity risk. Conducted in collaboration with the Audit, Risks & Internal Control Department (DARCI), the audit approach is based on a multi-year plan and includes: governance audit, audit of compliance with security policies and standards, vulnerability assessment, an internal or external IT architecture and configuration audit.

In addition, the Group has set up an awareness campaign for its suppliers. It is accompanied by a gradual assessment of their maturity in Cybersecurity as well as that of Thales' key partners.

Finally, dedicated Thales teams are able to work within very short timeframes to update the various information systems based on identified potential risks.

While technology is often an indispensable tool against cyberthreats, the Group is also implementing a comprehensive approach to cybersecurity that includes all stakeholders. In this context, several initiatives were carried out as part of an awareness-raising program to develop a truly holistic vision of security, including: awareness-raising for the preparation and management of cyber crises (e-learning, exercise simulation involving several crisis units, etc.), dedicated programs and serious game approaches for use during internal events dedicated to promoting cyber security among all Group employees.

<sup>(10)</sup> Guidelines for the prevention of organizational cyber security risks, published by the United States National Institute of Standards and Security.

<sup>(11)</sup> CERT: Computer Emergency Response Team.

<sup>(12)</sup> DMARC: Domain-based message authentication, reporting and conformance.

<sup>(13)</sup> DNS (Domain Name System): DNSs are used to transform an IP address into a traditional web address (www.adresse.com).

<sup>(14)</sup> DNSSEC is a protocol standardized by the IETF to resolve certain security issues related to the DNS protocol.



## 5.6.2.5 A responsible procurement policy to ensure lasting relationships

### 5.6.2.5.1 Governance

The Group Purchasing Director oversees the process of acquiring all the goods and services required by Thales. He reports to the Senior Executive Vice President, Operations & Performance; he is a CSR Correspondent and a member of the Corporate CSR Steering Committee (see section 5.1).

Group Purchasing includes the Responsible Purchasing Department, whose mission is to ensure the deployment of the Group's CSR policy vis-à-vis suppliers and subcontractors and to manage the non-financial performance of Purchasing.

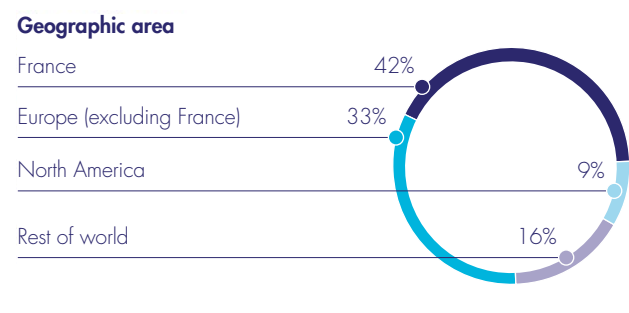
Purchasing is structured according to several areas:

- Purchase type with six purchase segments: IS/IT, systems & equipments, mechanical, electronics, engineering, general expenses;
- Activities through the Group's seven Global Business Units: Avionics, Digital Identity and Security, Defense Mission System, Ground Transportation Systems (in the process of being sold), Land and Air Systems, Secure Communications and Information Systems, Space;
- The eight regions of the world in which Thales operates (Europe, Germany, the Netherlands, the United Kingdom, the Americas, Asia, Australia, Africa - Middle East - West Asia).

Thales designs and manufactures integrated solutions using equipment, sub-systems and full systems that are, for the most part, developed with the help of external partners. Thus, including Transport activity in the process of being sold, purchases (orders issued) amounted to €10.1 billion in 2022 with 84% originating from France, Europe and North America, reflecting the Group's industrial footprint.

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

#### • PURCHASES BY GEOGRAPHIC AREAS



### 5.6.2.5.2 Policies

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

These six commitments to Sustainable Procurement are:

- compliance of suppliers with applicable legislation and regulations;
- establishing high-quality relationships based on mutual loyalty;
- sharing expertise to drive innovation;
- involving suppliers alongside Thales in the fight against climate change;

- specific support for local SMEs with opportunities for international development;
- greater reliance on players in the social outreach economy.

#### 5.6.2.5.2.1 Being a responsible company

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

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

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

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

In 2022, Thales' General Terms and Conditions of Purchase and standard purchase contracts were updated to better detail and strengthen the clauses relating to:

- compliance with health, safety and environmental requirements;
- the protection of personal data.

In order to assess the ability and willingness of its suppliers and subcontractors to meet these commitments, Thales has put in place dedicated systems covering two major corporate responsibility themes:

- the fight against corruption and influence peddling;
- the duty of care with regard to respect for human rights, protection of the environment, health and safety of persons. This system is described in section 5.7 "Vigilance Plan" below.

#### The fight against corruption and influence peddling

In 2022, deployment continued of the program for assessing the integrity of suppliers and subcontractors to combat corruption and influence peddling.

The first step in this program is to assign a level of risk to all suppliers depending on the country in which they are registered and the supplies or services they provide to Thales. Depending on the level of risk assigned, proportionate prevention measures are applied. For suppliers with moderate to high risk levels, additional investigations are carried out by a specialized third party. At the end of 2022, more than 3,170 suppliers and subcontractors had been investigated.

A compliance committee in Purchasing regularly analyses the files and investigation results of suppliers and subcontractors presenting potential risks. This committee decides on the continuation of commercial relations with these suppliers or proposes and verifies the implementation of appropriate corrective actions.

At the same time, a user guide and awareness-raising materials (e-learning, Z-card) relating to the assessment of supplier integrity were developed and made available to buyers. In 2022, the e-learning training to raise awareness of the risks of corruption and influence peddling was taken by more than 400 buyers, either new hires or as part of ongoing training.

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The Purchasing compliance process, which is fully integrated into the Group system, was ISO 37001 certified in 2021.

## 5.6.2.5.2.2 Quality relationships with partners

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

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

These balance relationships of trust are based specifically on the Responsible Supplier Relations and Procurement charter <sup>(15)</sup>, which Thales signed in 2010. For this purpose, the Group has also appointed an internal mediator for suppliers with the aim of avoiding or resolving as quickly as possible any conflicts that could arise with them; the Thales mediator's actions are also in line with the initiatives carried out by the mediator of the French Aerospace Industries Association (GIFAS).

In 2021, Thales had its certification under the Responsible Supplier Relations and Procurement charter renewed for three years. This certification is consistent with the international standard ISO EN 20400, which aims to combine corporate social responsibility (CSR) and responsible procurement. In 2022, the review of the prohibitive criteria of the label took place successfully, confirming Thales' commitment to this approach.

In autumn 2022, the third annual Altares-Pacte SME survey was published on the payment behavior of large accounts vis-à-vis other companies. Compared to 2021, an improvement of three points was observed on the average of invoices for large accounts paid on time in France. With seven other major accounts, Thales' performance is above average, confirming its commitment to this area.

### FOCUS

#### Cybersecurity

Thales supports its suppliers when it comes the risk of cyberattacks. In 2022, a program to assess the maturity of suppliers and subcontractors in terms of cybersecurity was implemented globally. Depending on the type of products or solutions provided and their delivery method, a questionnaire is sent to suppliers, and on-site audits may be carried out. The aim is to help them identify their vulnerability to enable them to effectively protect their information systems.

Thales also invites its suppliers to join BoostAeroSpace's "AirCyber" program \* with the aim of improving their resilience to cyberattacks.

Lastly, awareness-raising campaigns are regularly organized for both buyers and suppliers. They present the Group Purchasing cyber resilience program and the best practices to be applied in the event of a cyber incident.

\* European aviation digital platform created in 2011 by Airbus, Dassault Aviation, Safran, and Thales for the collaboration and security of digital exchanges within the European Aerospace and Defense Industry supply chain.

## 5.6.2.5.2.3 Encouraging innovation

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

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

The Group has also adjusted its procurement process to facilitate access for start-ups and the Purchasing Departments and Technical Departments regularly organize discussions about innovative young companies with which Thales has a relationship. In this context, more than 230 PoCs (Proof of Concept) involving these start-ups have already been achieved to date.

Thales also forms partnerships with incubators and accelerators to help high-potential start-ups grow (Starburst Aerospace, Al@Centech...). At the end of 2022, approximately 2,490 innovative start-ups and SMEs were registered on the Group's sharing database SUSHI "StartUp Sharing Hub for Innovation."

In addition, many collaborations with startups took place in 2022, including:

For its third call for projects, Al@Centech accelerated six start-ups in France, Canada, and Italy, explored 68 business opportunities, helped raise €2.8 million and engaged a community of more than 900 employees, customers, and partners.

Cyber@StationF, Thales' startup acceleration program specializing in cyber security, has been housed since April 2022 by Station F, the world's largest start-up campus.

Lastly, the collaboration between Thales and the startup HandSome, which specializes in inclusive solutions, has enabled the launch of a payment card that speaks, the "Voice Payment Card." This card, which is especially intended for those with visual impairments, verbalizes the entire payment protocol. It ensures a safe and autonomous payment experience for people with disabilities.

In 2022, a Marketing Intelligence Unit was created for Purchasing. In 2023, it will roll out new initiatives to promote innovation. The aim is to detect and evaluate the innovations of our suppliers, be they process improvements, new technologies, or reduction of the environmental footprint of their supplies and products.

## 5.6.2.5.2.4 Meeting the challenge of climate change

This subject is detailed in Chapter 5.5.3 "Climate Change and Energy Sobriety Policy," paragraph 5.5.3.2.4, "Reducing the footprint of other emissions."

## 5.6.2.5.2.5 Thinking globally and acting locally

Given the increasing complexity of its customers' environments and their global locations, Thales is developing an overall understanding of their challenges, strategic objectives, and operational needs. To meet their expectations, the Group therefore implements global strategies, particularly in the area of Purchasing.

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

<sup>(15)</sup> The charter was established by the corporate mediation department of the French Ministry of the Economy, Finance and Recovery and the Conseil National des Achats (CNA) in France.



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

These actions reflect Thales' regional policy and its commitment to the SME Pact association, of which the Group has been a member since 2010.

In France, the signing of the SME Action Agreement with the French Ministry of the Armed Forces in 2019 is an example of this support. The primary aims of this Agreement are to improve SMEs' information about the BITD (industrial and technological defense base BITD), to develop experimentation, to continue partnerships developed during upstream study programs, to offer export support and, finally, to promote start-ups.

In 2022, Thales participated in several sessions of the "SME Tour DGA <sup>(16)</sup>" in order to meet SMEs located in the regions in areas such as mechanics, electronics, and engineering. At the same time, the Group supported the international development of certain BITD SMEs by involving them in projects financed by the European Defense Fund (EDF).

Thales also regularly participates in various regional forums such as those organized by the Clusters of industrial sectors or the Customer-Supplier Meetings of GIFAS (French Aerospace Industries Association). These events provide visibility to supply chain players as to the Group's expectations in terms of operational performance but also to exchange with SMEs.

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

In 2022, Thales acquired products and services for more than €3 billion from more than 4,160 SMEs and ETIs in France, or more than 70% of the total of its national purchases.

#### FOCUS

##### United Kingdom

Thales also shared its SME support program at the DPRTE 2022 (Defence Procurement Research Technology Exportability) trade show, a major defense procurement event. On this occasion, numerous meetings were held with SMEs alongside the British "Make UK" association. A UK SME Champion has been designated by Thales to join the new SME Working Group in the Defence Suppliers Forum, which brings together the Ministry, SMEs, defence project managers and industry associations.

#### 5.6.2.5.2.6 Move forward in solidarity

Thales adapts its social solidarity and inclusion commitments according to the regional specificities in which the Group operates.

In France, specialized disabled work centers (EAs) and sheltered employment centers (ESATs) are key players at the core of the social outreach economy. For many years, Thales has maintained relations with these players, notably for industrial subcontracting work and for general purchases.

Thales wants to extend its relations to mechanical and engineering purchases. This ambition is supported by the Group Agreement in favor of people with disabilities and results in regular dialog with the Human Resources Department.

In 2022, Thales strengthened its partnership with the GESAT Network <sup>(17)</sup> association, which helps the Purchasing teams qualify EAs and ESATs that can meet the Group's needs. In particular, requests for information, accompanied by a description of our requirements specific to each domain, for example machining and technical and non-technical translations, make it possible to identify EA-ESATs that are capable of meeting them through their investments, their experience, and the development of their teams' skills.

A new Purchasing instruction for the Protected and Adapted Work Sector (STPA) was published and was the subject of a communication with buyers during the "European Week for the Employment of Persons with Disabilities." It encourages co-contracting between our panel suppliers and EA-ESATs. Thales raises awareness and supports its suppliers in this process.

In the United Kingdom, the Group's suppliers are also involved in this solidarity initiative. The "Social Value" system highlights the social, economic, and environmental commitments of companies, which are also included in the criteria for awarding public contracts. In 2022, Thales organized "Social Value" workshops that brought together 150 suppliers and were monitored by the internal project teams. Buyers support these teams in order to ensure that the commitments relating to suppliers' "Social Value" are met.

In the United States, the application of "Supplier Diversity" promotes the inclusion of minorities and also contributes to Thales' respect for its solidarity commitment.

Finally, at the Group level, Thales introduced a new "extra-financial CSR performance" selection criterion in 2022, applicable from 2023. The assessment of responsible approaches in calls for tenders has been strengthened.

#### FOCUS

##### Particular attention on minerals from conflict zones

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

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

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

<sup>(16)</sup> French Defense Procurement Agency.

<sup>(17)</sup> The GESAT Network is a player in the Social and Solidarity Economy and for 40 years has facilitated meetings between EAs and ESATs and their future private or public clients.



## 5 Corporate responsibility and non-financial performance

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### 5.6.2.5.3 KPIs - Performance

Sustainable Procurement indicators (NFPS)	2020	2021	2022	2023 target
Percentage of new suppliers committed to the principles of Thales' new Integrity & Corporate Responsibility Charter	91%	97%	99%	100%
Percentage of suppliers assessed among those considered as "at risk" according to the Duty of Care mapping <sup>(a)</sup>	24%	59%	97%	100%

(a) The calculation of the 2022 KPI is based on a list of "at-risk" suppliers established at the end of 2021.

### 5.6.2.6 Actions to protect Human Rights and fundamental freedoms

In all its activities and in its relations with its partners, Thales pays special attention to respect for human rights and fundamental freedoms.

The purpose of implementing the vigilance plan (see section 5.7) is to identify, prevent, and limit potential serious violations of human rights and fundamental freedoms that may occur both within Thales and its partners. Thales therefore closely monitors issues such as the fight against forced labor, child labor, and all forms of discrimination in the workplace (see section 5.4).

Moreover, a large part of Thales' activities are subject to extremely strict national, European, or regional trade compliance regulations that take into account human rights issues as well as respect for fundamental freedoms. These regulations contribute to the protection of the national security of democratic states as well as to the fight in particular against the proliferation of weapons of mass destruction.

In order to comply strictly, Thales has established a global organization and continuously strengthens its internal measures and procedures (see section 5.6.1.4). In addition, in light of the importance of these regulations, Thales and the European aerospace and defense industry supported the United Nations Arms Trade Treaty, which came into force at the end of 2014.

Since 2004, Thales has ceased all activities in the field of cluster munitions, choosing to respond proactively to the expectations of NGOs involved in Human Rights issues, but also to anticipate the principles and definitions of the Oslo Convention on the prohibition of cluster munitions. Similarly, Thales does not design, produce or sell controversial weapons <sup>(18)</sup> or nuclear weapons.

In June 2022, Thales also stopped selling and producing weapons using white phosphorus in line with its public commitments made in 2019. This decision is a proactive response to the expectations of some of its stakeholders, including NGOs and investment funds.

Recognizing that the digital transformation is accompanied by an increased need for ethical engagement, Thales updated its "Digital Ethics" charter in 2022. It sets out the Group's 10 commitments to the responsible use and development of these technologies that have great potential for our societies. In the area of facial recognition, a particularly sensitive subject, Thales pays special attention to the solutions proposed and the potential risks that this technology could generate in terms of violations of individual freedoms or human rights and, as such, has decided to no longer propose real-time identification solutions used for mass surveillance purposes.

In addition, since 2003, Thales has been a signatory of the United Nations Global Compact and adheres to the 10 principles relating to Human Rights, labor law and environmental law, which are based on the Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at work.

In 2022, Thales was also among the 850 companies selected globally to test the new Communication on Progress (CoP) via the Early Adopters Programmes (see section 5.1.1).

Since September 2020, Thales was a signatory of the "Statement on Renewed Global Cooperation" by CEOs, initiated by the United Nations Global Compact at the opening of the 75<sup>th</sup> UN General Assembly. In signing this, Thales has committed to:

- demonstrating ethical leadership and good governance through values-based strategies, policies, operations and relationships when engaging with all stakeholders;
- investing in addressing systemic inequities and injustices through inclusive, participatory and representative decision making at all levels of the company;
- working with the United Nations, governments and civil society to strengthen access to justice, ensure accountability and transparency, provide legal security, promote equality and respect Human Rights.

In 2022, the Group participated in the "Uniting Business LIVE" summit for the third year in a row, which brought together business, government and civil society leaders committed to the UN mission virtually for three days prior to the United Nations General Assembly.

Finally, Thales also remains very involved in discussions on the impact of its activities on Human Rights. Since 2019, the Group has been a member of the association *Entreprises pour les droits de l'Homme* (Business for Human Rights), a forum for discussion, work and proposals from international companies to better integrate Human Rights into corporate policies and practices by implementing relevant due diligence procedures. As part of this association, Thales participated in several training workshops on measuring the impact of human rights policies as well as working groups involving various stakeholders (unions, NGOs, experts, etc.).

<sup>(18)</sup> The European Commission defines anti-personnel mines, cluster bombs, chemical weapons, and biological weapons as controversial weapons (see delegated acts defining the "Principal Adverse Impact" principles related to European Regulation 2019/2088, the SFDR).





### 5.6.2.7 Thales' commitments to civil society

Thanks to the Thales Solidarity program, over fifty partners in the social and solidarity economy were supported in 2022 in a dozen countries. This year was also particularly marked by actions taken to help the Ukrainian population.

The Thales Solidarity program aims to coordinate the Group's solidarity initiatives around priority areas and common criteria in order to strengthen its societal impact.

Aligned with Thales' CSR ambition, "Building a safer, more environmentally friendly and inclusive world," these solidarity initiatives are based on three areas of commitment that put technology and innovation at the service of:

- education and professional integration;
- digital citizenship;
- and environmental protection.

The program is based on three pillars:

- the charitable fund;
- initiatives supported by Thales entities around the world;
- and employee engagement.

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

#### 5.6.2.7.1 The charitable fund

##### 5.6.2.7.1.1 Governance

The charitable fund is the philanthropic arm of the Thales Solidarity program. It is intended to finance and support innovative projects of general interest that meet one of the three areas of commitment defined in the program. By guaranteeing the soundness of projects and the proper use of funds, it contributes to disseminating an analysis and monitoring methodology within the Group as well as an awareness of societal issues.

The Fund's Board of Directors, chaired by the Chairman and Chief Executive Officer of Thales, includes 5 other Group directors, including 3 members of the Executive Committee. It validates the strategic priorities and relies on a Strategic Committee made up of 10 employees representing the main professional families. This Committee is responsible for reviewing applications and selecting projects to finance.

##### 5.6.2.7.1.2 Projects financed in 2022

In 2022, the Fund selected and financed the 10 projects that best met the selection criteria and one of the three commitment areas of the program.

**This year, the Fund supported two projects for the professional integration of women into the digital professions:**

- The DesCodeuses association's project aims to train women in the priority neighborhoods of Seine-Saint-Denis in cybersecurity professions and help them integrate into employment over the long term. The support provided by the charitable fund made it possible to raise 30 women's awareness of the cyber security professions and offer 16 of them 6 months of free skills training, supplemented by personalized socio-professional support and a 6-month internship in the company.
- The Thales Digital Women Fellowship project helps young women from underprivileged areas of Dakar, Senegal, towards socio-professional integration through the acquisition of

professional digital skills. Initiated in 2021, it is conducted in collaboration with the learningandculture@Thales department, which provides its educational expertise and the operator association Polaris in Senegal. The 50 young women in the first cohort completed the four stages of training in the autumn, and 50 new trainees selected are starting the course at the end of 2022.

**In terms of education, three initiatives illustrate the Fund's commitment to developing skills and appetites for STEMs (sciences, technologies, engineering, and mathematics):**

- Since 2015, the partnership around the *Savanturiers-Ecole de la Recherche* program aims to introduce nearly 500 students to scientific issues and methods and to encourage the discovery and promotion of the scientific and technological sectors, in conjunction with Thales' professionals. In 2022, a new educational path was designed and tested in class by a multidisciplinary team of 5 young engineers from Thales, around the question "The Perseverance robot is lost on Mars. How do we help it?" Its support was extended for the 2022-2023 school year to reach 16 classes in the Paris and Toulouse regions.
- In 2022, Thales decided to support the *Cours Antoine de St Exupéry*, a school of the *Espérance Banlieues* network, which hosts 124 students from priority neighborhoods in Asnières and Gennevilliers. Drawing on an educational approach based on experience and experimentation, the Antoine de St Exupéry course offers enhanced support in science and mathematics, as well as school support courses for student drop-outs; a Professions of the Future Forum, organized at the Gennevilliers site, was also hosted by Thales employees for 60 students.
- Finally, an initiative in Zambia, sponsored by an employee involved with the Amici di DaGama charity, funded 30 scholarships to enable disadvantaged girls to pursue their secondary education in schools specializing in science and technology (STEM).

**In order to promote digital citizenship and inclusive and responsible use of digital technology, the Fund supported 3 partnerships:**

- The Fund also promotes digital inclusion in France by supporting the Défi Insertion project run by the We Tech Care association since 2020. It aims to empower employees to acquire the minimum digital skills necessary by offering them tools and training as well as raising awareness and helping professionals working in integration structures to better integrate digital opportunities for their beneficiaries. The renewal of the partnership in 2022 encouraged the empowerment and self-training of more than 500 employees in integration in 2022 through 55 entities throughout France.
- The Born Social program, operated by the Le Cube Fund, aims to make the use of social networks by young people active and responsible. A series of classroom workshops invites them to discuss the issues of information and to jointly design a campaign to raise awareness of fake news while learning about the digital professions. The roll-out of the workshops continues until 2023 in the Ile-de-France region, with a total of 300 young people aged 9 to 15 from the City's Political Districts and 10 teachers.
- In Brazil, the IStart association aims to strengthen education in ethics and safety for young people, families and teachers through various programs. The support provided covers the production of four videos, made with Thales volunteers, on responsible use of the Internet and the behaviors to adopt to protect themselves online. They will be widely distributed at dedicated events and workshops in partner schools and target more than 30,000 people.

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**In terms of environmental protection, to support the ecological transition, the Fund has chosen to finance:**

- The Coral Guardian association for its DeepCore project, which aims to restore the coral reefs of the Punta de la Mona Special Conservation Zone in the Mediterranean Sea, which has been degraded due to the increase in anthropogenic activities, mainly through fishing and mass tourism. At the end of 2022, the fund's clean-up actions collected 473 kg of waste and transplant 197 corals, a sixth of which was thanks to the support of Thales Solidarity. This work is based on strengthening collaborations with local universities in research on coral conservation.
- Through its partnership with the Latitudes association, the Fund encourages the responsible use of technology to serve the public interest. Convinced that technological innovation has a role to play in addressing environmental and social issues, Latitudes develops awareness and engagement programs for students and professionals, and offers public interest actors digital support and innovative technology to increase their impact, especially when it comes to digital sobriety. The Fund's support helps sustain an active community of organizations and volunteers and access to resources.

### 5.6.2.7.2 The commitment of Group entities around the world

#### 5.6.2.7.2.1 Initiatives supported in the areas of the Thales Solidarity program

**In the UK,** the Thales UK Social Impact team has implemented a strategic approach to STEM education and professional integration, including training to stimulate volunteering and education awareness and to help under-represented groups acquire employability skills. The aim is to help develop a more diverse talent pool in communities close to Thales sites.

For example, in science and technology education (STEM), Thales UK works in partnership with fifteen secondary schools in the most disadvantaged communities around key sites (Crawley, Cheadle, Glasgow, Templecombe, and Belfast) in order to better encourage young people to follow STEM subject matters beyond the age of compulsory education and to consider later applying for an apprenticeship at Thales. These schools benefit from a series of workshops provided by Thales' partners and employee volunteers. At the same time, Thales has three key partnerships in terms of STEM education, which also rely on the contribution of employee volunteers: the Smallpeice Trust made it possible to hold a one-day cyber workshop in eleven secondary schools for more than 660 students; STEMettes aims to disseminate STEM resources and activities to inspire young girls and non-binary people in 10 public primary schools in England and Northern Ireland in the most disadvantaged areas; finally, the Primary Engineers competition, renewed and sponsored by Thales in the South-East region, mobilized 1,795 students from 16 primary and secondary schools around the question "If you were an engineer, what would you do?" to lead them to identify a problem and design a solution in the form of a drawing.

In 2022, a new partnership with Pathway CTM was launched. This social enterprise aims to transform employability training for schools and students across the UK. It provides students and teachers of Thales' partner schools with access to educational resources via a dedicated platform as well as through events and workshops.

**In North America,** Thales continued to support the Technovation Challenge, an international competition for girls aged 10 to 18, which aims to develop their entrepreneurial skills in the field of technology. In 2022, more than 100 girls were supported by around thirty Thales employees as mentors or members of the jury. In terms of STEM education, Thales also sponsored the "Career Day" of the American Airlines CR Smith Museum. This event dedicated to the discovery of aviation careers hosted 500 students from Dallas-Fort Worth, from grades 7 to 12, with the participation of several Thales employees in a group of experts.

**In Brazil,** Thales, in partnership with Fundação Iochpe, graduated the second "Formare" promotion, a professional training program for 12 young people from disadvantaged backgrounds, based on the volunteer work of employees. Financial support for Fundação Weiss Scarpa contributes to the integration of 300 teenagers from the Curitiba region through vocational training. Finally, Thales has also financed, via a tax system, 10 organizations that support education and professional integration, digital citizenship, or the environment. For example, the Passatempo Educativo, CEAP, and Celebrieros associations promote the acquisition of computer and scientific skills by rolling out courses and activities for more than 3,000 young people from disadvantaged neighborhoods.

**In Colombia,** through a partnership with EducaMás, Thales contributed to Prográmate, vocational training in programming for 70 young people. Thales provides InnovLab facilities in Bogotá for students as well as employee volunteers as mentors.

**In India,** Thales supported the Life Project For Youth (LP4Y) digital project, led by Tomorrow's Foundation to roll out their professional inclusion programs more widely. In support of disadvantaged young people in Bangalore, Chennai, Delhi, Chhattisgarh, West Bengal, and Mumbai, this project helps equip the IT rooms of the training centers and develop a remote learning and networking platform. The project has already benefited 920 young people and aims to empower 2,000 by giving them an entrepreneurial mindset and enabling them to be a player in a more inclusive and sustainable world. Thales extended its support for Shelter Progetto. This accommodation center offers school education, accommodation, health care, and a balanced diet to 17 young girls. They also benefited from additional digital literacy and computer coding activities.

#### 5.6.2.7.2.2 Solidarity actions for the Ukrainian population

In early March 2022, several initiatives were launched to support humanitarian efforts in the face of the tragic situation in Ukraine.

Thales provided financial support of €1 million to three charities operating in countries at the heart of the humanitarian response (Poland, Romania, and Czech Republic).

- The Czech NGO People in Need quickly put in place regular humanitarian aid in the east of the country, support for refugee centers in Ukraine and the Czech Republic, and financial contributions and psychological support for affected populations;
- The NGO Polish Medical Mission participated in the uninterrupted operation of Ukrainian hospitals by purchasing and delivering the most urgent and necessary medical equipment and medicines;
- The Federation of Child Protection NGOs (FONPC) brings together 65 Romanian NGOs. Present at all border points, in collaboration with international organizations, the Federation provided immediate support to children and families in need affected by the traumatic experience of war and homelessness.



Between March and May 2022, the Group launched fundraising campaigns in 12 countries and committed to 100% of employee donations to the chosen local organization. Thus, 1,176 employees took part in these collection campaigns, generating an additional contribution of €157,000 paid by the Group. Thanks to this campaign, the Fondation de France was able to raise €166,000 (employee donations and company contribution) to support local players in Ukraine, the defense of human rights, and the reception of refugees.

Local initiatives involving employees were also carried out at the Thales sites in Europe:

- in the first few days, the employees of the Thales headquarters in Bucharest participated in a donations and essential goods drive for the benefit of a charity working on the Ukraine border. Similar drives were organized at several sites in France and many European countries;
- in Poland, many actions took place, both at the initiative of Thales DIS Polska and on the individual initiative of employees. Thales notably provided funds to renovate and equip a shelter in Tczew, which welcomed a group of Ukrainian children. Thales employees contributed a volunteer workforce and participated in the reception of the children;
- in France, as part of the local MED4UA operation in La Ciotat, Thales made computers and printers available to equip a Corsica Linea ferry for the reception of Ukrainian refugees.

### 5.6.2.7.3 Employee commitment to the public interest

#### 5.6.2.7.3.1 Volunteer missions to share skills

Group employees are encouraged to engage in volunteer missions to support partner associations or their beneficiaries. They share their technical skills, know-how, and experience in the working world.

**In France**, since 2020, this commitment has been made easier by an online platform where the various initiatives are presented and updated regularly. Since its launch, nearly 360 employees have applied for an online assignment among the fifteen missions offered: mentoring young students, creating a scientific challenge for primary classes, raising awareness of fake news for college students, participating in a solidarity hackathon to solve a challenge related to the protection of corals in the Mediterranean, etc.

**In the United Kingdom**, Thales consolidated its engagement program launched in 2021 with a volunteer program during working hours and a digital platform to promote engagement opportunities. Thales offers every employee 24 hours of volunteering and 80 hours for young people at the beginning of their career. In 2022, the target of 6,500 hours of employee volunteering was exceeded, with 7,262 hours recorded at the end of November, an increase of 469% over the hours recorded in 2021. Employees use their volunteer hours in a wide range of activities to have an impact on their local community and develop new skills and experiences. Three types of engagement are available to them: volunteering in schools to develop STEM skills for young people through classroom interventions and content production; participation in various events and workshops to support the integration of talent from diversity; and

charitable engagement through the causes they care about, through fundraising and volunteering.

**In Latin America**, as part of the Formare project in Brazil (cited above), 66 employee volunteers provided 900 hours of administrative and technical training to the 12 promotion students. Three other education projects in Brazil, Colombia, and Mexico also involve around twenty employees as mentors or speakers on STEM and programming topics.

#### 5.6.2.7.3.2 Supporting employee generosity

Several schemes have been put in place locally to facilitate the collection of assets or funds, often matched by the company. These collections may be one-off donations to local associations or on-going contributions for longer-term support of partner organizations.

Launched in 2016, the payroll-giving program, **Arrondi sur salaire**, program, designed by the social and solidarity enterprise MicroDON, allows each Thales employee in France to support an outreach project, by donating pennies from their salary each month, with an option to make an additional donation of up to 10 euros. 100% of the donations are donated to the associations after being matched by the Group up to the amount of the employees' donations, up to a maximum of 180,000 euros.

At the end of 2022, this innovative solidarity tool had 4,650 micro-donors within the Group's French companies and made it possible to allocate €374,000 to 10 associations in accordance with employees' choices. Total inflows over the past 7 years have exceeded €2 million, nearly half of which corresponds to the Group's contribution. Among the associations supported:

- *Planète Urgence*: the association has equipped and educated 28,666 children with school kits in 162 schools in Benin, Cameroon, Togo, and Madagascar; it also carried out a project to raise awareness of the environment among 3,600 students by training 60 teachers;
- *Libraries Without Borders*: more than 1,000 exile children in France received a bag of books, and 10 micro-libraries were equipped in emergency accommodation centers following the influx of Ukrainian refugees;
- *Cœur de Forêt*: more than 6,000 trees were planted in the endemic forests of the northeastern region of Madagascar, contributing to the restoration of forest cover and also to the preservation of biodiversity;
- *La Fondation de France*, added as a beneficiary of the scheme in March, raised more than €24,000 for its Solidarity Ukraine program. This support is extended in 2023.

Celebrated for the second year at the Thales Group level, Giving Tuesday is a global day that encourages generosity, solidarity, and commitment. This global movement brought together the employees of 46 sites in 11 countries around solidarity-based activities: food drives, collection of hygiene products, toys, clothing, books and glasses for disadvantaged people, as well as meetings with solidarity associations.

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## 5 Corporate responsibility and non-financial performance

A strong corporate responsibility policy throughout the value chain

**Lastly, over the course of the year, numerous collection campaigns were carried out in several countries:**

**In the United Kingdom,** employees and the Thales UK Charitable Trust have chosen Asthma and Lung UK as a charity partner with a target of £200,000 to be raised over two years. The 2022 target has been exceeded by the employees, who are raising funds, making donations, and participating in a number of local and national sports and social initiatives. In July, employees completed the Thales Eeuw Cycle Challenge to travel 530 km over 4 days and raised more than £29,000.

**In North America,** Thales' employees in Ottawa collected more than US\$10,000 through their quarterly giving campaigns for Red Cross BC Floods and Extreme Weather Appeal, the Nova Scotia Society for the Prevention of Cruelty, Veteran's House Ottawa and the David Suzuki Foundation. Several Thales sites in Quebec have also mobilized employees around the Centraide campaign for an overall collection of US\$19,382. Toys for Tots collection drives were held at the Ottawa site in Canada and in the United States at the Irvine and Melbourne sites and at the Arlington headquarters. Finally, the employees of the Clarksburg site participated in food and clothing collection drives and waste pick-ups for several organizations, including the Salvation Army, the American Lung Association, the Leukemia and Lymphoma Society, the Clarksburg Closet, and Montgomery Adopt-A-Road.

**In India,** at the Noida site, Thales collaborated with the NGO Youth for SEVA to organize school supply campaigns for underprivileged children in Noida in July and November. A similar collection drive was conducted at the Bangalore site for a reception center for persons with disabilities, and a lunch was organized for more than 300 children and staff at the center.

**In France,** the Vélizy site collected more than 200 kg of professional clothing during a collection drive for the benefit of the *Cravate Solidaire*, which helps people in professional integration programs prepare for interviews.

**In Brazil,** 5 sites organized winter clothing collections for the social solidarity fund of local town halls.

**In Singapore,** solidarity initiatives have also been organized by Thales to encourage employees to participate together in efforts for supporting the elderly and environmental protection.

### 5.6.2.7.4 Social contribution through the teaching and research chairs

#### Creation of a chair on responsible digital identity

In 2019, Thales joined forces with Télécom ParisTech to create an international research chair dedicated to responsible digital identity based on three lines of research: the study of weak signals around digital identity with a multidisciplinary approach in social and technical sciences, the study of uses and misappropriations by users

from diverse cultural, social and demographic backgrounds, and lastly the analysis of acceptability in a user-centric approach.

By participating in this chair, Thales' objective is to contribute to the public discussion as well as to inform its thinking and strategy on these subjects, and thus to contribute to a global and forward-thinking approach beyond the purely technological aspects.

After 3 years of operation, the growing interest in research subjects and the quality of the work produced led Thales to renew its commitment in 2022 for an additional 3 years. Docaposte and Bouygues Telecom also joined the project as sponsors.

#### Major Strategic Issues Chair

Developed under the banner of the Saint Cyr Foundation, in partnership with the University of Paris Sorbonne and the Saint Cyr Military School, the main objective of the Major Contemporary Strategic Issues (GESCI) Chair is to raise awareness among students of these educational institutions of current and future geopolitical changes and their consequences on European and French strategic positions. The role of the chair is to facilitate the invitation of French and international experts through the organization of conferences and symposiums. Since the beginning of 2021, these symposiums have been made available live and recorded on social media, thus reaching a very large audience.

#### Chair of Defense Economics (ECODEF)

In France, hosted by the IHEDN Endowment Fund and led by a scientific council composed of renowned economists and experts from the French Defense Procurement Agency (DGA) and SGA (French General Secretariat for Administration), the ECODEF Chair aims to study the economic impact of the defense sector through the production of scientific works and the organization of conferences on this subject. The chair has contributed to the Ministry of Armed Forces' considerations in the recovery plan and the Military Programming law following the health crisis. The Chair contributes to the reflections of the Ministry of Armed Forces and Parliamentarians in the recovery plan and the Military Programming Law.

#### Defense and Aerospace Chair

As part of the Fondation Bordeaux Université, the Defense and Aerospace Chair, in which Sciences Po Bordeaux and the University of Bordeaux are working together, is responsible for disseminating research and training on strategic, operational, economic and industrial issues related to defense and aerospace. It develops innovative training programs (creation of introductory, ongoing, and specialized training programs), research (work on conflict between powers and on the defense space), and the dissemination of knowledge (books, conferences, etc.). Its approach is global and integrates the study of conflict situations, national, European and allied security strategies, operational positions and commitments, and breakthrough military technologies.



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## 5.7 Vigilance plan

Law No. 2017-399 of March 27, 2017 relative to the Duty of Care of parent and of outsourcing companies, requires the establishment and effective implementation of a vigilance plan.

This plan must describe in detail the “reasonable vigilance measures to identify risks and prevent serious violations of Human Rights and fundamental freedoms, the health and safety of individuals and the environment, resulting from the activities of the Company and those of the companies it directly or indirectly controls, as well as from the activities of subcontractors or suppliers with whom it has an established business relationship, when these activities are related to that relationship.”

Thales has long been committed to implementing a responsible social and environmental policy, both within its own activities and with its main stakeholders. As a result, Thales strives to continuously improve its vigilance plan in order to align with current best practices.

### 5.7.1 Regulatory requirements and methodological approach taken

#### 5.7.1.1 Regulatory requirements

Article L. 225-104-1, paragraph 4, of the French Commercial Code requires that due diligence measures be described in a vigilance plan that includes the following requirements:

- 1) A risk map to identify, analyze and rank risks (see section 5.7.2);
- 2) Procedures for regularly assessing the situation of the employees of the Group and its subsidiaries as well as subcontractors or suppliers with whom an established commercial relationship is maintained (see section 5.7.3);
- 3) Appropriate actions to mitigate risks or prevent serious violations (see section 5.7.3);
- 4) An alert mechanism for collecting reports of existing or actual risks (see section 5.7.4);
- 5) A system for monitoring the measures implemented and assessing their effectiveness (see section 5.7.3).

#### 5.7.1.2 Methodological approach taken

##### Governance of the vigilance plan

The Group’s vigilance plan is defined by the CSR Department (see section 5.1.4) with the support of the Audit, Risk and Internal Control Department (DARCI), the Human Resources Department, the Procurement Department and the Legal and Contracts Department.

##### Implementation methodology

In 2022, DARCI dedicated one of its missions to updating the Group’s risk mapping in terms of Duty of Care, with the support of a specialized external service provider. The work was based on the characteristics of the Group’s activities and also drew on the best practices implemented by companies operating in similar sectors or with similar challenges.

The DARCI explored a set of potential risks (serious violations of human rights and fundamental freedoms, human health and safety, the environment) based on an analysis of:

- a) the activities of the Group and the companies it controls directly or indirectly in all geographical areas in which the Group operates;
- b) the activities of subcontractors or suppliers with which a commercial relationship is maintained in all geographical areas where they are present.

To this end, numerous interviews were conducted within the Group with operational, functional and regional managers. The work also took into account the findings of internal audits and the analysis of the alerts log.

The mitigation actions listed below (see section 5.73) take these analyses into account.

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## Vigilance plan

### 5.7.2 Mapping of risks under the Duty of Care

This mapping of residual net risks related to the Duty of Care updated in 2022 is summarized in the table below.

It will be regularly reviewed according to changes in these risks or the emergence of new risks identified based on discussions with stakeholders and the monitoring of controversies.

It identifies risks and prioritizes them according to their importance and their possible impact on the Group's employees, the personnel of subcontractors, suppliers and service providers, as well as local communities and the environment.

● DUTY OF CARE RISK MATRIX

Affected persons or scopes		Thales employees		Subcontractor/Supplier/Service Provider employees			Local communities/Environment			
		On Thales sites	On external/customer sites	On Thales sites	On supplier & subcontractor sites	On external/customer sites	Around Thales sites	Around customer sites	Other local communities	Air, Earth, Water, Space, Biodiversity
	Disclosure or theft of personal data	●	●	●						
	Failure of our suppliers to respect basic human rights			●	●	●				
	Discrimination	●	●	●	●	●				
	Use of conflict minerals by our subcontractors								●	●
	Accidents at work	●	●	●	●	●				
	Safety of persons in high-risk countries	●	●	●		●				
	Insufficient control of energy consumption									●
	Poor management of hazardous products or waste; environmental pollution	●	●	●	●	●	●	●	●	●
	Lack of knowledge/under-use of the Group whistleblowing system	●	●	●	●	●	●	●	●	●

There are no "high" risks.





## 5.7.3 Procedures for the regular assessment of the situation and actions taken by Thales to mitigate risks or prevent serious violations

### 5.7.3.1 Policies and mitigation actions put in place vis-à-vis Thales employees

#### Governance

The regular assessment procedures and actions for mitigating the risks of serious violations of human rights and fundamental freedoms and the health and safety of persons and the environment vis-à-vis Thales employees are defined and monitored by the Human Resources Department, the Safety Department and the CSR Department and, within it, the HSE Department (see section 5.1.4).

#### Mitigation policies and actions and monitoring of measures implemented

- a) Forced labor, child labor: Thales has a zero tolerance policy for forced labor or child labor (see section 5.4).  
Thales uses the ILO definitions to categorize forced labor (Fundamental Convention 29) as well as child labor (ILO Convention 138 on Minimum Age and ILO Convention 182 on the Worst Forms of Child Labor);
- b) Disclosure or theft of personal data: As one of the world's leading cybersecurity companies, Thales pays particular attention to protecting its IT networks and the data they host. It has created and implemented a personal data protection compliance program that meets the requirements of EU Regulation 2016/679. The cybersecurity and personal data protection policies are presented in Chapters 5.6.2.4 and 5.6.1.6 respectively;
- c) Discrimination: Thales has a policy for combating all forms of discrimination, by promoting diversity and inclusion in all Group companies(see section 5.4.2);
- d) Health and safety in the workplace: An occupational health and safety risk prevention policy is implemented at each of the Group's sites, as well as for external projects (see section 5.4.4);
- e) Safety of persons in high-risk countries: the Group's Safety Department defines the safety measures to be put in place and carries out permanent monitoring and individual follow-up with employees on professional assignment. No employee may travel to a country that is considered "sensitive" without the approval of the Safety Department;
- f) The Group's alert system: The effectiveness of Thales' Vigilance Plan is partly based on the Group-wide whistleblowing system, which is open to employees, external and casual employees and third parties (such as a member of staff of a client of the Group or supplier). The Group ensures that the system is easily accessible online and guarantees that all alerts are routed to persons capable of handling them (see section 5.6.1.8);
- g) Management of hazardous products or waste: The Group's production of hazardous waste is limited and represents only 17% of the total production of waste treated in appropriate channels. The Group continues to work to optimize its waste management and to manage the gradual substitution of hazardous substances in advance (see section 5.5.4.2).

### 5.7.3.2 Policies implemented vis-à-vis local communities potentially exposed to the Group's activities

#### Governance

Regular assessment procedures and actions to mitigate the risks of serious violations of human rights and fundamental freedoms, the health and safety of persons and the environment vis-à-vis local communities potentially exposed to the Group's operations are established and monitored by the Corporate Social Responsibility Department.

#### Mitigation policies and actions and monitoring of measures implemented

The mitigation policies and actions implemented are described in this Universal Registration Document in line with the Group's commitment.

- a) Conflict minerals: Thales applies EU Regulation 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas (see section 5.5.2.2);
- b) Energy consumption: in recent years, the Group has deployed a strong renewable energy policy. Furthermore, in 2022, the Group set up and implemented a sobriety plan (see section 5.5.1.8);
- c) Alert system: Thales' alert system enables external stakeholders to report alerts related to the Group's activities (see section 5.6.1.8);
- d) Management of hazardous products or waste: the Group has a policy of anticipating and responsibly managing its pollution risks (see section 5.5.4.2.1).

### 5.7.3.3 Policies in place with respect to subcontractors or suppliers with whom an established business relationship is maintained

#### Governance

Policies to mitigate the risks of serious violations of human rights and fundamental freedoms, the health and safety of persons and the environment vis-à-vis subcontractors or suppliers with whom an established commercial relationship is maintained are defined and implemented by the Procurement Department in collaboration with the departments concerned (CSR Department, HR Department).

#### Risk assessment of suppliers and subcontractors

Based on the mapping performed by the Audit, Risks & Internal Control Department, in consultation with the CSR Department, the Ethics and Integrity Department, the Procurement Department has identified and prioritized the main risks applicable to suppliers and subcontractors:

- Disclosure or theft of personal data;
- Failure of our suppliers to respect basic human rights;

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# 5 Corporate responsibility and non-financial performance

## Vigilance plan

- Non-compliance with the Integrity & Corporate Responsibility Charter - Thales Partners and Suppliers;
- The existence of discriminatory acts at the supplier or subcontractor;
- Failure by the supplier or the subcontractor to take into account climate risk and Thales' expectations in terms of low-carbon policies;
- Poor management of hazardous products or waste resulting in environmental pollution.

Based on this mapping, the Procurement Department has put in place an evaluation procedure for suppliers/subcontractors to identify the categories the most at risk. To this end, three criteria are applied: the type of purchase made, the country where the supplier or subcontractor is registered, and the purchase volume committed by Thales with that supplier or subcontractor.

### First criterion: the type of purchase

The assessment identified 19 high-risk categories for the following purchases:

- machining, smelting, sheet metal working;
- manufacture of mechanical sub-assemblies;
- adhesives, solvents, paint, acids, alcohols, resins, oil...;
- surface treatments;
- printed circuit boards;
- components;
- installation and civil engineering works;
- munitions.

### Second criterion: the country in which the subcontractor or supplier operates

The assessment of the risk associated with the country in which the supplier is registered or where it operates identified 25 "at risk" countries. This assessment takes into account three external benchmarks: the Environmental Performance Index (EPI), the International Trade Union Confederation (ITUC), and the Global Slavery Index.

### Third criterion: Thales' purchasing volume with the subcontractor or supplier

This criterion takes into account both the frequency of purchases made and their amounts in order to characterize the established commercial relationship.

### Risk prioritization and prevention measures

The combination of these various criteria led to the development of a risk hierarchy with three categories (high risk, moderate risk, and low risk), each of which was assigned specific mitigation measures.

## 5.7.3.4 Risk mitigation actions and monitoring of implemented measures

### Thales' Integrity & Corporate Responsibility Charter for Partners and Suppliers

All suppliers and subcontractors of Thales are obliged to sign the Partners' and Suppliers' Integrity and Corporate Responsibility Charter at the qualification phase and before entering into any agreement.

This charter, the terms of which were reviewed in 2019, particularly on the basis of the Code of Conduct of the International Forum on Business Ethical Conduct (IFBEC), incorporates precise commitments expected from Thales' suppliers and subcontractors in terms of human rights, environmental protection and personal health and safety.

The number of new suppliers who signed this charter is measured by an indicator described in section 5.6.2.5.3.

### Additional assessment measures

Thales uses the expertise of an international third-party organization specialized in supplier risk management to engage its suppliers in additional assessment measures based in particular on a self-assessment questionnaire submitted to suppliers or subcontractors with high or moderate risk levels.

Depending on the scores and sub-scores obtained following the completion of the additional assessment measures, two sets of mitigation actions are implemented.

To define mitigation plans, dialog is initiated with the supplier, the Responsible Purchasing team, the buyer in charge of the supplier, the internal order originator and representatives of the HSE Department and the Group Purchasing legal team.

### Support of Group Purchasing

Group Purchasing is available to guide and advise suppliers and subcontractors completing the questionnaire so they can provide clear, documented answers.

Thales has published a user guide to the program which is made available to the Group's buyers. Awareness-raising sessions are organized regularly to explain the assessment process and address the questions of buyers from all purchasing segments and geographic areas. Support is provided by the Group's Procurement Department to advise buyers and facilitate execution of the process. It may be decided to carry out an audit on the supplier's site. In this case, Thales uses a third-party organization with the necessary experience to assess employees' working conditions and the environmental impact of the audited site.

Action plans are included in the supplier's file in the Group Purchasing supplier database to be shared and monitored with buyers.

If the supplier or subcontractor refuses to participate in the assessment process, or if it does not take appropriate steps to implement the required corrective actions, Thales may decide, as the case may be, either not to select it during its calls for tender or not to continue the business relationship.

As such, in 2022, and as in the previous financial year, Thales terminated its business relationship with around twenty listed suppliers or subcontractors.

The mitigation policies and actions implemented are described in this Universal Registration Document in line with the Group's commitment: "Thales is committed to designing, purchasing, producing, and providing solutions, products, and services that meet health, safety, and environmental requirements."

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

**FOCUS****Service provision in work environments, Copernllc.**

Copernllc is the name of a contract as well as the system that contains specifications, costing and governance in terms of services for working environments.

These services cover the maintenance in operational condition of all the equipment comprising Thales' premises, which provide hot/cold/high and low voltage/elevators/technical management systems for buildings. This activity also concerns occupant services such as reception, mail, parcels and cleaning services, not to mention compliance with regulatory controls and maintenance operations.

This system has been implemented in France, the UK, Germany, the Netherlands and Italy since 2022.

Copernllc integrates the Corporate Social Responsibility dimension through three levers:

- the contractual terms require compliance with labor law legislation, including not only working conditions (staggered and fragmented schedules are kept to a strict minimum for housekeeping staff) but also the inclusion of staff with disabilities. In France in 2022, services provided by employees with disabilities totaled €1 million;
- the specifications comply with the various waste sorting and recovery regulations. The Copernllc system makes it possible to preempt this regulation by signing recovery contracts with innovative SMEs: an over-sorting system is implemented to maximize waste recovery;
- for the energy aspect, the energy performance contract implemented in France saved more than 44 GWH/year in 2022, representing a savings of more than €5 million.

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## 5.7.4 Mechanism for alerts and collection of reports relating to the existence or creation of risks

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

Act no. 2017-399 of March 27, 2017 on the Corporate Duty of Care.

This system is described in Chapter 5.6.1.7.

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## 5.7.5 Overview and prospects of the vigilance plan

The implementation of the vigilance plan enabled the Group to discuss these issues with many stakeholders and its peers through participation in multiple working groups within professional organizations (Afeq, Medef, Gifas, etc.) or specific associations (United Nations Global Compact, Companies for Human Rights, etc.). This work and these exchanges are essential for the Group's continuous improvement on these issues.

Thales is well aware that the effectiveness of a vigilance policy is based on the implementation of a continuous improvement approach. Since 2017, the date of promulgation of the law on the duty of care, the Group has continued to review and deepen its vigilance approach in order to make it ever more relevant and in line with the risks identified and their development. In 2023, in line with this commitment to continuous improvement and alignment with best market practices, Thales is firmly committed to a pragmatic approach to progress based on measurement of the effectiveness of ongoing actions to strengthen or amplify the trajectory if necessary.

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# 5 Corporate responsibility and non-financial performance

Methodology notes

## 5.8 Methodology notes

### 5.8.1 Social data

#### Social reporting method

The social section of the Universal Registration Document is a key source of information on social data, social policies implemented, practices and actions that are part of the Group's social responsibility, and their impact. It reflects its international dimension. The information in this document presents the situation of the Group as of December 31, 2022.

#### Organization and methodology

In 2022, feedback was provided via the WorkDay digital platform. Country Human Resources Managers were asked to verify that the data in the local payroll systems or in their local WorkDay tool is accurate and up to date beforehand. The information in this Universal Registration Document was then extracted centrally. As some companies are not part of the WorkDay tool, a quantitative and qualitative questionnaire including all the indicators presented in this document is sent to the Human Resources Directors/HR Correspondents of the companies or countries concerned, as applicable.

The country Human Resources Directors of all Group entities are also questioned on the basis of a qualitative and quantitative questionnaire containing indicators which, if they are in line with current legislation, are also based on indicators proposed by the Global Reporting Initiative <sup>(1)</sup> or negotiated with the social partners, particularly at European level.

All the data was sent to the Group's Human Resources Department for consolidation, where it was checked for consistency and the relevant section of the Universal Registration Document was prepared.

#### Scope

The definition of the companies taken into consideration for the preparation of the Universal Registration Document has not been changed this year and is consistent with the IFRS 10 and 11 financial consolidation standards. The managed headcount reported as of December 31, 2022 therefore includes the headcount of only those companies controlled by Thales pursuant to the provisions of Article L233-3 of the French Commercial Code, as well as companies that meet these criteria but are below the financial consolidation thresholds.

The employees attached to the Group's Transport activity, which is currently being sold as of the date of publication of this document, are also taken into account for the purposes of the Universal Registration Document.

For greater transparency, the social data contained in the Universal Registration Document should be assessed in relation to the scope of the headcount covered by the responses. For each figure, the scope table for the verification of figures mentions the percentage of staff covered.

#### Details

The number of active employees managed in the Universal Registration Document includes all employees in each country, regardless of the nature of their contract (fixed-term or open-ended, full-time or part-time). They do not take into account apprenticeship and vocational training contracts (although the number of contracts concluded in this regard is indicated in the recruitment section), employees on unpaid leave, employees on sick leave (of more than three months), employees on parental leave and employees on notice not working as of December 31 of the year in question.

Since the financial year 2019, employees on maternity leave as well as employees whose last day of work was December 31 of the year in question have been included in the active workforce.

<sup>(1)</sup> The Global Reporting Initiative (GRI) is a non-profit organization that develops a common framework for sustainability reporting. Created in 1997, the GRI published the first version of its guidelines in 1999. Compliance with this document by companies is completely voluntary.



The total number of new hires includes work-study contracts signed in 2022, but does not include any conversions of fixed-term contracts or apprenticeship contracts to open-ended contracts during the year. It does not include the conclusion of internship agreements, International Business Volunteer (VIE) and CIFRE (Conventions Industrielles de Formation par la Recherche) and the transition from active to inactive employee status and vice versa.

The total number of employees leaving the company includes resignations, all dismissals (economic and personal), contractual terminations, retirements, deaths and other types of termination, as well as the end of fixed-term contracts.

The turnover rate corresponds to the number of resignations divided by the average number of employees active on December 31 of year N-1 and the average number of employees active on December 31 of year N, in accordance with the Global Reporting Initiative (GRI) 401-1 standard.

The number of non-French employees and expatriates in the French teams takes into account non-French employees working in France with a French contract or on an international assignment in France.

For the calculation of the percentage of CODIRs with at least 3 women, the Executive Committee of the Group, the CODIRs of Global Business Units, the major countries/regions (North America, United Kingdom, Australia, Germany, Netherlands) and the International Development Departments (DGDs), as well as the CODIRs of the BUs are taken into account.

The percentage of women in senior management positions is a measure of the percentage of women in positions of responsibility level from 10 to 12, divided by the total number of employees in positions of that level.

The average number of hours of training per employee is the total number of hours of training divided by the number of Thales employees employed as of December 31 of the year in question.

Data on absenteeism and the frequency and severity of workplace accidents have been calculated on the basis of the number of days theoretically worked in each country, and on the basis of the active workforce as well as inactive paid employees (unpaid employees on long-term sick leave are therefore not included in the calculation of this indicator). These figures are based on a comparison of the data entered in the Human Resources Department and the Hygiene, Health, Safety and Environment Department's reporting tools.

The overall absenteeism rate is the percentage of days lost due to any type of disability, whether work-related or not, compared to the number of days theoretically worked in each country. Authorized absences such as annual leave, study leave, maternity/paternity leave or family leave are excluded. Absences for which the employee is no longer paid by Thales are also excluded.

The frequency rate is the number of accidents with lost time during the year, multiplied by 1,000,000 and compared to the number of hours theoretically worked during the year.

The severity rate is the number of days lost due to occupational accidents multiplied by 1,000 and compared to the number of hours theoretically worked during the year.

The employment rate of disabled workers is the total number of beneficiary units as declared in the Mandatory Declaration of Employment of Disabled Workers (*Déclaration Obligatoire d'Emploi des Travailleurs Handicapés*) in France.

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# 5 Corporate responsibility and non-financial performance

## Methodology notes

### 5.8.2 Environmental data

#### Scope of environmental reporting

The scope of environmental reporting is separated from the scope of the companies included in the financial consolidation as of December 31, 2022, after cumulative application of the eligibility criteria set out below.

#### Eligibility and operational control (criterion 1)

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

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

#### Activity/headcount (criterion 2)

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

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

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

#### Changes in scope

Changes during the year in the scope of consolidation (in the financial sense) and significant changes in the activities or headcount of Group sites, including the additional criterion of contribution to the entire financial year 2022, are handled as follows <sup>(1)</sup>.

- companies acquired in 2021 that meet the criteria of control (criterion 1) and activity/employee numbers (criterion 2) are included in the scope of environmental reporting. The same applies to new operations created in 2021;
- for the transfer of activities from one site to another with full environmental reporting for the year 2022, the information is combined:
  - with that of the originating site for the period from January 1<sup>st</sup>, 2022 to the day before the transfer date,
  - with that of the receiving site for the period from the transfer date to December 31, 2022;
- absorption of intra-Group companies, sites or activities: the data of the absorbed entity is combined with that of the absorbing structure for the period from January 1<sup>st</sup>, 2022 to the date of absorption.

#### Reporting procedure

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

#### Indicators

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

The indicators are consolidated in line with the GRI <sup>(2)</sup> recommendations and a cross-reference table is available in 5.10.3.

#### Reporting tool

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

#### Performance analysis

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

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

<sup>(1)</sup> The land transport sites and activities of the GTS GBU continue to be included in the scope of the 2022 environmental reporting.

<sup>(2)</sup> The Global Reporting Initiative (GRI) is a non-profit organization that develops a common framework for sustainability reporting. Compliance with this document by companies is completely voluntary.





## 5.9 Other social and environmental indicators

### 5.9.1 Social data

#### Breakdown of worldwide headcount

The breakdown of Group employees was stable in 2022.

With more than 64,000 active employees, or 75% of the workforce, Europe continues to be the main employment zone.

Workforce as of December 31 <sup>(a)</sup>	2021	2022
France <sup>(b)</sup>	38,145	39,656
<b>Major countries where the Group operates</b>		
United Kingdom	6,478	6,580
Germany	4,004	4,018
United States	3,722	4,115
Australia	3,570	3,614
Netherlands	2,368	2,560
Canada	2,011	2,006
<b>Other countries where the Group operates</b>		
Italy	2,950	3,161
Singapore	1,785	1,978
India	1,555	1,716
Spain	1,313	1,722
Mexico	1,264	1,361
Poland	1,233	1,276
China-Hong Kong	1,342	1,275
Brazil	1,223	1,160
Belgium	977	1,014
Romania	835	958
Switzerland	448	782
Thailand	511	698
Portugal	489	605
Austria	391	420
Czech Republic	320	327
Turkey	302	313
Finland	285	311
Saudi Arabia	313	298
Egypt	308	297
Norway	267	278
Middle East (Excluding Saudi Arabia) <sup>(c)</sup>	236	736
Denmark	214	208
South Africa	185	175
Israel	181	180
Philippines	181	191
Luxembourg	0	144
Colombia	131	119
Japan	122	120
Taiwan	115	117
Sweden	108	129
Morocco	107	91
Other <sup>(d)</sup>	601	528
<b>WORLD</b>	<b>80,995</b>	<b>85,253</b>

(a) The headcount mentioned is the active headcount as described in the Note on Methodology.

(b) On December 31, 2022, the total headcount registered in France was 43,683.

(c) The Middle East includes: UAE, Lebanon, Oman, Pakistan, Qatar, Bahrain, Kuwait, Jordan.

(d) Other countries with fewer than one hundred employees and permanent facilities: Malaysia, South Korea, Chile, Argentina, Indonesia, Greece, New Zealand, Algeria, Panama, Dominican Republic, Senegal, Hungary, Vietnam, Cote d'Ivoire.

# 5 Corporate responsibility and non-financial performance

Other social and environmental indicators

## 5.9.2 Additional employment indicators

Social indicators as of December 31, 2022	Group	France	Major countries where the Group operates	Other countries where the Group operates
<b>GLOBAL WORKFORCES <sup>(a)</sup></b>	<b>85,253</b>	<b>39,656</b>	<b>22,893</b>	<b>22,704</b>
<b>Female/male workforce <sup>(b)</sup></b> (Scope covered: 99.2%)				
Women	22,887 (27%)	10,308 (26%)	5,397 (23%)	7,182 (32%)
Men	61,706	29,339	17,444	14,923
<b>Workforce by type of contract <sup>(%)</sup></b> (Scope covered: 99.2%)				
Permanent contracts	98%	99%	98%	95%
Full-time contracts	94%	92%	94%	98%
<b>Workforce by age group <sup>(%)</sup></b> (Scope covered: 99.2%)				
<30	14%	13%	11%	17%
30-39	25%	22%	22%	32%
40-50	28%	29%	24%	29%
>50	34%	36%	42%	23%
<b>Departures</b> (Scope covered: 100%)				
Number of departures	9,149	3,094	3,017	3,038
Redundancies (%)	12%	7%	14%	15%
<b>Recruitments</b> (Scope covered: 98.1%)				
<b>Total number of recruitments</b>	<b>13,956</b>	<b>6,094</b>	<b>3,600</b>	<b>4,262</b>
% of women <sup>(b)</sup>	32%	30%	26%	39%
<b>Turnover <sup>(%)</sup></b> (Scope covered: 100%)	<b>6.74%</b>	<b>3.53%</b>	<b>9.60%</b>	<b>9.69%</b>
<b>Training</b> (Scope covered: 94.4%)				
Average number of training hours per employee	12	13	10	11
<b>Collective agreement</b>				
Employees covered by a collective agreement (%)	82%	100%	73%	57%
<b>Health and safety indicators</b>				
Absenteeism rate (%)	2.8%	3.4%	2.8%	1.9%
Severity rate of accidents at work	0.046			
Frequency rate of accidents at work	1.47			
<b>Disability</b>				
Employment rate of people with disabilities <sup>(c)</sup>	N/A	6.69%	N/A	N/A

The headcount mentioned is the active headcount as described in the Note on Methodology.

(a) Percentage calculated on the basis of the number of employees recruited who have stated their gender.

(b) Percentage calculated on the basis of the number of employees recruited who have stated their gender.

(c) Rate determined on 12/31/2021 and declared under the DOETH 2022.



### 5.9.3 Environmental indicators

The table below shows some of the elements that allow us to evaluate the evolution of Thales' environmental performance on a consistent basis. In 2022, the scope includes 33 countries and 186 sites and accounted for 93% of the Group's workforce. The contribution to sales for this scope was €17,762 million, or 92% of total sales, taking into account discontinued operations. This figure is used to calculate ratios relative to sales. The reference year for the

objectives for the period 2019 to 2023/2030 is 2018. This chapter has been subject to a fairness review by Mazars. The majority of the indicators listed in the table below received a moderate assurance rating and are listed in the detailed opinion in Chapter 5.8. Report of the independent third party."

	KPIs	Units	2018	2021	2022	Change 2018/2022
Waste	<b>Recycling rate of non-hazardous waste <sup>(a)</sup></b>	%	<b>55%</b>	<b>70%</b>	<b>73%</b>	<b>+18 pts</b>
	<i>Including special waste</i>	%	56%	84%	75%	+19 pts
	Recycling rate of hazardous waste	%	36%	29%	29%	-7 pts
	Total waste production <sup>(a)</sup>	tons	22,548	22,259	23,553	4.5%
	<i>Per € million of sales <sup>(d)</sup></i>	kg/€ million	1.31	1.37	1.33	1.0%
	Ratio of non-hazardous waste <sup>(a)</sup>	%	85%	83%	84%	-1 pt
	Non-hazardous waste per person <sup>(a)</sup>	kg/pers.	256	249	262	2.3%
Water	Water consumption	thousands of sq.m.	1,774	1,615	1,529	-14%
	<i>Per € million of sales <sup>(d)</sup></i>	m <sup>3</sup> /€m	103	99	86	-17%
	Industrial wastewater emissions	thousands of sq.m.	629	621	604	-4%
Energy	Total energy consumption	thousands of toe	189	176	170	-10%
	<i>Per € million of sales <sup>(d)</sup></i>	toe/€M	11.0	10.8	9.6	-13%
	Electricity consumption	thousands of toe	164	151	148	-9%
	<i>Per € million of sales <sup>(d)</sup></i>	toe/€M	9.5	9.3	8.4	-12%
	Share of electricity from renewable sources	%	25%	32%	74%	+49 pts
	Fossil fuel consumption	thousands of toe	21	22	16	-26%
	<i>Per € million of sales <sup>(d)</sup></i>	toe/€M	1.2	1.3	0.9	-28%
Air	<b>Operational CO<sub>2</sub> emissions</b>	<b>thousands of t of CO<sub>2</sub></b>	<b>343</b>	<b>226</b>	<b>205</b>	<b>-40%</b>
	Energy-related CO <sub>2</sub> emissions	thousands of t of CO <sub>2</sub>	228	158	121	-47%
	<i>Per € million of sales <sup>(d)</sup></i>	tons of CO <sub>2</sub> /€m	13	10	7	-49%
	Energy-related NO <sub>x</sub> emissions	tons of NO <sub>x</sub>	61.0	61.8	45	-26%
	Energy-related SO <sub>x</sub> emissions	tons of SO <sub>x</sub>	1.4	1.5	1.3	-5%
	Substance-related CO <sub>2</sub> emissions (Kyoto + R22)	thousands of t of CO <sub>2</sub>	25	28	27	8%
	Of which related to SF <sub>6</sub>	thousands of t of CO <sub>2</sub>	1.3	0.3	0.2	-85%
	Air emissions (solvents - COV)	tons	373	501	256	-32%
	CO <sub>2</sub> emissions from business travel <sup>(e)</sup>	thousands of t of CO <sub>2</sub>	90	39	57	-37%
	<i>Per € million of sales <sup>(d)</sup></i>	tons of CO <sub>2</sub> /€m	5.3	2.4	3.2	-39%
	<b>Other CO<sub>2</sub> emissions <sup>(b)</sup></b>	<b>thousands of t of CO<sub>2</sub></b>	<b>13,799</b>	<b>9,312</b>	<b>9,541</b>	<b>-31%</b>
	CO <sub>2</sub> emissions related to the purchase of goods and services <sup>(f)</sup>	thousands of t of CO <sub>2</sub>	3,169	3,112	3,501	10%
	CO <sub>2</sub> emissions related to the use phase of products put on the market <sup>(g)</sup>	thousands of t of CO <sub>2</sub>	10,630	6,200	6,040	-43%
	Scopes 1, 2 and 3 according to the GHG Protocol	thousands of t of CO <sub>2</sub>	14,238	9,632	9,839	-31%
	Scope 1	thousands of t of CO <sub>2</sub>	79	82	69	-13%
	Scope 2	thousands of t of CO <sub>2</sub>	174	105	79	-54%
	Scope 3	thousands of t of CO <sub>2</sub>	13,985	9,445	9,691	-31%
TOTAL SCOPES 1, 2 AND 3 <i>per € million of sales <sup>(d)</sup></i>	thousands of t of CO <sub>2</sub> /€m	0.829	0.592	0.554	-33%	
Certifications	ISO 14001 certified sites			146	147	
	<b>Percentage of employees working at ISO 14001 certified sites <sup>(c) (h)</sup></b>	%	<b>89%</b>	<b>82%</b>	<b>82%</b>	<b>-7 pts</b>

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

(b) The 2018 emissions have been recalculated to include the DIS Global Business Units for emissions related to the purchase of goods and services.

(c) 2018 percentage excluding DIS Global Business Unit.

(d) The contribution to sales of the environmental scope in 2021 was re-evaluated to eliminate intra-group contributions in line with the methodology applied for other years.

(e) Emissions related to business travel and corporate vehicles. The portion related to company vehicles has been recalculated for 2018 and 2021 in order to harmonize the calculation methodologies for all suppliers.

(f) Methodology updated in 2022 to suppress double counting of emissions related to business travels (111 thousands of t of CO<sub>2</sub> for 2022)

(g) Adjusted 2018 calculation (correction of technical characteristics for one product).

(h) 2021 ratio adjusted to take into account the entire Group workforce.

## 5 Corporate responsibility and non-financial performance

Report of the independent third party organization on the consolidated declaration of non-financial performance included in the management report

### 5.10 Report of the independent third party organization on the consolidated declaration of non-financial performance included in the management report

*This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

#### For the year ended December 31, 2022

To the shareholders,

In our capacity as Statutory Auditor, member of Mazars Group and accredited by COFRAC Inspection under number 3-1058 (scope of accreditation available on [www.cofrac.fr](http://www.cofrac.fr)), we have performed work to provide a reasoned opinion that expresses a limited level of assurance on the historical information (observed and extrapolated) of the consolidated extra-financial performance statement, prepared in accordance with the entity's procedures (hereinafter the "Statement") for the financial year ended December 31, 2022 (hereinafter respectively the "Information" and the "Statement"), presented in the management report of the group in application of the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the Commercial Code.

#### Conclusion

Based on the procedures we performed, as described in the "Nature and scope of our work" and the evidence we collected, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

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

The lack of a commonly used framework or established practice on which to base the assessment and evaluation of information allows for the use of alternative accepted methodologies that may affect comparability between entities and over time.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement.

#### Restrictions due to the preparation of the Information

As mentioned in the Statement, the Information may contain inherent uncertainty about the state of scientific or economic knowledge and the quality of external data used. Some of the Information is dependent on the methodological choices, assumptions and/or estimates made in preparing the information and presented in the Statement.

#### The entity's responsibility

The Board of Directors is responsible for:

- selecting or setting appropriate criteria for the preparation of the Information;
- preparing the Statement with reference to legal and regulatory requirements, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators and also, the Information required by Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- and implementing internal control procedures deemed necessary to the preparation of information, free from material misstatements, whether due to fraud or error.

The statement has been prepared by applying the entity's framework as mentioned above.

#### Responsibility of the Statutory Auditor

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of Information (observed or extrapolated) provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

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

This is not our responsibility to express an opinion on:

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



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## Regulatory provisions and applicable professional standards

The work described below was performed with reference to the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000 (reviewed).

## Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and the professional doctrine of the French National Association of Auditors.

## Means and resources

Our work was carried out by a team of 12 people between September 2022 and March 2023 and for 15 weeks.

We conducted interviews with the people responsible for the preparation of the Statement, representing in particular the CSR Department, the Legal and Human Resources Department, the Health, Safety and Environment Department, the Audit, Risks and Internal Control Department and the Purchasing Department.

## Nature and scope of our work

We planned and performed our work considering the risks of significant misstatement of the Information.

We estimate that the procedures we have carried out in the exercise of our professional judgment enable us to provide a limited assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, when appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the Information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the Information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with the entity's activity all the consolidated entities' activities, including when relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and,
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1. For the risks of "Compliance with rules concerning business ethics", "Vigilance over suppliers' compliance with corporate responsibility issues" and "Impacts related to changes in regulations", our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities<sup>(1)</sup>;

<sup>(1)</sup> **Social information:** Legal entities within the scope of Thales legacy France; legal entities within the scope of Thales legacy Poland.

**Environmental data:** Thales Land Mulwala (Australia); Thales Alenia Space (L'Aquila); SGF Cholet; Thales UK Crawley Hub; Thales Alenia Space (Toulouse); Singapore DIS; Thales DMS France (Brest); Thales Services Numériques (Elancourt) Nungesser; Thales Nederlands B.V. (Hengelo) – Waste indicators only.

**Corporate data:** Contributing departments at Group level.

## 5 Corporate responsibility and non-financial performance

Report of the independent third party organization on the consolidated declaration of non-financial performance included in the management report

- We verified that the Statement covers the scope of consolidation, i.e., all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures implemented by the entity and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities <sup>(2)</sup> and covers between 21% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We are convinced that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Executed at Paris-La Défense, March 7, 2023

Independent third party

**Mazars SAS**

Edwige REY

CSR & Sustainable Development Partner

<sup>(2)</sup> **Social information:** Legal entities within the scope of Thales legacy France; legal entities within the scope of Thales legacy Poland.

**Environmental data:** Thales Land Mulwala (Australia); Thales Alenia Space (L'Aquila); SGF Cholet; Thales UK Crawley Hub; Thales Alenia Space (Toulouse); Singapore DIS; Thales DMS France (Brest); Thales Services Numériques (Elancourt) Nungesser; Thales Nederlands B.V. (Hengelo) – Waste indicators only.

**Corporate data:** Contributing departments at Group level.





## Appendix 1: Information considered most important

### Qualitative information (actions and results) on the main risks

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

### Quantitative indicators including key performance indicators

#### Employment indicators

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

#### Company indicators

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

#### HSE indicators

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

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# 5 Corporate responsibility and non-financial performance

TCFD, SASB, GRI, SFDR cross-reference tables

## 5.11 TCFD, SASB, GRI, SFDR cross-reference tables

### 5.11.1 Cross-reference table of TCFD recommendations

TCFD cornerstone	TCFD recommendation	Corresponding section of the Universal Registration Document
<b>Governance</b>	Board of Directors oversight:	
	<b>a)</b> Describe the control that the Board of Directors exercises over climate-related risks and opportunities	5.5.3.1 "Governance"
<b>Strategy</b>	Identify the risks and opportunities:	
	<b>a)</b> Please describe the short, medium and long-term climate-related risks and opportunities	5.5.3.2.2 "Climate risks and adaptation"
	Impact on investment strategy:	
	<b>b)</b> Describe the impact of climate-related risks and opportunities on the investment strategy	5.5.3.2.2 "Climate risks and adaptation"
	Resilience of the investment strategy: Please provide details of the resilience of the investment strategy, considering different climate scenarios, including a 2°C or lower scenario	5.5.3.2.2 "Climate risks and adaptation"
<b>Risk management</b>	Evaluating the risks:	5.5.2 "Prevention and continuous improvement process"
	<b>a)</b> Please describe your risk management processes for identifying, assessing and managing climate-related risks	5.5.3.2.6 Monitoring and understanding the effects of climate change
	Managing risks:	
	<b>b)</b> Please describe the processes for managing climate-related risks	5.5.3.1 "Governance"
	Integrating risks:	
<b>c)</b> Please describe how climate-related risks are integrated into risk management processes.	5.5.3.1 "Governance"	
<b>Indicators/Objectives</b>	Use of indicators:	
	<b>a)</b> Please provide information on the indicators used to assess climate-related risks and opportunities in the investment strategy and risk management process.	5.5.8 "Environmental indicators"
	Measuring GHG emissions:	
	<b>b)</b> Please provide information on greenhouse gas (GHG) emissions and related risks under Scopes 1 and 2, and where applicable, Scope 3.	5.5.8 "Environmental indicators"
	Setting targets:	
<b>c)</b> Please provide information on the targets set for managing climate-related risks and opportunities, and the results that have been achieved in pursuing these targets.	5.5.3.2.3 "Reducing the carbon footprint of operational emissions" 5.5.3.2.4 "Reducing the carbon footprint of other emissions" 5.5.8 "Environmental indicators"	



## 5.11.2 SASB cross-reference table

Topic	Indicator	2022 data	Units	SASB ref.
<b>Energy management</b>	Total energy consumption	7,116,200	GJ	RT-AE-130a.1
	Share of renewable electricity	74	GJ % (electricity)	RT-AE-130a.2
	Share of energy from the grid	87	%	RT-AE-130a.3
<b>Management of hazardous waste</b>	Share of hazardous waste recycled	29	%	RT-AE-150a.1
	Number and total quantity of reportable spills	0		RT-AE-150a.2
	of which quantity recovered	0		
<b>Data security</b>	Number of data breaches	Not reported		RT-AE-230a.1
	of which involving confidential information			
	Description of the approach to identifying and responding to data security risks in the company's (1) operations and (2) products	See paragraph 3.1.6 See paragraph 5.6.1.2 See paragraph 5.6.1.6		RT-AE-230a.2
<b>Product security</b>	Number of recalls issued	Not reported		RT-AE-250a.1
	of which total number of units recalled			
	Number of counterfeit parts detected	Not reported		RT-AE-250a.2
	of which percentage avoided			
	Number of airworthiness notices received	4		RT-AE-250a.3
	total units affected	Several hundred		
<b>Fuel economy and emissions in use phase</b>	Total financial losses resulting from legal proceedings related to product safety	Not reported		RT-AE-250a.4
	Revenue from products/services that contribute to the reduction of CO <sub>2</sub> emissions	Approximately 20%		RT-AE-410a.1
	Description of the strategy to reduce fuel consumption and greenhouse gas (GHG) emissions from products.	See paragraph 5.5.3		RT-AE-410a.2
<b>Supply of materials</b>	Description of risk management for the use of critical materials	See paragraph 5.7 See paragraph 5.5.5.2.2 See paragraph 5.5.5.2.3		RT-AE-440a.1
<b>Business ethics</b>	Total financial losses as a result of legal proceedings associated with incidents of corruption and/or illicit international trafficking	Not reported		RT-AE-510a.1
	Defense revenues from countries classified as "E" or "F" on the Transparency International Corruption Perceptions Index (Defense 2020)	Band "E": 2.2% Band "F": 3.6%	In % of total sales 2022	RT-AE-510a.2
	Discussion of business ethics risk management processes across the value chain	See paragraph 5.6.1		RT-AE-510a.3

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# 5 Corporate responsibility and non-financial performance

TCFD, SASB, GRI, SFDR cross-reference tables

## 5.11.3 GRI cross-reference table

### GRI INDEX

#### ● GRI 102: GENERAL INFORMATION

Code	Description	Location
102-1	Name of the organization.	Cover page.
102-2	A description of the organization's activities.	2.1 "Operating segments"
102-3	The geographical location of the organization's headquarters.	6.1 "General information about the Company"
102-4	The number of countries in which the organization is present and the names of the countries where it has significant operations.	5.9.1 "Social data" 2.5 "Group organization"
102-5	The nature of the capital and the legal form.	6.1 "General information about the Company"
102-6	Markets served, including: geographic locations where products and services are offered; industry sectors; types of customers and beneficiaries.	Group Profile 2.1 "Operating segments"
102-7	Total number of employees; number of business locations; net sales; total capitalization broken down into debt and equity.	5.9.1 "Social data" 2.5.2 "Data on the main operational subsidiaries" Note 2. "Sector information" Note 10. "Current operating assets and liabilities"
102-8	Total number of employees by employment contract, by gender, by region, by job type.	5.9.1 "Social data" 5.9.2 "Additional employment indicators"
102-9	A description of the organization's supply chain.	Business model 5.2 "Risks taken into account in the context of the NFPS"
102-10	Significant changes in the organization's size, structure, ownership or supply chain.	Group profile
102-11	Application of the principle of precaution or the preventive approach.	5.2 "Risks taken into account in the context of the NFPS" 5.5 "Environment" 5.7 "Vigilance plan"
102-12	A list of externally developed charters, principles or other initiatives to which the organization adheres or which it endorses.	TCFD, Global Compact, United Nations Sustainable Development Goals, OECD Guidelines for Multinationals...
102-13	A list of key memberships in associations, as well as national and international advocacy organizations.	Thales is a member of numerous national and regional professional associations. At the international level, these include: the United Nations Global Compact, the International Chamber of Commerce, the IFBEC (International Forum of Business Ethical Standards) and Business at OECD.
102-14	A statement from the most senior decision maker in the organization regarding the importance of sustainability to the organization.	Integrated Report 2021-2022
102-16	A description of the organization's values, principles, standards and rules of conduct.	5.6 "A corporate responsibility policy based on a strong ethical commitment to the Group Code of Ethics" (see website)
102-18	The governance structure of the organization.	4.1 "Composition of the Board of Directors"
102-40	A list of stakeholder groups involved with the organization.	5.6.2.1 "Stakeholder mapping"
102-41	The percentage of total employees covered by collective bargaining agreements.	5.9.2 "Additional employment indicators"
102-42	The basis for identifying and selecting the stakeholders to be involved.	5.6.2.1 "Stakeholder mapping" 5.1.3 "A CSR approach based on the consideration of risks and analysis of the impact of Thales' business"
102-43	The organization's approach to stakeholder engagement.	5.6.2.1 "Stakeholder mapping" 5.1.3 "A CSR approach based on the consideration of risks and analysis of the impact of Thales' business"
102-44	The major issues and concerns that were raised during the course of stakeholder engagement.	5.1.3 "A CSR approach based on the consideration of risks and analysis of the impact of Thales' business"
102-45	A list of all entities included in the consolidated financial statements of the organization.	2.3.4 "Sales"
102-46	An explanation of the process for defining the content of the report and the scope of the issue.	Chapter 3 "Risk factors, internal control and risk management" 5.1 "A corporate responsibility policy to support sustainable economic growth" 5.2 "Risks taken into account in the context of the NFPS"



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Code	Description	Location
6.1	The organization should include an explanation of how the materiality principle is applied to identify relevant issues.	5.1.3 "A CSR approach based on the consideration of risks and analysis of the impact of Thales' business"
102-47	A list of relevant issues identified during the process of defining the content of the report.	5.1.3 "A CSR approach based on the consideration of risks and analysis of the impact of Thales' business"
102-48	The effect of any restatements of information provided in previous reports and the reasons for these restatements.	No changes to the measurement methods, the nature of the company's activities or the reporting period used.
102-49	Significant changes from previous reporting periods in the list of relevant issues and the scope of issues.	No significant change
102-50	The reporting period for the information provided.	January 1 <sup>st</sup> , 2022 to December 31, 2022
102-51	The date of the most recent previous report.	The last report was filed with the French financial markets authority (AMF) on April 6, 2022.
102-52	Reporting cycle.	Annual cycle.
102-53	The designated point of contact for questions about the report or its contents.	ir@thalesgroup.com
102-56	A description of the organization's current policy and practice with respect to external verification of the report	5.10

### ● GRI 302: ENERGY

Code	Description	Location
302-1	Energy consumption within the organization	5.5.3.2.4 "Reducing the carbon footprint of operational emissions"
302-2	Energy consumption outside the organization	5.5.3.2.4 "Reducing the carbon footprint of operational emissions"
302-3	Energy intensity	5.5.3.2.4 "Reducing the carbon footprint of operational emissions" 5.5.5 "Environmental Indicators"
302-4	Reduction of energy consumption	5.5.3.2.4 "Reducing the carbon footprint of operational emissions"
302-5	Reduction of energy requirements, products and services	5.5.3.2.5 "Reducing the carbon footprint of other emissions" 5.5.6 "Ecofriendly products and services"

### ● GRI 303: WATER

Code	Description	Location
303-1	Interaction with water as a shared resource	5.5.4.2.2 "Conserving water"
303-2	Management of impacts related to wastewater disposal	5.5.2 "Prevention and continuous improvement process"
303-4	Water disposal	5.5.2.3.2 "Conserving water"
303-5	Water consumption	5.5.4.2.2 "Conserving water"

### ● GRI 304: BIODIVERSITY

Code	Description	Location
304-2	Significant impacts of activities, products and services on biodiversity	5.5.4.2.4 "Preserve biodiversity" 5.5.3.2.4 "Reducing the carbon footprint of operational emissions"
304-3	Protected or restored habitats	5.5.2.3.4 "Preserve biodiversity"

### ● GRI 305: EMISSIONS

Code	Description	Location
305-1	Direct GHG emissions (Scope 1)	5.5.3.2.4 "Reducing the carbon footprint of operational emissions"
305-2	Indirect energy-related GHG emissions (Scope 2)	5.5.3.2.4 "Reducing the carbon footprint of operational emissions"
305-3	Other indirect GHG emissions (Scope 3)	5.5.3.2.4 "Reducing the carbon footprint of operational emissions"
305-4	GHG emissions by intensity	5.9.3 "Environmental indicators"
305-5	Reduction of GHG emissions	5.9.3 "Environmental indicators"

# 5 Corporate responsibility and non-financial performance

TCFD, SASB, GRI, SFDR cross-reference tables

## ● GRI 306: WASTE

Code	Description	Location
305-1	Waste production and significant impacts related to waste	5.5.4.2.1 "Reduce, reuse and recycle waste"
305-2	Management of significant impacts related to waste	5.5.4.2.1 "Reduce, reuse and recycle waste"
305-3	Waste generated	5.5.4.2.1 "Reduce, reuse and recycle waste"
305-4	Waste not disposed of	5.5.4.2.1 "Reduce, reuse and recycle waste"
305-5	Waste disposed of	5.5.4.2.1 "Reduce, reuse and recycle waste"

## ● GRI 401: EMPLOYMENT

Code	Description	Location
401-1	The total number of employees and the rate of recruitment of new employees during the reporting period, by age group, gender and region.	5.9.1 "Social data" 5.9.2 'Additional employment indicators'
	The total number of employees and the rate of employee turnover during the reporting period, by age group, gender and region.	5.4 "Human resources for group performance"
401-2	Standard benefits provided to the organization's full-time employees, but not to temporary or part-time employees, by major business locations.	5.4.3 "Pursuing a high-quality social dialog" 5.4.4 'Providing a safe, high-quality work environment'

## ● GRI 402: EMPLOYEE/MANAGEMENT RELATIONSHIP

Code	Description	Location
402-1	The minimum number of weeks' notice generally provided to employees and their representatives prior to the implementation of significant operational changes that may significantly affect them.	5.4.3 "Pursuing a high-quality social dialog" Social dialog to support Group transformations 5.4.4 'Providing a safe, high-quality work environment'

## ● GRI 404: TRAINING AND EDUCATION

Code	Description	Location
404-1	The average number of hours of training that the organization's employees attended during the reporting period, by: gender; occupational category.	5.9.1 "Social data" 5.9.2 'Additional employment indicators'
404-2	Type and scope of programs implemented and assistance provided to upgrade employee skills.	5.4.1.2. "Develop and reward the Group's talent" Training sessions
404-3	The percentage of the total number of employees by gender and professional category who received a performance and career development review during the reporting period.	5.4.1.2. "Develop and reward the Group's talent"

## ● GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES

Code	Description	Location
405-1	The percentage of individuals on the organization's governance bodies in each of the following diversity categories: gender; age group: under 30, 30-50, and over 50; and other diversity indicators (such as minorities or vulnerable groups), if applicable.	5.9.2 "Additional employment indicators"





## 5.11.4 SFDR sustainability indicators

Indicator	Units	2022	2021	Explanation
<b>1. GHG emissions</b>	Scope 1 (thousands of t of CO <sub>2</sub> )	69	82	See 5.5.3
	Scope 2 (thousands of t of CO <sub>2</sub> )	79	105	See 5.5.3
	Scope 3 (thousands of t of CO <sub>2</sub> )	9,691	9,346	See 5.5.3
	Total GHG emissions (thousands of t of CO <sub>2</sub> )	9,839	9,532	See 5.5.3
<b>2. Carbon footprint</b>	Carbon footprint	Not applicable	Not applicable	
<b>3. GHG intensity</b>	GHG intensity (metric tons per €m)	554	592	Total GHG emissions/sales
<b>4. Exposure to fossil fuel companies</b>	Share of investment in companies active in the fossil fuel sector	0	0	
<b>5. Share of non-renewable energy consumption and production</b>	Share of energy consumption and production from non-renewable energy sources compared to that from renewable energy sources (% of total energy sources)	33.3%	72.1%	See 5.5.3
<b>6. Energy intensity by sector with a high climate impact</b>	Energy consumption in GWh per million euros in sales	0.053	0.061	See 5.5.3
<b>7. Activities with a negative impact on biodiversity sensitive areas</b>	Sites located in or near biodiversity sensitive areas, if the activities of these companies have a negative impact on these areas.			See 5.5.4.2.4
<b>8. Water discharge</b>	Industrial water discharges (thousands of m <sup>3</sup> )	604	621	See 5.5.4.2.2
<b>9. Ratio of hazardous waste and radioactive waste</b>	Metric tons of hazardous waste and radioactive waste produced (metric tons)	3,678	3,819	See 5.5.4
<b>10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises</b>	Participation in violations of the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises.	No	No	See 5.6 See 5.7
<b>11. Lack of compliance processes and mechanisms to monitor compliance with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises</b>	Lack of a policy to monitor compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, or any complaint-handling mechanisms or other mechanisms to address such violations.	No	No	See 5.6 See 5.7
<b>12. Non-corrected pay gap between men and women</b>	Non-corrected average pay gap between men and women			
<b>13. Diversity within governance bodies</b>	Average ratio of women to men in the governance bodies of the companies concerned (% of total number of members)	50%	50%	See 5.4.2
<b>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)</b>	Participation in the manufacture or sale of controversial weapons.	No	No	See 5.6.2.6

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## 6



# Company and share capital

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## 6.1 General information about the company

### Company name

Thales

### Legal structure

Thales is a public limited company with a Board of Directors. It is governed by French law, particularly the French Commercial Code and certain provisions of the amended law on privatization of August 6, 1986, as the French State owns more than 20% of the share capital.

### Registered office

Tour Carpe Diem - Place des Corolles - Esplanade Nord - 92400 Courbevoie - France. Phone number: +33 (0)1 57 77 80 00.

### Registration

No. 552 059 024 in the Nanterre Trade and Companies Register; APE Code: 7010 Z.

Legal Entity Identifier LEI: 529900FNDVTQJOWPZ19.

### Term

Initially incorporated on February 11, 1918 for 99 years, the Company's term was extended by the Annual General Meeting of May 24, 2013. The expiration date is now May 23, 2112.

### Corporate purpose

The corporate purpose is, directly or indirectly, in all countries:

1. the design, construction, installation, maintenance, operation, manufacture, purchase, sale, exchange, supply, or hire of all equipment, tools, stations, appliances, finished or semi-finished products, materials, substances, components, systems, devices, processes, and in general, all products relating to electronic applications in any domain;
2. For this purpose, the registration, purchase, sale, exchange, supply, concession, or use of all business and manufacturing patents, licenses, and trademarks;
3. the research, obtaining, acquisition, disposal, exchange, supply, hire, or use of all concessions or undertakings, whether private or public, training of staff, and the provision of all services related to the above objects;
4. the formation of any company or association or investment in any form whatsoever in any company or undertaking having a similar or related purpose to that of the Company;
5. and, in general, all commercial, industrial, financial, and movable or immovable property transactions that relate directly or indirectly to the aforementioned activities.

### Financial year

The Company's financial year covers a period of 12 calendar months from January 1<sup>st</sup> to December 31.

Corporate documents and information about the Company can be consulted at the Group Secretary and General Counsel's office at the Company's registered office.

### Distribution of profits as per the articles of association

Profits are distributed in compliance with current legislation. Under the Articles of Association, the Annual General Meeting called to approve the financial statements for the previous financial year is empowered to grant each shareholder the option to receive payment of all or part of the dividend distributed, either in cash or in shares.

### Notifications concerning the crossing of statutory thresholds

Any natural person or legal entity owning a number of shares equal to or exceeding 1% of the share capital (but not voting rights) or any multiple thereof is required to inform the Company of the total number of shares held within five trading days of the date on which this threshold is exceeded.

This obligation to inform the Company applies under the same conditions when the number of shares held falls below one of the thresholds mentioned in the previous paragraph.

In the event of failure to comply with this obligation, the shareholder shall be deprived of the voting rights attached to any shares exceeding the first undeclared threshold, subject to the conditions and limitations defined by law.

As part of its regulated information, every month, the Company publishes on its website the number of shares comprising the capital and the total number of voting rights attached – based on all threshold excesses (statutory and legal).

### Annual General Meeting: notice of meetings and conditions for attendance, double voting rights and exercise of voting rights

Information on these sections can be found in Chapter 4 – Governance and compensation, section 4.2.8.



## 6.2 Share capital and shareholders

### 6.2.1 Information on the distribution of capital issued

As of December 31, 2022, the share capital was equal to €640,233,927 divided into 213,411,309 shares with a nominal value of €3.

Following a capital reduction operation carried out with effect from March 13, 2023, the share capital is equal to **€630,630,420** divided into **210,210,140 shares** with a par value of €3.

Under the applicable regulations, the Company publishes on its website ([www.thalesgroup.com](http://www.thalesgroup.com)) each month the information about the total number of voting rights (theoretical and exercisable) and the number of shares making up the share capital. It forwards this information to a press agency.

The applicable laws govern changes in share capital and shareholders' rights.

Shares in the Company may be held in either registered or bearer form at the shareholder's discretion. The share register is maintained by Société Générale (Securities and Exchange Department – 32 rue du Champ de Tir – BP 81 236 – 44312 Nantes Cedex – France).

The share capital is fully paid up. It includes a golden share resulting from the conversion of an ordinary share belonging to the French State, decided by Decree No. 97-190 of March 4, 1997, under the privatization law of August 6, 1986 (see page 226).

#### 6.2.1.1 Changes in the share capital over the last five financial years

Date	Type of transaction	Acquisition, issue and merger premiums (€)	Number of shares created	Nominal amount of the changes in capital (€)	Amount of share capital (€)	Aggregate number of shares making up the capital (€)
<b>December 31, 2017</b>		<b>4,053,205,569</b>			<b>637,976,175</b>	<b>212,658,725</b>
Financial year 2018	Exercise of stock subscription options	14,940,842	445,356	1,336,068		
<b>December 31, 2018</b>		<b>4,068,146,411</b>			<b>639,312,243</b>	<b>213,104,081</b>
Financial year 2019	Exercise of stock subscription options	6,192,050	213,425	640,275		
<b>December 31, 2019</b>		<b>4,074,338,461</b>			<b>639,952,518</b>	<b>213,317,506</b>
Financial year 2020	Exercise of stock subscription options	1,130,870	48,452	145,356		
<b>December 31, 2020</b>		<b>4,075,469,331</b>			<b>640,097,874</b>	<b>213,365,958</b>
Financial year 2021	Exercise of stock subscription options	1,058,492	45,351	136,053		
<b>December 31, 2021</b>		<b>4,076,527,823</b>			<b>640,233,927</b>	<b>213,411,309</b>
Financial year 2022	Exercise of stock subscription options	0	0	0		
<b>DECEMBER 31, 2022</b>		<b>4,076,527,823</b>			<b>640,233,927</b>	<b>213,411,309</b>

#### 6.2.1.2 Changes in the distribution of capital and voting rights over the last three financial years

As of December 31, 2022, the total number of exercisable voting rights amounted to 311,734,421. This includes double voting rights attached to shares that have been registered for at least two years under the conditions set out in the Articles of Association (see section 4.2.8).

As previously mentioned, the number of shares and voting rights (theoretical and exercisable) is published monthly on the Company's website ([www.thalesgroup.com](http://www.thalesgroup.com), "Investors/Regulatory information").

	Situation as of 12/31/22			Situation as of 12/31/21			Situation as of 12/31/20		
	Shares	% of capital	% of voting rights	Shares	% of capital	% of voting rights	Shares	% of capital	% of voting rights
T.S.A.	54,786,654	25.67%	35.15%	54,786,654	25.67%	34.75%	54,786,654	25.68%	34.84%
French state (including 1 golden share)	2,060	— %	— %	2,060	— %	— %	2,060	— %	— %
Public sector <sup>(a)</sup>	54,788,714	25.67%	35.15%	54,788,714	25.67%	34.75%	54,788,714	25.68%	34.84%
Dassault Aviation <sup>(b)</sup>	52,531,431	24.62%	29.92%	52,531,431	24.62%	29.79%	52,531,431	24.62%	29.79%
Thales	3,277,303	1.53%	— %	493,175	0.23%	— %	497,596	0.23%	— %
Employees <sup>(c)</sup>	6,330,466	2.97%	3.81%	6,899,087	3.23%	3.99%	6,356,208	2.98%	3.66%
Other shareholders	96,483,395	45.21%	31.12%	98,698,902	46.25%	31.47%	99,192,009	46.49%	31.71%
<b>TOTAL</b>	<b>213,411,309</b>	<b>100%</b>	<b>100%</b>	<b>213,411,309</b>	<b>100 %</b>	<b>100 %</b>	<b>213,365,958</b>	<b>100%</b>	<b>100%</b>

(a) Under the terms of the Shareholders' Agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by TSA, excluding the French State directly. Since January 29, 2018, the public institution EPIC Bpifrance has held all TSA capital, apart from one preferred share held by the French State. EPIC Bpifrance and the French State have also agreed to consult with TSA under the terms and conditions described in AMF Notice No. 218C0137 of January 16, 2018. All Thales shares held directly and indirectly by the French State have been indirectly registered for more than two years and thus have a double voting right as of December 31, 2022.

(b) Dassault Aviation holds 42,154,349 directly registered shares, of which 40,754,349 have been held for more than two years and therefore have double voting rights as of December 31, 2022, and also holds 10,377,082 bearer shares.

(c) This line shows total employee share ownership. For information purposes, under law No. 2019-486 of May 22, 2019, employee share ownership under the French Commercial Code (Article L. 225-102) excludes shares granted free of charge under the LTI Plans before 2016 (in the absence of an amendment to the bylaws to include such shares.) Also, as of 12/31/2022, it amounts to 4,975,844 shares and 9,166,767 voting rights, i.e., 2.33% of the capital and 2.94% of the exercisable voting rights, respectively.

### 6.2.1.3 Main transactions that changed the distribution of capital over the last five years

During the year 2018, the number of treasury shares increased as a result of the following transactions:

- 220,000 shares were purchased on the market;
- 838,402 shares were purchased under a liquidity contract;
- 702,128 shares were sold under a liquidity contract;
- 238,750 shares were assigned as free shares;
- 850 shares were assigned in connection with stock option grants;
- 37,118 shares were sold to employees as part of the 2017 employee shareholding operation balance.

As of December 31, 2018, the company held 648,295 shares, representing 0.30% of the capital.

During the year 2019, the number of treasury shares increased as a result of the following transactions:

- 730,000 shares were purchased on the market;
- 906,402 shares were purchased under a liquidity contract;
- 993,676 shares were sold under a liquidity contract;
- 223,640 shares were assigned as free shares;
- 506,515 shares were sold to employees under the 2019 employee shareholding plan.

As of December 31, 2019, the company held 560,866 treasury shares, representing 0.26% of the capital.

During the year 2020, the number of treasury shares increased as a result of the following transactions:

- 180,000 shares were purchased on the market;
- 1,310,502 shares were purchased under a liquidity contract;
- 1,285,002 shares were sold under a liquidity contract;

- 226,125 shares were assigned as free shares;
- 42,645 shares were sold to employees under the 2019 employee shareholding plan.

As of December 31, 2020, the company held 497,596 treasury shares, representing 0.23% of the capital.

During the year 2021, the number of treasury shares was reduced by the following transactions:

- 790,000 shares were acquired on the market;
- 1,413,610 shares were acquired under a liquidity contract;
- 1,494,365 shares were sold under a liquidity contract;
- 150,130 shares were transferred as free shares;
- 563,536 shares were sold to employees under the 2021 employee shareholding plan.

As of December 31, 2021, treasury shares thus represented 493,175 shares or 0.23% of the capital.

During the year 2022, the number of treasury shares increased as a result of the following transactions:

- 2,995,104 shares were purchased on the market;
- 735,314 shares were purchased under a liquidity contract;
- 781,117 shares were sold under a liquidity contract;
- 129,067 shares were assigned as free shares;
- 36,106 shares were sold to employees under the 2021 employee shareholding plan.

As of December 31, 2022, the company held 3,277,303 treasury shares, representing 1.53% of the capital.





## 6.2.2 Potential capital

### 6.2.2.1 Maximum potential capital as of December 31, 2022

As of December 31, 2022 there were no outstanding securities giving immediate or future access to the share capital. The maximum potential capital on December 31, 2022 is therefore equal to the outstanding share capital of 213,411,309 shares.

### 6.2.2.2 Outstanding securities giving access to share capital (bonds, warrants, and options)

#### Share purchase and subscription options (stock options)

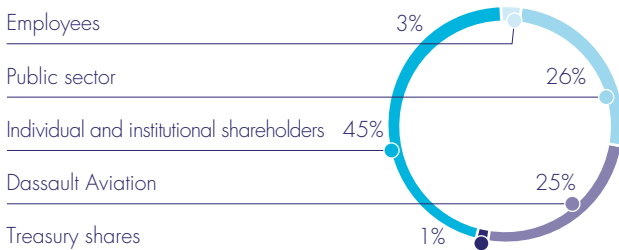
As of December 31, 2022, all share purchase and subscription option plans have expired.

Thales decided to stop granting options in 2012.

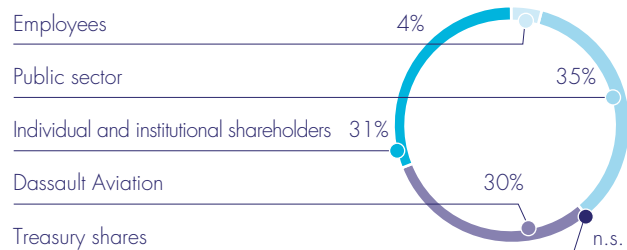
## 6.2.3 Shareholders

### 6.2.3.1 Breakdown at December 31, 2022

#### Breakdown of share capital



#### Distribution of voting rights



### 6.2.3.2 Shareholders acting in concert

#### 6.2.3.2.1 "Public Sector" (TSA)

TSA is a holding company wholly owned as of December 31, 2022 by EPIC Bpifrance, with the exception of one preferred share kept by the French State. TSA directly holds 54,786,654 Thales shares.

The French State directly owns 2,060 shares, including one "golden share", which gives it the main rights <sup>(1)</sup> described in section 6.2.3.3.5

#### 6.2.3.2.2 "Industrial Partner" (Dassault Aviation)

Dassault Aviation, whose shares are listed on the Euronext Paris stock market, is a public limited company that holds 24.62% of the share capital of Thales, i.e. 52,531,431 Thales shares as of December 31, 2022.

Dassault Aviation is controlled by Groupe Industriel Marcel Dassault (GIMD), which, at December 31, 2022, held 62.24% of the share capital and 77.05% of the exercisable voting rights of Dassault Aviation.

### 6.2.3.3 Shareholders' agreement, agreement on the protection of strategic national interests, specific agreement, and golden share

Through the signature of an "endorsement agreement" concluded with the French State in the presence of Alcatel-Lucent, in 2009, Dassault Aviation assumed the rights and obligations of Alcatel-Lucent, subject to certain adaptations, by endorsing the agreements concluded on December 28, 2006 - namely the shareholders' agreement and the agreement on the protection of national strategic interests in Thales <sup>(2)</sup>.

#### 6.2.3.3.1 Shareholders' agreement between the "Public Sector" and the "Industrial Partner"

The shareholders' agreement governing the relationship between the Public Sector and the Industrial Partner within Thales was concluded on December 28, 2006 by TSA and Alcatel-Lucent and came into force on the date of completion of the Alcatel-Lucent Participations contribution, i.e., January 5, 2007.

<sup>(1)</sup> Under Article 3 of Decree No. 97-190 of March 4, 1997.

<sup>(2)</sup> See Decision No. 207C0013 of January 2, 2007, published in the Bulletin des annonces légales obligatoires of January 5, 2007.

This pact was signed in the application of the cooperation agreement concluded on December 1, 2006, between Thales, Alcatel-Lucent, and TSA, which replaced the previous cooperation agreement concluded on November 18, 1999, between Alcatel, Thales, and GIMD<sup>(3)</sup>. This agreement essentially adopted the provisions of the shareholder agreement entered into on April 14, 1998, which it replaced<sup>(4)</sup>.

On May 19, 2009, when Dassault Aviation acquired the Thales shares previously owned by Alcatel-Lucent, an agreement took effect under which Dassault Aviation endorsed the shareholders' agreement existing between Alcatel-Lucent and the Public Sector, subject to amendments. The agreement under which TSA and Dassault Aviation act in concert concerning Thales under Article L. 233-10 of the French Commercial Code, TSA having a majority within the concert, sets out the following provisions<sup>(5)</sup>:

### Members of the executive bodies of Thales

The Thales Board of Directors, composed of 16 members, must, as of December 31, 2022, respect the following distribution:

- 5 members nominated by the Public Sector;
- 4 members nominated by Dassault Aviation;
- 2 employee representatives;
- 1 employee shareholder representative;
- 4 external individuals selected jointly by the Public Sector and Dassault Aviation.

The number of directors appointed upon proposal by Dassault Aviation may not be higher than the number of directors appointed upon proposal by the Public Sector. The number of directors for each shall be at least equal to the greater of the following two numbers: (i) the number of directors other than employee representatives and outside persons, multiplied by the percentage of Thales shares held by Dassault Aviation, in relation to the sum of the holdings of the Public Sector and Dassault Aviation, and (ii) the number of directors representing employees.

Should Dassault Aviation's shareholding exceed that of the Public Sector, the parties to the agreement will increase the total number of Thales directors from 16 to 17, so as to be represented by five directors each.

The Chairman and Chief Executive Officer is chosen on the basis of a joint nomination by the parties.

Furthermore, the parties have agreed that in the event of a change of Chairman and Chief Executive Officer in accordance with the terms of the shareholders' agreement, they do not intend to propose as a candidate any employee, manager, or senior executive belonging to the Dassault group or having recently left this group.

Finally, it is specified that at least one director representing each of the parties must sit on each of the committees of the Thales Board of Directors.

### Decisions to be submitted to the Thales Board of Directors

The parties undertake to submit for mandatory approval by the majority of the Directors representing Dassault Aviation decisions of the Thales Board of Directors relating, in particular, to the appointment and dismissal of the Chairman and Chief Executive Officer, the adoption of the annual budget and the multi-year strategic plan, and significant acquisitions and disposals of shareholdings or assets in excess of €150 million, as well as strategic alliance agreements on technological and industrial cooperation.

However, Dassault Aviation has expressly undertaken to forgo the exercise of the veto right under the agreement over some of Thales' strategic operations; this decision concerns a series of potential acquisitions or disposals. In return, the Public Sector has waived its right to terminate the agreement in the event of a persistent disagreement regarding a strategic operation likely to harm its strategic interests<sup>(6)</sup>.

Should Dassault Aviation exercise its veto right with respect to the appointment of the Chairman and Chief Executive Officer after a consultation period of three months, either of the parties may terminate the agreement.

### Shareholder interests

Dassault Aviation must hold at least 15% of the share capital and voting rights in Thales and remain the largest private shareholder in Thales. The Public Sector must take whatever measures are required to enable Dassault Aviation to comply with this undertaking.

The Public Sector undertakes to restrict its shareholding to 49.9% of Thales' capital and voting rights.

### Term of the shareholders' agreement

In the absence of termination, on expiry of the contract on December 31, 2021, the agreement was tacitly renewed for another period of five years, expiring on December 31, 2026. It may be tacitly renewed for five-year periods.

The agreement will be automatically terminated and the concerted action between TSA and Dassault Aviation will also automatically cease should one of the parties commit, without prior consultation with the other party, an action which creates an obligation to make a public offer for Thales.

### Option of unilateral termination of the agreement and agreement to sell to the Public Sector

The Public Sector has the option of terminating the agreement and asking Dassault Aviation to suspend the exercise of the voting rights that it holds above a threshold of 10% or to reduce its shareholding to less than 10% of Thales' capital in the event of:

- a serious breach by Dassault Aviation of its obligations, to substantially compromise the protection of the strategic interests of the French State, given that said obligations are subject to an "agreement on the protection of strategic national interests in Thales" (see below);
- a change in control of Dassault Aviation.

<sup>(3)</sup> Published in the *Journal Officiel de la République Française* of December 12, 2006 (see the *Journal Officiel* website: [www.journal-officiel.gouv.fr](http://www.journal-officiel.gouv.fr)) in accordance with the provisions of Article 1 (1) of Decree 93-1041 of September 3, 1993 and in application of the aforementioned law 86-912 of August 6, 1986.

<sup>(4)</sup> This agreement is presented in the appendix to the report of Thales' Board of Directors to the Extraordinary Annual General Meeting of January 5, 2007, registered by the AMF on December 19, 2006 under number E.06-194 (available on the AMF website).

<sup>(5)</sup> With respect to the plan to separate the functions of Chief Executive Officer and Chairman, an amendment to the Thales shareholders' agreement was concluded between the Public Sector and Dassault Aviation on April 7, 2015, aimed at modifying the shareholders' agreement such that the Thales Board of Directors has 18 members, including 6 nominated by the Public Sector, 5 by the Industrial Partner (Dassault Aviation), 2 employee representatives, 1 employee shareholder representative, and 4 outside individuals. As the plan to separate the functions of Chief Executive Officer and Chairman did not succeed, the Shareholders' Agreement was reinstated in its initial version of May 19, 2009, by means of amendment 2, signed on May 13, 2015, and the provisions of the Agreement therefore remain unchanged. For more details on these amendments, refer to D&I 215C0404 of April 7, 2015 and D&I 215C0643 of May 15, 2015, published on the AMF's website.

<sup>(6)</sup> Acquisitions or disposals identified by the French State as having potentially significant importance with regard to its strategic defense interests and having the objective of strengthening the industrial and technological defense base in France.



In this respect, Dassault Aviation irrevocably and definitively grants the Public Sector a promise to sell all of the shares held by Dassault Aviation if it is determined that Dassault Aviation's shareholding in Thales has remained above 10% of Thales' capital within six months of the Public Sector's request to reduce its stake.

The Public Sector <sup>(7)</sup> was bound by an undertaking to hold a stake in Thales, granting it at least 10% of the voting rights. This commitment expired on December 31, 2014 <sup>(8)</sup>.

### 6.2.3.3.2 Agreement on the protection of strategic national interests

In addition, on May 19, 2009, Dassault Aviation endorsed the "agreement on the protection of national strategic interests in Thales," concluded on December 28, 2006, between Alcatel-Lucent and the French State, in the presence of TSA. This endorsement gives rise to the following obligations for Dassault Aviation:

- Dassault Aviation's registered office and operational headquarters must remain in France;
- directors of Thales nominated by Dassault Aviation must be nationals of the European Union;
- access to sensitive information concerning Thales is strictly controlled within Dassault Aviation;
- managers who are responsible for Dassault Aviation's holdings in Thales are French nationals;
- Dassault Aviation uses its best endeavors to prevent any action or influence in the governance and businesses of Thales by foreign national interests. In this respect, in the event of (i) a serious and unremedied breach by Dassault Aviation of its obligations under the agreement on the protection of strategic national interests, or if it emerges that the application of a foreign law by Dassault Aviation creates constraints for Thales that substantially compromise the protection of the strategic interests of the French State, or (ii) a change in control within Dassault Aviation contrary to the strategic interests of the Public Sector, the Public Sector may:
  - terminate the rights that Dassault Aviation enjoys under the shareholders' agreement; and if it deems it necessary,
  - ask Dassault Aviation either to suspend the exercise of any voting rights it holds in excess of 10%, or
  - to reduce its shareholding to less than 10% of Thales' capital through the divestment of shares on the market (under conditions consistent with its financial interests and market constraints). At the end of a six-month period from the date on which it was asked to reduce its shareholding, if the shareholding of Dassault Aviation is still in excess of 10% of Thales' capital, the French State may proceed with the aforementioned undertaking to sell.

### 6.2.3.3.3 Crossing of thresholds and declaration of intent

- Following the substitution of Alcatel-Lucent Participations by Dassault Aviation, within the concert formed with the Public Sector vis-à-vis Thales and the disposal of Thales shares owned by GIMD to Dassault Aviation on May 19, 2009, the latter exceeded jointly with the Public Sector the thresholds of 25% of the voting rights, 1/3 of the capital and voting rights, and 50% of the voting rights of Thales, and on May 20, 2009 the threshold of 50% of the capital of Thales.

On May 20, 2009, the Public Sector together with Dassault Aviation exceeded the threshold of 50% of the capital of Thales.

These changes were granted dispensation from the obligation to submit a proposal for a public offer. This decision is reproduced in Decision 208C2115 of November 27, 2008 and published in the *Bulletin officiel des annonces légales* (BALO) of December 1<sup>st</sup> 2008.

It is available on the BALO website <https://www.journal-officiel.gouv.fr/balo/index.php>.

- Dassault Aviation declared <sup>(9)</sup> that on July 9, 2012, it had individually exceeded the threshold of 25% of the voting rights and that, on that date, it individually held 52,531,431 Thales shares, representing 86,531,431 voting rights, i.e., 25.96% of the capital and 29.33% of the voting rights.

This threshold was crossed due to the allocation of double voting rights to Dassault Aviation on a portion of its shareholding.

- Dassault Aviation declared <sup>(10)</sup> that on January 13, 2016, it "dropped below the threshold of 25% of the Company's capital and that it individually held 52,531,431 Thales shares, representing 87,185,780 voting rights, i.e., 24.90% of the Company's capital and 28.59% of its voting rights".

Also, Dassault Aviation revealed that it crossed this threshold due to increasing the total number of Thales shares and voting rights. On this occasion, the concert party formed by TSA (Public Sector) and Dassault Aviation had not exceeded any thresholds.

- On January 15, 2018, the State and EPIC Bpifrance entered into an allocation agreement under which the State decided to allocate EPIC Bpifrance with 109,999,999 TSA shares, representing 99.99% of this company's capital (the State retaining one TSA share), it being recalled that TSA holds 54,786,654 Thales shares representing 109,573,308 voting rights.

This allocation agreement provides, in particular, for EPIC Bpifrance to act in concert with the French State with regard to TSA, and through TSA alongside the French State to act in concert with Dassault Aviation vis-à-vis Thales.

EPIC Bpifrance's exceeding in concert the 30% threshold of Thales' capital and voting rights was the subject of a prior decision by the AMF to waive the obligation to file a public offering. This was reproduced in Decision No. 217C0137 dated January 16, 2018.

Following the completion of the allocation on January 29, 2018, EPIC Bpifrance declared <sup>(11)</sup> that it had, in concert with the French State, indirectly exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3, and 50% of the share capital and voting rights of Thales, through the intermediary of TSA, which acts in concert with Dassault Aviation. On this occasion, EPIC Bpifrance indirectly crossed, on January 29, 2018, via the intermediary of TSA, the thresholds of 5%, 10%, 15%, 20%, and 25% of the capital and voting rights and 1/3 of the voting rights of the Company. The disclosure mentioned, in particular, that this transaction did not modify the terms and conditions of the concert between TSA and Dassault Aviation or the percentages of the joint stake in the capital and voting rights of Thales, that the French State remains the dominant party within this concert, and that, in accordance with the allocation agreement, EPIC Bpifrance will not ask to be represented on the Thales Board of Directors, such that the representation of the French State and Dassault Aviation on said Board will remain unchanged.

<sup>(7)</sup> TSA and Sofivision, within the meaning of AMF Decision No. 208C2115. TSA absorbed Sofivision in the second half of 2012.

<sup>(8)</sup> See AMF Decision No. 208C2115, dated November 27, 2008, published in the *Bulletin officiel des annonces légales* (BALO) of December 1, 2008 and available on the AMF website. "The Public Sector will undertake to retain, after the agreement has reached its normal expiry date, a shareholding in Thales, giving it at least 10% of the voting rights until the earliest of the following three dates: (i) December 31, 2014, (ii) three years from the termination of the agreement, (iii) the date on which Dassault Aviation ceases to hold at least 15% of the share capital of Thales."

<sup>(9)</sup> See AMF Decision No. 212C0909 of July 12, 2012, available on the AMF website.

<sup>(10)</sup> See AMF Decision No. 216C0199 of January 20, 2016, available on the AMF website.

<sup>(11)</sup> See AMF Decision No. 218C0345 of February 6, 2018, available on the AMF website.

## Company and share capital

### Share capital and shareholders

#### 6.2.3.3.4 Specific agreement

On December 28, 2006, the French State (the Ministry of Defense and Ministry of the Economy) and Thales signed an agreement to give the French State control not only over the transfer of assets already mentioned in the appendix to Decree No. 97-190 of March 4, 1997, but also over shares in Thales Alenia Space SAS, (hereinafter referred to as the "Strategic Asset"). The main elements of this agreement are as follows:

##### a) Where the Strategic Asset is a company (the "Strategic Company")

- Any proposed transfer of shares in the Strategic Company to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.
- Any proposed transfer of shares in the Company that directly or indirectly controls the Strategic Company to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.

##### b) Where the Strategic Asset is an isolated, asset unincorporated division, or branch of the business (the "Strategic Division")

- Any proposed transfer of shares in the Company that owns the Strategic Division to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.
- Any proposed transfer of shares in the Company that directly or indirectly controls the company referred to in the previous paragraph to a third party, such that the third party exceeds the threshold of 33.3% of the share capital.

##### c) Any proposed transfer of sensitive assets to a third party

##### d) And any proposal intended to confer or having the effect of conferring particular rights on a third party

Shall be disclosed to the French State, which undertakes to issue its acceptance or refusal decision within thirty (30) working days from receiving the said notification. Failure by the French State to communicate its decision during said time signifies acceptance of the proposed transaction.

#### 6.2.3.3.5 Golden share held by the French State and other restrictions related to foreign investments in France

The golden share held by the French State <sup>(12)</sup> entitles it to the following rights:

- "Any increase in the direct or indirect holding of securities, irrespective of the nature or legal form, beyond a threshold of one-tenth or a multiple thereof of the capital or voting rights of the Company by any natural person or legal entity, whether acting alone or in concert, must be approved in advance by the Minister for the Economy (...);"
- "Upon the proposal of the Minister of Defense, a representative of the French State appointed by decree sits on the Board of Directors of the Company as a non-voting director";
- "(...) decisions to dispose of or assign by way of guarantee the assets specified in the appendix to this decree may be opposed."

As of December 31, 2022, these assets consisted of the majority of the share capital in the following companies:

Thales DMS France SAS, Thales Wigmore Street Ltd, Thales SIX GTS France SAS, Thales IAS France SAS, Thales Nederland BV, Thales AVS France SAS, Thales Underwater Systems NV.

In addition, as a result of some of Thales' activities, particularly in the defense sector, shareholders and investors may be subject to certain restrictions applicable to foreign investments in France in accordance with Article L. 151-3 of the French Monetary and Financial Code and Article 10 of law No. 86-912 of August 6, 1986 on the terms and conditions of privatization.

#### 6.2.3.4 Treasury Shares

As of December 31, 2022, Thales held 3,277,303 of its own shares (1.53% of the share capital), i.e., the balance of the shares acquired and sold on the stock market or otherwise, under the authorizations granted to the Board of Directors by the Annual General Meeting, as described below.

Treasury shares are not subject to any restrictions and are freely transferable.

##### 6.2.3.4.1 Authorization to trade in the Company's shares

In its delegation of authority to the Chairman and Chief Executive Officer for transactions in treasury shares, on March 3, 2021, the Board of Directors set the maximum buyback price at €140, subject to the adoption of the share buyback resolution by the Annual General Meeting of May 6, 2021. On March 2, 2022, the Board of Directors also decided to maintain this maximum price at €140 from May 12, 2022, subject to the adoption of the share buyback resolution by the Annual General Meeting of May 11, 2022.

The transactions carried out in 2022 show a net purchase of 2,784,128 treasury shares, the details of which are as follows:

- purchase of shares on the market for cancellation (2,765,104);
- purchase of shares on the market to meet commitments to deliver free shares (230,000);
- delivery to beneficiaries of free shares and 2021 employee shareholding transaction (-165,173);
- liquidity contract, net sales for the period: (-45,803) shares.

##### 6.2.3.4.2 Authority to cancel Company shares

The authorization granted to the Board of Directors by the Annual General Meeting of May 17, 2005, for a period of twenty-four months, to cancel, on one or more occasions, the shares held by the Company, up to a limit of 10% of the share capital, as part of an authorization to buy back its own shares, was renewed by the Annual General Meetings of May 16, 2007, May 15, 2009, May 18, 2011, May 24, 2013, May 13, 2015, May 17, 2017, May 15, 2019, and May 6, 2021.

The Board of directors, acting under the authorization granted by the Annual General Meeting of May 6, 2021, decided, during its meeting of March 7, 2023, to cancel, with effect on March 13, 2023, 3,201,169 treasury shares, i.e. 1.5% of the share capital, that were acquired in the framework of the share buyback program decided during its meeting of March 2, 2022 (cf. section 6.2.3.4.3.1 hereunder).

<sup>(12)</sup> Under Article 3 of Decree No. 97-190 of March 4, 1997.



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### 6.2.3.4.3 Share buyback program

#### 6.2.3.4.3.1 Description of the buyback program approved by the Annual General Meeting of May 11, 2022

- Maximum proportion of capital subject to repurchase: 10% of the share capital, on the buyback date.
- Maximum theoretical number of shares that may be repurchased (indicative, given the number of shares making up the share capital as at December 31, 2022): 21,341,130.
- Maximum theoretical amount of the program: €2,987,758,200<sup>(13)</sup>.
- Maximum unit purchase price: €140.

The objectives of the share buyback program which was approved by Annual General Meeting of May 11, 2022 are as follows:

- to sell or allocate shares or rights attached to securities, particularly when share purchase options are exercised or existing free shares are allocated, or when shares are sold and/or supplemented under an employee shareholding scheme transaction on existing shares, or in the event of allocations in any shape or form, to employees and executives of the Company and/or related companies, and to the Company's executive corporate officer, under the conditions defined by the applicable legal provisions in force;
- to retain shares for later use in connection with acquisitions, mergers, demergers or contributions;
- implement market practices accepted by the French financial markets authority, such as buy or sell transactions under a liquidity contract entered into with an investment services provider and in accordance with the code of ethics recognized by the French financial markets authority;
- to cancel shares in accordance with an Annual General Meeting resolution in force;
- and more generally, carry out any other transaction admitted or that may be subsequently be authorized or admitted by the law or regulations in force or by the French financial markets authority pursuant to market practice.

**Duration of the program:** 18 months from the Annual General Meeting of May 11, 2022, i.e. no later than November 10, 2023.

Thales has repurchased shares based on the authorization granted by the Shareholders' Meeting of May 11, 2022, in particular in the context of the two significant contracts described below.

#### Breakdown of treasury shares by objective at December 31, 2022

The total number of shares held at this date is 3,277,303, representing 1.53% of Thales' share capital. The breakdown by objective was as follows:

Disposal or allotment of shares to Group employees and directors as stipulated by law, particularly when share purchase options are exercised or existing free shares are allotted	438,257
Treasury shares for cancellation	2,765,104
Regulation of the market price by a liquidity contract drawn up in accordance with the AFEI Code of Conduct	73,942

#### Liquidity contract

In November 2004, Thales entered into a liquidity contract in accordance with the AFEI Code of Conduct, in order to regulate share trading. The contract was amended to comply with the AFEI Code of Conduct appended to the AMF decision of March 22 2005, and since January 2019 with AMF Decision No. 2018-01 of July 2, 2018 establishing liquidity contracts on equity securities as an accepted market practice.

#### Share buyback mandate

Considering the outlook for growth and cash generation, as well as the Group's rapid net debt reduction, the Board of Directors decided on March 2, 2022 to implement a share buyback program concerning a maximum of 3.5% of the capital (approximately 7.5 million shares). This program has started on April 4, 2022 and end no later than March 31, 2024<sup>(14)</sup>.

To this end, Thales signed a share purchase contract with an investment services provider. The Group may suspend or interrupt the implementation of this program, particularly due to market circumstances.

In this context, Dassault Aviation has informed Thales of its intent to stay below the threshold of 30% of voting rights, and that, in consequence, it will carry out the necessary conversions from registered to bearer shares.

The shares purchased under this program are intended to be cancelled. Thus, a first cancellation operation was carried out on 3,201,169 shares, i.e. 1.5 % of the share capital, with effect on March 13, 2023 (cf. section 6.2.3.4.2 hereof).

#### 6.2.3.4.3.2 Trading in Company shares during the 2022 financial year

In 2022, Thales traded in Company shares as part of its share buyback program, established in accordance with the AMF General Regulations (Article 241-1 et seq.).

These transactions were carried out within the framework of the share buyback program approved by the Annual General Meeting of May 6, 2021 for transactions carried out between January 1<sup>st</sup>, 2022 and May 11, 2022, and in accordance with the authorization given by the Annual General Meeting of May 11, 2022 for transactions carried out between May 12, 2022 and December 31, 2022.

As of January 1<sup>st</sup>, 2022, Thales held 2,493,175 treasury shares, or 0.23% of the capital, and 3,277,303 shares as of December 31, 2022.

<sup>(13)</sup> Ass disclosed publicly on March 13 and 16, 2023, and considering, on the one hand, the capital reduction carried out on 1.5% of the share capital and, on the other hand, treasury shares amounting to 704,884 shares after that operation. Thales could purchase 20,316,130 of its own shares, up to a maximum amount of 2,844,258,200 euros.

<sup>(14)</sup> This program was implemented on the basis of the authorization granted by the General Meeting of May 6, 2021 (Resolution n. 12), and then continued on the basis of the authorization granted by the General Meeting of May 11, 2022 (Resolution n. 15). It will continue on the basis of the authorization of the General Meeting of May 10, 2023 subject to approval of Resolution n. 8 (cf. also section 6.2.3.4.3.3 hereunder).



## Company and share capital

### Share capital and shareholders

#### Market value of the treasury shares at December 31, 2022

€390,982,247.90 at the closing price at December 31, 2022, i.e., €119.30.

	Aggregate gross amounts from January 1 <sup>st</sup> , 2022 to December 31, 2022	
	Purchases	Sales
Number of shares	3,730,418	946,290
Average transaction price (in euro), including possible discounts and free shares	115.28	92.97
Amounts (in euros)	430,045,794	87,891,090

Thales did not make use of derivatives (futures sales) as part of this buyback program.

#### 6.2.3.4.3.3 Description of the buyback program proposed to the Annual General Meeting of May 10, 2023

- Maximum portion of capital subject to repurchase: 10% of the share capital, on the buyback date.
- Maximum theoretical number of shares that may be repurchased (indicative, given the number of shares making up the share capital as at December 31, 2022): 21,341,130.
- Maximum theoretical amount of the program: €4,054,814,700.
- Maximum unit purchase price: €190.

#### The objectives of the share buyback program proposed to the Annual General Meeting of May 10, 2023 are as follows:

- to sell or allocate shares or rights attached to securities, particularly when share purchase options are exercised or existing free shares are allocated, or when shares are sold and/or supplemented under an employee shareholding scheme transaction on existing shares, or in the event of allocations in any shape or form, to employees and executives of the Company and/or related companies, and to the Company's executive corporate officer, under the conditions defined by the applicable legal provisions in force;
- to retain shares for later use in connection with acquisitions, mergers, demergers or contributions;
- implement market practices accepted by the French financial markets authority, such as buy or sell transactions under a liquidity contract entered into with an investment services provider and in accordance with the code of ethics recognized by the French financial markets authority;
- to cancel shares in accordance with an Annual General Meeting resolution in force;
- and more generally, with a view to carrying out any operation in accordance with the regulations in force.

**Duration of the program:** eighteen months from the Annual General Meeting of May 10, 2023, i.e. no later than November 9, 2024.

Subject to the approval by the Annual General Meeting of the above proposed share buyback program, the Company intends to continue in particular the two significant contracts mentioned in section 6.2.3.4.3.1 above, namely the liquidity contract and the share buyback mandate.

## 6.2.3.5 Free share, unit, or phantom share plans subject or not subject to performance conditions

The Group regularly grants its employees and executives free shares as part of its performance management policy for Group employees. These various plans are described below.

### 6.2.3.5.1 Allotment of free shares

#### Allotments of free shares and/or performance shares

In 2022, with the approval of the Annual General Meeting, the Board of Directors set up a fourteenth free share allotment plan.

The Chairman and Chief Executive Officer (the sole Executive corporate officer) is not eligible for this plan.

The allocation of June 30, 2022 is characterized as follows:

#### Shares subject to performance conditions

- The shares awarded in 2019, 2020, and 2021 are all subject to the fulfillment of internal performance conditions during the three financial years following the grant date. The three criteria used are EBIT, free operating cash flow and order intake, with these criteria accounting for 60%, 15%, and 25%, respectively, of the achievement of these conditions. Based on the 2022 plan, four criteria are used: EBIT, free operating cash flow, order intake and the reduction of operational greenhouse gas emissions, each of which accounts for 40%, 15%, 25% and 10%, respectively;
- Shares may be validated in tranches of one-third once the Board of Directors has approved the Group's consolidated financial statements for the three financial years concerned;
- The number of shares vested will not exceed the number of shares initially awarded;
- All designated beneficiaries of the plan are awarded shares validated at the end of a four-year vesting period subject to compliance with the employment conditions stipulated in the plan's rules.





Date of Board decision	06/30/2022	07/01/2021	11/24/2020	09/25/2019
	Performance shares	Performance shares	Performance shares	Performance shares
Number of beneficiaries at grant date	815	850	957	917
Share price at grant date (euro)	€116	€86.04	€79.60	€104.50
Number of shares awarded	268,555	303,360	375,235	325,865
Balance of free shares as of 12/31/2021	—	301,950	372,050	231,836
Cancellation of allotments in the financial year 2022	1,070	4,940	10,085	7,910
Adjustment	—	—	—	—
Early allotments during the 2022 financial year <sup>(a)</sup>	—	—	180	443
Number of shares delivered on expiry of the plan	—	—	N/A	N/A
Balance of free shares, net of cancellations and early allotments as of 12/31/2022	267,485	297,010	361,785	223,483
Number of beneficiaries remaining as of 12/31/2022	809	823	918	851
Vesting period	from 06/30/2022 to 06/30/2026	from 07/01/2021 to 07/01/2025	from 11/24/2020 to 11/24/2024	from 09/25/2019 to 09/25/2023

(a) Due to the death of beneficiaries.

### Allotment of shares in financial year 2022

Ten largest share awards to employees during the financial year	Number of shares awarded	Share price on the date of award	Plan's date
Shares subject to performance conditions	44,550	€116	06/30/2022

During the financial year 2022, the allotment of shares subject to performance conditions to employees of the Company or its subsidiaries (excluding Thales executive officers) was between 105 and 5,850 shares.

#### 6.2.3.5.2 Allotment of units or units subject to performance conditions indexed to the Thales share price

No plan for the allotment of units was set up for employees in 2022, except for that granted for the sole corporate officer (page 110).

#### 6.2.3.5.3 Allotment of phantom shares or phantom shares subject to performance conditions indexed to the Thales share price

In June 2022, a phantom share plan based on the Thales share price was implemented for certain international employees. This plan is equivalent to the performance-based free share plans offered to employees in France.

Through this plan, 323 people received 84,385 phantom shares under the same performance conditions as the free shares awarded on the same date. Validation of performance conditions for financial year 2022

#### 6.2.3.5.4 Validation of performance conditions for financial year 2022

Plans of options, shares, units, and phantom shares subject to performance conditions	Validation of 1 <sup>st</sup> third of share award		Validation of 2 <sup>nd</sup> third of share award		Validation of final 3 <sup>rd</sup> of share award	
	Reference year	% performance conditions achieved	Reference year	% performance conditions achieved	Reference year	% performance conditions achieved
September 25, 2019	2020	26.56%	2021	100%	2022	100%
November 25, 2020	2021	100%	2022	100%	2023	—
July 1, 2021	2022	100%	2023	—	2024	—
June 30, 2022	2023	—	2024	—	2025	—

### 6.2.3.6 Shares Owned by the Public

The Company is entitled to obtain information at any time, under the conditions provided for by law, on the identity and quantum of the shareholding of holders of bearer securities representing, immediately or in the future, a fraction of its share capital (the "Identifiable Bearer Security" or "IBS" Procedure).

Based on the results of the "ICC" surveys carried out at the end of the year with Euroclear France and the information on employee shareholding available to the Company, the breakdown of shares held by the public can be estimated as follows:

(in thousands of shares)	12/31/2022	12/31/2021
French institutional investors	18,366	26,795
Non-resident institutions	68,179	58,012
Others, (brokerage firms, etc.)	2,125	5,492
Employee share ownership	6,330	6,899
Individual shareholders and associations <sup>(a)</sup>	7,201	7,579
Not identified	612	821
<b>Subtotal (all holders)</b>	<b>102,813</b>	<b>105,598</b>
<b>TOTAL NUMBER OF SHARES</b>	<b>213,411</b>	<b>213,411</b>

(a) Mainly French residents.

	% of total capital		% of free-floating capital (excluding treasury shares)	
	12/31/22	12/31/21	12/31/22	12/31/21
French institutional investors	8.6	12.6	17.9	25.4
Non-resident institutions	32.0	27.2	66.3	54.9
Others, (brokerage firms, etc.)	1.0	2.6	2.0	5.2
Employee share ownership	3.0	3.2	6.2	6.5
Individual shareholders and associations	3.4	3.6	7.0	7.2
Not identified	0.3	0.4	0.6	0.8
<b>ALL HOLDERS</b>	<b>48.2</b>	<b>49.6</b>	<b>100.0</b>	<b>100.0</b>

#### • GEOGRAPHIC BREAKDOWN OF INSTITUTIONAL INVESTORS

12/31/2022	Number of shares held (in thousands)	% of Total capital	% of free-floating capital	Number of investors
France	18,366	8.6	19.0	97
Continental Europe (excluding France)	8,466	4.0	8.8	149
North America	40,714	19.1	42.2	169
United Kingdom & Ireland	16,046	7.5	16.6	83
Rest of world	2,953	1.4	3.1	69
<b>TOTAL</b>	<b>86,545</b>	<b>40.6</b>	<b>89.7</b>	<b>567</b>

### 6.2.3.7 Employee Shareholdings as of December 31, 2022

As of December 31, 2022, employees and former employees of the Group held 6,330,466 Thales shares, representing 2.97% of the capital (and 3.81% of the exercisable exercisable voting rights) <sup>(d)</sup>.

Holding by country	In number of shares	% of employee share ownership	% of capital	Related voting rights as % of total exercisable voting rights
Shares held through the Group savings scheme PEG – France and world (2 dedicated funds <sup>(a)</sup> )	4,023,228	63.55%	1.89%	2.52%
Shares held through the Group savings scheme PEG – Netherlands (1 dedicated fund <sup>(b)</sup> )	82,416	1.30%	0.04%	0.05%
Shares held through a trust – SIP <sup>(c)</sup> – United Kingdom	230,186	3.64%	0.11%	0.07%
Directly held shares – United States	77,390	1.22%	0.04%	0.02%
Shares held directly – France and world	174,522	2.76%	0.08%	0.10%
Shares held directly through allotments of free shares (Article L. 225-197-1 of the French Commercial Code) – France and world	1,742,724 <sup>(e)</sup>	27.53%	0.82%	1.04%
<b>Total number of shares held by current or former employees <sup>(d)</sup></b>	<b>6,330,466</b>	<b>100%</b>	<b>2.97%</b>	<b>3.81%</b>
<b>TOTAL SHARE CAPITAL</b>	<b>213,411,309</b>	<b>-</b>	<b>-</b>	<b>-</b>

(a) "Actions Thales" and "World Classic" funds.

(b) "Netherlands Classic" funds.

(c) FCPE equivalents.

(d) This line shows total employee share ownership. For information purposes, since Law No. 2019-486 of May 22, 2019, employee share ownership within the meaning of the French Commercial Code (Article L. 225-102) excludes shares granted free of charge under the LTI Plans prior to 2016 (in the absence of an amendment to the bylaws to include such shares) and amounted, as of December 31, 2022, to 4,975,844 shares and 9,166,767 voting rights, i.e., 2.33% of the capital stock and 2.94% of the exercisable voting rights, respectively.

(e) This number of shares includes the 2014 and 2015 unit plans delivered in 2018 and 2019.



## 6.3 Related-party agreements

### 6.3.1 Commitments and agreements authorized after year-end

The Board of Directors has not authorized any new commitments or agreements since the closing date.

### 6.3.2 Commitments and agreements authorized in 2022

No new related-party commitments or agreements were authorized by the Board of Directors pursuant to Article R. 225-30 (1) of the French Commercial Code in 2022, it being specified that:

On March 2, 2022, the Board ratified an agreement entered into by Thales SA on January 27, 2022 concerning the creation of an economic interest grouping without capital, called "Software République", with several partner companies, including Dassault Systèmes SE (a company which shares a common director with Thales SA, Mr. Charles Edelstenne), and which had not been authorized in advance by the Board pursuant to Article L. 225-38 of the French Commercial Code.

This agreement was approved, pursuant to Article L.225-42 of the French Commercial Code, by the Annual General Meeting of May 11, 2022 in its fourth resolution.

### 6.3.3 Agreements authorized during previous financial years

The agreements authorized by the Board of Directors and approved by the Annual General Meeting in previous financial years that continued to be performed in 2022 have been disclosed to the statutory auditors in accordance with the applicable regulations.

#### Board of Directors meeting held on March 6, 2008

##### **FSTA: commitments to be undertaken by the parent company authorized by the meeting of the Board of Directors on March 6, 2008**

Having noted the characteristics of the "FSTA" public-private partnership which has significant importance and high visibility for the Group and which thus consolidates its presence in the United Kingdom, the Board of Directors:

- has approved the transaction to be concluded by Thales UK Ltd in its capacity as a member and subcontractor of the consortium (Thales UK Ltd has since assumed the subcontracting commitments of the companies Thales Avionics Ltd Thales Training & Simulation Ltd and Thales Air Operations Ltd);

- has approved the issue of the three guarantees required (Resources and Materials parent company Guarantee, Opco Primary Subcontracts parent company Guarantee et Deed of Indemnity and Security) as per the terms submitted to it;
- has delegated to the Chairman, who may further delegate all powers necessary for the fulfillment of these guarantees, for the signature of any deeds or documents, and in general to do what is necessary for carrying out this operation.

For the period from 10/27/2021 to 10/27/2022, Thales invoiced Air Tanker the amount of £329,127.08, or €379,419.08, under the letters of credit in force.

During its meeting of November 30, 2022, the Board of directors requalified this FSTA agreement as an agreement relating to routine operations and concluded under normal conditions (Art. L. 255-39 of the Commercial Code).

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### 6.3.4 Statutory auditors' report on related-party agreements

#### Annual General Meeting for agreements of the financial statements for the year ended December 31, 2022

At the Annual General Meeting of Thales,

In our capacity as your company's statutory auditors, we hereby report to you on regulated party agreements.

It is our responsibility to report to the shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been indicated to us or that we may have identified as part of our engagement, as well as the reasons why they benefit the company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 225-31 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide the shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation, during the preceding financial year, of the agreements previously approved by the Annual General Meeting.

We performed the procedures that we deemed necessary, in accordance with the guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) for this type of mission. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

#### Agreements submitted for approval to the Annual General Meeting

##### Agreements authorized and concluded during the financial year

We have not been informed of any agreements authorized during the year and requiring the approval of the Annual General Meeting by virtue of Article L. 225-38 of the French Commercial Code.

#### Agreements previously approved by the Annual General Meeting

In accordance with Article L. 225-30 of the French Commercial Code, we have been informed of the following agreement approved by the Annual General Meeting on May 11, 2022, in Statutory auditors' report on related-party agreements on March 3, 2022.

- **With the company Dassault Systèmes SE**

##### Person concerned

Mr. Charles Edelstienne, Chairman of the Board of Directors of Dassault Systèmes SE and member of the Board of Directors of your company.

##### Nature, purpose, and conditions

##### Creation of an economic interest grouping

On January 27, 2022, your company participated in the creation of an economic interest grouping without capital, called "Software République", with several partner companies, including Dassault Systèmes SE.

##### Reasons for the company's interest in the agreement

Your Board of Directors has provided the following motivation for this agreement: to encourage the launching of innovative projects in the field of connected mobility.

Paris-La Défense, March 7 2023

The statutory auditors

#### MAZARS

Dominique Muller  
Ariane Mignon

#### ERNST & YOUNG Audit

Jean-François Ginies  
Vincent Gauthier



## 6.4 Stock market information and financial communication

### 6.4.1 Thales shares

#### 6.4.1.1 Listing market

Thales shares are listed on the Euronext Paris (compartment A), a regulated market. They are eligible for the Deferred Settlement Service (DSS).

ISIN Code: FR0000121329

Reuters: TCFP.PA

Bloomberg: HO FP

#### 6.4.1.2 Index listing

As of December 31, 2022, Thales shares are included in the following main Indices:

- Euronext Paris Indices: CAC 40, SBF 120, SBF 250, CAC Large 60, and CAC All-Shares;
- International Indices: DJ Euro Stoxx, FTSEurofirst 300.

#### 6.4.1.3 Share price and trading volumes on Euronext Paris

##### 6.4.1.3.1 Monthly data from January 2021 to December 2022

	Number of trading days	Number of shares traded	Capital traded (€m)	Average daily trading volume	Weighted average price (€)	highest price (€)	Lowest price (€)	Closing price (€)
<b>2022</b>								
January	21	7,233,243	581.2	344,440	80.36	84.20	74.92	81.44
February	20	10,418,970	919.7	520,949	88.27	106.60	77.56	102.90
March	23	23,256,733	2,601.5	1,011,162	111.86	123.10	99.10	113.95
<b>Q1 2022</b>	<b>64</b>	<b>40,908,946</b>	<b>4,102.4</b>	<b>639,202</b>	<b>100.28</b>	<b>123.10</b>	<b>74.92</b>	<b>113.95</b>
April	19	10,481,349	1,276.7	551,650	121.81	131.15	111.85	122.00
May	22	8,931,708	1,046.5	405,987	117.17	127.75	112.25	113.60
June	22	7,753,171	885.1	352,417	114.16	118.45	110.10	117.05
<b>Q2 2022</b>	<b>63</b>	<b>27,166,228</b>	<b>3,208.3</b>	<b>431,210</b>	<b>118.10</b>	<b>131.15</b>	<b>110.10</b>	<b>117.05</b>
July	21	7,532,926	903.4	358,711	119.93	125.70	110.10	121.35
August	23	4,299,312	532.9	186,927	123.95	128.55	118.40	120.15
September	22	6,861,550	791.3	311,889	115.32	123.65	108.15	113.00
<b>Q3 2022</b>	<b>66</b>	<b>18,693,788</b>	<b>2,227.6</b>	<b>283,239</b>	<b>119.16</b>	<b>128.55</b>	<b>108.15</b>	<b>113.00</b>
October	21	6,634,504	775.3	315,929	116.87	129.65	109.00	128.65
November	22	7,787,939	942.4	353,997	121.01	129.60	111.30	122.15
December	21	5,506,164	661.8	262,198	120.20	123.70	116.30	119.30
<b>Q4 2022</b>	<b>64</b>	<b>19,928,607</b>	<b>2,379.6</b>	<b>311,384</b>	<b>119.40</b>	<b>129.65</b>	<b>109.00</b>	<b>119.30</b>
<b>FY 2022</b>	<b>257</b>	<b>106,697,569</b>	<b>11,918.0</b>	<b>415,166</b>	<b>111.70</b>	<b>131.15</b>	<b>74.92</b>	<b>119.30</b>

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	Number of trading days	Number of shares traded	Capital traded (€m)	Average daily trading volume	Weighted average price (€)	Highest price (€)	Lowest price (€)	Closing price (€)
<b>FY 2021</b>								
January	20	7,322,169	552.3	366,108	75.42	80.10	76.28	74.18
February	20	5,724,340	444.9	286,217	77.72	80.80	79.24	78.44
March	23	8,200,432	676.6	356,541	82.51	85.74	84.72	84.72
<b>Q1 2021</b>	<b>63</b>	<b>21,246,941</b>	<b>1,673.8</b>	<b>337,253</b>	<b>78.78</b>	<b>85.74</b>	<b>76.28</b>	<b>84.72</b>
April	20	5,520,325	474.8	276,016	86.02	89.36	87.04	84.78
May	21	5,045,595	425.8	240,266	84.39	88.48	85.90	83.86
June	22	5,254,193	450.0	238,827	85.64	87.44	86.02	86.04
<b>Q2 2021</b>	<b>63</b>	<b>15,820,113</b>	<b>1,350.6</b>	<b>251,113</b>	<b>85.37</b>	<b>89.36</b>	<b>85.90</b>	<b>86.04</b>
July	22	6,472,543	571.6	294,207	88.31	92.40	83.56	88.50
August	22	4,530,501	392.4	205,932	86.62	89.86	83.76	85.94
September	22	6,536,282	543.8	297,104	83.20	87.42	79.06	84.16
<b>Q3 2021</b>	<b>66</b>	<b>17,539,326</b>	<b>1,507.8</b>	<b>265,747</b>	<b>85.97</b>	<b>92.40</b>	<b>79.06</b>	<b>84.16</b>
October	21	6,843,718	565.3	325,891	82.60	85.84	79.42	79.66
November	22	8,070,912	635.3	366,860	78.71	84.30	71.86	72.48
December	23	8,759,940	642.6	380,867	73.35	75.80	70.54	74.80
<b>Q4 2021</b>	<b>66</b>	<b>23,674,570</b>	<b>1,843.1</b>	<b>358,706</b>	<b>77.85</b>	<b>85.84</b>	<b>70.54</b>	<b>74.80</b>
<b>FY 2021</b>	<b>258</b>	<b>78,280,950</b>	<b>6,375.4</b>	<b>303,415</b>	<b>81.44</b>	<b>92.40</b>	<b>70.54</b>	<b>74.80</b>

#### 6.4.1.3.2 Annual data for 2021 and 2022

##### ● PRICE AND PERFORMANCE TRENDS

	2022	2021
Closing price (€)	119.30	74.80
Session high (€)	131.15	92.40
Session low (€)	74.92	70.54
Weighted average price (€)	111.70	81.44
Dividend paid for the previous year (€)	2.56	1.76
Total return for the year (TSR) <sup>(a)</sup> (in %)	+63.1%	+2.3%
Change in Thales share price over the period (in %)	+59.5%	—%
Change in the CAC 40 over the period (in %)	-9.5%	+28.9%

(a) Total Shareholder Return: differential between annual closing prices, plus the dividend paid during the year (for the previous financial year), relative to the initial price.

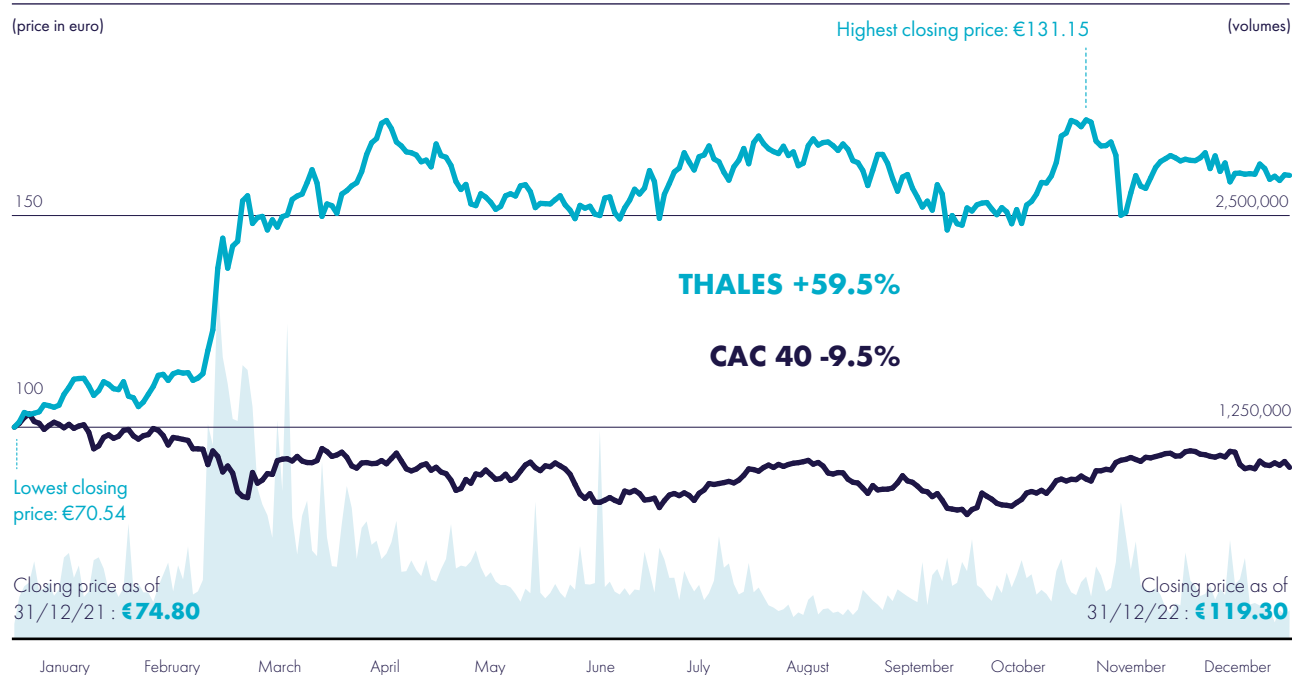
	2022	2021
Average number of shares traded per session (thousands)	415	303
Total number of shares traded during the period (millions)	107	78
Total capital traded during the period (€m)	11,918	6,375
Monthly average number of shares traded (thousands)	8,891	6,523
Average monthly capital traded (€m)	993	531
Total number of shares comprising the capital (period-end, in millions)	213	213





### 6.4.1.3.3 Graph and comments on the share price and trading volume trends from January 1<sup>st</sup>, 2021 to December 31, 2022

#### ● SHARE PRICE AND VOLUME TRENDS FROM JANUARY 1<sup>st</sup>, 2022 TO DECEMBER 31, 2022



#### Comments on share price in 2021 and 2022

- The market recorded a contrasting performance in **2022**, with the CAC 40 down 9.5%. Thales shares were the top performers in the index (+59.5% for the year), thanks to the quality of Thales results and the re-rating of defense-exposed stocks.
- Despite the health crisis, the market recorded a solid performance in **2021**, with the CAC 40 up 28.9%, driven by “growth” stocks. Thales shares were almost stable (-0.1% for the year), notably affected by the ESG policies of some investors.

#### Comments on traded volume in 2021 and 2022

- **2022** was an up year in terms of shares traded, with over 107 million shares traded over 12 months (a 36% increase). There were occasional peak trading days, in particular in late February to mid-March 2022, following the invasion of Ukraine by Russia.
- **2021** was a down year in terms of securities traded, with 78 million securities traded over 12 months (a 26% decrease). There were occasional peak trading days, including mid-September 2021 when the AUKUS strategic partnership was announced and in December 2021 when concerns about the efficacy of vaccines against the Omicron variant reemerged.

#### 6.4.1.4 Dividend policy

Dividends are paid to the holders of shares in accordance with the law. The Company uses the Euroclear direct payment procedure.

The Annual General Meeting of May 11, 2022 approved the distribution of a dividend of €2.56 per share.

Per-unit dividend information is provided below, it being specified that dividends paid for 2019, 2020 and 2021 may be eligible for an allowance under the conditions provided for by the French General Tax Code (Article 158-3 2):

#### ● DIVIDENDS PAID FOR THE PAST FOUR YEARS

(€)	2022 <sup>(a)</sup>	2021	2020	2019
Dividend	2.94	2.56	1.76	0.60

(a) Subject to the approval of the Annual General Meeting on May 10, 2023.

## 6.4.2 Financial communication policy

### 6.4.2.1 General Overview

Thales' policy is to provide its shareholders with regular, clear, and transparent information, in compliance with the financial reporting rules and practices on disseminating information applicable to listed companies.

In addition to this Universal Registration Document filed with the French financial markets authority AMF, which includes details of all the consolidated financial statements and associated analysis, business activities and results by business segment, the main statutory information about the Company, and its corporate responsibility policy, Thales also publishes an interim report as well as press releases. Other publications include an integrated report and a social report, providing a detailed description of its commitments and achievements in these areas.

All Thales' information documents, presentations, and financial press releases are available on the Thales website at [www.thalesgroup.com](http://www.thalesgroup.com).

Thales also holds briefings for the financial community by teleconference, where appropriate, particularly when announcing results, annual and interim financial statements, and quarterly information, as well as important strategic or financial operations.

Regular meetings between Thales executives and institutional investors are held in Europe and North America, typically as part of roadshows periodicals, "Investor Days" (Capital Markets Day) or visits to operational sites to present the Group's activities and strategy in greater detail.

Thales also regularly exchanges information on its corporate social responsibility policy with the Socially Responsible Investor SRI community. These reports cover corporate social and environmental governance and international trade issues, especially regarding anti-corruption measures and control over the export of defense equipment and technologies as well as dual-use goods and technologies.

The first Capital Market Day dedicated to ESG (Environmental, Social, and Governance criteria) was held on October 5, 2021.

### 6.4.3 Other market securities

As of December 31, 2022, six of the Group's bonds are listed. Their amounts and main characteristics are shown in Note 6.2 of the consolidated financial statements, page 256.

Finally, Thales also maintains an ongoing dialog with international financial analysts and institutional investors in order to provide them with information about the Group's business activities and strategy.

### 6.4.2.2 Provisional financial reporting calendar for 2023

<b>May 5</b>	Q1 2023 financial information
<b>May 10</b>	Annual General Meeting of Shareholders
<b>July 21</b>	H1 2023 consolidated results
<b>October 31</b>	Q3 2023 financial information

### 6.4.2.3 Contacts

#### Investor Relations Department

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### 6.4.2.4 Documents on display

Thales' articles of association, minutes of the General Meetings and Board of Directors' reports to the General Meetings, reports of the statutory auditors, financial statements for the last three years, and, more generally, all documents provided or made available to shareholders under the law may be viewed at Thales' registered office.

Some of these documents are also available on the Group's website (<https://www.thalesgroup.com/fr/investor/information-reglementee>).



## 6.5 History

### 1893

Compagnie Française Thomson-Houston (CFTH) established to exploit the patents of the US company Thomson-Houston Electric Corp. in France in the field of power generation and transport.

### 1918

Compagnie Générale de Télégraphie Sans Fil (CSF), a pioneer in broadcasting electro-acoustics and radar technology, established.

### 1968

Birth of Thomson-CSF with the merger of CSF and the electronics business of Thomson-Brandt.

### 1982

Thomson-CSF nationalized.

### 1983

Sale of civil telecommunications business to Compagnie Générale d'Electricité (now Alcatel-Lucent).

### 1987

Sale of the medical imaging activities (CGR) to General Electric and establishment of SGS-Thomson by merging the semiconductor business with that of the Italian company SGS.

### 1989

Acquisition of the defense electronics business of the Philips group.

### 1997

Sale of the stake in SGS-Thomson (now STMicroelectronics).

### 1998

Thomson-CSF privatized; Alcatel and Groupe Industriel Marcel Dassault GIMD contribute assets and become shareholders. Creation of Alcatel Space, owned by Thomson-CSF (49%) and Alcatel (51%) and combining the space business of Alcatel, Aerospatiale, and Thomson-CSF.

### 1999

Acquisition of 100% of the capital of Sextant Avionique, a joint venture between Thomson-CSF and Aerospatiale (now Airbus) in avionics.

### 2000

Takeover of Racal electronics in the United Kingdom. Thomson-CSF is renamed Thales.

### 2001

Thales sells its stake in Alcatel Space.

### 2007

Acquisition of Alcatel-Lucent's Transport & Security, Space activities and sale to DCNS (now Naval Group) of the surface naval activities in France. At the same time, a 25% stake in DCNS (now Naval Group) was acquired from the French government.

### 2009

Acquisition by Dassault Aviation of the Thales shares held by Alcatel-Lucent and GIMD. Dassault Aviation becomes a shareholder of Thales with a 26% stake in the Company.

### 2011

Increase to 35% of the stake in DCNS (now called Naval Group).

### 2014

Launch of the "Ambition 10" strategic plan.

### 2019

Gemalto acquisition completed on April 2, 2019.

### 2021

Announcement of the sale of the Transport business to Hitachi.

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## 7



# Financial statements

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## Financial statements

### Consolidated financial statements

## 7.1 Consolidated financial statements

### 7.1.1 Consolidated profit and loss account

<i>(in € millions)</i>	Notes	<b>2022</b>	<b>2021</b>
<b>Sales</b>	Note 2	<b>17,568.8</b>	<b>16,192.0</b>
Cost of sales		(13,113.4)	(12,158.9)
Research and development expenses		(1,063.6)	(1,026.9)
Marketing and selling expenses		(1,350.4)	(1,225.9)
General and administrative expenses		(598.5)	(545.0)
Restructuring costs	Note 10.3	(98.5)	(91.8)
<b>Income from operations</b>	Note 2	<b>1,344.4</b>	<b>1,143.5</b>
Disposal of assets, changes in scope of consolidation and other	Note 3.2	(23.9)	48.7
Impairment on non-current fixed assets	Note 4.1	—	—
<b>Income of operating activities before share in net income of equity affiliates</b>		<b>1,320.5</b>	<b>1,192.2</b>
Share in net income of equity affiliates	Note 5.1	180.0	103.6
<b>Income of operating activities after share in net income of equity affiliates</b>		<b>1,500.5</b>	<b>1,295.8</b>
Financial interests on gross debt		(75.9)	(54.1)
Financial interests on cash and cash equivalents		25.8	(2.5)
<b>Interest expense, net</b>	Note 6.1	<b>(50.1)</b>	<b>(56.6)</b>
Other financial expenses	Note 6.1	(98.5)	(52.8)
Finance costs on pensions and other employee benefits	Note 9.3	(4.9)	(21.9)
Income tax	Note 7.1	(225.1)	(147.7)
<b>Net income relating to continued operations</b>		<b>1,121.9</b>	<b>1,016.8</b>
<b>Net income relating to discontinued operations</b>	Note 1.3	<b>9.1</b>	<b>117.6</b>
<b>NET INCOME</b>		<b>1,131.0</b>	<b>1,134.4</b>
<b>Shareholders of the parent company</b>		<b>1,120.6</b>	<b>1,088.8</b>
Of which: net income relating to continued operations, Group share		1,111.5	971.1
Of which: net income relating to discontinued operations, Group share		9.1	117.7
<b>Non-controlling interests</b>		<b>10.4</b>	<b>45.6</b>
Basic earnings per share <i>(in euros)</i>	Note 8.2	—	—
Diluted earnings per share <i>(in euros)</i>	Note 8.2	5.28	5.11

Segment information (including EBIT calculation) is detailed in Note 2.1.





## 7.1.2 Consolidated statement of comprehensive income

(in € millions)		2022			2021		
		Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
<b>NET INCOME</b>		<b>1,120.6</b>	<b>10.4</b>	<b>1,131.0</b>	<b>1,088.8</b>	<b>45.6</b>	<b>1,134.4</b>
Translation adjustments	Note 8.1	(10.5)	3.9	(6.6)	54.0	1.3	55.3
Cash flow hedge	Note 8.1	(12.2)	(4.8)	(17.0)	(101.8)	(4.6)	(106.4)
Equity affiliates	Note 5.1	(18.7)	—	(18.7)	11.9	—	11.9
Discontinued operations		(19.8)	—	(19.8)	(13.9)	—	(13.9)
<b>Items that may be reclassified to income</b>		<b>(61.2)</b>	<b>(0.9)</b>	<b>(62.1)</b>	<b>(49.8)</b>	<b>(3.3)</b>	<b>(53.1)</b>
Actuarial gains (losses) on pensions	Note 9.3	457.1	10.7	467.8	625.5	3.2	628.7
Financial assets at fair value		(30.3)	(13.5)	(43.8)	42.9	18.4	61.3
Deferred tax	Note 7.2	(58.8)	(2.8)	(61.6)	0.6	(0.7)	(0.1)
Equity affiliates	Note 5.1	23.3	—	23.3	11.5	—	11.5
Discontinued operations		146.9	—	146.9	62.2	—	62.2
<b>Items that will not be reclassified to income</b>		<b>538.2</b>	<b>(5.6)</b>	<b>532.6</b>	<b>742.7</b>	<b>20.9</b>	<b>763.6</b>
<b>Other comprehensive income (loss) for the period net of tax</b>		<b>477.0</b>	<b>(6.5)</b>	<b>470.5</b>	<b>692.9</b>	<b>17.6</b>	<b>710.5</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,597.6</b>	<b>3.9</b>	<b>1,601.5</b>	<b>1,781.7</b>	<b>63.2</b>	<b>1,844.9</b>

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## Financial statements

## Consolidated financial statements

## 7.1.3 Consolidated statement of changes in equity

(in € millions)	Number of shares outstanding (thousands)	Share capital	Addition al paid-in capital	Retained earnings	Cash flow hedge	Cumulative translation adjustment	Treasury shares	Group share	Non-controlling interests	Total equity
<b>AT 1<sup>st</sup> JANUARY 2021, AS PUBLISHED</b>	<b>212,868</b>	<b>640.1</b>	<b>4,075.5</b>	<b>737.2</b>	<b>11.4</b>	<b>(283.2)</b>	<b>(38.6)</b>	<b>5,142.4</b>	<b>196.5</b>	<b>5,338.9</b>
IFRS IC interpretation (Note 1.1)	—	—	—	(5.8)	—	—	—	(5.8)	—	(5.8)
<b>AT 1<sup>st</sup> JANUARY 2021, AS RESTATED</b>	<b>212,868</b>	<b>640.1</b>	<b>4,075.5</b>	<b>731.4</b>	<b>11.4</b>	<b>(283.2)</b>	<b>(38.6)</b>	<b>5,136.6</b>	<b>196.5</b>	<b>5,333.1</b>
Net income	—	—	—	1,088.8	—	—	—	1,088.8	45.6	1,134.4
Other comprehensive income (loss) net of tax	—	—	—	742.7	(116.1)	66.3	—	692.9	17.6	710.5
<b>Total comprehensive income for 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,831.5</b>	<b>(116.1)</b>	<b>66.3</b>	<b>—</b>	<b>1,781.7</b>	<b>63.2</b>	<b>1,844.9</b>
Employee share issues	45	0.1	1.1	—	—	—	—	1.2	—	1.2
Parent company dividend distribution	—	—	—	(417.0)	—	—	—	(417.0)	—	(417.0)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(13.5)	(13.5)
Share-based payments	—	—	—	25.0	—	—	—	25.0	—	25.0
(Acquisitions)/disposals of treasury shares	5	—	—	(28.7)	—	—	0.9	(27.8)	—	(27.8)
Other	—	—	—	(25.4)	—	—	—	(25.4)	(1.8)	(27.2)
<b>At 31 DECEMBER 2021</b>	<b>212,918</b>	<b>640.2</b>	<b>4,076.6</b>	<b>2,116.8</b>	<b>(104.7)</b>	<b>(216.9)</b>	<b>(37.7)</b>	<b>6,474.3</b>	<b>244.4</b>	<b>6,718.7</b>
Net income	—	—	—	1,120.6	—	—	—	1,120.6	10.4	1,131.0
Other comprehensive income (loss) net of tax	—	—	—	538.2	(19.9)	(41.3)	—	477.0	(6.5)	470.5
<b>Total comprehensive income for 2022</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,658.8</b>	<b>(19.9)</b>	<b>(41.3)</b>	<b>—</b>	<b>1,597.6</b>	<b>3.9</b>	<b>1,601.5</b>
Employee share issues	—	—	—	—	—	—	—	—	—	—
Parent company dividend distribution	—	—	—	(563.4)	—	—	—	(563.4)	—	(563.4)
Third-party share in dividend paid by subsidiaries	—	—	—	—	—	—	—	—	(41.7)	(41.7)
Share-based payments	—	—	—	22.8	—	—	—	22.8	—	22.8
(Acquisitions)/disposals of treasury shares	(2,784)	—	—	(4.6)	—	—	(344.6)	(349.2)	—	(349.2)
Other	—	—	—	(8.1)	—	(0.1)	—	(8.2)	1.0	(7.2)
<b>At 31 DECEMBER 2022</b>	<b>210,134</b>	<b>640.2</b>	<b>4,076.6</b>	<b>3,222.3</b>	<b>(124.6)</b>	<b>(258.3)</b>	<b>(382.3)</b>	<b>7,173.9</b>	<b>207.6</b>	<b>7,381.5</b>

Retained earnings include actuarial gains and losses on pension obligations amounting to -€2,066.8 million at end 2021 and -€1,421.7 million at end 2022.



## 7.1.4 Consolidated balance sheet

### Assets

(in € millions)	Notes	31/12/22	31/12/21
Goodwill	Note 4.1	5,470.0	5,202.9
Other intangible assets, net	Note 4.2	1,565.8	1,943.2
Property, plant and equipment, net	Note 4.2	3,478.9	3,399.0
Investments in equity affiliates	Note 5	1,589.3	1,341.6
Non-consolidated investments	Note 6.4	127.2	138.3
Other non-current financial assets	Note 6.4	132.8	151.2
Non-current derivatives – assets	Note 6.6	–	4.0
Deferred tax assets	Note 7.3	1,043.0	951.2
<b>NON-CURRENT ASSETS</b>		<b>13,407.0</b>	<b>13,131.4</b>
Inventories and work in progress	Note 10.1	3,672.3	3,336.0
Contract assets	Note 10.2	2,410.5	2,477.6
Advances to suppliers	Note 10	641.9	411.0
Accounts, notes and other current receivables	Note 10.4	5,810.1	5,442.9
Current derivatives – assets	Note 6.6	172.6	99.7
Current tax receivables	Note 7.3	194.7	214.5
Current financial assets	Note 6.2	221.3	4.3
Cash and cash equivalents	Note 6.2	5,099.6	5,049.4
Assets held for sale	Note 1.3	2,790.5	2,668.2
<b>CURRENT ASSETS</b>		<b>21,013.5</b>	<b>19,703.6</b>
<b>TOTAL ASSETS</b>		<b>34,420.5</b>	<b>32,835.0</b>

### Equity and liabilities

(in € millions)	Notes	31/12/22	31/12/21
Capital, additional paid-in capital and other reserves		7,814.5	6,728.9
Cumulative translation adjustment		(258.3)	(216.9)
Treasury shares		(382.3)	(37.7)
<b>Total attributable to shareholders of the parent company</b>		<b>7,173.9</b>	<b>6,474.3</b>
Non-controlling interests		207.6	244.4
<b>TOTAL EQUITY</b>	Note 8.1	<b>7,381.5</b>	<b>6,718.7</b>
Long-term loans and borrowings	Note 6.2	3,991.1	4,602.4
Non-current derivatives – liabilities	Note 6.6	1.0	7.3
Pensions and other long-term employee benefits	Note 9.3	1,907.7	2,447.3
Deferred tax liabilities	Note 7.3	396.6	491.4
<b>NON-CURRENT LIABILITIES</b>		<b>6,296.4</b>	<b>7,548.4</b>
Contract liabilities	Note 10.2	8,313.6	7,068.5
Reserves for contingencies	Note 10.3	1,752.0	1,771.8
Accounts, notes and other current payables	Note 10.4	6,918.7	6,066.6
Current derivatives – liabilities	Note 6.6	328.2	234.1
Current tax payables	Note 7.3	168.2	140.7
Short-term loans and borrowings	Note 6.2	1,480.3	1,319.0
Liabilities held for sale	Note 1.3	1,781.6	1,967.2
<b>CURRENT LIABILITIES</b>		<b>20,742.6</b>	<b>18,567.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>34,420.5</b>	<b>32,835.0</b>

## 7.1.5 Consolidated statement of cash flows

(in € millions)	Notes	2022	2021
<b>NET INCOME</b>		<b>1,131.0</b>	<b>1,134.4</b>
Less, net income relating to discontinued operations <sup>(a)</sup>		(9.1)	(117.6)
<b>Net income relating to continued operations</b>		<b>1,121.9</b>	<b>1,016.8</b>
<b>Add (deduct):</b>			
Income tax expense (gain)		225.1	147.7
Net interest expenses		50.1	56.6
Share in net income of equity affiliates	Note 5.1	(180.0)	(103.6)
Dividends received from equity affiliates	Note 5.1	60.8	45.1
Depreciation and amortisation of PPE and intangible assets	Note 4.2	1,058.8	1,062.6
Impairment on non-current fixed assets	Note 4.1	—	—
Provisions for pensions and other employee benefits	Note 9.3	163.7	150.6
Loss (gain) on disposal of assets, change in scope of consolidation and other	Note 3.2	23.9	(48.7)
Provisions for restructuring, net	Note 10.3	(52.1)	(54.1)
Other items		17.3	70.8
<b>Operating cash flows before working capital changes, interest and tax</b>		<b>2,489.5</b>	<b>2,343.8</b>
Change in working capital and reserves for contingencies	Note 10	966.4	776.1
Cash contributions to pension plans and other long-term employee benefits, o.w.:	Note 9.3	(231.8)	(210.3)
• UK deficit payment		(95.1)	(98.7)
• Recurring contributions/benefits		(136.7)	(111.6)
Interest paid		(69.0)	(64.8)
Interest received		26.6	6.7
Income tax received (paid)		(156.3)	(144.8)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES RELATING TO CONTINUED ACTIVITIES <sup>(a)</sup></b>	- I -	<b>3,025.4</b>	<b>2,706.7</b>
Acquisitions of property, plant and equipment and intangible assets	Note 4.2	(534.6)	(450.8)
Disposals of property, plant and equipment and intangible assets	Note 4.2	9.2	4.9
<b>Net operating investments</b>		<b>(525.4)</b>	<b>(445.9)</b>
Acquisitions of subsidiaries and affiliates	Note 6.3	(417.8)	(54.7)
Disposals of subsidiaries and affiliates	Note 6.3	2.0	2.2
Cash of acquired/disposed subsidiaries		26.9	—
Decrease (increase) in loans and non-current financial assets		(3.9)	(14.2)
Decrease (increase) in current financial assets		(213.3)	19.2
<b>Net financial investments</b>		<b>(606.1)</b>	<b>(47.5)</b>
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES RELATING TO CONTINUED OPERATIONS <sup>(a)</sup></b>	- II -	<b>(1,131.5)</b>	<b>(493.4)</b>
Parent company dividend distribution	Note 8.1	(563.4)	(417.0)
Third party share in dividend distribution of subsidiaries		(41.7)	(13.5)
Purchase of treasury shares and exercise of share subscription options		(350.7)	(26.7)
Issuance of debt		90.7	51.1
Repayment of debt		(786.9)	(1,763.0)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES RELATING TO CONTINUED OPERATIONS <sup>(a)</sup></b>	- III -	<b>(1,652.0)</b>	<b>(2,169.1)</b>
Exchange rate variation relating to continued operations	- IV -	2.7	41.8
<b>CHANGE IN CASH AND CASH EQUIVALENTS RELATING TO CONTINUED OPERATIONS</b>	I+II+III+IV	<b>244.6</b>	<b>86.0</b>
<b>CASH AND CASH EQUIVALENTS AT OPENING</b>		<b>5,216.4</b>	<b>5,003.9</b>
o.w.: Cash and cash equivalents relating to continued operations at opening <sup>(b)</sup>		5,049.4	4,751.2
o.w.: Cash and equivalents relating to discontinued operations at opening <sup>(b)</sup>		167.0	252.7
<b>CASH AND CASH EQUIVALENTS AT CLOSING</b>		<b>5,296.4</b>	<b>5,216.4</b>
o.w.: Cash and cash equivalents relating to continued operations at closing <sup>(b)</sup>		5,099.6	5,049.4
o.w.: Cash and equivalents relating to discontinued operations at closing <sup>(b)</sup>		196.8	167.0

(a) Discontinued activities cash flows are detailed in Note 1.3.

(b) including changes in cash and cash equivalents from continued to discontinued activities of €194.4 million in 2022 and €212.2 million in 2021.

The Group's net debt position and variation are presented in Notes 6.2 and 6.3.



## 7.1.6 Notes to the consolidated financial statements

All monetary amounts included in these notes are expressed in millions of euros.

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## Note 1. Accounting standards framework

Thales' consolidated financial statements for the year ending December 31, 2022 were approved and authorized for issue by its Board of Directors on 7 March 2023. In accordance with French law, the financial statements will be deemed final once they have been adopted by the shareholders of the Group at the Annual General Meeting to be held on 10 May 2023.

Thales (parent company) is a French publicly traded joint-stock company (société anonyme) registered with the Nanterre Trade and Company Register under number 552 059 024.

### 1.1 Basis of preparation for the 2022 consolidated financial statements

Thales' consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union at December 31, 2022.

These accounting policies, as described in Note 13, are similar to those applied by the Group for the year ending December 31, 2021.

The clarification provided by IFRS-IC in April 2021 regarding the accounting treatment of configuration and adaptation costs for software acquired in SaaS mode has no material impact on the consolidated financial statements. For the Group, this interpretation leads to a reduction in intangible assets of €7.8m (or €5.8m after tax) at 1 January 2021. In accordance with the principles relating to changes in accounting methods, the balance sheet as at 1 January 2021 has been modified accordingly.

The amendments to the existing standards IFRS 3 (reference to the conceptual framework), IAS 16 (property, plant and equipment: revenue in advance of intended use), IAS 37 (onerous contracts: cost of fulfilling a contract) and the annual improvements to IFRS 2018-2020, which were published in May 2020 and are mandatory from 1 January 2022, have no impact on the Group's consolidated financial statements.

### 1.2 New standards mandatory after December 31, 2022

The texts adopted by the IASB and applicable after December 31, 2022 are the following:

- Amendments to IAS 1 and *IFRS statement practice 2*: Disclosure of accounting policies;
- Amendments to IAS 1: Non current liabilities with covenants;
- Amendments to IAS 1: Classification of liabilities as current or non-current;

- Amendments to IAS 8: Definition of accounting estimates;
- Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IFRS 16: Lease liability in a sale and leaseback.

These amendments should not impact the Group significantly.

### 1.3 Classification of Transportation business as "discontinued operations"

On August 3, 2021, Thales entered into exclusive negotiations with Hitachi Rail in order to sell the global Transport business segment for an enterprise value of €1.66 billion. The groups have signed a Sale and Purchase Agreement on February 10, 2022.

The transaction, subject to the usual regulatory and antitrust approvals, should take place during the second semester 2023.

In accordance with IFRS 5 standard "Non-current assets held for sale and discontinued operations", the Group has reclassified the financial statements of this business segment under "discontinued operations".

For each of the published periods, the impacts of this classification on the Group's financial statements are as follows:

- Assets and liabilities held for sale are reported on dedicated lines in the balance sheet. In accordance with IFRS 5, intra-group transactions remain eliminated.
- Net income of the Transport business is reported on a single line of the income statement under "Net income relating to discontinued operations".
- In the consolidated statement of cash flows, net cash flows from operating, investing and financing activities correspond to cash flows relating to continued operations. The change in cash from the Transport business is reported on a separate line.





### Financial information relating to discontinued operations:

Profit & Loss	2022	2021
<b>Sales</b>	<b>1,772.4</b>	<b>1,665.2</b>
<b>Income of operating activities before share in net income of equity affiliates</b>	<b>9.1</b>	<b>145.2</b>
Share in net income of equity affiliates	3.5	6.8
Financial result	(8.1)	5.3
Income tax	4.6	(39.7)
<b>Net income</b>	<b>9.1</b>	<b>117.6</b>

**Sales** correspond to the contribution of the Transport business to consolidated sales. Intra-group flows are not significant.

**Income of operating activities** excludes the Group's corporate costs, which will no longer be re-invoiced to the Transport business after the transaction. Net income relating to continued operations is reduced accordingly.

This line mainly includes costs directly associated with the transaction (advisory fees, employee retention plans implemented as part of the transaction, carve-out costs, etc.). In accordance with IFRS 5, it also includes the cancellation of the depreciation and amortization of the PPE and intangible assets of the Transport business, as reported in income from operations.

Cash-flows	2022	2021
Net cash flow from operating activities	(30.6)	171.9
Net cash flow used in investing activities	(39.0)	(19.8)
Net cash flow from financing activities	(96.8)	(23.4)
Exchange rates and other	1.8	(2.2)
<b>Change in cash and cash equivalents <sup>(a)</sup></b>	<b>(164.6)</b>	<b>126.5</b>

(a) Before changes in cash and cash equivalents from continued to discontinued activities of -€194.4 million in 2022 and €212.2 million in 2021.

	2022	2021
<b>Net cash flow from operating activities</b>	<b>(30.6)</b>	<b>171.9</b>
Less: UK deficit payment	3.2	3.5
CAPEX	(40.5)	(19.6)
<b>Operating free cash flow</b>	<b>(67.9)</b>	<b>155.8</b>

Asset	31/12/22	31/12/21
Goodwill	879.8	879.8
PPE and intangible assets	207.7	165.7
Non-current financial assets	48.6	47.2
Deferred tax assets	23.6	49.5
Working capital - assets	1,432.1	1,359.3
Current financial assets	1.9	(0.3)
Cash and cash equivalents	196.8	167.0
<b>Assets held for sale</b>	<b>2,790.5</b>	<b>2,668.2</b>
<b>Net cash (debt)</b>	<b>119.9</b>	<b>68.8</b>

Liabilities	31/12/22	31/12/21
Long-term loans and borrowings	50.8	59.8
Pensions	92.4	292.4
Other non-current liabilities	23.9	15.8
Working capital - liabilities	1,586.5	1,561.2
Short-term loans and borrowings	28.0	38.1
<b>Liabilities held for sale</b>	<b>1,781.6</b>	<b>1,967.3</b>

As of December 31, 2022, the cumulative amount recognized in other comprehensive income that may be reclassified to income and relating to discontinued operations is:

- -€20.3 million for the translation adjustment;
- -€7.2 million for cash flow hedge.

Accumulated actuarial gains and losses relating to pension obligations amounted to €61.6 million.

## 1.4 Russia's invasion of Ukraine impacts

Russia's invasion of Ukraine in February 2022 and the economic and commercial sanctions imposed against Russia are having consequences on the Group activities.

The impact on 2022's revenues in these two countries is estimated at €135 million, mainly in the Aerospace, Digital Identity, and Security sectors.

This crisis leads the recording in "cost of sales" of non-recurrent expenses of €51.7 million in the 2022 accounts.

## 1.5 Main sources of estimates

The preparation of the Group's consolidated financial statements involves making estimates and assumptions that have an impact on the assessment of the Group's performance and its consolidated assets and liabilities. These estimates are based on past experience and factor in the economic conditions prevailing at the end of the reporting period and any information available as of the date at which the financial statements are prepared. The judgments and estimates used by the Group to prepare the financial statements take into account the current assessment of risks induced by climate change, whether physical, regulatory, or related to customer expectations and sector commitments. In today's global economic environment, the degree of volatility and subsequent lack of visibility are particularly high. Future facts and circumstances could lead to changes in these estimates or assumptions which could affect the Group's financial situation, profit and loss and/or cash flows, notably with regard to:

### Recognition of revenue over time (Note 10)

A very significant part of the Group's revenue and current operating income stems from contracts recognized according to the percentage of completion method. These contracts often span several financial years. In the accounting closing process, the recognition of revenue and operating margin relating to these contracts depends mainly on:

- estimates of revenue and margin at completion, including provisions for technical and commercial risks;
- costs incurred to date compared to the total costs expected at completion.

Monitoring of costs incurred to date and estimates of figures at completion are based, for each contract, on the Group's internal systems and procedures, with Project Managers playing a key role. These estimates are reviewed regularly by the Operations and Finance departments, under the supervision of the Group's corporate management, particularly at each end of period reporting.

### Litigation (Note 10.3 and 11)

The Group conducts its business in France and abroad in complex, evolving legal and regulatory environments. As a result, it is exposed to technical and commercial disputes. The Group regularly identifies and reviews all current commercial, civil or criminal litigation and pre-litigation, and recognizes any accounting provisions that it considers to be reasonable. Uncertainties concerning litigation in progress are described in Note 11.

### Business combinations

Business combinations are accounted for in accordance with the purchase accounting method described in Note 13-b: thus, on the date of the takeover of a company, the acquiree's identifiable assets and liabilities are measured at their fair value. These valuations are performed by independent experts who base their work on assumptions and must estimate the effects of future events, which are uncertain at the acquisition date.

### Goodwill (Note 4.1)

Goodwill is subject to impairment tests. The recoverable amount of goodwill is assessed based on forecasts extracted from the strategic plans prepared in accordance with Group procedures. Sensitivity tests are carried out on key assumptions in order to lend greater weight to the conclusions reached.

### Pensions and other long-term employee benefits (Note 9.3)

Pensions and other long-term employee benefit commitments are estimated on statistical and actuarial bases in accordance with the policies outlined in Note 13-k. Actuarial assumptions made by the Group (discount rates, inflation rate, mortality tables, etc.) are reviewed each year with the actuaries.

### Deferred tax assets (Note 7)

Deferred tax assets are recognized for tax loss carry-forwards and temporary differences between the book value and the tax value of assets and liabilities. The recoverability of these assets is assessed on the basis of forecasts of future tax results of the tax entities over a period of three to five years, the entity's history of tax losses, past non-recurring items and tax strategies specific to each country.



## Note 2. Segment information

### 2.1 Commercial activity and EBIT by segment

In order to monitor the operating and financial performance of the entities, the Group's management regularly considers certain key non-GAAP indicators as defined in Note 13-a, which enable them to exclude certain non-operating and non-recurring items.

In particular, EBIT, presented by business segment below, corresponds to income from operations plus the share in net income of equity affiliates, excluding expenses related to business combinations (amortization of acquisition-related assets (PPA) and other expenses directly linked to business combinations).

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
Order book – non-Group at 31/12	9,224.2	30,963.6	632.2	137.2	40,957.2
Order intake – non-Group	5,892.2	13,954.6	3,615.5	88.2	23,550.5
Sales – non-Group	4,704.8	9,153.6	3,617.6	92.8	17,568.8
Sales – intersegment	101.8	365.3	65.4	(532.5)	–
<b>Total sales</b>	<b>4,806.6</b>	<b>9,518.9</b>	<b>3,683.0</b>	<b>(439.7)</b>	<b>17,568.8</b>
EBIT	234.6	1,178.9	494.2	26.9	1,934.6
• Of which: Naval Group	–	–	–	118.8	118.8
• Excluding Naval Group	234.6	1,178.9	494.2	(91.9)	1,815.8
Capital expenditures <sup>(a)</sup>	135.0	175.2	90.7	133.7	534.6
Depreciation and amortization <sup>(a)</sup>	107.5	152.2	92.4	118.2	470.3

2021	Aerospace	Defence & Security	Digital I&S	Other	Thales
Order book – non-Group at 31/12	7,903.4	26,110.8	613.3	116.9	34,744.4
Order intake – non-Group	5,630.8	11,185.0	2,994.5	98.3	19,908.6
Sales – non-Group	4,463.1	8,633.3	2,994.5	101.1	16,192.0
Sales – intersegment	91.5	328.0	39.8	(459.3)	–
<b>Total sales</b>	<b>4,554.6</b>	<b>8,961.3</b>	<b>3,034.3</b>	<b>(358.2)</b>	<b>16,192.0</b>
EBIT	202.1	1,111.5	357.5	(22.2)	1,648.9
• Of which: Naval Group	–	–	–	68.8	68.8
• Excluding Naval Group	202.1	1,111.5	357.5	(91.0)	1,580.1
Capital expenditures <sup>(a)</sup>	89.7	163.9	97.4	99.8	450.8
Depreciation and amortization <sup>(a)</sup>	118.8	153.6	97.7	123.4	493.5

(a) Excluding PPA and IFRS 16.

Business segment are presented in Note 13-a.

Order book, order intake and sales included in the "Other" column relate to corporate activities (Thales parent company, Thales Global Services, Group R&D centers, facilities management), and to the elimination of transactions between business segments.

Unallocated EBIT includes the Group's share (35%) in the net income of Naval Group, corporate income from operations which is not assigned to segments, and the cost of vacant premises. Other costs (mainly the costs of foreign holding companies not invoiced) are reallocated to business segments proportionally to their respective non-Group sales.

At the end of 2022, the order book stood at €40,957.2 million. Around 70% of this amount is expected to convert into sales within three years.

The reconciliation between income from operations and EBIT is analyzed as follows:

	2022	2021
<b>Income from operations</b>	<b>1,344.4</b>	<b>1,143.5</b>
<b>Less, amortisation of acquisition-related assets (PPA):</b>	<b>381.1</b>	<b>372.1</b>
• Intangible assets	358.1	340.6
• Property, plant and equipment	23.0	23.0
• Deferred revenues	–	8.6
<b>Less, expenses directly linked to business combinations</b>	<b>–</b>	<b>1.3</b>
<b>Share in net income of equity from affiliates</b>	<b>180.0</b>	<b>103.6</b>
<b>Less, PPA amortisation related to equity affiliates entities</b>	<b>29.1</b>	<b>28.4</b>
<b>EBIT</b>	<b>1,934.6</b>	<b>1,648.9</b>

## 2.2 Sales by of destination

2022	Aerospace	Defence & Security	Digital I&S	Other	Thales
<b>Sales by destination:</b>					
Europe	3,228.6	5,678.1	994.4	46.2	9,947.3
North America	656.1	630.9	1,121.8	5.9	2,414.7
Australia and New Zealand	44.0	829.3	85.0	—	958.3
<b>Total mature markets</b>	<b>3,928.7</b>	<b>7,138.3</b>	<b>2,201.2</b>	<b>52.1</b>	<b>13,320.3</b>
Emerging markets <sup>(a)</sup>	776.1	2,015.3	1,416.4	40.7	4,248.5
<b>TOTAL</b>	<b>4,704.8</b>	<b>9,153.6</b>	<b>3,617.6</b>	<b>92.8</b>	<b>17,568.8</b>
<b>Revenue recognition method:</b>					
Over time	2,964.3	7,323.7	700.9	52.1	11,041.0
At a point in time	1,740.5	1,829.9	2,916.7	40.7	6,527.8
<b>TOTAL</b>	<b>4,704.8</b>	<b>9,153.6</b>	<b>3,617.6</b>	<b>92.8</b>	<b>17,568.8</b>
<b>2021</b>					
<b>Sales by destination:</b>					
Europe	2,977.2	5,282.5	903.9	40.9	9,204.5
North America	576.4	488.7	874.5	12.0	1,951.6
Australia and New Zealand	42.5	897.0	54.3	—	993.8
<b>Total mature markets</b>	<b>3,596.1</b>	<b>6,668.2</b>	<b>1,832.7</b>	<b>52.9</b>	<b>12,149.9</b>
Emerging markets <sup>(a)</sup>	867.0	1,965.1	1,161.8	48.2	4,042.1
<b>TOTAL</b>	<b>4,463.1</b>	<b>8,633.3</b>	<b>2,994.5</b>	<b>101.1</b>	<b>16,192.0</b>
<b>Revenue recognition method:</b>					
Over time	2,981.6	7,170.9	615.5	62.4	10,830.4
At a point in time	1,481.5	1,462.4	2,379.0	38.7	5,361.6
<b>TOTAL</b>	<b>4,463.1</b>	<b>8,633.3</b>	<b>2,994.5</b>	<b>101.1</b>	<b>16,192.0</b>

(a) Emerging markets: all countries outside Europe, North America, Australia and New Zealand.

In 2022, the Group's business is balanced between civilian customers for 49% and military customers for 51% (same as 2021).



## Note 3. Impact of changes in scope of consolidation

### 3.1 Main changes in scope of consolidation

At the beginning of December 2021, Thales acquired the Moog ground-based navigation aids business for an amount of \$41.9 million. The business has been consolidated in the Group's accounts since December 1, 2021.

At the beginning of May 2022, Thales finalized the acquisition of Ruag's Simulation and Training business for CHF 113.7 million. This activity had generated revenues of around €90 million in 2021. The business has been consolidated in the Group's accounts since May 1, 2022.

In July 2022, the Group finalized the agreement with Leonardo to take control of the Advanced Acoustic Concepts joint venture, in which Thales previously held 49%. This joint venture had generated revenues of approximately €70 million in 2021. In the consolidated financial statements, this transaction resulted in a revaluation of the previously held share of €33 million, and a subsequent takeover of the company.

In early October 2022, Thales finalized the acquisition of OneWelcome, the European leader in customer identity and access management, for €95.5 million. The business has been consolidated in the Group's accounts since that date.

In October 2022, Thales acquired S21sec and Excellium, two major players in cybersecurity consulting, integration and managed services in Europe, for €98,3 million. S21sec and Excellium had generated combined revenues of €59 million in 2021. The business has been consolidated in the Group's accounts since October 1, 2022.

At the end of December 2022, Thales contributed its business dedicated to cellular IoT products to Telit Cinterion, in exchange for a 25% stake in Telit Cinterion. This stake has been accounted for under the equity method in the Group's accounts since that date.

### 3.2 Disposal of assets, changes in scope of consolidation and other

	2022	2021
Disposal of investments	(13.7)	6.4
Acquisition and disposal-related fees	(17.3)	(9.1)
Disposal of real estate and other tangible and intangible assets	(1.5)	(2.2)
Impact of settlements/amendments to pensions plans (Note 9)	(29.4)	4.4
Litigation <sup>(a)</sup>	38.0	49.2
<b>TOTAL</b>	<b>(23.9)</b>	<b>48.7</b>

(a) Compensation received as a result of a settlement agreement relating to a former dispute.

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## Note 4. Property, plant and equipment and intangible assets

### 4.1 Goodwill

#### a) Change in goodwill

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs corresponding to Thales' Global Business Units (GBU):

	01/01/22	Acquisitions	Disposals	Reclassification	Exchange rate & other	31/12/22
Avionics <sup>(a)</sup>	365.9	77.8	—	—	(0.1)	443.6
Space	491.8	—	—	—	0.3	492.1
Secured Communications and Information Systems <sup>(b)</sup>	721.4	123.9	—	(67.6)	(0.5)	777.2
Land and Air Systems <sup>(c)</sup>	341.4	(21.1)	—	—	2.3	322.6
Defence Mission Systems <sup>(d)</sup>	458.7	50.6	—	—	(0.7)	508.6
Digital Identity & Security <sup>(e)</sup>	2,823.7	101.2	(76.0)	67.6	9.4	2,925.9
<b>TOTAL</b>	<b>5,202.9</b>	<b>332.4</b>	<b>(76.0)</b>	<b>—</b>	<b>10.7</b>	<b>5,470.0</b>

	01/01/21	Acquisitions	Disposals	Assets held for sale	Exchange rate & other	31/12/21
Avionics	365.7	—	—	—	0.2	365.9
Space	490.0	—	—	—	1.8	491.8
Transport	879.8	—	—	(879.8)	—	—
Secured Communications and Information Systems	652.0	—	62.4	—	7.0	721.4
Land and Air Systems	309.4	30.6	—	—	1.4	341.4
Defence Mission Systems	457.9	—	—	—	0.8	458.7
Digital Identity & Security	2,879.6	—	(62.4)	—	6.5	2,823.7
<b>TOTAL</b>	<b>6,034.4</b>	<b>30.6</b>	<b>—</b>	<b>(879.8)</b>	<b>17.7</b>	<b>5,202.9</b>

(a) Ruag Training & Simulation activity acquisition.

(b) S21sec and Excellium acquisition. Purchase price allocation will be carried-out in 2023.

(c) Purchase price allocation of Moog's navigation business, consolidated at the end of 2022.

(d) Advanced Acoustic Concepts acquisition.

(e) OneWelcome acquisition (purchase price allocation will be carried-out in 2023). IoT activity sale to Telit Cinterion.

#### b) Impairment tests

Goodwill as well as cash-generating units (CGUs) are subject to annual impairment tests in accordance with the Group's budgetary timetable. All other intangible assets and property, plant and equipment are tested at the CGU level.

For these tests, the value in use is based on discounted future operating cash flows over a three-year period and a terminal value. In certain specific cases (recent acquisitions, non-typical annual results, etc.), the terminal value is based on forecasts over an appropriate period of time.

At the end of 2022, cash flows utilized for the tests came from the budget prepared for the following two years, established in accordance with Group procedures, and extended over the next year. These cash flows reflect management's best estimate in the current economic context. At the end of 2022, impairment tests were performed using a discount rate assumption of 8% (same as at the end of 2021) for all CGUs, the specific risks of the CGUs being taken into account in the projections.

The assumptions used for business growth and terminal value are based on a reasonable approach specific to each sector (terminal

value generally based on the average income from operations over the three years, growth rate limited to 2%). In the case of the Avionics business, revenue projections have been built on the assumption that air traffic will return to pre-crisis levels in 2024.

On the basis of the values in use, the Group also tested the sensitivity of all other CGUs to changes in key assumptions. Taken individually, an increase by 1 point of the discount rate, a decrease by 1 point of the growth rate or a decrease by 2 points in operating profitability over the standard year would not lead to the recognition of any impairment loss.

Furthermore, as part of its low-carbon strategy, the Group is implementing action plans aimed at reducing operational CO<sub>2</sub> emissions, accelerating innovation, and generalizing ecodesign initiatives. The potential impact of these initiatives on cash-flows has been integrated into the relevant CGU business plans for the requirements of impairment tests. Based on the analyses conducted as part of the Group's internal work on climate change, the Group has not identified any significant climate-related risk, whose financial consequences would be likely to lead to a loss of value of its assets.





## 4.2 Plant, property and equipment and other intangible assets

### a) Change in net assets

	01/01/22	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	31/12/22
Acquired Intangible assets	1,756.3	—	—	(358.1)	3.5	1,401.7
Capitalised development costs	35.3	19.5	—	(18.9)	4.7	40.6
Other	151.6	45.6	(0.7)	(62.5)	(10.5)	123.5
<b>Intangible assets</b>	<b>1,943.2</b>	<b>65.1</b>	<b>(0.7)</b>	<b>(439.5)</b>	<b>(2.3)</b>	<b>1,565.8</b>
Right-of-use from lease contracts	1,417.5	198.8	—	(207.4)	(8.2)	1,400.7
Acquired tangible assets	51.8	—	—	(23.0)	—	28.8
Property, plant and equipment	1,929.7	469.5	(8.5)	(388.9)	47.6	2,049.4
<b>Tangible assets</b>	<b>3,399.0</b>	<b>668.3</b>	<b>(8.5)</b>	<b>(619.3)</b>	<b>39.4</b>	<b>3,478.9</b>
<b>TOTAL</b>	<b>5,342.2</b>	<b>733.4</b>	<b>(9.2)</b>	<b>(1,058.8)</b>	<b>37.1</b>	<b>5,044.7</b>
Less, new lease contracts		(198.8)	—			
<b>Operating investments <sup>(a)</sup></b>		<b>534.6</b>	<b>(9.2)</b>			

	01/01/21	Acquisitions	Disposal	Depr. and amort.	Change in scope and exch. rate	31/12/21
Acquired Intangible assets	2,056.8	—	—	(340.6)	40.1	1,756.3
Capitalised development costs	51.8	13.8	—	(19.8)	(10.5)	35.3
Other	168.1	55.8	(0.1)	(74.5)	2.3	151.6
<b>Intangible assets</b>	<b>2,276.7</b>	<b>69.6</b>	<b>(0.1)</b>	<b>(434.9)</b>	<b>31.9</b>	<b>1,943.2</b>
Right-of-use from lease contracts	1,543.1	137.2	—	(205.5)	(57.3)	1,417.5
Acquired tangible assets	74.8	—	—	(23.0)	—	51.8
Property, plant and equipment	1,952.0	381.2	(4.8)	(399.2)	0.5	1,929.7
<b>Tangible assets</b>	<b>3,569.9</b>	<b>518.4</b>	<b>(4.8)</b>	<b>(627.7)</b>	<b>(56.8)</b>	<b>3,399.0</b>
<b>TOTAL</b>	<b>5,846.6</b>	<b>588.0</b>	<b>(4.9)</b>	<b>(1,062.6)</b>	<b>(24.9)</b>	<b>5,342.2</b>
Less, new lease contracts		(137.2)	—			
<b>Operating investments <sup>(a)</sup></b>		<b>450.8</b>	<b>(4.9)</b>			

(a) Presented in the statement of cash flows.

### b) Breakdown by item

	31/12/22			31/12/21
	Gross	Depreciation	Net	Net
Technologies acquired	1,931.1	(1,205.5)	725.6	932.5
Customer relationships acquired	847.5	(351.1)	496.4	609.7
Order book acquired	118.8	(110.5)	8.3	5.9
Other intangible assets	369.8	(198.4)	171.4	208.2
<b>Acquired intangible assets (business combinations)</b>	<b>3,267.2</b>	<b>(1,865.5)</b>	<b>1,401.7</b>	<b>1,756.3</b>
Development costs	1,023.8	(983.2)	40.6	35.3
Other intangible assets	1,104.2	(980.7)	123.5	151.6
<b>Intangible assets</b>	<b>5,395.2</b>	<b>(3,829.4)</b>	<b>1,565.8</b>	<b>1,943.2</b>
Right-of-use from lease contracts	2,191.6	(790.9)	1,400.7	1,417.5
land	57.2	(1.3)	55.9	56.5
Buildings	2,265.9	(1,546.1)	719.8	744.1
Technical facilities, industrial equipment and tooling	3,706.5	(2,933.2)	773.3	790.5
Other property, plant and equipment	1,282.2	(753.0)	529.2	390.4
<b>Property, plant and equipment</b>	<b>9,503.4</b>	<b>(6,024.5)</b>	<b>3,478.9</b>	<b>3,399.0</b>

## Note 5. Investments in equity affiliates

### 5.1 Change in investment in equity affiliates

	31/12/22	31/12/21
<b>Investment at opening</b>	<b>1,341.6</b>	<b>1,283.1</b>
Less: investments from discontinued activities	—	(37.3)
<b>Share in net income of equity affiliates</b>	<b>180.0</b>	<b>103.6</b>
Translation adjustment	(17.9)	17.8
Cash flow hedge	(0.8)	(5.9)
Actuarial gains (losses) on pensions	23.3	11.5
<b>Share in comprehensive income of equity affiliates</b>	<b>184.6</b>	<b>127.0</b>
Dividends paid	(60.8)	(45.1)
Dividends voted and not yet paid	(11.8)	—
Change in scope (Telit Cinterion and Advanced Acoustic Concepts) and other	135.7	13.9
<b>Investments at closing</b>	<b>1,589.3</b>	<b>1,341.6</b>
<i>Including Naval Group</i>	<i>840.0</i>	<i>763.9</i>

### 5.2 Naval group: summary of financial information

Thales holds 35% of the capital of Naval Group and participates jointly with the French government in the governance of the company.

Naval Group is a group specialized in the naval defense industry. The financial statements of Naval Group, **as restated in Thales' financial statements** (PPA), are as follows:

<b>Balance sheet (100% interest)</b>	<b>31/12/22</b>	<b>31/12/21</b>
Non-current assets	2,033.3	1,937.4
Current assets	4,767.9	4,438.6
<b>Total assets</b>	<b>6,801.2</b>	<b>6,376.0</b>
Restated equity, attributable to shareholders	1,565.6	1,348.2
Non-controlling interests	0.4	0.5
Non-current liabilities	325.5	433.3
Current liabilities	4,909.7	4,594.0
<b>Total equity and liability</b>	<b>6,801.2</b>	<b>6,376.0</b>
<b>Net Cash</b>	<b>1,247.8</b>	<b>869.3</b>
<b>Thales share</b>	<b>31/12/22</b>	<b>31/12/21</b>
Thales' share (35%)	548.0	471.9
Goodwill	292.0	292.0
<b>Share in net assets of Naval Group</b>	<b>840.0</b>	<b>763.9</b>
<b>Income statement (100% interest)</b>	<b>2022</b>	<b>2021</b>
Sales	4,353.2	4,052.9
Income (loss) from operating activities, after share in net income of equity affiliates	319.2	186.7
Financial income (loss)	8.2	(5.1)
Tax	(68.7)	(47.3)
Discontinued activities	0.5	(14.8)
<b>Restated net income</b>	<b>259.2</b>	<b>119.5</b>
• Of which, attributable to shareholders of the company	259.3	119.6
• Of which, attributable to non-controlling interests	(0.1)	(0.1)



Thales share	2022	2021
Thales's share in net income attributable to shareholders of the company	90.8	41.8
• Of which, PPA amortisation	(28.0)	(27.0)
Share in net income, before PPA	118.8	68.8
Dividends received from Naval Group	27.6	—

## 5.3 Commitments and related parties

### a) Commitments toward equity affiliates

At December 31, 2022, outstanding sureties, endorsements and guarantees granted by Thales S.A. (parent company) in support to its joint ventures amounted to €240.8 million (€246.8 million at December 31, 2021). The Group has no significant off-balance sheet commitments to associates.

The Group's policy is to issue these commitments only in proportion to its equity interest, or to obtain counter-guarantees from the other shareholders in proportion to their interest.

### b) Transactions with equity affiliates

The volume of transactions with equity affiliates is as follows:

	2022	2021
Sales	438.9	376.2
Purchases	214.3	166.4
Loans and current accounts receivables	51.1	44.0
Borrowings and current accounts payables	0.3	6.3

## Note 6. Financing and financial instruments

### 6.1 Financial income

#### a) Net interest income

	2022	2021
Financial interests related to lease contracts	(26.3)	(22.6)
Other interest expenses	(49.6)	(31.5)
• from financial gross debt	(37.6)	(25.5)
• from interest rate swaps	(12.0)	(6.0)
Interest income on cash and cash equivalents	25.8	(2.5)
<b>TOTAL</b>	<b>(50.1)</b>	<b>(56.6)</b>

#### b) Other financial income

	2022	2021
Foreign exchange gains (losses)	(27.7)	(6.9)
Cash flow hedges, ineffective portion	(1.0)	(1.0)
Change in fair value of derivatives <sup>(a)</sup>	(64.7)	(31.5)
Other	(5.1)	(13.4)
<b>TOTAL</b>	<b>(98.5)</b>	<b>(52.8)</b>

(a) This amount mainly includes the change in the fair value of swap points (-€49.0 million in 2022, -€30.9 million in 2021).

## 6.2 Net cash (net debt)

Group net cash (debt) is as follows:

	31/12/22	31/12/21
Current financial assets	221.3	4.3
Cash and cash equivalents	5,099.6	5,049.4
<b>Cash and other short-term investments</b>	<b>(A) 5,320.9</b>	<b>5,053.7</b>
Financial debt	3,970.7	4,402.0
Lease debt	1,505.3	1,515.5
<b>Gross debt *</b>	<b>(B) 5,476.0</b>	<b>5,917.5</b>
<b>Net cash (debt) relating to continued operations</b>	<b>(A-B) (155.1)</b>	<b>(863.8)</b>
<b>Net cash relating to discontinued operations</b>	<b>(C) 119.9</b>	<b>68.8</b>
<b>NET (DEBT) CASH</b>	<b>(A-B+C) (35.2)</b>	<b>(795.0)</b>
* Including :		
• Long term financial debt	3,991.1	4,602.4
• Short term financial debt	1,480.3	1,319.0
• Fair value of interest rate hedging derivatives	4.6	(4.0)

### a) Current financial assets

	31/12/22	31/12/21
Short-term deposits <sup>(a)</sup>	200.5	—
Current accounts receivable with related parties	17.7	4.2
Accrued interests	3.1	0.1
<b>CURRENT FINANCIAL ASSETS</b>	<b>221.3</b>	<b>4.3</b>

(a) Marketable securities consist of investments in short-term deposits (3 to 12 months) with tier-one banks.

### b) Cash and cash equivalents

At December 31, 2022, cash recorded under consolidated assets amounted to €5,099.6 million (€5,049.4 million at December 31, 2021) and included:

- €4,119.9 million held by the parent company and available for immediate use (€4,271.4 million in 2021). These amounts include €3,436.7 million (€3,406.0 million in 2021) in very short-term deposits with tier-one banks or money market funds (UCITS);

- €979.7 million in the credit balances of subsidiaries (€778.0 million in 2021), most of them outside France. This figure includes payments received in the last days of the financial year and subsequently transferred to the cash pooling account.

### c) Financial debt

	31/12/22	31/12/21
Bond issues	3,300.0	3,800.0
Treasury bills	562.0	531.5
Current accounts in credit with related parties	42.8	45.6
Bank overdrafts	56.1	12.9
Accrued interests and other debts	9.8	12.0
<b>FINANCIAL DEBT</b>	<b>3,970.7</b>	<b>4,402.0</b>

At December 31, 2022, the Group has a €1,500 million syndicated credit line which expires in December 2027. This credit line does not include an early repayment clause.

### Bonds issues at December 31, 2022

Nominal value	Issue date	Maturity	Type of rate	Coupon	Effective rate	
					Before hedging	After hedging
€600 million	Jun. 2016	Jun. 2023	fixed	0.75%	0.84%	0.98%
€500 million	Apr. 2018	Apr. 2024	fixed	0.88%	0.94%	1.11%
€500 million	Jan. 2018	Jan. 2025	fixed	0.75%	0.91%	0.91%
€500 million	Nov. 2020	March 2026	fixed	0.00%	0.08%	0.08%
€500 million	Jan. 2020	Jan. 2027	fixed	0.25%	0.33%	0.33%
€700 million	May 2020	May 2028	fixed	1.00%	1.10%	1.10%



## Financial debt by maturity

31/12/22	Total	Maturity				
		2023	2024	2025	2026	>2026
Financial debt <sup>(a)</sup>	3,970.7	1,277.2	500.7	499.1	498.8	1,194.9
Contractual cash flows	4,057.4	1,303.8	517.6	512.4	508.3	1,215.3

31/12/21	Total	Maturity				
		2022	2023	2024	2025	>2025
Financial debt <sup>(a)</sup>	4,402.0	1,111.4	600.2	499.7	498.3	1,692.4
Contractual cash flows	4,488.7	1,111.0	623.9	517.3	512.6	1,723.9

(a) Discounted.

## Financial debt by currency

	31/12/22	31/12/21
Euro	3,963.9	4,393.0
US Dollar	1.1	2.0
Others	5.7	7.0
<b>TOTAL</b>	<b>3,970.7</b>	<b>4,402.0</b>

## Change in financial debt

	01/01/22	Cash flow	Other changes			31/12/22
			Scope	Exchange rates	Other	
Financial debt	4,402.0	(486.6)	68.5	61.2	(74.4)	3,970.7

	01/01/21	Cash flow	Other changes			31/12/21
			Scope	Exchange rates	Other	
Financial debt	5,947.9	(1,508.9)	(4.6)	(9.8)	(22.6)	4,402.0

In 2022, the "cash flow" column includes the repayment of the bond maturing in May 2022, as well as an emission of treasury bills.

In 2021, the "cash flow" column includes the repayment of the bonds maturing in March and September 2021, as well as the repayment of a portion of treasury bills.

The "other" column includes issuance costs for new bonds, changes in the value of derivatives used to hedge bonds and changes in the value of debt on acquisition of subsidiaries.

## d) Lease debt

## Change in lease debt

	01/01/22	Cash flow <sup>(a)</sup>	Other changes			31/12/22
			Scope	Exchange rates and other	New debt <sup>(b)</sup>	
Lease debt	1,515.5	(209.6)	(4.5)	5.1	198.8	1,505.3

	01/01/21	Cash flow <sup>(a)</sup>	Other changes			31/12/21
			Scope	Exchange rates and other	New debt <sup>(b)</sup>	
Lease debt	1,637.5	(203.0)	(75.5)	19.3	137.2	1,515.5

(a) Share of lease payments corresponding to the repayment of lease debt.

(b) New lease contracts signed during the year and impact of the renegotiation of existing leases.

## Debt maturity

31/12/22	Total	Maturity				
		2023	2024	2025	2026	>2026
Lease debt	1,505.3	207.8	192.4	176.9	143.9	784.3

31/12/21	Total	Maturity				
		2022	2023	2024	2025	>2025
Lease debt	1,515.5	207.7	197.0	178.7	154.5	777.6

## 6.3 Changes in net debt

	2022	2021
<b>Net debt at opening</b>	<b>(795.0)</b>	<b>(2,549.2)</b>
Net cash flow from operating activities	3,025.4	2,706.7
Less, contributions to reduction of UK pension deficit	95.1	98.7
Net operating investments	(525.4)	(445.9)
<b>Free operating cash flow relating to continued operations</b>	<b>2,595.1</b>	<b>2,359.5</b>
Acquisitions of subsidiaries and affiliates	(417.8)	(54.7)
Disposals of subsidiaries and affiliates	2.0	2.2
Net debt relating to acquired/disposed entities	(37.1)	–
Contributions to reduction of UK pension deficit	(95.1)	(98.7)
Changes in loans	(3.9)	(14.2)
Dividends paid by the parent company	(563.4)	(417.0)
Third-party share in dividend distributions of subsidiaries	(41.7)	(13.5)
Treasury shares and subscription options exercised <sup>(a)</sup>	(350.7)	(26.7)
New lease debts	(198.8)	(137.2)
Changes in exchange rates and other	(10.3)	30.8
Contribution to change in net cash (debt) of continued operations	878.3	1,630.5
Contribution to change in net cash (debt) of discontinued operations	(118.5)	123.7
<b>Net debt at closing</b>	<b>(35.2)</b>	<b>(795.0)</b>

(a) Including, in 2022, € 328.7 million linked to share buy back plan for their cancellation.

## 6.4 Non-current financial assets

### a) Non-consolidated investments

Non-consolidated investments amounted to €127.2 million at the end of 2022 compared to €138.3 million at the end of 2021, a decrease of €11.1 million over the year, of which -€37.8 million was due to changes in the value of foreign investments. At the end of 2022, this item is composed of individually non-material investments.

### b) Non-current financial assets

	31/12/22	31/12/21
Loans to related parties	56.6	50.3
Loans to employees in the context of share purchase plan	–	10.7
Loans and other financial assets at amortised cost	44.3	61.9
Loans and other financial assets at market value	50.6	46.5
<b>Gross value</b>	<b>151.5</b>	<b>169.4</b>
Impairment	(18.7)	(18.2)
<b>Net</b>	<b>132.8</b>	<b>151.2</b>

## 6.5 Summary of financial assets and liabilities

At end 2022, the classification of financial assets and liabilities remained identical to the one disclosed at end 2021.

Receivables, payables and refundable grants are financial assets and liabilities as defined by IAS 32 and IFRS 9, and are measured at amortized cost. They are detailed in Note 10.





					31/12/22		31/12/21	
	At amortised cost	Profit or loss	Fair value through:		Accounting value	Fair value	Accounting value	Fair value
			Equity	Equity with P&L reclass.				
<b>Non-current financial assets:</b>								
Non-consolidated investments	—	—	127.2	—	127.2	127.2	138.3	138.3
Non-current loans and financial assets	132.8	—	—	—	132.8	132.8	151.2	151.2
Derivatives documented as hedges	—	—	—	—	—	—	4.0	4.0
<b>Current financial assets:</b>								
Derivatives documented as hedges	—	—	—	172.6	172.6	172.6	99.7	99.7
Derivatives not documented as hedges	—	—	—	—	—	—	—	—
Current financial assets	221.3	—	—	—	221.3	221.3	4.3	4.3
Cash and cash equivalents	2,552.6	2,547.0	—	—	5,099.6	5,099.6	5,049.4	5,049.4
<b>Non-current financial liabilities:</b>								
Long-term debt	3,991.1	—	—	—	3,991.1	3,728.2	4,602.4	4,638.9
Derivative documented as hedges	—	—	—	1.0	1.0	1.0	7.3	7.3
<b>Current financial liabilities:</b>								
Derivatives documented as hedges	—	—	—	309.0	309.0	309.0	227.7	227.7
Derivatives not documented as hedges	—	19.2	—	—	19.2	19.2	6.4	6.4
Short-term debt	1,480.3	—	—	—	1,480.3	1,486.8	1,319.0	1,319.8

## 6.6 Financial risk

### a) Market risk

Thales hedges its foreign exchange and interest-rate risks using over-the-counter derivatives from tier-one banks. The book value of derivatives used to manage the Group's market risks is presented below.

	31/12/22		31/12/21	
	Assets	Liabilities	Assets	Liabilities
<b>Non-current derivatives:</b>				
• Interest-rate derivatives	—	1.0	4.0	7.3
<b>Current derivatives:</b>				
• Foreign exchange derivatives	169.4	323.6	99.7	234.1
• Interest-rate derivatives	3.2	4.6	—	—
Foreign exchange derivatives, net	(154.2)		(134.4)	
Interest-rate derivatives, net	(2.4)		(3.3)	

### Foreign exchange risk

Thales hedges currency risks arising in connection with the negotiation of contracts denominated in currencies other than the main production currency, currency risks generated by ordinary commercial operations, risks relating to cash pooling and, in some cases, risks relating to its net investments in foreign operations.

At December 31, 2022 and 2021, the amount of derivatives in the portfolio can be analyzed as follows:

	31/12/22					31/12/21	
	Nominal value				Market value	Nominal value	Market value
	USD	GBP	Other	Total			
<b>Negotiations and trade operations hedges</b>							
<b>Documented as hedges</b>							
Forward currency sales	4,226.8	818.9	1,842.9	6,888.6	-41.0	6,072.3	-98.4
Forward currency purchases	1,462.7	848.0	1,981.5	4,292.2		3,895.5	
Currency sales (call and put options)	—	—	—	—	2.6	—	0.0
Currency purchases (call and put options)	98.4	—	—	98.4		44.2	
<b>Not documented as hedges</b>							
Currency sales (call and put options)	36.8	—	3.4	40.2	0.4	38.3	0.4
Currency purchases (call and put options)	3.4	—	36.7	40.1		36.5	
<b>Hedges related to cash pooling (documented as hedges)</b>							
Currency sales: currency swaps	740.7	—	—	740.7	-1.0	800.0	1.1
Currency purchases: currency swaps	16.2	394.6	—	410.8		953.4	
<b>Hedges related to net investments in foreign operations (hedge accounting)</b>							
Currency sales: currency swaps	675.0	—	445.6	1,120.6	-95.6	635.7	-31.0
Currency purchases: currency swaps	—	589.9	534.1	1,124.0		622.7	
<b>Hedges related to net investments in foreign operations (not documented as hedges)</b>							
Currency sales: currency swaps	144.5	—	—	144.5	-19.6	166.3	-6.5
Currency purchases: currency swaps	—	96.4	—	96.4		131.1	
<b>NET ASSETS (LIABILITIES)</b>					<b>(154.2)</b>		<b>(134.4)</b>

Nominal amounts are translated into euros at the closing rate.

The maturity of the derivatives used to hedge commercial contracts is typically less than three years. Currency swaps are set up to align the maturities of derivatives to the maturities of hedged contracts. Characteristics of other derivatives are consistent with the ones of the hedged risk.

The change in value of financial instruments (forward transactions) used to hedge cash flow is recognized in equity for the spot rate component. A decrease (increase) of 5% in the dollar against the euro, pound sterling, Canadian dollar or Australian dollar would

have had a positive (negative) impact on equity of approximately €132 million at December 31, 2022 and €100 million at December 31, 2021.

The change in value of derivative instruments matched with commercial tender portfolio, which are not eligible for hedge accounting, is recognized in profit and loss. A decrease (increase) of 5% in the dollar against the euro, pound sterling, Canadian dollar or Australian dollar would have no impact on profit or loss at December 31, 2022, as at December 31, 2021.

### Interest rate risk

Thales is exposed to interest-rate volatility and in particular its impact on the conditions associated with variable-rate financing. To limit this risk, Thales operates an active interest-rate hedging policy. At December 31, 2021 and 2022, the amount of derivatives in the portfolio was as follows:

	31/12/22		31/12/21	
	Nominal	Market value	Nominal	Market value
<b>Fair value hedge (swaps with variable rate payables):</b>				
• swaps related to bond maturing in 2023	400.0	(4.0)	400,0	4.0
• swaps related to treasury bills	512.0	(0.6)	—	—
		(4.6)		4.0
<b>Cash flow hedge (swaps with fixed rate payables):</b>				
• swaps related to bond maturing in 2023	400.0	3.2	400,0	(5.7)
• pre-hedging swap related to bond maturing in 2024 <sup>(a)</sup>		(1.0)		(1.6)
		<b>2.2</b>		<b>(7.3)</b>
<b>Swaps not documented as hedges:</b>				
• swap with fixed-rate payable, hedging a loan	—	—	0.9	—
<b>NET ASSETS</b>		<b>(2.4)</b>		<b>(3.3)</b>

(a) €500 million swaps set up prior the bond issue, and reversed on the issue date (April 2018).



The table below summarises the Group's exposure to interest rate risk before and after hedging.

31/12/22	< 1 year		> 1 year		Total	
	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate
Financial debt	(1,172.1)	(105.1)	(2,691.5)	(2.0)	(3,863.6)	(107.1)
Financial assets, cash and cash equivalents		5,320.9			—	5,320.9
<b>Net exposure before impact of derivative instruments</b>	<b>(1,172.1)</b>	<b>5,215.8</b>	<b>(2,691.5)</b>	<b>(2.0)</b>	<b>(3,863.6)</b>	<b>5,213.8</b>
Hedging derivatives	512.0	(512.0)	—	—	512.0	(512.0)
<b>Net exposure after impact of derivative instruments</b>	<b>(660.1)</b>	<b>4,703.8</b>	<b>(2,691.5)</b>	<b>(2.0)</b>	<b>(3,351.6)</b>	<b>4,701.8</b>

31/12/21	< 1 year		> 1 year		Total	
	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate	Fixed-rate	Variable-rate
Financial debt	(1,047.6)	(63.8)	(3,286.3)	(4.3)	(4,333.9)	(68.1)
Financial assets, cash and cash equivalents	—	5,053.7	—	—	—	5,053.7
<b>Net exposure before impact of derivative instruments</b>	<b>(1,047.6)</b>	<b>4,989.9</b>	<b>(3,286.3)</b>	<b>(4.3)</b>	<b>(4,333.9)</b>	<b>4,985.6</b>
Hedging derivatives	—	—	—	—	—	—
<b>Net exposure after impact of derivative instruments</b>	<b>(1,047.6)</b>	<b>4,989.9</b>	<b>(3,286.3)</b>	<b>(4.3)</b>	<b>(4,333.9)</b>	<b>4,985.6</b>

Based on the Group's average net cash, taking into account hedging instruments, a 1-point rise in interest rates would increase net interest income by €46.3 million in 2022 (€40.2 million in 2021).

## b) Customer credit risk

Credit risk relates to the risk that a party to a contract will default on its commitments or fail to pay what it owes.

### Credit risk relating to governmental customers

Governmental customers account for around 60% of Thales' sales. Some of the countries with which Thales works could present a significant credit risk which could, for example, lead them to suspend an order in production, or render them unable to pay on delivery, as agreed under the terms of the contract. To limit its exposure to these risks, Thales takes out insurance with export credit agencies (such as Bpifrance) or private insurers.

In 2022, only three customers accounted for annual sales in excess of €500 million: the French government (around €3.5 billion), the Australian government (around €0.7 billion), and the UK government (around €0.7 billion).

The Group's Finance Department consolidates all the information relating to the Group's exposure to credit risk, notably by identifying and analyzing the aging of overdue accounts and notes receivable that have not been impaired. At December 31, 2022 and 2021, the aging of these accounts and notes receivable is as follows:

31/12/22	Total	Receivables past due:		
		Less than 3 months	3 to 6 months	More than 6 months
Overdue receivables not subject to provision				
<b>TOTAL</b>	<b>1,025.7</b>	<b>722.9</b>	<b>98.8</b>	<b>204.0</b>

31/12/21	Total	Receivables past due:		
		Less than 3 months	3 to 6 months	More than 6 months
Overdue receivables not subject to provision				
<b>TOTAL</b>	<b>928.3</b>	<b>661.2</b>	<b>97.7</b>	<b>169.4</b>

At December 31, 2022, these three countries had first-class or high-quality ratings (France: AA by S&P Global Ratings and Aa2 by Moody's; the United Kingdom: AA by S&P Global Ratings and Aa3 by Moody's; Australia: AAA by S&P Global Ratings and Aaa by Moody's).

### Risk of default relating to non-governmental customers

Non-governmental customers (private critical infrastructure operators, aircraft operators, etc.) account for approximately 40% of Thales' sales. These customers may encounter major and/or prolonged financial difficulties that could lead to payment defaults or order cancellations. Such occurrences could have a negative impact on the Group's sales, profitability and financial position.

To mitigate these risks, Thales conducts regular analyses of the ability of its customers to meet their obligations. When necessary, Thales may request bank guarantees or corporate guarantees, or may use credit insurers.

**Credit risk related to banking counterparties**

Financial investments are diversified. They relate to first ranking debt and are negotiated with tier-one banks.

Thales trades over-the-counter derivatives with tier-one banks under agreements which provide for the offsetting of amounts payable and receivable in the event of default by one of the contracting parties.

These conditional offsetting agreements do not meet the eligibility criteria within the meaning of IAS 32 for offsetting derivative instruments recorded on the balance sheet under assets and liabilities. However, they do fall within the scope of disclosures to be provided under IFRS 7 on offsetting.

31/12/22	Gross value (before offset)	Offset amounts on balance sheet	Net presented in balance sheet	Impact of other offsetting agreements		Net
				Offsetting agreements	Financial collateral	
Derivatives – Assets	172.6	–	172.6	(166.0)	–	6.6
Derivatives – Liabilities	329.2	–	329.2	(166.0)	–	163.2

31/12/21	Gross value (before offset)	Offset amounts on balance sheet	Net presented in balance sheet	Impact of other offsetting agreements		Net
				Offsetting agreements	Financial collateral	
Derivatives – Assets	103.7	–	103.7	(97.0)	–	6.7
Derivatives – Liabilities	241.4	–	241.4	(97.0)	–	144.4

**c) Liquidity risk**

The Group's liquidity risk is the risk of not being able to meet its cash needs out of its financial resources. In particular, it relates specifically to Thales' level of exposure to changes in the main market indicators that could lead to an increase in the cost of credit or even to a temporary limitation of access to external sources of financing.

The Group manages this risk by trying to anticipate its cash needs and ensures that these are covered by the Group's short-term and long-term financial resources, as follows:

- shareholders' equity (Note 8.1);
- financial debt (listed by date of maturity in Note 6.2), including its breakdown by maturity;
- confirmed bank credit line, undrawn as of December 31, 2022, amounting to €1.500 million and maturing in 2027;
- as well as a commercial paper program (NeuCP).

The Group consolidates and pools its cash surpluses and needs for its various businesses, allowing it to simplify the cash management of those businesses by managing a consolidated position and accessing the financial markets through the Thales parent company, which is rated by S&P Global Ratings (A-, stable outlook) and Moody's (A2, stable outlook).

The Group's funding agreements contain no covenants linked to changes in Thales' credit rating. A lower credit rating would result in an (capped) increase in the margins applicable to the confirmed bank credit line mentioned above; symmetrically, a higher rating would lead to a decrease in the applicable margin (with a floor).



## Note 7. Income tax

The income tax expense takes into account specific local tax rules, including the tax consolidation systems in France and the United States, Group Relief in the United Kingdom, tax consolidation in USA, and *Organschaft* rules in Germany.

### 7.1 Income tax expense

	2022	2021
Current tax	(349.2)	(304.1)
Deferred tax	124.1	156.4
<b>TOTAL</b>	<b>(225.1)</b>	<b>(147.7)</b>

#### Reconciliation between theoretical and actual tax expense

	2022	2021
Net income	1,131.0	1,134.4
Less: net income of discontinued activities	(9.1)	(117.6)
Less: share in net income of equity affiliates	(180.0)	(103.6)
Less: income tax	225.1	147.7
<b>Net income before tax and share in net income of equity affiliates</b>	<b>1,167.0</b>	<b>1,060.9</b>
Theoretical average tax rate	23.9%	26.6%
<b>Theoretical tax benefit (expense)</b>	<b>(278.8)</b>	<b>(282.2)</b>
<b>Reconciliation items:</b>		
• Impact of tax credits	65.7	70.0
• Effect of the change of law in Italy	0.0	44.0
• Impact of reduced tax rates	22.1	13.1
• Taxes not taken into account in the theoretical rate	(23.5)	(10.1)
• Impact of dividends paid	(9.1)	(8.2)
• Impact of tax rates changes on deferred tax	0.8	(9.2)
• Change in provision for deferred tax assets	6.7	12.4
• Adjustments in respect of prior periods	(4.9)	1.2
• Other	(4.1)	21.3
<b>Income tax benefit (expense) recognised in profit and loss</b>	<b>(225.1)</b>	<b>(147.7)</b>
<b>Effective tax rate</b>	<b>19.3%</b>	<b>13.9%</b>

The theoretical average tax rate corresponds to the sum of theoretical taxes of consolidated companies, divided by the consolidated net income before tax and share in net income of equity affiliates. The theoretical tax of each consolidated company corresponds to the application of the local tax rate to net income before tax. Accordingly, the theoretical average tax rate reflects the relative contribution of the different countries to the Group's consolidated net income. France, which has a tax rate of 25.83%, represented almost 70% of income before tax in 2022 (65% in 2021 with a tax rate of 28.41%).

The impact of tax credits includes:

- the impact of tax exemption on research tax credits in France (€167.7 million in 2022, €160.7 million in 2021);
- the tax advantages related to research that are recognized in income tax (notably in the United States, Australia and the Netherlands).

The line "effect of the change of law in Italy" corresponds to a tax measure voted in Italy allowing the revaluation of certain assets in order to amortize them for tax purposes in return for a flat tax of 3%.

The line "impact of reduced tax rate" includes the effect of the 10% tax rate in France on the royalties of patents and deeds of industrial property.

"Taxes not taken into account in the theoretical rate" mainly include state taxes in the United States, the IRAP in Italy, and taxes on foreign establishments.

The impact of "tax rates changes on deferred tax" corresponds, in 2021, to the effect of the decrease in future tax rates in France on provisions and other temporary differences recognized during the year.

## 7.2 Deferred tax recognized in equity

	2022		2021	
	Base	Tax	Base	Tax
<b>Fully consolidated entities</b>				
Translation of the financial statements of foreign subsidiaries	(6.6)	—	55.3	—
Cash flow hedges	(31.2)	14.2	(140.8)	34.4
<b>Other items reclassified to income</b>	<b>(37.8)</b>	<b>14.2</b>	<b>(85.5)</b>	<b>34.4</b>
Actuarial gains and losses/pensions – United Kingdom	194.6	—	539.3	19.8
Actuarial gains and losses/pensions – Other countries	273.2	(62.3)	89.4	(19.9)
<b>Other items not reclassified to income</b>	<b>467.8</b>	<b>(62.3)</b>	<b>628.7</b>	<b>(0.1)</b>
Share-based payment and other		2.3		1.4
<b>TOTAL DEFERRED TAX RECOGNISED IN EQUITY DURING THE YEAR</b>		<b>(45.8)</b>		<b>35.7</b>

## 7.3 Tax assets and liabilities presented on the balance sheet

	01/01/22	Income (expense)	Equity	Cash flow	Scope & exch. rates	Other	31/12/22
Current income tax assets	214.5	77.1	—	(104.0)	3.0	4.1	194.7
Current income tax liabilities	(140.7)	(426.3)	—	260.3	0.2	138.3	(168.2)
<b>Current income tax, net</b>	<b>73.8</b>	<b>(349.2)</b>	<b>—</b>	<b>156.3</b>	<b>3.2</b>	<b>142.3</b>	<b>26.5</b>
Deferred tax assets	951.2	40.8	(45.8)	—	8.7	88.1	1,043.0
Deferred tax liabilities	(491.4)	83.3	—	—	(34.9)	46.4	(396.6)
<b>Deferred tax, net</b>	<b>459.8</b>	<b>124.1</b>	<b>(45.8)</b>	<b>—</b>	<b>(26.2)</b>	<b>134.5</b>	<b>646.4</b>
<b>TOTAL</b>		<b>(225.1)</b>	<b>(45.8)</b>	<b>156.3</b>			

	01/01/21	Income (expense)	Equity	Cash flow	Scope & exch. rates	Other	31/12/21
Current income tax assets	220.2	(40.8)	—	64.1	(29.0)	—	214.5
Current income tax liabilities	(149.3)	(263.3)	—	80.7	55.1	136.1	(140.7)
<b>Current income tax, net</b>	<b>70.9</b>	<b>(304.1)</b>	<b>—</b>	<b>144.8</b>	<b>26.1</b>	<b>136.1</b>	<b>73.8</b>
Deferred tax assets	958.8	(16.1)	35.7	—	(27.2)	—	951.2
Deferred tax liabilities	(657.6)	172.5	—	—	(6.3)	—	(491.4)
<b>Deferred tax, net</b>	<b>301.2</b>	<b>156.4</b>	<b>35.7</b>	<b>—</b>	<b>(33.5)</b>	<b>—</b>	<b>459.8</b>
<b>TOTAL</b>		<b>(147.7)</b>	<b>35.7</b>	<b>144.8</b>			

### a) Current income tax

Income tax paid is presented net of tax credits utilized. Tax credits allocated to tax payments during the current year or to tax to be paid in the coming year is presented under "Other".





## b) Deferred tax

## Changes by type

	At 01/01/22	(Expense)/ Income for the period	Equity	Scope & exch. rates	At 31/12/22
<b>Temporary differences:</b>	<b>878.6</b>	<b>125.9</b>	<b>(109.4)</b>	<b>54.7</b>	<b>949.8</b>
• pensions and similar benefits	552.0	(5.2)	(126.2)	(21.0)	399.6
• intangible assets	(383.9)	171.8	—	11.6	(200.5)
• provisions on contract	219.3	16.4	—	12.0	247.7
• other	491.2	(57.1)	16.8	52.1	503.0
<b>Tax loss carry-forwards</b>	<b>640.1</b>	<b>(8.5)</b>		<b>(98.4)</b>	<b>533.2</b>
<b>Total before depreciation</b>	<b>1,518.7</b>	<b>117.4</b>	<b>(109.4)</b>	<b>(43.7)</b>	<b>1,483.0</b>
<b>Depreciation</b>	<b>(1,058.9)</b>	<b>6.7</b>	<b>63.6</b>	<b>152.0</b>	<b>(836.6)</b>
<b>Total net deferred tax assets</b>	<b>459.8</b>	<b>124.1</b>	<b>(45.8)</b>	<b>108.3</b>	<b>646.4</b>

	At 01/01/21	(Expense)/ Income for the period	Equity	Scope & exch. rates	At 31/12/21
<b>Temporary differences:</b>	<b>836.6</b>	<b>89.1</b>	<b>(91.0)</b>	<b>43.9</b>	<b>878.6</b>
• pensions and similar benefits	703.8	(139.4)	(125.4)	113.0	552.0
• intangible assets	(517.1)	130.9	—	2.3	(383.9)
• provisions on contract	271.8	(5.7)	—	(46.8)	219.3
• other	378.1	103.3	34.4	(24.6)	491.2
<b>Tax loss carry-forwards</b>	<b>612.8</b>	<b>54.9</b>	<b>—</b>	<b>(27.6)</b>	<b>640.1</b>
<b>Total before depreciation</b>	<b>1,449.4</b>	<b>144.0</b>	<b>(91.0)</b>	<b>16.3</b>	<b>1,518.7</b>
<b>Depreciation</b>	<b>(1,148.2)</b>	<b>12.4</b>	<b>126.7</b>	<b>(49.8)</b>	<b>(1,058.9)</b>
<b>Total net deferred tax assets</b>	<b>301.2</b>	<b>156.4</b>	<b>35.7</b>	<b>(33.5)</b>	<b>459.8</b>

## Tax loss carry-forwards

Total tax loss carry-forwards represent a potential tax saving of €533.2 million at December 31, 2022 (€640.1 million at December 31, 2021). The corresponding expiry dates are as follows:

	At 31/12/22
2023	2.5
2024-2027	17.6
Beyond 2027	—
Not time limited	513.1
<b>Total</b>	<b>533.2</b>
O/w, depreciated	(515.3)
<b>Net deferred tax asset</b>	<b>17.9</b>

	At 31/12/21
2022	5.9
2023-2026	4.0
Beyond 2026	37.8
Not time limited	592.4
<b>Total</b>	<b>640.1</b>
O/w, depreciated	(605.0)
<b>Net deferred tax asset</b>	<b>35.1</b>

As described in Note 13-j, only deferred tax assets related to tax losses which the Group expects to recover are recognized on the balance sheet. In particular, the Group takes into account any loss carry-forward limitations.

## Note 8. Equity and earnings per share

### 8.1 Equity

#### a) Share capital

At December 31, 2022, as at December 31, 2021, the share capital of the Thales parent company amounted to €640,233,927 and comprised 213,411,309 shares with a par value of €3.

#### b) Treasury shares

Thales parent company held 3,277,303 of its own shares at December 31, 2022. They were accounted for as a deduction from equity for an amount of €-382.3 million.

In accordance with the authorizations granted to the Board of Directors by the Annual General Meeting, the Company carried out the following transactions in 2021 and 2022:

	2022	2021
<b>Treasury shares at opening</b>	<b>493,175</b>	<b>497,596</b>
Purchases as part of a liquidity agreement	735,314	1,413,610
Disposals as part of a liquidity agreement	(781,117)	(1,494,365)
Transfer to employees as part of the employee share purchase plan	(36,106)	(563,536)
Delivery of free shares	(129,067)	(150,130)
Market purchases	2,995,104	790,000
<b>Treasury shares at closing</b>	<b>3,277,303</b>	<b>493,175</b>

At December 31, 2022 and 2021, as part of the liquidity agreement managed by Kepler Cheuvreux, the following numbers of shares were held in the liquidity account:

	2022	2021
Number of shares at December 31	73,942	119,745
Cash (in € million)	23,1	20,3

#### c) Translation adjustments

Translation adjustments result from the translation of financial statements of companies whose functional currency is not the euro, offset as applicable by the impact of derivative instruments denominated in foreign currencies to hedge net investments in foreign operations.

Translation adjustments are recorded in equity as "other comprehensive income", and are subsequently reclassified to income on the disposal date of related investments. They break down as follows:

	2022	2021
<b>Translation adjustments at 1 January</b>	<b>(216.9)</b>	<b>(283.2)</b>
Changes in value	(36.2)	66.3
Reclassified to profit and loss	(5.1)	—
Gross change	(41.3)	66.3
Deferred tax	—	—
Scope and other	(0.1)	—
<b>Translation adjustments at 31 December</b>	<b>(258.3)</b>	<b>(216.9)</b>

The main exchange rates used to translate financial statements of entities with a functional currency different from the euro are as follows:

(in € million)	31 December 2022		31 December 2021		31 December 2020	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Australian dollar	1.5693	1.5154	1.5615	1.5783	1.5896	1.6567
Pound sterling	0.8869	0.8548	0.8403	0.8584	0.8990	0.8894
U.S. dollar	1.0666	1.0500	1.1326	1.1816	1.2271	1.1470



## d) Reserves for cash flow hedge

The Group uses derivatives to hedge against changes in the value of future cash flows. In the consolidated financial statements, the effective portion of changes in fair value of these derivatives is recognized directly in equity, until such time as the hedged flows affect profit and loss.

	2022	2021
<b>Cash flow hedge at 1 January</b>	<b>(104.7)</b>	<b>11.4</b>
Changes in value of derivatives	(11.5)	(79.9)
Reclassified to operating (income)/expense	(29.3)	(50.0)
Reclassified to income tax (benefit)/expense	13.3	13.8
Changes in scope and exchange rates	7.6	—
<b>Cash flow hedge at 31 December</b>	<b>(124.6)</b>	<b>(104.7)</b>

A negative balance at closing means that the exchange rates and interest rates of the derivative documented as hedges are generally less favorable than the rates prevailing at the closing date.

## e) Parent company dividend distribution

The per-share dividend amounted to €1.76 in 2020 and €2.56 in 2021.

On 7 March 2023, the Board of Directors decided to propose to shareholders, who will be convened to a General Meeting on 10 May 2023, the payment of a dividend of €2.94 per share for the year 2022.

If approved, the ex-dividend date will be 23 May 2023 and the payment date will be 25 May 2023. The dividend will be paid fully in cash and will amount to [€2.24] per share, after deducting the interim dividend of €0.70 per share paid in December 2022.

Dividends paid in 2021 and 2022 are described below:

Year	Approved by	Description	Dividend per share (in euro)	Payment date	Payment method	Total (€ million)
2022	Board of Directors on 29 September 2022	2022 interim dividend	0.70 €	Dec. 2022	cash	147.2
	General Meeting on 11 May 2022	Balance for 2021	1.96 €	May 2022	cash	416.2
	<b>Total dividends paid in 2022</b>					<b>563.4</b>
2021	Board of Directors on 30 September 2021	2021 interim dividend	0.60 €	Dec. 2021	cash	127.4
	General Meeting on 6 May 2021	Balance for 2020	1.36 €	May 2021	cash	289.6
	<b>Total dividends paid in 2021</b>					<b>417.0</b>
2020	Board of Directors on 30 September 2020	2020 interim dividend	0.40 €	Dec. 2020	cash	85.1

## f) Non-controlling interests

This item principally includes Leonardo's interest in the Thales Alenia Space subgroup (33%), and Siemens's and Philips Medical Systems International's interest in Trixell SAS (49%).

The individual contributions of these minority shareholders to the Group's key financial indicators are not material.

The cash of these two companies is unrestricted and is exclusively pooled with Thales' Corporate Treasury Department.

## 8.2 Earnings per share

		2022	2021
<b>Numerator (in € million):</b>			
<b>Net income, Group share</b>	(A)	<b>1,120.6</b>	<b>1,088.8</b>
<i>Of which: net income relating to continued operations, Group share</i>		1,111.5	971.1
<b>Denominator (in thousands):</b>			
Average number of shares outstanding	(B)	211,833	212,852
Share subscription and share purchase options <sup>(a)</sup>		—	15
Free shares and units plans <sup>(b)</sup>		515	218
Diluted average number of shares outstanding	(C)	212,348	213,085
<b>Net earnings per share (in euros)</b>	<b>(A)/(B)</b>	<b>5.29</b>	<b>5.12</b>
<i>Of which: basic earnings relating to continued operations, per share</i>		5.25	4.56
<b>Diluted net earnings per share (in euros)</b>	<b>(A)/(C)</b>	<b>5.28</b>	<b>5.11</b>
<i>Of which: diluted earnings relating to continued operations, per share</i>		5.23	4.56
Average share price		€111.70	€81.44

(a) Only option plans with an exercise price that is lower than the average share price are taken into account in the calculation of diluted earnings per share.

(b) Performance shares/units subject to internal performance conditions are only taken into account when the performance targets are achieved.

## Note 9. Employee benefits

### 9.1 Consolidated headcount

Consolidated headcount includes all employees of fully consolidated companies. It does not include employees of equity affiliates. At end 2022, Thales' headcount stood at 76,776 - excluding Transportation business. Three quarters of the headcount comprises employees with grades equivalent to engineer, specialist or manager.

### 9.2 Personnel expenses

In 2022, wages, salaries and payroll taxes amounted to €7,666.7 million (Transportation business excluded).

### 9.3 Provisions for pensions and other employee benefits

The Group grants to its employees post-employment benefits (pensions, end-of-career severance, medical coverage, etc.) and other long-term benefits (long-service and jubilee awards, etc.).

#### a) Description of the plans

The Group's existing plans are either defined-contribution plans or defined-benefit plans.

##### Defined-contribution plans

In certain countries, the Group pays contributions based on salaries to state organizations overseeing basic pension schemes (e.g., *Securité Sociale* or the compulsory supplementary schemes ARRCO and AGIRC in France). Beyond these basic pension schemes, Thales also contributes to other defined-contribution plans (e.g., in the Netherlands and the United Kingdom since 2002). These plans do not impose any obligations on the Group other than the payment of contributions: there is no related benefit obligation and contributions are expensed in the period they are incurred.

##### Defined-benefit plans

Defined-benefit plans relate to different types of benefits:

- pensions and end-of-career indemnities (legal or contractual), and other long-term benefits (jubilee awards, etc.), particularly in France. In general, these commitments are not covered by any assets;
- supplementary pension schemes, mainly in the United Kingdom, where the main scheme, "Thales UK Pension Scheme", provides a pension based on the beneficiary's average salary, indexed to inflation. This plan has been closed to new entrants since 2002, and is managed by a trust according to minimum local funding regulations.

The present value of the Group's obligations and the value of plan assets are measured independently. A provision is recognized if the value of the assets is insufficient to cover the obligations.

#### b) Provisions recognized on the balance sheet

	2022	2021
<b>Provision at opening</b>	<b>(2,447.3)</b>	<b>(3,404.4)</b>
<b>Less: provision at opening relating to discontinued activities</b>	<b>(35.5)</b>	<b>345.6</b>
<b>Current service cost (income from operations)</b>	<b>(129.4)</b>	<b>(133.0)</b>
<b>Amendments and settlements (non recurring operating income)</b>	<b>(29.4)</b>	<b>4.3</b>
Net interest cost	(28.5)	(24.5)
Pension fund management cost	(6.0)	(5.7)
Actuarial gains and losses on other long-term employee benefits	29.6	8.3
<b>Finance costs on pensions and other long-term employee benefits</b>	<b>(4.9)</b>	<b>(21.9)</b>
<b>Total expense for the period</b>	<b>(163.7)</b>	<b>(150.6)</b>
<b>Actuarial gains and losses (other comprehensive income) <sup>(a)</sup></b>	<b>467.8</b>	<b>628.7</b>
<b>Benefits and contributions</b>	<b>231.8</b>	<b>210.3</b>
• Of which, deficit payment in the United Kingdom	95.1	98.7
• Of which, other benefits and contributions	136.7	111.6
Translation adjustment	30.4	(84.5)
<b>Changes in scope of consolidation and other</b>	<b>8.8</b>	<b>7.6</b>
<b>Provision at closing</b>	<b>(1,907.7)</b>	<b>(2,447.3)</b>
<b>Of which:</b>		
• post-employment benefits	(1,699.1)	(2,206.3)
• other long-term benefits	(208.6)	(241.0)

(a) Mainly due to the change in actuarial rates, especially in the United Kingdom.



### c) Changes in defined benefit obligations and plans assets

2022	UK	France	Other	Total
<b>Obligation at 1 January</b>	<b>(4,465.3)</b>	<b>(1,394.1)</b>	<b>(552.2)</b>	<b>(6,411.6)</b>
Less: obligation relating to discontinued activities	—	—	(35.5)	(35.5)
Current service cost	(21.8)	(84.2)	(23.4)	(129.4)
Interest cost	(77.1)	(11.0)	(6.6)	(94.7)
Plan participant contributions	(7.1)	—	(2.9)	(10.0)
Amendments/settlements	—	(28.5)	0.1	(28.4)
Experience gains (losses)	(204.3)	(18.5)	(2.5)	(225.3)
Actuarial gains (losses)/financial assumptions	1,545.7	187.6	130.9	1,864.2
Actuarial gains (losses)/demographic assumptions	(34.7)	6.9	4.0	(23.8)
Actuarial gains (losses) on long-term benefits	—	25.5	4.1	29.6
Benefits paid by plan assets	162.0	3.0	11.1	176.1
Benefits paid by employer	0.7	101.6	24.2	126.5
Changes in scope, exchange rates and other	187.0	13.5	(75.0)	125.5
<b>Obligation at 31 December</b>	<b>(2,914.9)</b>	<b>(1,198.2)</b>	<b>(523.7)</b>	<b>(4,636.8)</b>
<b>Plan assets at 1 January</b>	<b>3,660.1</b>	<b>109.2</b>	<b>195.0</b>	<b>3,964.3</b>
Expected return on plan assets	63.9	0.8	1.5	66.2
Employer's contribution	117.3	(19.0)	7.0	105.3
Plan participant contributions	7.1	—	2.9	10.0
Amendments/settlements	—	—	(1.0)	(1.0)
Benefits paid by plans assets	(162.0)	(3.0)	(11.1)	(176.1)
Experience gains (losses)	(1,067.4)	(2.4)	(20.4)	(1,090.2)
Changes in scope, exchange rates and other	(161.5)	—	66.8	(94.7)
<b>Plan assets at 31 December</b>	<b>2,457.5</b>	<b>85.6</b>	<b>240.7</b>	<b>2,783.8</b>
<b>Asset ceiling</b>	<b>(43.1)</b>	<b>—</b>	<b>(11.6)</b>	<b>(54.7)</b>
<b>PROVISIONS AT 31 DECEMBER</b>	<b>(500.5)</b>	<b>(1,112.6)</b>	<b>(294.6)</b>	<b>(1,907.7)</b>

2021	UK	France	Other	Total
<b>Obligation at 1 January</b>	<b>(4,585.2)</b>	<b>(1,483.5)</b>	<b>(585.4)</b>	<b>(6,654.1)</b>
Current service cost	(24.6)	(89.6)	(18.8)	(133.0)
Interest cost	(62.4)	(5.0)	(3.2)	(70.6)
Plan participant contributions	(7.6)	—	(1.3)	(8.9)
Amendments/settlements	—	(0.7)	5.0	4.3
Experience gains (losses)	67.3	(9.6)	6.3	64.0
Actuarial gains (losses)/financial assumptions	174.4	71.9	5.6	251.9
Actuarial gains (losses)/demographic assumptions	120.1	0.1	6.1	126.3
Actuarial gains (losses) on long-term benefits	—	4.3	4.0	8.3
Benefits paid by plan assets	161.9	2.9	17.5	182.3
Benefits paid by employer	0.7	110.0	22.4	133.1
Changes in scope, exchange rates and other	(309.9)	5.1	(10.4)	(315.2)
<b>Obligation at 31 December</b>	<b>(4,465.3)</b>	<b>(1,394.1)</b>	<b>(552.2)</b>	<b>(6,411.6)</b>
<b>Plan assets at 1 January</b>	<b>3,252.6</b>	<b>153.5</b>	<b>189.2</b>	<b>3,595.3</b>
Expected return on plan assets	44.5	0.5	1.1	46.1
Employer's contribution	114.8	(42.7)	5.1	77.2
Plan participant contributions	7.6	—	1.3	8.9
Amendments/settlements	—	—	—	—
Benefits paid by plans assets	(161.9)	(2.9)	(17.5)	(182.3)
Experience gains (losses)	177.5	0.6	8.4	186.5
Changes in scope, exchange rates and other	225.0	0.2	7.4	232.6
<b>Plan assets at 31 December</b>	<b>3,660.1</b>	<b>109.2</b>	<b>195.0</b>	<b>3,964.3</b>
<b>PROVISIONS AT 31 DECEMBER</b>	<b>(805.2)</b>	<b>(1,284.9)</b>	<b>(357.2)</b>	<b>(2,447.3)</b>

**d) Actuarial assumptions used**

The actuarial assumptions used are determined according to the economic environment and specific criteria of each country and each system. The most sensitive assumptions are as follows:

2022	UK	France
Inflation rate	3.12%	2.35%
Discount rate	4.79%	3.71%

2021	UK	France
Inflation rate	3.42%	1.50%
Discount rate	1.82%	0.91%

For each country, the discount rates are obtained by reference to the Iboxx Corporate AA index, which reflects the rate of return of very high-quality corporate bonds, with maturity dates equivalent to the duration of the plans being measured, and in the same currency.

At December 31, 2022, the sensitivity of the net obligation to a change in the discount rate is as follows:

Sensitivity in basis points	+25	+50	+100	-25	-50	-100
Decrease (increase) in provision (in € millions)	130.6	255.2	484.5	(139.2)	(285.4)	(601.4)

In the United Kingdom, a 25 basis-point increase in the inflation rate would lead to a €55.5 million increase in the obligation. Conversely, a 25 basis-point decrease in the inflation rate would lead to a €40.8 million decrease in the obligation.

**e) Allocation and return on plan assets**

Due to the high increase in discount rate, the plan assets generated an actual average return of -24.9% in 2022, compared to 5.8% in 2021. At December 31, 2022, the allocation of assets, mainly invested in the United Kingdom, breaks down as follows:

	2022	2021
Fixed-rate bonds	20%	22%
Index-linked bonds	34%	17%
Equities	9%	28%
Alternative placement	37%	33%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

**f) Funding**

Thales is subject to funding obligations in respect of its defined-benefit pension commitments in the United Kingdom.

In accordance with the regulations in force, the level of funding for its pension obligation is re-measured every three years, further to which the suitability of a new funding plan and/or the implementation of guarantees for the plan is decided in consultation with the trustees.

The latest measurement, based on the situation at end 2020, led to maintain an annual contribution of an unchanged amount of £75 million for the main Thales UK Pension scheme (£5 million for other schemes) to reduce the funding shortfall.

In support of the contributions made by Thales UK Ltd to the British pension plans, Thales parent company has also guaranteed the future liabilities linked to the funding plans for the subsidiaries concerned. At December 31, 2022, the balance of these guarantees was £906 million.

**9.4 Share-based payment**

At December 31, 2022, the following options, shares and units were outstanding:

- 1,149,763 free shares;
- 505,954 phantom shares, payable in cash at the end of a four-year vesting period.

All of these plans are submitted to internal performance conditions over the three financing years following their grant date. The features of these plans are described in chapter 6.2 of the 2022 Registration Document.





### a) Allotment of free shares

Date of Board decision	Vesting period	Share price at grant date	Number of free shares at 31/12/21 <sup>(a)</sup>	Shares allotted in 2022	Shares cancelled in 2022	Shares issued in 2022	Number of free shares at 31/12/22
30/06/2022	30/06/2022 to 30/06/2026	116.00 €	—	268,555	(1,070)	—	267,485
01/07/2021	01/07/2021 to 01/07/2025	86.04 €	301,950	—	(4,940)	—	297,010
24/11/2020	24/11/2020 to 24/11/2024	79.60 €	372,050	—	(10,085)	(180)	361,785
25/09/2019	25/09/2019 to 25/09/2023	104.50 €	231,836	—	(7,910)	(443)	223,483
27/09/2018	27/09/2018 to 27/09/2022	121.75 €	128,563	—	(1,152)	(127,411)	—
							<b>1,149,763</b>

(a) After adjustment.

### b) Allotment of phantom shares indexed to the value of Thales shares

Date of Board decision	Vesting period	Number of phantom shares at 31/12/21 <sup>(a)</sup>	Phantom shares issued in 2022	Phantom shares cancelled in 2022	Phantom shares delivered in 2022	Number of phantom shares at 31/12/22
30/06/2022	30/06/2022 to 30/06/2026	—	84,385	(785)	—	83,600
01/07/2021	01/07/2021 to 01/07/2025	100,960	—	(2,980)	—	97,980
24/11/2020	24/11/2020 to 24/11/2024	215,520	—	(19,310)	—	196,210
25/09/2019	25/09/2019 to 25/09/2023	142,836	—	(14,672)	—	128,164
27/09/2018	27/09/2018 to 27/09/2022	42,232	—	—	(42,232)	—
						<b>505,954</b>

(a) After adjustment.

### c) Expenses related to share-based payments

In the consolidated financial statements, the benefit granted to beneficiaries of the above-mentioned plans is recognized as an operating expense. These amounts are presented below:

Plans	Residual fair value at the end of 2022	2022 expense	2021 expense
Free shares	50.7	(22.8)	(18.3)
Phantom shares and other schemes <sup>(a)</sup>	26.9	(21.8)	(8.4)
Employee share purchase plan	—	—	(6.7)
Social contributions related to the plans	17.1	(12.5)	(6.0)
<b>TOTAL</b>	<b>94.7</b>	<b>(57.1)</b>	<b>(39.4)</b>
<b>Of which, offsetting entries:</b>			
• Shareholders' equity		22.8	25.0
• Current operating liabilities		34.3	14.4

(a) This line includes the expense relating to the long-term incentive plan (LTIP) of the Chairman and CEO, the conditions of which are described in the relevant years Registration or Universal Registration documents.

## 9.5 Compensation of Directors and senior corporate officers

Expenses recognized in respect of compensation, benefits and social security contributions attributed to Directors and members of the Executive Committee are as follows:

	2022	2021
<b>Short-term benefits:</b>		
• Fixed compensation	7.0	6.8
• Variable compensation	6.8	8.5
• Severance payment	—	0.7
• Employer social security contributions	5.4	5.5
• Board attendance fees	0.6	0.6
<b>Other benefits (including social contributions):</b>		
• Post-employment benefits	4.4	3.2
• Share-based payments	6.2	4.0

At December 31, 2022, the share of directors in net Group pension obligations (Note 9.3) amounted to €12.5 million.

## Note 10. Current operating assets and liabilities

Current operating assets and liabilities include working capital (WCR) components and reserves for contingencies, as defined in Note 13-d.

The changes in these items are presented below:

Change for the period	01/01/21	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/21	Changes in WCR and reserves	Scope, exch. rate and reclass.	31/12/22
Inventories, work in progress and set-up costs	3,508.5	(65.8)	(106.7)	3,336.0	346.7	(10.4)	3,672.3
Contract assets	2,935.2	(42.6)	(415.0)	2,477.6	(93.3)	26.2	2,410.5
Advance to suppliers	433.9	(9.4)	(13.5)	411.0	222.2	8.7	641.9
Accounts, notes and other receivables	5,038.3	1,100.2	(695.6)	5,442.9	366.1	1.1	5,810.1
Current derivatives – assets	254.2	(248.3)	93.8	99.7	(10.3)	83.2	172.6
Contract liabilities	(6,453.5)	(1,174.5)	559.5	(7,068.5)	(1,190.0)	(55.1)	(8,313.6)
Reserves for contingencies	(2,052.2)	82.4	198.0	(1,771.8)	(31.6)	51.4	(1,752.0)
Accounts, notes and other payables	(5,998.0)	(364.0)	295.4	(6,066.6)	(524.1)	(328.0)	(6,918.7)
Current derivatives – liabilities	(134.0)	–	(100.1)	(234.1)	–	(94.1)	(328.2)
<b>WCR and reserves, net</b>	<b>(2,467.6)</b>	<b>(722.0)</b>	<b>(184.2)</b>	<b>(3,373.8)</b>	<b>(914.3)</b>	<b>(317.0)</b>	<b>(4,605.1)</b>
<b>Restructuring provisions</b>		<b>(54.1)</b>			<b>(52.1)</b>		
<b>INCREASE (DECREASE) IN WCR AND RESERVES</b>		<b>(776.1)</b>			<b>(966.4)</b>		

### 10.1 Inventories, work in progress, and set-up costs

	31/12/22	31/12/21
Goods	58.7	66.9
Raw materials	1,118.3	977.2
Semi-finished and finished goods	1,868.3	1,835.0
Work in progress	1,092.9	964.3
Gross value	4,138.2	3,843.4
Depreciation	(736.8)	(754.9)
<b>Inventories and work in progress, net</b>	<b>3,401.4</b>	<b>3,088.5</b>
Gross	1,031.7	905.1
Depreciation	(760.8)	(657.6)
<b>Set-up costs, net</b>	<b>270.9</b>	<b>247.5</b>
<b>TOTAL</b>	<b>3,672.3</b>	<b>3,336.0</b>

### 10.2 Contract assets and liabilities

	31/12/22	31/12/21
Unbilled receivables, gross	8,829.4	9,363.6
Unbilled receivables, depreciation	(19.4)	(7.5)
Advances received from customers	(6,399.5)	(6,878.5)
<b>Contract assets</b>	<b>2,410.5</b>	<b>2,477.6</b>
Advances received from customers	(13,180.3)	(10,857.9)
Unbilled receivables	7,652.1	6,256.6
Deferred income	(2,785.4)	(2,467.2)
<b>Contract liabilities</b>	<b>(8,313.6)</b>	<b>(7,068.5)</b>

For a given contract, a contract asset (liability) represents the accumulated revenue not yet invoiced, less advances received from customers. This amount increases as and when revenue is

recognized, and decreases when invoices are issued to the customers or advance payments are received.



## 10.3 Reserves for contingencies

	01/01/22	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	31/12/22
Restructuring	100.5	(54.6)	17.3	(14.8)	1.6	50.0
Technical and other litigation	354.0	(30.0)	44.1	(35.0)	(58.3)	274.8
Guarantees	267.2	(70.8)	116.6	(18.1)	4.3	299.2
Losses at completion	443.2	(77.7)	89.9	(21.3)	(1.1)	433.0
Provisions on contracts	387.1	(43.6)	109.9	(7.7)	(10.5)	435.2
Other <sup>(a)</sup>	219.8	(67.6)	110.8	(15.8)	12.6	259.8
<b>TOTAL</b>	<b>1,771.8</b>	<b>(344.3)</b>	<b>488.6</b>	<b>(112.7)</b>	<b>(51.4)</b>	<b>1,752.0</b>

	01/01/21	Utilisation	Additions	Reversal (surplus)	Exch. Rate and other	31/12/21
Restructuring	162.3	(61.1)	45.3	(38.3)	(7.7)	100.5
Technical and other litigation	373.8	(61.2)	86.1	(31.7)	(13.0)	354.0
Guarantees	351.5	(87.9)	88.3	(21.3)	(63.4)	267.2
Losses at completion	547.4	(88.2)	88.2	(37.8)	(66.4)	443.2
Provisions on contracts	392.1	(41.0)	71.5	(19.3)	(16.2)	387.1
Other <sup>(a)</sup>	225.1	(63.0)	109.8	(20.8)	(31.3)	219.8
<b>TOTAL</b>	<b>2,052.2</b>	<b>(402.4)</b>	<b>489.2</b>	<b>(169.2)</b>	<b>(198.0)</b>	<b>1,771.8</b>

(a) This line includes technical provisions of insurance companies, provisions for labor-related risks, vendor warranties, environmental guarantees and other.

The breakdown of restructuring costs is as follows:

	2022	2021
Additions for the period	(17.3)	(45.3)
Utilisation for the period	54.6	61.1
Reversals for the period	14.8	38.3
Net	52.1	54.1
Expenses for the period	(150.6)	(145.9)
<b>Restructuring costs</b>	<b>(98.5)</b>	<b>(91.8)</b>

## 10.4 Maturity of current receivables and payables

The amounts presented in the balance sheet for this item break down as follows:

	31/12/22			31/12/21
	Total	< 1 year	> 1 year	Total
Accounts and accrued receivables gross	3,776.5	3,589.6	186.9	3,659.7
Accounts and accrued receivables depreciation	(141.7)	(96.7)	(45.0)	(130.7)
<b>Accounts and accrued receivables, net</b>	<b>3,634.8</b>	<b>3,492.9</b>	<b>141.9</b>	<b>3,529.0</b>
Tax receivables (excluding income tax)	1,397.2	1,214.9	182.3	1,292.6
Other receivables, gross	784.0	684.7	99.3	623.6
Other receivables, depreciation	(5.9)	(5.8)	(0.1)	(2.3)
<b>Other receivables, net</b>	<b>2,175.3</b>	<b>1,893.8</b>	<b>281.5</b>	<b>1,913.9</b>
<b>Account, notes and other receivables</b>	<b>5,810.1</b>	<b>5,386.7</b>	<b>423.4</b>	<b>5,442.9</b>
Accounts and notes payable	2,507.6	2,393.7	113.9	2,069.2
Accrued holiday pay and payroll taxes	2,253.8	2,178.1	75.7	2,023.7
Tax payables (excluding income tax)	1,408.1	1,405.1	3.0	1,239.6
Other creditors and accrued liabilities	749.2	639.4	109.8	734.1
<b>Accounts notes and other payables</b>	<b>6,918.7</b>	<b>6,616.3</b>	<b>302.4</b>	<b>6,066.6</b>

The changes in provisions on accounts and notes receivable break down as follows:

	01/01/22	Additions/reversal	Exchange rate and scope	31/12/22
Provisions on accounts and notes receivable	(130.7)	(8.9)	(2.1)	(141.7)

The Group may assign trade receivables, mainly from the French State, and commercial paper. At December 31, 2022, outstanding derecognized receivables amounted to €225.8 million (€336.4 million at December 31, 2021).

Since these assignments are without recourse in case of debtor default, the receivables in question are subject to "de-recognition" of the asset.

## 10.5 Commitments linked to commercial contracts

The Group's contractual commitments towards its counterparties (mainly its customers) can be subject to three types of guarantees or warranties:

### a) Bank guarantees

- **Bid bonds:** In the ordinary course of its activities, the Group regularly responds to invitations to tender. When requested by the customer, bid bonds are delivered in order to demonstrate the definitive nature of the bid and to indemnify the customer if the Group fails to meet its commitments. At December 31, 2022, bid bonds issued amounted to €29.1 million (€21.2 million at December 31, 2021);
- **Performance bonds:** From the signature of a contract up until its completion, the Group may also issue performance bonds for its customers, with a bank acting as an intermediary, in order to cover the payment of damages to the customer in the event that the Group does not meet its contractual commitments. At December 31, 2022, performance bonds amounted to €1,358.8 million (€1,335.2 million at December 31, 2021). Technical, operational and financial costs incurred by the Group in order to meet its obligations are valued on a contract-by-

contract basis, and are included in the cost to completion of the contract. Where this is not the case, a provision is set aside in the consolidated financial statements for any potential risk, estimated on a contract-by-contract basis;

- **Advance payment bonds:** In order to finance contract execution, the Group may receive advance payments from its customers, in accordance with contractual terms, which are recognized in liabilities in the balance sheet. In order to guarantee reimbursement of these advance payments if the contractual obligations are not met, the Group may deliver, at the customer's request, an advance payment bond. At December 31, 2022, advance payment bonds amounted to €2,881.4 million (€2,004.1 million at December 31, 2021);
- **Warranty retention bonds:** The Group evaluates and sets aside provisions for warranty costs in order to guarantee the conformity of goods sold to the customer during the contractual warranty period. In many cases, the provisional withholding of payment contractually applying during this period can be replaced by a warranty retention bond using a bank as intermediary. At December 31, 2022, warranty retention bonds amount to €56.2 million (€77.6 million at December 31, 2021).

The maturity dates of these commitments are:

	< 1 year	1 to 5 years	> 5 years	31/12/22	31/12/21
Bid bonds	22.9	5.5	0.7	29.1	21.2
Performance bonds	411.1	624.6	323.1	1,358.8	1,335.2
Advance payment bonds	996.0	948.7	936.7	2,881.4	2,004.1
Warranty retention bonds	14.0	10.0	32.2	56.2	77.6
Other bank bonds	103.2	148.4	108.3	359.9	228.1
<b>TOTAL</b>	<b>1,547.2</b>	<b>1,737.2</b>	<b>1,401.0</b>	<b>4,685.4</b>	<b>3,666.2</b>

Moreover, in connection with the development of its activities related to in-flight broadband on passenger aircraft, the Group entered into several agreements to purchase bandwidth for an amount of around €350 million as of December 31, 2022, representing the discounted value of the residual payments. These purchase commitments are due to be settled up to 2038, depending on the contract. As of December 31, 2022, the Group considers this purchase commitment to be reasonably covered on the basis of commercial contracts signed to date, identified prospects and, more generally, the outlook for the aircraft connectivity market.

### b) Parent company guarantees

Parent company guarantees are issued by Thales parent company and are intended to guarantee the obligations of its subsidiaries mainly to their customers under commercial contracts.

Parent company guarantees may also be issued to financial institutions, in order to improve the conditions of supports they grant to some subsidiaries.

At December 31, 2022, the notional maximum amount of these guarantees was €16,887.3 million (€15,014.9 million at December 31, 2021).

### c) Offsetting commitments

The awarding of major contracts, particularly within the defense sector, may be subject to legal or regulatory offsetting of the execution of local obligations, which can take the form of direct offsetting, semi-direct offsetting or indirect offsetting.

The associated risks are described in section 3.1.3.a of the 2022 Universal Registration Document.



## Note 11. Litigation

At the date of publication, there are no government, judicial or arbitration claims of which the Group is aware, which are pending or threatened and which could have or have had, any significant

effect on the financial position or profitability of the Company and/or the Group in the last 12 months.

## Note 12. Subsequent events

To the best of the Group's knowledge, no significant event occurred after the end of the reporting.

## Note 13. Accounting policies

### a) Presentation of the financial statements

#### Consolidated profit and loss account

Expenses in the income statement are presented analytically by purpose.

Income from operations is equal to income of operating activities before taking into account:

- gains and losses on disposals of property, plant and equipment and intangible assets, businesses or investments;
- the impact of changes in scope on consolidated net income before tax (Note 13-b);
- the impact of the amendment, curtailment or settlement of pension plans and other long-term benefits;
- the impairment of non-current assets;
- other operating items resulting from unusual events, with a material impact on the financial statements.

#### Consolidated balance sheet

A significant portion of the Group's activities in its different business segments have long-term operating cycles. Accordingly, assets (liabilities) that are usually realized (settled) within the entities' operating cycles (inventory, accounts receivable and payable, advance payments, reserves, etc.) are classified in the consolidated balance sheet as current assets and liabilities, with no distinction between the amounts due within one year and those due after one year.

#### Consolidated statement of cash flows

The statement of cash flows provides an analysis of the change in cash and cash equivalents, as presented in the balance sheet and defined in Note 13-i. The statement of cash flows is prepared using the indirect method based on consolidated net income and is broken down into three categories:

- net cash flow from operating activities, including interest. Income tax payments are included in this caption, except when directly associated to investing or financing activities;
- net cash flow used in investing activities, including net operating investments (acquisition and disposal of property, plant and equipment and intangible assets, capitalization of development costs) and net financial investments;
- net cash flow used in financing activities including dividends paid, capital subscriptions (exercise of options by employees), the purchase/sale of treasury shares, the issuance and repayment of debt, and changes in bank overdrafts, etc.

The Group also discloses the changes in its **net cash**, which is a non-GAAP measure. It includes financial debt, lease liability, net of cash and cash equivalents and liquid investments. Changes in net cash, presented in Note 6.3, notably reflect **free operating cash flow**, defined as net cash flow from operating activities less net operating investments, plus the deficit payment linked to UK pension plans.

#### Segment information, EBIT and adjusted net income

The business segments presented by the Group are as follows:

- the Aerospace segment combines the "Avionics" and "Space" Global Business Units. They develop on-board systems and services for private sector customers (aircraft manufacturers, airlines, satellite operators, etc.) and for government/defense customers (national governments, space agencies and other semi-public organizations);
- the Defense & Security segment combines the "Secure Communications and Information Systems", "Land and Air Systems" and "Defense Mission Systems" Global Business Units. They develop equipment, systems and services for armed forces and for the protection of networks and infrastructure, mainly for a government/defense customer base;
- the Digital Identity & Security segment, which develops digital identity and security solutions for a private and government customer base, and some digital businesses previously included in the Defense & Security segment, in particular in data protection.

The Transportation business segment has been considered as a discontinued operation as from the date of the signature of the put option agreement with Hitachi Rail. Consequently, financial data of this segment are excluded from segment information in Note 2.

In order to monitor and compare its operating and financial performances, the Group presents the following key indicators:

**EBIT**, corresponding to income from operations plus the share in net income of equity affiliates. This total is then adjusted for entries directly related to business combinations (amortization of assets recognized in the context of purchase price allocation and other acquisition-related expenses).

**Adjusted net income**, the calculation of which is presented in the Group's management report. It corresponds to consolidated net income attributable to shareholders of the parent company, less the following items, net of the corresponding tax impacts:

- amortization of assets valued when determining the purchase price allocation (business combinations);
- other expenses directly related to these business combinations;
- impairment of non-current assets;
- gains and losses on disposal of assets, changes in scope of consolidation and others;
- changes in the fair value of derivative instruments, recognized in "Other financial income and expenses";
- actuarial gains and losses on long-term employee benefits, included in "Finance costs on pensions and other employee benefits".

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### Earnings per share

**Basic earnings per share** are calculated by dividing the net income attributable to the shareholders of the parent company by the pro rata temporis weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share only take into account instruments with a dilutive effect on earnings per share. The dilutive effect of free shares and unit allotments is calculated using the treasury stock method, taking into account the average share price over the relevant period.

### Off-balance sheet commitments

Disclosures regarding off-balance sheet commitments are presented in the following notes:

- Note 9.3-f: funding obligations in respect of pensions;
- Note 10.5: commitments linked to commercial contracts.

### Related parties

The Group has identified the following related parties: shareholders of Thales SA (parent company), notably the French State and Dassault Aviation, companies controlled by these shareholders, companies under joint control or significant influence, Directors and Senior Corporate Officers.

Section 6.2.3.3 of the 2022 Universal Registration Document describes the main provisions concerning the shareholders agreement governing relations between the French State ("Public Sector") and Dassault Aviation ("Industrial Partner") within Thales, the convention on the protection of national strategic interests and the specific convention binding the State and Thales.

Information related to transactions with related parties is presented in the following notes:

- sales with the French State (mainly with the *Direction Générale de l'Armement*, the French defense procurement agency) in Note 6.6-b;
- transactions with equity affiliates in Note 5.3.

Transactions with other related parties are not material.

Expenses recognized in respect of compensation, benefits and social security contributions attributable to Directors and members of the Executive Committee are presented in Note 9.5.

## b) Scope of consolidation and changes in scope

### Scope of consolidation

The financial statements of material subsidiaries directly or indirectly controlled by Thales are fully consolidated. The financial statements of material subsidiaries jointly controlled by Thales (joint ventures) or in which the Group has significant influence (associates) are accounted for under the equity method.

The main consolidated companies are listed in Note 1.5.

The full list of affiliates outside of France is available on the Group's website (<https://www.thalesgroup.com/en/global/corporate-responsibility/corporate-social-responsibility>).

### Business combinations

Business combinations are accounted for under the acquisition method as described in IFRS 3. Under this method, the Group recognizes identifiable assets acquired and liabilities assumed at fair value on their acquisition date. It also recognizes non-controlling interests in an acquiree on their acquisition date.

Non-controlling interests are measured either at fair value or proportionate to the share of the identifiable net assets. This is determined on a case-by-case basis by the Group depending on the option it applies.

Acquisition-related costs (valuation fees, consulting fees, etc.) are recognized under "other operating expenses" as incurred.

Negative goodwill is immediately recognized in "other operating income". Positive goodwill related to controlled companies is recognized in balance sheet assets under intangible assets. Positive goodwill related to equity affiliates is recognized under "investments in joint venture/associates".

Goodwill is not amortized but is subject to impairment tests each year. Goodwill impairment is booked as an expense under "impairment" within the "income from operations" and may not be reversed. Goodwill impairment related to equity affiliates is recognized in "share in net income of equity affiliates" and may be reversed.

## c) Revenue

The Group's principles of revenue recognition are the following:

### Unbundling of multiple performance obligations within a single contract

Some contracts include the supply to the customer of distinct goods and services (for instance contracts combining building of assets, followed by operation and maintenance). In such situations, the contract must be segmented into several components ("*performance obligations*"), each component being accounted for separately, with its own revenue recognition method and margin rate.

The contract price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Thales expects to be entitled in exchange for the supply of these goods or services.

Options notified by the customer for the supply of distinct additional goods or services are generally accounted for separately from the initial contract.

### Evaluation of revenue allocated to performance obligations

Variable considerations included in the selling price are taken into account only to the extent that it is highly probable that a significant reversal in the amount of revenue already recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Penalties for late delivery or for the improper execution of a performance obligation are recognized as a deduction from revenue.

If the financing component is deemed significant, the selling price is adjusted to reflect a "cash" selling price for the goods and services provided. A financing component exists when parties have agreed to set up a financing to the advantage of one of them, through contractual terms.

Revenue includes income from claims only when it is highly probable that such claims will be accepted by the customer.

Contractual amendments negotiated with customers are included in the selling price only when they become legally enforceable.





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## Recognition of revenue over time or at a point in time

Revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e., when the control of the promised goods or services is transferred to the customer.

To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- the goods sold have no alternative use; and
- the Group has an irrevocable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date, in the event of termination for reasons other than Thales' failure to perform as promised.

These criteria are fulfilled by the vast majority of Group contracts that include the design and delivery of complex goods.

Revenue from the sale of goods with an alternative use, and/or for which the Group has no enforceable right to payment in case of termination for convenience by the customer, is recognized when the goods are delivered to the customer. This essentially concerns equipment (mainly in civil avionics) and spare parts.

Revenue from service contracts is generally recognized over time, as the customer simultaneously receives and consumes the benefits of these services provided by Thales.

## Percentage of completion method

The percentage of completion method generally used by the Group is expense-based: revenue is recognized based on costs incurred to date in relation to all the costs expected upon completion.

## Margin recognition

Expected losses on contracts are fully recognized as soon as they are identified, pursuant to the provisions of IAS 37 on onerous contracts.

## Order book

Order book (as disclosed in Note 2.1) corresponds to the amounts of the selling price allocated to the performance obligations not yet unsatisfied (or partially unsatisfied) at the closing date.

## d) Operating assets and liabilities

### Inventories and work in progress

Inventories and work in progress are carried at their production cost (determined using the FIFO or weighted-average cost method) and written down when their net sale value becomes lower than the production cost. Work in progress, semi-finished and finished goods are stated at direct cost of raw materials, production labor and subcontractor costs incurred during production, plus an appropriate portion of production overhead and any other costs that can be directly allocated to contracts.

When material, the cost of debt incurred during the construction period of a qualifying asset is incorporated in the value of this asset. If the funding is specific, the loan interest rate is used, otherwise the Group's financing rate is used.

### Set-up costs

These costs cover preparatory work, not directly financed by the customer but necessary for the execution of the contract. They do not contribute to the determination of the percentage of completion of the contract. They are capitalized and amortized as and when the revenue is recognized.

## Contract assets and liabilities

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the balance sheet) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognized under "contract assets" in the balance sheet. If it is negative, the balance is recognized under "contract liabilities".

### Customer receivables

A receivable is an unconditional right to payment by the customer.

Impairment losses are accounted for, based on a prospective assessment of the credit risk on the initiation of the receivable, and its deterioration over time. The changes in impairment are presented in Note 10.4.

The Group is authorized to assign trade receivables, mainly from the French State, and commercial paper. As these assignments, which are without recourse in case of default by the debtor, involve the transfer of substantially all corresponding risks and rewards (Thales holding the dilution risk), they are "derecognized." Thales' continued involvement (as this is defined by IFRS 7) in the transferred receivables corresponds to the keeping of the recovery mandate.

## e) Research and development expenses

A significant share of research and development expenses is funded by customers and government agencies. Internally funded research and development expenses are charged to the profit and loss account as incurred, except for project development costs which meet the criteria of capitalization below:

- the product or process is clearly defined, and costs are separately identified and reliably measured;
- the technical feasibility of the product or project is clearly demonstrated, and the Group's experience in this area is established;
- adequate resources are available to complete the project successfully;
- a potential market for the products exists or their usefulness, in case of internal use, is demonstrated;
- the company intends to produce and market, or use the new product or process, and can demonstrate its profitability. Profitability is assessed on the basis of prudent commercial assumptions in order to reflect contingencies inherent to the long cycles of the Group's activities, in particular Aerospace. Minimum internal rates of return are required in the case of projects deemed risky.

Capitalized development costs mainly relate to the Group's Aerospace and Security activities, for which the developed products are relatively generic and can be sold to a large number of potential customers. By contrast, development costs linked to Defense activities are for more specific and restricted markets with a limited number of players: the specific features of the products developed make it harder to share development work and therefore harder to capitalize the associated costs.

Development costs are then amortized over the useful life of the product. The method of amortization is generally determined by reference to expected future quantities over the period in which future economic benefits will be earned. If the method cannot be determined reliably, straight-line amortization is adopted. The period of amortization depends on the type of activity.

Assets are also subjected to impairment loss tests. The terms and assumptions taken into account to conduct these tests are described in Note 4.1. These impairment losses can be reversed. Impairment loss reversal criteria are identical to those retained when first capitalizing development costs on a new project.

The Group receives tax credits related to research carried out by its subsidiaries. These tax credits are considered as operating grants and are therefore included in income from operations, when their award is not dependent on the generation of taxable income. Otherwise, they are recognized as a deduction from income tax expense.

### f) Restructuring costs

Provisions for restructuring costs are accounted for when restructuring programs have been agreed and approved by a competent body and have been announced before the balance sheet date, resulting in an obligating event of the Group to the third parties in question, as long as the Group does not expect compensation for these costs.

These costs primarily relate to severance payments, costs for notice periods not worked and other costs linked to the closure of facilities such as write-offs of fixed assets. These costs and the costs directly linked to restructuring measures (removal costs, training costs of transferred employees, etc.) are recognized under "restructuring costs" in the profit and loss account.

### g) Property, plant and equipment and intangible assets

#### Intangible assets

The Group's intangible assets mainly include:

- goodwill (Note 13-b);
- assets acquired in business combinations, primarily acquired technologies, customer relationships and the order book. These assets are recognized at fair value and amortized over their useful lives. The fair value of the assets is based on the market value. If no active market exists, the Group uses methods based on forecasts of the present value of the expected future operating cash flows (excess earnings method, royalty method, etc.);
- capitalized development costs (Note 13-e).

Intangible assets are submitted to impairment tests.

#### Property, plant and equipment

Property, plant and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses. Depreciation of property, plant and equipment is generally calculated on the basis of the following typical useful lives:

- 20 years for buildings;
- 1 to 10 years for technical facilities and industrial equipment and tooling;
- 5 to 10 years for other property, plant and equipment (vehicles, fixtures, etc.).

The depreciable amount takes into account the residual value of the asset. The various components of property, plant and equipment are recognized separately when their estimated useful lives or patterns of use, and thus the period over which they are depreciated or the depreciation methods applicable to them, are materially different.

Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalized as part of the cost of that asset.

### h) Leases

Contracts defined as a lease according to IFRS 16 (that is to say contracts which give the lessee a right to control the use of an identified asset for a period of time in exchange for consideration) are accounted for in the balance sheet, with the exception of low value assets and contracts with a duration below 12 months (by simplification, as allowed by the standard). In the Group's financial statements, lease contracts accounted for in the balance sheet are mainly real estate contracts (offices and production sites) and, in a lesser extent, service vehicles and few IT equipment.

Leases are accrued on the balance sheet at the date when the underlying asset is made available to the lessee. The lease liability is accrued against a right to use the rent asset, and is equal to the committed future lease payments discounted over the duration of the lease, as well as the exercise price of the options when it is reasonably certain that they will be exercised. The right-of-use asset is adjusted, if applicable, by the payments made in advance to the lessor, the initial direct costs incurred net of the incentives received by the lessor, and dismantling costs when an obligation is identified.

In the case of real estate contracts, the initial lease term retained for the lease liability calculation corresponds to the contractual term which is usually non-cancellable, the Group accepting most of the time to renounce to early termination options in order to benefit from favorable economic conditions. For these contracts, renewal options are generally not taken into account as the contractual terms are long and the date of exercise of these options is too far for the Group to be able to judge their exercise reasonably certain.

The Group may reassess this duration in the course of a contract duration in the case where a significant event would occur, such as a reorganization plan or expensive leasehold improvements. In such situations, the Group pays attention to the consistency between the amortization duration of the leasehold improvements and the term retained for the calculation of the lease liability.

Besides, when the end date of a contract is close, and in the absence of a moving project, the lease term is re-estimated in order to reflect the Group's intention to renew the contract. In such a situation, as for open-end contracts (but cancellable anytime with termination notice by the lessee or the lessor) or for short-term contracts renewable without limitation by tacit agreement, the end date of the contract is estimated taking into account the applicable legal and contractual conditions, but also the particular context of each contract (fluidity of the local real estate market, relations with the lessor...) and economic conditions surrounding the lease (appreciation of the economic loss which represents, for the Group, the abandoning of improvements or constructions made on the leased asset...). This methodology is consistent with the IFRIC's position taken on November 2019.

For other natures of lease, there is usually no early termination or extension options, the lease term retained therefore corresponds to the non-cancellable period.

Future lease payments are discounted using the incremental borrowing rate of the lessee. The latest is calculated taking into account the financing arrangements of the Group, that is to say it is based on both the risk-free rate of the lessee and the margin applicable to Thales SA for financing of maturity corresponding to the duration of the commitment.

The right-of-use asset is presented within the tangible assets (Note 4.2). It is amortized on a straight-line basis over the useful life of the underlying asset. The amortization charge for the right of use is included in EBIT.



The lease liability is presented in the balance sheet within the financial debt (Note 6.2). The interest charge is presented in the profit and loss account within the net interest income (Note 6.1).

Within the statement of cash flows:

- the interests paid are included within the net cash flow from operating activities;
- the reimbursement of the debt ("capital" portion of the rent paid) is presented in the financing cash flow on the line "repayment of debt". Thus, it is not included in the cash flow from operating activities;
- new lease liabilities have no effect on the cash flow statement insofar as they are balanced with a right of use recognized in the assets of the balance sheet.

## i) Financial assets, financial liabilities and derivatives

### Financial assets

IFRS 9 introduces a single approach to classification and measurement of financial assets, based on the characteristics of the financial instruments and on the Group's management intention. Thus:

- financial assets with expected cash-flows that solely correspond to principal and interest payments are measured at amortized costs if managed only to collect these flows;
- in other cases, financial assets are measured at fair value through the income statement, except for equity investments not held for trading and whose changes in value affect optionally the Other Comprehensive Income (OCI).

These principles are reflected as follows on the assets presented in the Group's balance sheet:

- **Investments** are measured at fair value. Fair value corresponds to the market price for shares quoted on a regulated market. For other shares, fair value is usually determined using valuation models provided by independent third parties, or by reference to the share in net equity held by the Group.

Changes in fair value are recognized either on the income statement or, subject to an irrevocable option, investment by investment, through OCI with no reclassification to the income statement. This latter option has been chosen by the Group for all non-consolidated investments at the end of 2021. Consequently, subsequent changes in fair value and gains (losses) on disposal will be directly accounted for through shareholders' equity, with no impact on the income statement. Only dividends must remain accounted for through the financial result.

- **Receivables and financial loans** are recognized at amortized cost. They are subject to impairment if an expected loss or an impairment indicator is identified. This impairment, recognized in "other financial income (expense)", may subsequently be reversed through profit and loss if the conditions so justify.
- **Deposits** that Thales intends to hold until maturity are recognized at amortized cost.
- **Other financial assets** (including mutual funds and equivalent products) are estimated at fair value through profit and loss.

### Cash and cash equivalents

"Cash and cash equivalents" include cash at bank and in hand as well as cash equivalents (short-term and liquid investments that are easily converted into a known amount of cash and exposed to negligible risk of a change in value).

### Financial liabilities

Borrowings and other financial liabilities are measured at amortized cost using the effective interest rate. Upon initial recognition, premiums, redemption and issuance costs are included in the calculation of the effective interest rate and are recognized in the profit and loss account on an actuarial basis over the life of the loan.

### Derivatives

The Group uses financial instruments to manage and reduce its exposure to risks of changes in interest rates and foreign exchange rates.

**Foreign exchange derivatives used to hedge commercial contracts**, and eligible for hedge accounting are accounted for as follows:

- the effective portion of the change in fair value of the hedging instrument is recognized directly in equity until such time as the hedged flows affect profit and loss. The ineffective portion is recognized in profit and loss;
- the amount of the foreign currency denominated transaction is subsequently translated at the exchange rate prevailing at the date of inception of the hedge.

Changes in the fair value of premiums or discounts related to forward foreign currency contracts are recognized in "other financial income (expense)" as they are excluded from the hedging relationship.

The time value of foreign exchange options documented as hedges is considered as a cost of hedging: changes in fair value are accounted for through OCI, with reclassification to the financial result in line with the hedged item.

Concerning **foreign exchange derivatives subscribed to hedge financial assets/liabilities**, documented as fair value hedges, the swap point is spread over the duration of the financial asset/liability.

**Interest-rate derivatives** are used either as fair value hedges or cash flow hedges:

- a fair value hedge is a hedge of the exposure to changes in the value of assets and liabilities;
- a cash flow hedge is a hedge of the exposure to changes in the value of future cash flows (unknown future interest flows payable on existing variable-rate borrowings or on highly probable future borrowing issues, for example).

In the case of fair value hedge relationships, particularly for the portion of fixed-rate bond debt swapped for a variable rate, the financial liabilities hedged by the interest-rate derivatives are re-measured to the extent of risk hedged. Changes in the value of hedged items are recognized in profit and loss for the period and are offset by symmetrical adjustments in interest-rate derivatives.

In the case of cash flow hedging relationships, the effective portion of changes in fair value of interest-rate derivatives shown in the balance sheet is recognized directly in equity until such time as the hedged flows affect profit and loss.

### Fair value of financial instruments

IFRS 13 requires a hierarchy of valuation techniques for each financial asset and liability. The categories are defined as follows:

- level 1: valuation is based on quoted (non-adjusted) prices in active markets for identical assets or liabilities;
- level 2: valuation is based on information other than quoted market prices that is observable for the asset or liability, either directly or indirectly;
- level 3: valuation is based on unobservable information.

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The fair value of financial assets and liabilities recorded at amortized cost approximates their carrying amount, except for borrowings and debts.

The fair value of bond debt is based on quoted prices (level 1). The fair value of other borrowings and debt is determined for each loan by discounting the expected future cash flows at the Euribor interest rate at the closing date, adjusted for the Group's credit risk (level 2).

The fair value of monetary and non-monetary UCITS funds is measured based on the last known net asset value. The fair value of interest rate products (certificates of deposit, short-term deposits, negotiable medium-term notes, etc.) is based on the discounting of coupon flows (nominal and interest) over the remaining life of the product at the closing date. The discount rate used is the market rate corresponding to the maturity and product characteristics.

The fair value of derivatives is based on models commonly used to assess these financial instruments (models including observable market data). Counterparty default risk and credit risk have no material impact on the fair value of derivatives.

### j) Deferred tax assets and liabilities

Thales recognizes deferred taxes when the tax value of an asset or liability differs from its book value.

Deferred tax assets are not recognized on the balance sheet if it is likely that the company concerned will not be able to recover them. To assess its ability to recover deferred tax assets, the Group takes into account forecast taxable income of the tax entities concerned, over a three-to five-year time-frame, the entity's tax loss history, non-recurring past events and tax strategies specific to each country.

### k) Pensions and other long-term employee benefits

The Group's defined benefit plan commitments are measured by independent actuaries using the projected unit credit method on the basis of estimated salaries at the date of retirement. The calculations mainly take into account assumptions concerning discounting as well as inflation, mortality and staff turnover rates, etc.

Changes in actuarial assumptions and experience adjustments – corresponding to the effects of differences between projected and actual results – give rise to actuarial gains and losses:

- actuarial gains and losses on post-employment benefits are recognized in full within other comprehensive income, and are not subsequently reclassified to profit and loss. Where appropriate, the same treatment is applied to adjustments linked to the ceiling on net assets for plans in surplus;

- actuarial gains and losses on other long-term benefits are recognized immediately in financial income (Note 9.3).

Past service cost, measured in cases of amendments or curtailments of plans, and plan settlements are recognized in full within other operating income (loss) in the period in which it is incurred.

Net interest expense, determined based on the discount rate of obligations, is recognized in financial income.

## l) Share-based payment

### Free share plans

Thales regularly grants performance shares to its employees. These allotments give rise to an expense representing the fair value of services received at the grant date. This payroll expense is recognized against equity.

The fair value of the services received is calculated by reference to the fair value of the shares at the grant date, less the present value of dividends forfeited by employees during the vesting period, taking into account the presence conditions.

Internal performance conditions are taken into account only by means of an adjustment in the projected number of instruments acquired by employees at the end of the vesting period. Therefore, they are not taken into account in the fair value estimate of the instruments granted, which is determined at the grant date.

The expense related to these plans is included in the income from operations with the consolidated reserves account as counterpart without impact on total equity. As the payment of compensation is subject to presence conditions, the corresponding expense is recorded over the vesting period on a straight-line basis. When appropriate, the expense is adjusted over the vesting period to reflect any losses of rights.

### Phantom shares indexed to the value of Thales shares

Since those are cash-settled plans, IFRS 2 requires an evaluation of vested services and the liability assumed at fair value. Until the payment of this liability, the debt is re-measured at the closing date and taken to profit and loss. The re-measurement of the debt takes into account the achievement of performance and/or presence conditions, as well as the change in value of the underlying shares.



## Note 14. Fees paid to statutory auditors

Total fees paid to Thales' statutory auditors by the parent company and members of their consolidated networks for financial years 2022 and 2021 (including Transport segment) are shown below.

Other services cover tasks required by law (e.g., interim dividend, capital increase, etc.) and other services compatible with the statutory auditors' role (certification of expenditures, agreed procedures engagements, services of a tax-related nature without material impact, etc.).

In € thousands	Mazars		EY		Total	
	2022	2021	2022	2021	2022	2021
<b>Certification of accounts</b>	<b>5,823</b>	<b>5,654</b>	<b>5,303</b>	<b>5,029</b>	<b>11,126</b>	<b>10,683</b>
• Issuer	917	896	404	248	1,321	1,144
• Subsidiaries	4,906	4,758	4,899	4,781	9,805	9,539
<b>Other services</b>	<b>1,052</b>	<b>734</b>	<b>834</b>	<b>1,034</b>	<b>1,886</b>	<b>1,768</b>
• Issuer	246	206	87	254	333	460
• Subsidiaries	806	528	747	780	1,553	1,308
<b>TOTAL</b>	<b>6,875</b>	<b>6,388</b>	<b>6,137</b>	<b>6,063</b>	<b>13,012</b>	<b>12,451</b>

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## Note 15. List of main consolidated companies

(excluding Thales SA, the parent company)

Company name	Country	% Interest 31/12/2022	% Interest 31/12/2021
<b>1. Consolidated subsidiaries <sup>(a)</sup></b>			
GTS Deutschland GmbH	Germany	100%	100%
Thales Alenia Space France SAS	France	67%	67%
Thales Alenia Space Italia SpA	Italy	67%	67%
Thales Australia Ltd	Australia	100%	100%
Thales Avionics, Inc.	United States	100%	100%
Thales AVS France SAS	France	100%	100%
Thales Canada Inc.	Canada	100%	100%
Thales Defense & Security, Inc.	United States	100%	100%
Thales Deutschland GmbH	Germany	100%	100%
Thales DIS Brasil Cartões e Soluções de Tecnologia Ltda	Brazil	100%	100%
Thales DIS CPL USA, Inc.	United States	100%	100%
Thales DIS France SAS	France	100%	100%
Thales DIS Mexico SA de CV	Mexico	100%	100%
Thales DIS (Singapore) Pte Ltd	Singapore	100%	100%
Thales DIS Technologies B.V.	Netherlands	100%	100%
Thales DIS UK Ltd	United Kingdom	100%	100%
Thales DIS USA, Inc.	United States	100%	100%
Thales DMS France SAS	France	100%	100%
Thales Emarat Technologies Ltd	UAE	100%	100%
Thales Espana Grp, S.A.U.	Spain	100%	100%
Thales Ground Transportation Systems Ltd	United Kingdom	100%	100%
Thales International Saudi Arabia	Saudi Arabia	100%	100%
Thales IAS France SAS	France	100%	100%
Thales Nederland B.V.	Netherlands	99%	99%
Thales Services Numériques SAS	France	100%	100%
Thales SIX GTS France SAS	France	100%	100%
Thales Solutions Asia Pte Ltd	Singapore	100%	100%
Thales UK Ltd	United Kingdom	100%	100%
Trixell	France	51%	51%
<b>2. Joint ventures &amp; associates (equity method)</b>			
Airtanker Ltd	United Kingdom	15%	15%
Arab International Optronics	Egypt	49%	49%
Aviation Communications & Surveillance Systems	United States	30%	30%
Diehl Aerospace GmbH	Germany	49%	49%
Lynred	France	50%	50%
Naval Group	France	35%	35%
Telespazio SpA	Italy	33%	33%
Telit Cinterion	UK	25%	—%

(a) Companies with sales representing more than 0.5% of consolidated sales.

### Exemptions for subsidiaries publication:

Gemalto BV (previously Gemalto Holding BV) is exempted from its obligation to publish consolidated financial statements from 2019, as Thales applies the exemption 408 in the Netherlands.

German entity Electronic Signalling Services (ESS) GmbH, located at 1 Thalesplatz, 71254 Ditzingen, has requested to be exempted from its obligation to publish statutory financial statements for the year 2022, pursuant to paragraph 3, subparagraph 264, of the German Commercial Code.





## 7.2 Parent company management report

### 7.2.1 Parent company management report

#### 7.2.1.1 Activity and results

**Operating income** amounted to €781.9 million, compared with €699.7 million in 2021. Revenue amounted to €248.0 million compared with €245.2 million in 2021.

Activities are described by sector in the accompanying Notes.

Revenues mainly consist of rents and construction work re-invoiced to operating subsidiaries as well as sales of research chiefly conducted by the Thales Group's Central Research and Technology Department. The increase in revenues is primarily due to higher invoicing for research in 2022.

Other operating income amounted to €507.7 million, compared with €424.3 million in 2021. This includes royalties paid by direct operating subsidiaries as well as expenses re-invoiced to those subsidiaries, including for general and specific centralized services provided by the parent company and for capitalized production.

**Net operating loss amounted to €89.4 million**, compared with €101.3 million in 2021.

**Net financial income amounted to €1,180.7 million**, compared with €462.0 million in 2021.

Provisions for equity investments and subsidiary risks totaled €7.7 million in 2022, compared with €72.7 million in 2021. Reversals of provisions for equity investments and subsidiary risks represented €87.2 million in 2022, compared with €41.8 million in 2021.

Income from investments amounted to €1,102.0 million in 2022, compared with €519.1 million in 2021.

**Net non-recurring income amounted to €24.5 million**, compared with €41.2 million in 2021. This consists mainly of an indemnity received following a settlement agreement relating to a former dispute.

The company recorded a corporate income tax benefit of €7.0 million (€50.3 million in 2021). This represents the net total of (i) the amount to be received from fiscally-integrated profitable subsidiaries and (ii) the income tax expense payable to the State.

In 2022, nondeductible expenses (pursuant to Articles 223 and 39.4 of the French General Tax Code) amounted to €0.2 million.

**Net profit for the 2022 financial year amounted to €1,122.8 million**, up compared with the result for financial year 2021 (€452.2 million).

#### 7.2.1.2 Balance sheet as at December 31, 2022

**The balance sheet total was €23,065.4 million at year-end 2022**, up €1,219.5 million from the balance sheet total at year-end 2021 of €21,845.9 million.

The total non-current assets of €15,474.3 million, compared with €15,021.7 million in 2021, were primarily composed of financial investments.

The €39.3 million increase in investments in subsidiaries and affiliates was primarily due to a capital increase at Thales Avionics Electrical Systems SAS.

Other financial assets decreased by €10.2m.

Current assets, at €7,591.1 million at the end of December 2022, increased by €767.0 million in connection with sight and fixed-term bank deposits or UCITS funds.

The balance of current accounts with respect to Group companies corresponded to a net debt of €6,964.7 million at year-end 2022, compared with €6,614.6 million at year-end 2021.

Financial debt amounted to €4,577.3 million at year-end 2022, compared with €5,112.7 million at year-end 2021. This included bond issues for a total amount of €3,300.0 million, commercial paper totaling €562.0 million, as well as foreign currency- and euro-denominated liabilities to Group subsidiaries and affiliates.

At year-end 2022, share capital stood at €640.2 million, while total equity totaled €8,036.3 million, compared with €7,476.9 million at year-end 2021.

#### Customer and Supplier payment schedules

Thales pays its suppliers 60 days after invoice date, in line with the maximum period allowed under the French law on the modernization of the economy [*Loi de Modernisation de l'Économie, LME*].

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The table below presents the aging of receivables and payables by invoice date:

• **INVOICES RECEIVED AND ISSUED AS AT THE CLOSING DATE OF THE FINANCIAL YEAR WHICH HAS JUST ELAPSED (TABLE PROVIDED FOR IN Article D. 441-4, section I)**

	Article D. 441, section I (1): Invoices received and not settled at the closing date of the financial year just elapsed						Article D. 441, section I (2): invoices issued but not paid at the closing date of the financial year just elapsed						
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day or more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	
<b>A. Late payment tranches</b>													
Number of invoices concerned						828						572	266
Total value of invoices concerned (in € million, incl. tax)	43.4	1.1	0.2	0.1	0.2	1.6	87.4	2.6	1.3	2.6	3.7	10.2	
Percentage of total purchases during the year (incl. tax)	6.67%	0.17%	0.04%	0.02%	0.04%	0.27%							
Percentage of total sales during the year (incl. tax)							10.25%	0.30%	0.16%	0.31%	0.44%	1.21%	
<b>B. Invoices excluded from A corresponding to payables and receivables in dispute or not posted</b>													
Number of posted invoices in dispute (incl. tax)						36							—
Value of unposted invoices (in € million, incl. tax)						252							—
Total value of posted invoices in dispute (in € million, incl. tax)						0.7							—
Total value of unposted invoices (in € million, incl. tax)						9.9							—
<b>C. Reference payment periods used (contractual or legal periods - Articles L. 441-6 or L. 443-1 of the French Commercial Code)</b>													
Payment periods used for calculating late payments	Contractual periods: 45 days from end of the month						Contractual periods: 45 days from end of the month						

### 7.2.1.3 Events after the reporting period

As at the date of publication of this document, no events that may have an impact on Thales' financial position have occurred since the reporting period.

### 7.2.1.4 Outlook for the current financial year

The Company results for 2023 are expected to reflect the dividends paid by certain subsidiaries for financial year 2022 as well as changes in provisions for the impairment of equity investments and subsidiary risks as a consequence of trends in their business and performance in 2023.



## 7.2.1.5 Proposed allocation of earnings and dividend policy

The Annual General Meeting, deliberating under the quorum and majority conditions required for annual general meetings, noted <sup>(1)</sup> that distributable earnings include:

net profit for fiscal year 2022	€1,122,840,281.88
less allocations to legal reserve	€0.00
plus retained earnings as at December 31, 2022	€1,995,355,190.70
plus interim dividend in the amount of EUR 0.70 per share paid on December 8, 2022, and deducted from retained earnings	€147,226,007.60
<b>For a total amount of</b>	<b>€3,265,421,480.18</b>

The Annual General Meeting decided <sup>(1)</sup> to allocate this distributable profit as follows:

Distribution of a dividend of EUR 2.94 per share on 213 411 309 shares bearing rights as at January 1 <sup>st</sup> , 2021 (including the interim dividend of EUR 0.70 per share paid on December 8, 2022, charged to the 2022 dividend)	627,429,248.46 €
Retained earnings after dividend	2,637,992,231.72 €
<b>TOTAL EQUIVALENT TO DISTRIBUTABLE EARNINGS</b>	<b>3,265,421,480.18 €</b>

The Annual General Meeting Notes that taking into account the interim dividend of €0.70 per share paid on December 8, 2022 and deducted from retained earnings, the balance of the dividend to be paid amounts to €2.24 per share.

The ex-dividend date is May 23, 2023 and the payment date for the balance of the dividend will be May 25, 2023.

The sums corresponding to the dividends which in accordance with the provisions of the fourth paragraph of Article L. 225-210 of the French Commercial Code have not been paid on treasury shares held by the Company will be reallocated as retained earnings.

For individuals domiciled in France who have not expressly irrevocably and globally opted to be subject to income tax on a progressive scale the dividend is subject to a flat tax rate (*prélèvement forfaitaire unique* or PFU) of 30%. For individuals domiciled in France who have exercised such an option, this dividend is subject to income tax on a progressive scale and is eligible for the 40% allowance provided by Article 158.3.2° of the French General Tax Code.

In accordance with the law, the amounts of dividends paid out for the past three financial years are provided below:

Financial year	Dividend per share <sup>(a)</sup>	Total amount paid out
2019	0.60 €	127,316,769.00 €
2020	1.76 €	374,777,030.32 €
<b>2021</b>	<b>2.56 €</b>	<b>543,570,552.92 €</b>

(a) The dividend corresponds to all income distributed for the financial year. The full dividend amount was eligible for the tax relief provided for in Article 158 (3) (2) of the French General Tax Code.

<sup>(1)</sup> Subject to approval by the Annual General Meeting of May 10, 2023.

### 7.2.1.6 Parent company management report cross-reference table

In accordance with Articles L. 225-100, L. 232-1, L. 247.1 and R. 225-102 of the French Commercial Code, the parent company management report includes the following information contained in the 2022 Universal Registration Document:

<b>Management report French Commercial Code</b>	<b>Section/Note</b>	<b>Pages</b>
<b>1. Thales (parent company) financial statements at December 31, 2022</b>	<b>Section 7.2</b>	<b>283</b>
Table of subsidiaries and equity affiliates	Note 23	306
Table of investments made and shareholding disclosures in French companies	Note 23	306
Table showing the company's earnings in the last five financial years	Note 24	309
Table of outstanding stock purchase and subscription options at December 31	Note 15	300
Change in number and in value of the treasury shares of the Company	Note 14	299
Write-back of general expenses following tax adjustment	Note 6	293
Events after the reporting period	Note 22	305
Information on existing branches (Article L. 232-1, II of the French Commercial Code)	Note 24	309
<b>2. Risk factors, internal control and risk management</b>	<b>Section 3</b>	<b>48</b>
<b>3. Management report and consolidated financial statements of the Group at December 31, 2022</b>	<b>Sections 2 &amp; 7</b>	<b>18 &amp; 238</b>
Presentation of the activities of the Company, its subsidiaries and controlled companies	Section 2.1	20
Description of the main risks and uncertainties facing the Group	Section 3	48
Information on the use of financial instruments (supplementing the notes to the financial statements)	Note 6	255
Information on the research and development activities	Section 2.2	32
<b>4. Corporate governance</b>	<b>Section 4</b>	<b>72</b>
Compensation of other executives	Section 4.5	120
Share-based payments	Sections 6.2.2 & 9.4	223 & 270
<b>5. Company and share capital</b>	<b>Section 6</b>	<b>218</b>
Breakdown of shareholders and changes performed during the financial year	Section 6.2.1.3	222
Employee's stake in share capital	Section 6.2.3.7	230
Awards of free shares and performance units made during the financial year	Section 6.2.3.5	228
Description of the share repurchase program	Section 6.2.3.4	226
Transactions involving treasury shares during the financial year	Section 6.2.3.4.3.2	227
Summary statement of transactions carried out during the financial year by directors, non-voting directors and related persons	Section 4.6	121
Regulated agreements (Article L.225-38 and following of the French Commercial Code)	Section 6.3	231
Loans to SMEs of less than 3 years authorized by Article L.511-6,3bis al.2 of the French Monetary and Financial Code (non)	Not applicable	Not applicable
Thales share price trend over the past two financial years	Section 6.4.1	233
<b>6. Extra-financial Performance Declaration, including</b>	<b>Sections 1, 3 &amp; 5</b>	<b>4, 48 &amp; 122</b>
Business model	Section 1	4
Main risks identified	Sections 3 & 5.2	48 & 130
Policies and measurements of associated results	Sections 5.3 to 5.7	135 to 201
Responsibility of the independent third party	Section 5.8	202
Cross-reference table for the non-financial performance statement	Section 8.6	327
Other social and environmental information in the management report (Art. L. 225-100-1 2° and 4°, L. 255-102-2, L. 225-102-4 and L. 225-637-1 of the French Commercial Code)	Sections 5.4 & 5.5	137 & 152
Duty of Care Plan	Section 5.7	197



## 7.2.2 Parent company financial statements

### 7.2.2.1 Income statement by type

<i>(in € millions)</i>	Notes	2022	2021
Re-billing of rent and building work		211.5	216.8
Research		36.5	28.4
<b>Sales</b>		<b>248.0</b>	<b>245.2</b>
Royalties		259.1	224.8
Re-billing of expenses		248.6	199.5
<b>Other operating income</b>		<b>507.7</b>	<b>424.3</b>
Reversals of provisions		15.7	17.8
Transfer of expenses		10.5	12.4
<b>TOTAL OPERATING INCOME</b>		<b>781.9</b>	<b>699.7</b>
Purchases and charges in inventories and work in progress		(72.4)	(45.2)
Other external charges		(495.7)	(487.4)
Taxes other than on income		(12.7)	(11.1)
Personnel expenses		(241.2)	(222.4)
Depreciation and amortisation		(16.2)	(18.1)
Increase in provisions for impairment		(33.1)	(16.8)
<b>Total operating expenses</b>		<b>(871.3)</b>	<b>(801.0)</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>note 3</b>	<b>(89.4)</b>	<b>(101.3)</b>
Net interest and finance costs		(27.1)	(18.2)
Income from investments		1,102.0	519.1
Other financial income		126.0	49.3
Other financial expenses		(20.2)	(88.2)
<b>Financial income (expense)</b>	<b>note 4</b>	<b>1,180.7</b>	<b>462.0</b>
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>		<b>1,091.3</b>	<b>360.7</b>
<b>Non-recurring income (expense)</b>	<b>note 5</b>	<b>24.5</b>	<b>41.2</b>
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>1,115.8</b>	<b>401.9</b>
<b>Income tax benefit (expense)</b>	<b>note 6</b>	<b>7.0</b>	<b>50.3</b>
<b>PROFIT FOR YEAR</b>		<b>1,122.8</b>	<b>452.2</b>

The Notes to the financial statements constitute an integral part of the parent company's financial statements.

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## 7.2.2.2 Balance sheet

## Assets

<i>(in € millions)</i>	Notes	31/12/22	31/12/21
Intangible assets and property, plant and equipment, net	note 7	74.8	72.7
Equity investments	note 8	14,399.9	14,288.0
Treasury shares not assigned to plans	note 14	382.3	33.5
Other financial investments	note 9	617.3	627.5
<b>Total non-current assets</b>		<b>15,474.3</b>	<b>15,021.7</b>
Inventories and work in progress		3.7	5.6
Advances to suppliers	note 16	0.1	0.1
Trade receivables	note 16	206.1	189.6
Other receivables	note 16	240.7	256.4
Group company current account payables	note 10	2,820.8	2,098.1
Treasury shares allocated to employee share ownership	note 14	–	3.0
Investment securities	note 11	200.0	–
Cash and cash equivalents	note 11	4,119.7	4,271.4
<b>Total current assets</b>		<b>7,591.1</b>	<b>6,824.2</b>
<b>TOTAL ASSETS</b>		<b>23,065.4</b>	<b>21,845.9</b>

## Shareholder equity and liabilities

<i>(in € millions)</i>	Notes	31/12/22	31/12/21
Share capital		640.2	640.2
Additional paid-in capital		4,076.5	4,076.5
Reserves and retained earnings		2,196.8	2,308.0
Profit for the year		1,122.8	452.2
<b>Total shareholders' equity</b>	<b>note 13</b>	<b>8,036.3</b>	<b>7,476.9</b>
<b>Reserves for contingencies</b>	<b>note 17</b>	<b>204.7</b>	<b>212.6</b>
Borrowings	note 12	4,577.3	5,112.7
Group company current account payables	note 10	9,785.5	8,712.7
Advances received on contracts in progress	note 16	29.3	25.4
Trade payables	note 16	96.1	70.5
Other payables	note 16	336.2	235.1
<b>Total liabilities</b>		<b>14,824.4</b>	<b>14,156.4</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LAIBILITIES</b>		<b>23,065.4</b>	<b>21,845.9</b>

The Notes to the financial statements constitute an integral part of the parent company's financial statements.



## 7.2.2.3 Cash flows statement

<i>(in € millions)</i>	Notes	2022	2021
<b>Net income</b>		<b>1,122.8</b>	<b>452.2</b>
<b>Add (deduct) :</b>			
Net depreciation, amortisation and impairment charges on intangible assets and property, plant and equipment	note 7	16.2	18.0
Provisions for post-employment and other employee benefits	note 17	(28.1)	(3.4)
Net provisions for impairment of investments and subsidiary risks	note 4	(79.5)	30.9
Other items		1.6	24.8
<b>Operating cash flow</b>		<b>1,033.0</b>	<b>522.5</b>
Change in working capital and provisions for operating contingencies and losses		161.1	(76.2)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>- I -</b>	<b>1,194.1</b>	<b>446.3</b>
Payments for acquisitions of intangible assets and property, plant and equipment		(18.9)	(10.8)
Proceeds from disposal of intangible assets and property, plant and equipment		0.6	—
<b>Net operating investment</b>		<b>(18.3)</b>	<b>(10.8)</b>
Investments in subsidiaries and associates	note 8	(39.3)	(69.7)
Disposals of subsidiaries and affiliates	note 8	—	—
Decrease (increase) in other investments		(200.0)	—
Decrease (increase) in other financial investments and treasury shares		(362.4)	324.8
Decrease (increase) in current account receivables		(679.5)	113.7
<b>Net financial investment</b>		<b>(1,281.2)</b>	<b>368.8</b>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>	<b>- II -</b>	<b>(1,299.5)</b>	<b>358.0</b>
Dividends distributions	note 13	(563.4)	(417.0)
Increase in share capital (exercise of subscription options)		—	1.2
Increase in borrowings		76.7	179.1
Decrease in borrowings		(636.1)	(1,595.3)
Increase (decrease) in current account payables		1,070.2	1,182.3
<b>CASH FLOW FROM/USED UN FINANCING ACTIVITIES</b>	<b>- III -</b>	<b>(52.6)</b>	<b>(649.7)</b>
<b>TRANSLATION ADJUSTMENT FOR ACCOUNTS DENOMINATED IN A FOREIGN CURRENCY</b>	<b>- IV -</b>	<b>6.3</b>	<b>21.4</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>I+II+III+IV</b>	<b>(151.7)</b>	<b>176.0</b>
Cash and cash equivalents at the beginning of the period		4,271.4	4,095.4
<b>Cash and cash equivalents at the end of the period</b>		<b>4,119.7</b>	<b>4,271.4</b>

The Notes to the financial statements constitute an integral part of the parent company's financial statements.

## 7.2.2.4 Statement of changes in equity

<i>(in € millions)</i>	Number of shares outstanding <i>(in thousand)</i>	Share capital	Issue premiums	Retained earnings	Profit for the year	Total shareholders' equity
<b>At 1 January 2021</b>	<b>213,366</b>	<b>640.1</b>	<b>4,075.5</b>	<b>2,215.7</b>	<b>509.3</b>	<b>7,440.6</b>
Allocated of 2020 earnings	—	—	—	509.3	(509.3)	—
Dividends	—	—	—	(417.0)	—	(417.0)
Capital increase	45	0.1	1.0	—	—	1.1
2021 result	—	—	—	—	452.2	452.2
<b>At 31 December 2021</b>	<b>213,411</b>	<b>640.2</b>	<b>4,076.5</b>	<b>2,308.0</b>	<b>452.2</b>	<b>7,476.9</b>
Allocated of 2021 earnings	—	—	—	452.2	(452.2)	—
Dividends (see note 13.2)	—	—	—	(563.4)	—	(563.4)
Capital increase	—	—	—	—	—	—
2022 result	—	—	—	—	1,122.8	1,122.8
<b>At 31 December 2022</b>	<b>213,411</b>	<b>640.2</b>	<b>4,076.5</b>	<b>2,196.8</b>	<b>1,122.8</b>	<b>8,036.3</b>

The Notes to the financial statements constitute an integral part of the parent company's financial statements.

## 7.2.2.5 Notes to the parent company financial statements

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## Note 1. Accounting principles applied

Thales is a French public limited company société anonyme and the parent company of Thales Group.

Thales' annual financial statements have been prepared in accordance with accounting principles generally accepted in France and in accordance with the provisions of the French General Chart of Accounts, as defined in ANC regulation no. 2014-03 and its amending regulations. These principles are detailed in each Note hereafter.

## Note 2. Change in Thales' directly owned investments

### 2022

In September 2022, Thales subscribed to the capital increase of Thales Cloud Secure for €2.8 million.

In December 2022, Thales subscribed to the capital increase of Thales Avionics Electrical Systems SAS for €25 million.

### 2021

In March 2021, Thales financed the acquisition of Vitrociset's space business by Telespazio for €8.1 million.

In June 2021, Thales subscribed to the capital increase of Thales Europe SAS for €45 million.

In July 2021, Thales subscribed to the capital increase of Thales Security Solutions & Services Company for €12.8 million.

Lastly, in September and December 2021, Thales acquired additional Crystal SAS shares for €3.2 million, thereby increasing its stake from 97.10% to 100%.

## Note 3. Operating profit/loss

In addition to its functions as a holding company (holding equity investments and managing central support functions and cash flow) the parent company manages the real estate of its French operating subsidiaries and carries out its own research activity in France.

### 3.1 Operating income

Consequently, operating income includes:

- rents re-invoiced to operating subsidiaries and sales of research, which represent the revenues (€248.0 million in 2022, compared with €245.2 million in 2021), primarily generated in France;
- royalties paid by subsidiaries for shared services and re-invoiced expenses for general and specific services provided to the subsidiaries by the parent company.

### 3.2 Operating expenses

Operating expenses mainly comprise personnel expenses (employees of the Thales parent company and directors), real estate rents and related services, and other external services, including those provided by Thales Global Services SAS, which incorporates the Group's shared services.

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## Note 4. Financial income

### 4.1 Accounting principles

The financial income mainly includes:

- interest expenses and finance costs on net debt;
- income and expenses related to Thales' directly owned investments (dividends and depreciation, see Note 8);
- the financial component of the increase in provisions for post-employment and other employee benefits (see Note 17);
- foreign exchange gains and losses (see Note 20).

### 4.2 Breakdown of financial income

	Notes	2022	2021
<b>NET INTEREST AND FINANCE COSTS</b>		<b>(27.1)</b>	<b>(18.2)</b>
<b>Interest and financial income on financial receivables</b>		<b>50.5</b>	<b>18.1</b>
Interest on Group company current account receivables and loans to subsidiaries and associates		38.8	6.4
Interest on cash and cash equivalents		11.7	11.7
<b>Interest and financial expenses</b>		<b>(65.6)</b>	<b>(30.6)</b>
Interest on Group company current account payables and borrowings from subsidiaries and associates		(38.7)	(1.1)
Interest on bonds and other borrowings		(26.9)	(29.5)
<b>Interest on interest rate swaps hedging borrowings</b>		<b>(1.0)</b>	<b>(0.8)</b>
<b>Interest on foreign exchange swaps hedging subsidiary financing</b>		<b>(11.0)</b>	<b>(4.9)</b>
<b>INCOME FROM INVESTMENTS</b>	<b>Note 23</b>	<b>1,102.0</b>	<b>519.1</b>
<b>OTHER FINANCIAL INCOME</b>		<b>126.0</b>	<b>49.3</b>
Reversal of provisions related to associate <sup>(a)</sup>		87.2	41.8
Reversals of provisions for impairment of treasury shares		1.2	0.2
Reversal of provisions for termination payments and others benefits	Note 17	32.6	1.1
Foreign exchange gains		—	3.5
Other		5.0	2.7
<b>OTHER FINANCIAL EXPENSES</b>		<b>(20.2)</b>	<b>(88.2)</b>
Increase in provisions related to associates <sup>(a)</sup>		(7.7)	(72.7)
Increase in provisions for impairment of treasury shares		—	(1.2)
Increase in provisions for impairment, current account		(3.7)	—
Loss on disposal of mutual funds		(6.3)	(11.4)
Other		(2.5)	(2.9)
<b>FINANCIAL INCOME (EXPENSE)</b>		<b>1,180.7</b>	<b>462.0</b>

(a) Provisions related to subsidiaries and associates	2022		2021	
	Reversal	Increase	Reversal	Increase
<b>Provisions for impairment of equity investments</b>	<b>79.7</b>	<b>(7.1)</b>	<b>24.7</b>	<b>(53.0)</b>
Thales Avionics Electrical Systems SAS	44.4	—	—	(26.6)
Thales Digital Factory SAS	—	—	—	(23.0)
ODAS	—	(3.0)	—	—
Avimo Group Ltd	—	(3.8)	10.4	—
Crystal SAS	25.5	—	—	—
Thales Global Services SAS	7.4	—	—	—
Other	2.4	(0.3)	14.3	(3.4)
<b>Provision for subsidiary risks (see note 17.2)</b>	<b>7.5</b>	<b>(0.6)</b>	<b>17.1</b>	<b>(19.7)</b>
Thales Digital Factory SAS	2.8	—	—	(16.9)
Thales Seso SAS	—	(0.2)	—	(2.8)
Thales Global Services SAS	4.7	—	10.2	—
Thales Security Solutions & Services Company	—	—	6.9	—
Thales Immobilien Deutschland GmbH	—	(0.4)	—	—
<b>TOTAL</b>	<b>87.2</b>	<b>(7.7)</b>	<b>41.8</b>	<b>(72.7)</b>



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## Note 5. Non-recurring income

### 5.1 Accounting principles

The non-recurring income includes:

- restructuring costs: these primarily relate to severance payments, redundancy payments, costs for notice periods not worked and other costs linked to the closure of facilities such as site rehabilitation or asset write-offs. All these costs and the costs directly linked to restructuring measures (removal costs, training costs for transferred employees etc.) are recognized as 'restructuring costs' in the income statement;
- capital gains or losses on the disposal of assets, in particular businesses or equity investments. As an exception to the guidelines of the French General Chart of Accounts and in order to give a more accurate presentation of these transactions, reversals of provisions for impairment of equity investments and reversals of provisions for subsidiary risks are included in income from disposals;
- other income and expenses arising on events that are unusual as regards their frequency, nature or amount.

### 5.2 Breakdown of non-recurring income

	2022	2021
<b>Restructuring costs</b>	<b>(5.0)</b>	<b>(11.3)</b>
Litigation <sup>(a)</sup>	39.3	50.6
Reversal of provisions and other	(9.8)	1.9
<b>NON-RECURRING INCOME (EXPENSE)</b>	<b>24.5</b>	<b>41.2</b>

(a) Compensation received as a result of a settlement agreement relating to a former dispute.

## Note 6. Corporate income tax

### 6.1 General framework and accounting principles

Since January 1<sup>st</sup>, 1992, Thales has opted for the Group tax consolidation regime. Thales is the head of a tax consolidation group that includes the majority of its French subsidiaries, pursuant to the tax regime provided for by Article 223A of the French General Tax Code.

In accordance with the tax consolidation agreement entered into between Thales and its subsidiaries, each subsidiary in the tax group records the amount of tax it would have paid had they been taxed separately. Any tax savings arising from the use of the tax losses of subsidiaries are recorded by the parent company and recognized in the income statement. However, the parent company may have to record a corresponding tax expense if and when these subsidiaries return to profit and are able to deduct the losses as they would have done had they been taxed separately.

The corporate income tax rate for financial year 2022 was 25.83%, compared with 28.41% in 2021, including the social contribution on profits.

The Company benefits from a tax credit related to the research efforts undertaken at its Palaiseau facility. This tax credit is recorded as a reduction in the corporate income tax charge.

### 6.2 Tax payable

The net corporate income tax breaks down as follows:

	2022	2021
Income tax benefit received from tax group subsidiaries	162.3	175.4
Income tax due to the French State	(156.7)	(138.4)
<b>Income tax benefit resulting from tax consolidation</b>	<b>5.6</b>	<b>37.0</b>
Research tax credit	6.4	8.7
Prior period adjustments and other taxes	(5.0)	4.6
<b>INCOME TAX BENEFIT</b>	<b>7.0</b>	<b>50.3</b>

### 6.3 Deferred tax situation

The Company has available future tax savings arising from timing differences between the tax and accounting treatment of income and expenses (€188.4 million as at December 31, 2022, compared with €192.9 million at year-end 2021). These mainly reflect provisions for contingencies and losses, in particular provisions for pensions which are not deductible for tax purposes.

There were no tax losses carried forward as at December 31, 2022.

The corresponding deferred tax is not recognized.

## Note 7. Property plant and equipment and intangible assets

### 7.1 Accounting principles

Intangible assets (mainly software and property plant and equipment) are recognized at their acquisition cost in the balance sheet. They are amortized or depreciated on a straight-line or declining balance basis over the period of their estimated useful lives (20 years for buildings and 3 to 10 years for other assets).

Fixed assets held under finance leases or hire purchase agreements are not recognized and are reported in off-balance sheet commitments.

### 7.2 Breakdown by type

	31/12/22			31/12/21		
	Gros value	Cumulative amort. and depr.	Net	Gros value	Cumulative amort. and depr.	Net
<b>Intangible assets</b>	<b>20.9</b>	<b>(20.9)</b>	<b>0.0</b>	<b>20.9</b>	<b>(20.5)</b>	<b>0.4</b>
Buildings	203.3	(167.6)	35.7	217.7	(175.1)	42.6
Industrial plant, equipment and machinery	62.7	(47.0)	15.7	59.9	(44.5)	15.4
Other	34.3	(10.9)	23.4	23.9	(9.6)	14.3
<b>Property, plant and equipment</b>	<b>300.3</b>	<b>(225.5)</b>	<b>74.8</b>	<b>301.5</b>	<b>(229.2)</b>	<b>72.3</b>
<b>TOTAL</b>	<b>321.2</b>	<b>(246.4)</b>	<b>74.8</b>	<b>322.4</b>	<b>(249.7)</b>	<b>72.7</b>

### 7.3 Change in net fixed assets

	Intangible assets	Property, plant and equipment	Total
<b>Net value at 01/01/2021</b>	<b>0.7</b>	<b>79.2</b>	<b>79.9</b>
Acquisitions	0.1	10.7	10.8
Reversal of depreciation and amortisation	—	0.1	0.1
Depreciation and amortisation	(0.4)	(17.7)	(18.1)
<b>Net value at 31/12/2021</b>	<b>0.4</b>	<b>72.3</b>	<b>72.7</b>
Acquisitions	—	18.9	18.9
Disposals	—	(0.6)	(0.6)
Depreciation and amortisation	(0.4)	(15.8)	(16.2)
<b>NET VALUE AT 31/12/2022</b>	<b>—</b>	<b>74.8</b>	<b>74.8</b>



## Note 8. Equity investments

### 8.1 Accounting principles

Equity investments are recorded at historical cost. Acquisition-related transaction costs are recognized in the income statement. When inventory value falls below book value, an impairment loss is booked for the difference.

The inventory value is determined by means of profitability forecasts, the underlying assets, recent transactions or the market price of any listed securities.

Profitability forecasts are determined on the basis of discounted future operating cash flows over a three-year period and a terminal value. In certain specific cases (recent acquisitions, non-typical annual results etc.), the terminal value is determined based on forecasts over an appropriate period of time. Forecasts for DIS are established based on a horizon consistent with the acquisition business plan.

The cash flows used are based on a two-year forecasting exercise, drawn up in accordance with Group procedures and extended for a further year. These flows reflect management's best estimate in the current economic environment.

The assumptions used concern growth in sales and terminal values. They are based on reasonable estimations in line with specific data available for each business segment (terminal value is usually based on average income from operations over three years, with growth capped at 2%). The discount rate applied in 2022 was 18%, as in 2021.

With respect to the avionics business, revenue projections were developed based on an assumption that air traffic will return to pre-crisis levels in 2024.

### 8.2 Change in equity investments

A breakdown of equity investments is presented in Note 23. The changes therein are presented below:

	Notes	Gross value	Provisions	Net
<b>VALUE AT 01/01/2021</b>		<b>15,550.8</b>	<b>(1,304.2)</b>	<b>14,246.6</b>
<b>Acquisitions/capital subscriptions and transactions</b>		<b>69.7</b>	<b>—</b>	<b>69.7</b>
Increase in capital of Thales Europe SAS		45.0	—	45.0
Increase in capital of Thales Security Solutions & Services Company		12.8	—	12.8
Financing an acquisition of Telespazio activity		8.1	—	8.1
Purchase of Crystal SAS shares		3.2	—	3.2
ACE Aéro partenaires fund subscription		0.6	—	0.6
<b>Increase in provisions of impairment</b>	<b>Note 4</b>	<b>—</b>	<b>(53.0)</b>	<b>(53.0)</b>
<b>Reversal of provisions for impairment</b>	<b>Note 4</b>	<b>—</b>	<b>24.7</b>	<b>24.7</b>
<b>VALUE AT 31/12/2021</b>		<b>15,620.5</b>	<b>(1,332.5)</b>	<b>14,288.0</b>
<b>Acquisitions/capital subscriptions and transactions</b>		<b>39.3</b>	<b>—</b>	<b>39.3</b>
Increase in capital of Thales Avionics Electrical Systems SAS		25.0	—	25.0
ACE Aéro partenaires fund subscription		6.4	—	6.4
MIRIS fund subscription		5.0	—	5.0
Increase in capital of Thales Cloud Secure		2.9	—	2.9
<b>Increase in provisions of impairment</b>	<b>Note 4</b>	<b>—</b>	<b>(7.1)</b>	<b>(7.1)</b>
<b>Reversal of provisions for impairment</b>	<b>Note 4</b>	<b>—</b>	<b>79.7</b>	<b>79.7</b>
<b>VALUE AT 31/12/2022</b>		<b>15,659.8</b>	<b>(1,259.9)</b>	<b>14,399.9</b>

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## Note 9. Other financial investments

### 9.1 Accounting principles

Other financial investments mainly include loan agreements signed by Thales with its direct or indirect subsidiaries and affiliates. These loans are presented separately from the current account agreements, which are used in the daily management of cash requirements or surpluses (see Note 10).

Other financial investments also include deposits paid as part of real estate commitments and other financial receivables.

An impairment loss is recognized according to the risk of non-recovery.

### 9.2 Breakdown by type

	Notes	31/12/22			31/12/21		
		Gross value	Impairment	Net value	Gross value	Impairment	Net value
Loans to direct subsidiaries and associates	Note 23	512.1	—	512.1	539.4	—	539.4
Loans to other Group subsidiaries		89.5	—	89.5	51.9	—	51.9
Other Financial investments		15.7	—	15.7	37.9	(1.7)	36.2
<b>TOTAL</b>		<b>617.3</b>	<b>—</b>	<b>617.3</b>	<b>629.2</b>	<b>(1.7)</b>	<b>627.5</b>

### 9.3 Breakdown by maturity and by currency

Breakdown by maturity	31/12/22	31/12/21
Less than 1 year	70.3	50.9
From 1 to 5 years	544.6	576.5
More than 5 years	2.4	0.1
<b>TOTAL</b>	<b>617.3</b>	<b>627.5</b>

Breakdown by currency	31/12/22	31/12/21
Euro	109.3	62.6
Pound sterling	496.1	523.6
South Africa rand	11.9	12.6
Thai bath	—	28.7
<b>TOTAL</b>	<b>617.3</b>	<b>627.5</b>

## Note 10. Current accounts of Group companies

### 10.1 General framework and accounting principles

The current accounts of Group companies presented in the Thales parent company balance sheet represent the receivables and payables between the parent company and its subsidiaries as part of the Group's cash management system.

Under this centralized system, the cash surpluses of subsidiaries are generally transferred to the Thales parent company. In return, the Thales parent company meets the cash flow requirements of the subsidiaries. Except in special cases, this system applies to all subsidiaries in which Thales has majority control.

The current account receivables and payables of Group companies are always recognized as due within one year.

### 10.2 Current account receivables

		31/12/22	31/12/21
Amounts due from direct subsidiaries and associates	Note 23	2,132.0	1,333.4
Amounts due from Thales Alenia Space (France and Italy)		238.7	458.4
Amounts due from other subsidiaries		450.1	306.3
<b>TOTAL</b>		<b>2,820.8</b>	<b>2,098.1</b>



## 10.3 Current account payables

		31/12/22	31/12/21
Amounts deposited by direct subsidiaries and associates	Note 23	7,107.5	6,164.7
Amounts deposited by Thales Alenia Space (France and Italy)		359.3	446.1
Amounts deposited by Thales Australia Ltd		100.8	190.1
Amounts deposited by other Group subsidiaries		2,217.9	1,911.8
<b>TOTAL</b>		<b>9,785.5</b>	<b>8,712.7</b>

## Note 11. Cash and other investments

### 11.1 Accounting principles

Cash and cash equivalents include bank accounts and short-term liquid investments that are easily converted into a known amount of cash and exposed to negligible risk of a change in value.

Investment securities include deposits in term accounts held with leading banks with maturities of between 3 and 12 months.

### 11.2 Cash and cash equivalents

Cash and cash equivalents available for immediate use amounted to €4,119.7 million as at December 31, 2022, compared with €4,271.4 million at year-end 2021. These amounts include €3,436.7 million (€3,406.0 million at year-end 2021) in sight and fixed-term bank deposits or UCITS funds.

## Note 12. Financial debt

### 12.1 Accounting principles

Bonds are recognized at their redemption value. Any issue or redemption premiums are recognized under the corresponding balance sheet heading and amortized pro rata temporis to the financial income. Bond issue expenses are recognized on a straight-line basis over the term of the bond.

### 12.2 Breakdown of borrowings

	Nominal rate	31/12/22	31/12/21
Bonds maturing in May 2028	Fixed 1%	700.0	700.0
Bonds maturing in January 2027	Fixed 0,25%	500.0	500.0
Bonds maturing in March 2026	Fixed 0%	500.0	500.0
Bonds maturing in January 2025	Fixed 0,75%	500.0	500.0
Bonds maturing in April 2024	Fixed 0,875%	500.0	500.0
Bonds maturing in June 2023	Fixed 0,75%	600.0	600.0
Bonds maturing in May 2022	Fixed 0%	—	500.0
Commercial paper		562.0	530.0
Others borrowings		698.0	765.2
Accrued interest		17.3	17.5
<b>GROSS BORROWINGS</b>		<b>4,577.3</b>	<b>5,112.7</b>

As at December 31, 2022, the Group has a confirmed bank credit line of €1.5 billion maturing in December 2027. This line does not include an early repayment clause.

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## 12.3 Breakdown of borrowings by maturity and by currency

Breakdown by maturity	31/12/22	31/12/21
Less than 1 year	1,268.5	1,170.1
From 1 to 5 years	2,608.8	2,742.6
More than 5 years	700.0	1,200.0
<b>TOTAL</b>	<b>4,577.3</b>	<b>5,112.7</b>

Breakdown by currency	31/12/22	31/12/21
Euro	3,968.5	4,436.6
Singapore dollar	—	33.5
Pound sterling	608.8	642.6
<b>TOTAL</b>	<b>4,577.3</b>	<b>5,112.7</b>

## Note 13. Shareholder equity

### 13.1 Share capital

Thales' share capital amounted to €640,233,927 and consists of 213,411,309 shares of €3 each as of December 31, 2021. The breakdown of share capital is set out below:

	31/12/22			31/12/21		
	Shares	% of capital	% of voting rights	Shares	% of capital	% of voting rights
T.S.A.	54,786,654	25.67%	35.15%	54,786,654	25.67%	34.75%
French state (including 1 golden share)	2,060	—	—	2,060	—	—
Public sector <sup>(a)</sup>	54,788,714	25.67%	35.15%	54,788,714	25.67%	34.75%
Dassault Aviation <sup>(b)</sup>	52,531,431	24.62%	29.92%	52,531,431	24.62%	29.79%
Thales <sup>(c)</sup>	3,277,303	1.53%	—	493,175	0.23%	—
Employees <sup>(d)</sup>	6,330,466	2.97%	3.81%	6,899,087	3.23%	3.99%
Other shareholders	96,483,395	45.21%	31.12%	98,698,902	46.25%	31.47%
<b>TOTAL <sup>(e)</sup></b>	<b>213,411,309</b>	<b>100.00%</b>	<b>100.00%</b>	<b>213,411,309</b>	<b>100.00%</b>	<b>100.00%</b>

(a) Under the terms of the shareholders' agreement with Dassault Aviation (the "Industrial Partner"), the "Public Sector" is represented by TSA, directly excluding the French State. Since January 29, 2018, the public institution EPIC Bpifrance has held all TSA capital, apart from one preferred share held by the French State. EPIC Bpifrance and the French State have also agreed to consult with TSA under the terms and conditions described in AMF Notice No. 218c0137 of January 16, 2018. All Thales shares held directly and indirectly by the French State have been in directly registered form for more than two years and thus have a double voting right as at December 31, 2022.

(b) As at December 31, 2022, Dassault Aviation holds 42,154,349 directly registered shares, of which 40,754,349 have been held for more than two years and therefore have double voting rights as at December 31, 2022, and also holds 10,377,082 bearer shares.

(c) Treasury shares comprise 73,942 bearer shares held under a liquidity contract and 3,203,361 directly registered shares.

(d) This line shows total employee share ownership. For information purposes, since Law No. 2019486 of May 22, 2019, employee share ownership within the meaning of the French Commercial Code (Article L. 225-102) excludes shares granted free of charge under the LTI Plans prior to 2016 (in the absence of an amendment to the bylaws to include such shares) and amounted, as at December 31, 2022, to 4,975,844 shares and 9,166,767 voting rights, i.e., 2.33% of the capital stock and 2.94% of the exercisable voting rights, respectively.

(e) No new shares were created in 2022 as the latest share subscription option plans expired in November 2021.

As at December 31, 2022, there were no securities giving access to the Company's capital.

### 13.2 Reserves and retained earnings

	31/12/21	Allocation of 2021 earnings	Balance of 2021 dividend	Interim dividend 2022	31/12/22
Legal reserve	64.0	—	—	—	64.0
Blocked reserve	8.3	—	—	—	8.3
Ordinary reserve	128.9	—	—	—	128.9
Other reserve	0.3	—	—	—	0.3
Retained earnings	2,106.5	452.2	(416.2)	(147.2)	1,995.3
<b>TOTAL</b>	<b>2,308.0</b>	<b>452.2</b>	<b>(416.2)</b>	<b>(147.2)</b>	<b>2,196.8</b>

For financial year 2021, Thales distributed €543.6 million in dividends (or €2.56 per share), including €127.4 million in interim dividends in December 2021, and €416.2 million in the balance paid in June 2022.

For the financial year 2022, Thales distributed an interim dividend of €147.2 million in December 2022.



## Note 14. Treasury shares

### 14.1 Accounting principles

Thales carries out transactions in its treasury shares in accordance with the authorizations granted to the Board of Directors by the Annual General Meeting.

At year-end, these shares are recorded and valued according to their allocation:

- Treasury shares that have not been assigned are recorded under other financial investments at their acquisition cost. At year-end, an impairment loss is recorded if the book value is higher than the average market price for the month of December;
- Treasury shares assigned to a free share plan and to employee share ownership are recorded under marketable securities either at their acquisition cost (if the shares were allocated from the beginning of the plan) or at their net carrying value at the reclassification date (if they were allocated after their acquisition).

These treasury shares are not measured at market value because they are set aside to be granted to employees. As a result:

- A provision for expenses is recorded in liabilities for shares granted to employees of Thales (the parent company) on a straight-line basis over the duration of the plan (i.e., 48 months). A provision is also recorded in liabilities for plans not covered by allocated shares;
- Plans not covered by allocated shares are also covered by a provision recorded in liabilities. Shares allocated to other Group employees are maintained at cost price, as they will be re-invoiced to the relevant subsidiaries for the same amount.

### 14.2 Change in treasury shares

#### Change in the number of treasury shares

	2022			2021		
	Freely transferable treasury shares	Treasury shares assigned to plans	Total treasury shares	Freely transferable treasury shares	Treasury shares assigned to plans	Total treasury shares
<b>At 1 January</b>	<b>456,711</b>	<b>36,464</b>	<b>493,175</b>	<b>497,596</b>	<b>—</b>	<b>497,596</b>
Purchases under the liquidity contract	735,314	—	735,314	1,413,610	—	1,413,610
Disposals for liquidity purposes	(781,117)	—	(781,117)	(1,494,365)	—	(1,494,365)
Sale to employees (employee share plan)	—	(36,106)	(36,106)	—	(563,536)	(563,536)
Stock market purchases	2,995,104	—	2,995,104	190,000	600,000	790,000
Delivery of free shares	(129,067)	—	(129,067)	(150,130)	—	(150,130)
Reclassified shares	358	(358)	—	—	—	—
<b>Net change</b>	<b>2,820,592</b>	<b>(36,464)</b>	<b>2,784,128</b>	<b>(40,885)</b>	<b>36,464</b>	<b>(4,421)</b>
<b>At 31 December</b>	<b>3,277,303</b>	<b>—</b>	<b>3,277,303</b>	<b>456,711</b>	<b>36,464</b>	<b>493,175</b>

#### Change in the value of treasury shares

	2022	2021
<b>Freely transferable treasury shares</b>		
<b>At 1 January</b>	<b>34.7</b>	<b>38.6</b>
Purchases under the liquidity contract	74.0	112.9
Disposals for liquidity purposes	(73.8)	(118.9)
Stock market purchases	356.1	15.9
Delivery of free shares	(8.7)	(13.8)
Reclassified shares	—	—
<b>At 31 December</b>	<b>382.3</b>	<b>34.7</b>
Impairment	—	(1.2)
<b>Net at 31 December</b>	<b>382.3</b>	<b>33.5</b>
Average share price for December	€120.20	€73.35
<b>Cost of outstanding plans (Thales SA share)</b>		
Provisions for contingencies and losses	(15.6)	(8.9)
<b>Treasury shares assigned to plans</b>		
<b>At 1 January</b>	<b>3.0</b>	<b>—</b>
Sale to employees (employee share plan)	(3.0)	(46.8)
Stock market purchases	—	49.8
Reclassified shares	—	—
<b>At 31 December <sup>(a)</sup></b>	<b>—</b>	<b>3.0</b>

(a) Shares allocated to UK employees under the employee share ownership plan.

## Note 15. Employee share/option plans

As at December 31, 2022, the following were outstanding:

- 1,149,763 free shares;
- 505,954 phantom shares, cash-settled at the end of a 4-year vesting period.

All these plans are subject to internal performance conditions over the three years following the assignment date. Their characteristics are described in Chapter 6.2 of the 2022 Universal Registration Document.

There are no outstanding stock options as the last plan expired in September 2021.

### 15.1 Allotment of free shares

Date of Board decision	Vesting period	Share price at grant date	Number of free shares at 31/12/21 <sup>(a)</sup>	Shares allotted in 2022	Shares cancelled in 2022	Shares issued in 2022	Number of free shares at 31/12/22
30/06/2022	30/06/2022 to 30/06/2026	€116.00	—	268,555	(1,070)	—	267,485
01/07/2021	01/07/2021 to 01/07/2025	€86.04	301,950	—	(4,940)	—	297,010
24/11/2020	24/11/2020 to 24/11/2024	€79.60	372,050	—	(10,085)	(180)	361,785
25/09/2019	25/09/2019 to 25/09/2023	€104.50	231,836	—	(7,910)	(443)	223,483
27/09/2018	27/09/2018 to 27/09/2022	€121.75	128,563	—	(1,152)	(127,411)	—
							<b>1,149,763</b>

(a) After adjustments.

### 15.2 Allotment of phantom shares indexed to the value of Thales shares

Date of Board decision	Vesting period	Number of phantom shares at 31/12/21 <sup>(a)</sup>	Phantom shares issued in 2022	Phantom shares cancelled in 2022	Phantom shares delivered in 2022	Number of phantom shares at 31/12/22
30/06/2022	30/06/2022 to 30/06/2026	—	84,385	(785)	—	83,600
01/07/2021	01/07/2021 to 01/07/2025	100,960	—	(2,980)	—	97,980
24/11/2020	24/11/2020 to 24/11/2024	215,520	—	(19,310)	—	196,210
25/09/2019	25/09/2019 to 25/09/2023	142,836	—	(14,672)	—	128,164
27/09/2018	27/09/2018 to 27/09/2022	42,232	—	—	(42,232)	—
						<b>505,954</b>

(a) After adjustments.

## Note 16. Inventories, receivables and payables

### 16.1 Inventories

At year-end 2022, inventories included work-in-progress in connection with the Company's real estate and research activities.

### 16.2 Receivables and payables - Accounting principles

Payables and receivables denominated in foreign currencies are revalued at the closing price.

Thales (the parent company) hedges foreign exchange risks related to contracts or normal commercial transactions on behalf of its subsidiaries.

Temporary cash flow differences between amounts received from/paid to subsidiaries and Thales' receipts/disbursements to banks in connection with the management of foreign exchange derivatives are recognized in the balance sheet under 'Translation adjustment', in accordance with the principle of symmetry applicable to hedging transactions.



## 16.3 Breakdown of receivables and payables

			31/12/22	31/12/21
	Gross	Provisions	Net	Net
<b>Advances to suppliers</b>	<b>0.1</b>	<b>—</b>	<b>0.1</b>	<b>0.1</b>
<b>Trade receivables</b>	<b>208.1</b>	<b>(2.0)</b>	<b>206.1</b>	<b>189.6</b>
<b>Other receivables</b>	<b>244.6</b>	<b>(3.9)</b>	<b>240.7</b>	<b>256.4</b>
French state, corporate income tax	90.8	—	90.8	128.0
Tax and social security receivables	43.4	—	43.4	31.9
Other <sup>(a)</sup>	110.4	(3.9)	106.5	96.5
<b>TOTAL</b>	<b>452.8</b>	<b>(5.9)</b>	<b>446.9</b>	<b>446.1</b>
<b>Advances received on orders in progress</b>	<b>29.3</b>	<b>—</b>	<b>29.3</b>	<b>25.4</b>
<b>Trade payables</b>	<b>96.1</b>	<b>—</b>	<b>96.1</b>	<b>70.5</b>
<b>Other liabilities</b>	<b>336.2</b>	<b>—</b>	<b>336.2</b>	<b>235.1</b>
Taxe liabilities towards consolidated subsidiaries	105.3	—	105.3	55.8
Tax liabilities excluding corporate income tax and social security	109.7	—	109.7	96.7
Other <sup>(b)</sup>	121.2	—	121.2	82.6
<b>TOTAL</b>	<b>461.6</b>	<b>—</b>	<b>461.6</b>	<b>331.0</b>

(a) Including prepaid expenses (rent-free periods) and various transactions managed by the Group Treasury Department.

(b) Including rent-free periods and various transactions managed by the Group Treasury Department.

## 16.4 Breakdown of receivables and payables by maturity as at December 31, 2022

	Net	Maturity		
		< 1 year	1 to 5 years	> 5 years
Advances to suppliers	0.1	0.1	—	—
Trade receivables	206.1	206.1	—	—
Other receivables	240.7	224.0	10.1	6.6
<b>TOTAL RECEIVABLES</b>	<b>446.9</b>	<b>430.2</b>	<b>10.1</b>	<b>6.6</b>
Advances received on orders in progress	29.3	29.3	—	—
Trade payables	96.1	96.1	—	—
Other liabilities	336.2	238.2	79.5	18.5
<b>TOTAL LIABILITIES</b>	<b>461.6</b>	<b>363.6</b>	<b>79.5</b>	<b>18.5</b>

## Note 17. Provisions for contingencies and losses

### 17.1 Accounting principles

The Group records a provision when it recognizes a legal or constructive obligation resulting from a past event for which an outflow of resources will be required and a reliable estimate of the amount can be made. Provisions are generally recorded for the following:

#### Provisions for post-employment and other employee benefits

The financing of pensions mainly involves statutory retirement schemes (social security supplementary schemes such as ARRCO and AGIRC, etc.) for which the recognized expense is equal to the contributions paid. These are recorded in the year in which they are incurred.

The Company grants its employees termination payments and other long-term benefits (long service awards and an additional week of annual leave during the employee's 35<sup>th</sup> year of service within the Group). Some senior executives are also eligible for a supplementary pension plan.

In accordance with ANC recommendation no. 2013-02, a provision is recognized for obligations that qualify as defined benefit plans. It is calculated on the basis of an actuarial valuation determined using the projected unit credit method and taking into account future salary levels. This method, which consists of assessing, for each employee, the present value of the benefits to which he or she will be entitled at the due date, incorporates assumptions concerning financial discounting, inflation, mortality and employees turnover.

These plans are recognized in the company's financial statements as follows:

- the service cost, corresponding to the increase in the obligation during the reporting period, is recognized in operating income/expense;
- the costs of unwinding the net obligation as well as actuarial gains and losses due to changes in assumptions and experience adjustments (difference between projected and actual) are recognized in financial income;
- the impact of plan amendments following renegotiations of employee benefits is recognized in non-recurring income.

### Provisions for subsidiary risks

Equity investments held by Thales are measured at the end of each reporting period and an impairment loss is recorded if necessary. In the event that the investment is fully written down and Thales' share in the shareholder equity of the subsidiary or affiliate becomes negative, a provision for subsidiary risks may be recognized when necessary.

### Provisions for restructuring

Provisions for restructuring costs are recorded when a restructuring program has been agreed with a third party, approved by company management and announced before the reporting date, resulting in an obligation to the third parties in question and for which the company does not expect any consideration for costs.

## 17.2 Breakdown of provisions

	31/12/21	Provisions	Reversal	31/12/22
Postemployment and other employees benefits (see Note 17.3)	128.3	10.8	(38.9)	100.2
Subsidiary risks	25.0	0.6	(7.4)	18.2
Restructuring	1.5	0.5	(0.6)	1.4
Free shares	8.9	11.9	(5.2)	15.6
Other	48.9	27.6	(7.2)	69.3
<b>TOTAL</b>	<b>212.6</b>	<b>51.4</b>	<b>(59.3)</b>	<b>204.7</b>

## 17.3 Post-employment and other employee benefits

The provisions in the balance sheet may be broken down as follows:

	2022		
	Pensions	Other benefits	Total
<b>Provision as at December 31, 2021</b>	<b>(124.5)</b>	<b>(3.8)</b>	<b>(128.3)</b>
<b>Net reversal of provisions, as which:</b>	<b>27.7</b>	<b>0.4</b>	<b>28.1</b>
Current services cost	(5.4)	(0.2)	(5.6)
Financial expense :	32.1	0.6	32.7
• Net interest cost	(0.9)	—	(0.9)
• Actuarial gains/loses	33.0	0.6	33.6
Benefits and contributions paid	2.6	0.2	2.8
Plan amendment	—	—	—
Other	(1.6)	(0.2)	(1.8)
<b>Provision as at December 31, 2022</b>	<b>(96.8)</b>	<b>(3.4)</b>	<b>(100.2)</b>
Of which:			
• Commitments	(141.9)	(3.4)	(145.3)
• Investments	45.1	—	45.1

The actuarial assumptions used to estimate the commitments are the following:

	31/12/22	31/12/21
Discount rate	3.71%	0.74%
Inflation rate	2.35%	1.50%

## Note 18. Legal risks

As at the date of publication of this document, there are no governmental, judicial or arbitration claims of which the company is aware which are pending or threatened, which could have or which had in the course of the last 12 months a material impact on the financial position or the profitability of the company.





## Note 19. Off-balance sheet commitments

### 19.1 Deposits and guarantees

Commitments given	31/12/22	31/12/21
Guarantees given by Thales under commercial contacts signed by operating entities	10,915.7	9,902.4
Guarantees given to banks for facilities granted to subsidiaries	4,439.7	3,497.7
Counter-guarantee given to the trustees to cover Thales' pension obligations in the UK	1,095.6	1,161.3
Other guarantees given to Group subsidiaries	675.0	635.7
Other guarantees given	436.3	453.4
<b>Total</b>	<b>17,562.3</b>	<b>15,650.5</b>
Of which, relating to Thales direct subsidiaries (see Note 23)	5,002.1	3,453.2
Of which, related to other Group subsidiaries	12,319.4	11,950.6
Of which, related to direct and indirect affiliates	240.8	246.8

Commitments received	31/12/22	31/12/21
Debt write-offs granted to related companies with clawback provisions	4.3	4.3

### 19.2 Property leasing commitments

	31/12/22	31/12/21
Operating leases	856.9	793.3
Less than 1 year	120.4	113.0
From 1 to 5 years	389.0	399.7
More than 5 years	347.5	280.6

## Note 20. Market risks

### 20.1 Accounting principles

The Thales parent company's Treasury and Financing Department is active in the financial markets in order to reduce the interest rate and foreign exchange risks of the Group.

#### Interest rate derivatives

Thales uses interest rate derivatives to manage and reduce its exposure to interest rate fluctuations. When the derivatives are designated as hedging instruments, the gains and losses on the hedge are recognized in the same period as the hedged item.

#### Currency derivatives

Thales hedges foreign exchange risks arising on commercial offers entered into by its subsidiaries and denominated in currencies other than the main operating currency.

When the hedged item has a sufficient probability of occurrence, the foreign exchange derivatives subscribed by Thales with banking counterparties qualify for hedge accounting. Gains and losses on bank derivatives are then recognized in income at the same rate as the gains and losses realized on the guarantees offered to subsidiaries, in accordance with the principle of symmetry applicable to hedging transactions. Foreign exchange premiums are amortized in the income statement on a straight-line basis over the term of the hedge.

When hedged items do not have a sufficient probability of occurrence, the foreign exchange derivatives are deemed as isolated open positions. In this case, the market value of the derivative is recognized in the balance sheet as an offsetting entry in a suspense account (also in the balance sheet). A provision is recorded in the event of negative valuation. This valuation takes into account Thales' guarantee commitments to subsidiaries under these offers.

Thales hedges foreign exchange risks related to firm contracts and normal commercial transactions on behalf of its subsidiaries. As such, it guarantees its operating subsidiaries a specific exchange rate for each transaction and backs up its position by arranging currency derivatives with banking counterparts. Gains and losses on bank derivatives are then recognized in income at the same rate as the gains and losses realized on the guarantees offered to subsidiaries, in accordance with the principle of symmetry applicable to hedging transactions.

Thales hedges the foreign exchange risks related to its cash management system. The gains and losses on currency derivatives are offset by the gains and losses resulting from the revaluation of the hedged Group company current accounts and loans; however, gains or losses related to the derivatives' swap points are spread over the term of the hedge.

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## 20.2 Interest rate risk management

As at December 31, 2022 and 2021, the Company held the interest rate derivative instruments described below. All these instruments are qualified as hedges.

Interest rate derivatives	31/12/22		31/12/21	
	Nominal	Market value	Nominal	Market value
<b>Fixed-for-floating interest rate swaps</b>				
• swaps related to bond maturing in 2023	400.0	(4.0)	400.0	4.0
• swaps related to treasury bills	512.0	(0.7)	—	—
<b>Floating-for-fixed interest rate swaps</b>				
• refixing swaps/bonds maturing in 2023	400.0	3.2	400.0	(5.7)
• pre-hedging swap related to bond maturing in 2024 <sup>(a)</sup>	—	(1.0)	—	(1.6)
• swaps backing a loan	—	—	0.9	—

(a) Swaps of €500 million put in place prior to the issue, returned on the issue date (April 2018).

## 20.3 Foreign exchange risk management

As at December 31, 2022 and 2021, the derivatives subscribed by Thales with bank counterparties were as follows:

	31/12/22					31/12/21	
	USD	GBP	Other	Total	Market value	Total	Market value
<b>Hedges of commercial offers and transactions:</b>							
Forward currency sales	4,178.5	815.6	1,840.5	6,834.5	(42.4)	6,049.0	(99.6)
Forward currency purchases	1,397.1	834.6	1,977.6	4,209.4		3,871.3	
Currency sales (call and put options)	36.8	—	3.4	40.2	3.0	37.4	0.4
Currency purchases (call and put options)	101.8	—	36.7	138.5		35.5	
<b>Hedges related to cash management:</b>							
Currency sales foreign exchange swaps	1,560.2	—	445.6	2,005.8	(116.2)	1,602.1	(36.4)
Currency purchases foreign exchange swaps	16.2	1,081.0	534.1	1,631.2		1,698.1	

In addition, Thales has granted its operating subsidiaries “mirror” foreign exchange guarantees in relation to firm contracts or normal commercial operations.

Thales has also granted its operating subsidiaries foreign exchange guarantees on commercial offers, subject to the subsidiary winning the respective contract.



## Note 21. Related parties

### 21.1 Definition

The Group's related parties are: the shareholders of the parent company Thales (notably the French State and Dassault Aviation), companies controlled by these same shareholders, companies under joint control, companies under significant influence, and management.

### 21.2 Agreements with Thales shareholders

Section 6.2.3.3 of the 2022 Universal Registration Document describes the main provisions relating to the shareholders' agreement governing the relationship between the French State (the "Public Sector") and Dassault Aviation (the "Industrial Partner") within Thales,

the agreement on the protection of national strategic interests, and the specific agreement between the French State and Thales.

### 21.3 Agreements with Naval Group

Since December 2011, Thales has held a 35% stake in Naval Group, a subsidiary jointly controlled with the French government.

Thales and Naval Group have also signed an industrial and commercial cooperation agreement designed to optimize the two groups' activities in the naval sector (market access, R&D, procurement).

### 21.4 Executive compensation

The compensation, benefits, and social security contributions relating to the Directors and the Executive Committee break down as follows:

	2022	2021
<b>Short-term benefits</b>		
• Fixed remuneration	6.0	5.1
• Variable remuneration	5.8	3.1
• Severance pay	–	0.8
• Employer's social security contributions	4.7	3.3
• Directors' fees	0.6	0.6
<b>Other benefits</b>		
• Pensions	3.1	2.0

As at December 31, 2022, the share of pension liabilities for senior executives (see Note 17.3) amounted to €12 million.

## Note 22. Events after the reporting period

The Group is not aware of any significant events occurring after the closing date.

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## Note 23. Subsidiaries and affiliates

(in millions)

Company data (in local currency)

			Previous financial year sales, excluding tax	Previous financial year earnings	Share capital
<b>A. Detailed information on subsidiaries and affiliates whose gross value exceeds 1% of the Company's share capital</b>					
<b>1. Subsidiaries</b>					
	GEMALTO B.V	EUR	18.2	45.2	88.6
	THALES HOLDING UK PLC	GBP	0.0	-9.5	726.8
	THALES AVS FRANCE	EUR	1,397.3	120.4	213.1
	THALES DMS FRANCE SAS	EUR	1,968.0	327.9	122.2
	THALES IAS FRANCE	EUR	2,055.7	224.0	199.8
	THALES USA INC	USA	65.7	-99.1	381.0
	THALES ALENIA SPACE SAS	EUR	0.0	161.2	918.0
	THALES DIS FRANCE SA	EUR	0.0	252.6	669.5
	THALES MANAGEMENT & SERVICES DEUTSCHLAND GMBH	EUR	0.0	45.4	27.1
	THALES INTERNATIONAL SAS	EUR	0.0	20.9	313.0
	AVIMO GROUP Ltd	SGD	0.0	0.7	22.1
	THALES NETHERLAND BV	EUR	499.9	14.2	29.5
	THALES DIGITAL FACTORY	EUR	18.8	3.4	40.1
	THALES UNDERWATER SYST NV	EUR	0.0	0.0	4.5
	THALES AVIONICS ELECTRICAL SYSTEMS S.A.S.	EUR	112.3	3.9	6.9
	THALES SERVICES NUMERIQUES SAS	EUR	528.6	37.3	1.5
	SIFELEC	EUR	0.0	0.0	38.3
	THALES EUROPE SAS	EUR	0.0	25.2	23.2
	THALES HOLDING NORWAY AS	NOK	0.0	0.0	419.8
	THALES CORPORATE VENTURES SAS	EUR	0.0	1.4	15.0
	THALES CANADA INC	CAD	418.1	282.3	20.8
	THALES BELGIUM S.A.	EUR	121.0	8.3	31.9
	THALES IMMOBILIER GROUPE	EUR	0.0	4.2	20.0
	THALES SESO SAS	EUR	13.6	0.0	0.4
	THALES GLOBAL SERVICES SAS	EUR	734.3	17.2	0.5
	THALES SUISSE SA	CHF	33.7	2.2	40.0
	CMT MEDICAL TECHNOLOGIES LTD	USD	11.6	-3.9	1.0
	THALES COMMUNICATIONS Ltda	BRL	0.0	0.0	0.0
<b>Subsidiaries total</b>					
<b>2. Affiliates</b>					
	NAVAL GROUP	EUR	4,353.2	339.4	563.0
	TELESPAZIO SpA	EUR	650.0	45.2	50.0
	ELETTRONICA SPA	EUR	—	16.1	—
	LYNRED	EUR	229.0	17.4	6.0
	UNITED MONOLITHIC SEMICONDUCTORS HOLDING	EUR	—	3.2	33.9
<b>Affiliates total</b>					
<b>TOTAL (A)</b>					
<b>B. Detailed disclosures concerning other subsidiaries and affiliates</b>					
<b>1. Subsidiaries not listed in section A</b>					
French subsidiaries					
Foreign subsidiaries					
<b>Total</b>					
<b>2. Affiliates not listed in section A</b>					
In French companies					
In foreign companies					
<b>Total</b>					
<b>TOTAL (B)</b>					
<b>OVERALL TOTAL (A + B)</b>					
<b>Information concerning related companies</b>					
Direct subsidiaries of Thales (A)					
Direct subsidiaries of Thales (B)					
Other Group subsidiaries					



## Contribution of subsidiaries and affiliates to Thales' financial statements (EUR)

Shareholders' equity, other than share capital	Carrying amount (gross value)	Carrying amount (net value)	Share capital held	Loans and advances granted by Thales not yet paid	Receivables	Liabilities	Deposits and guarantees given by Thales	Dividends received by Thales during the financial year
2,752.7	4,762.4	4,762.4	100 %	0.0	478.3	223.4	0.0	0.0
399.0	2,571.7	1,870.1	100 %	496.1	19.2	373.2	112.8	0.0
138.2	1,016.0	1,016.0	93 %	0.0	0.5	691.2	380.5	30.9
329.2	802.6	802.6	100 %	0.0	0.0	3,142.5	1,441.4	336.1
490.5	754.9	754.9	100 %	0.0	0.0	1,591.9	55.3	187.1
487.4	710.6	710.6	100 %	0.0	327.5	0.0	1,172.0	0.0
539.2	683.1	683.1	67 %	0.0	0.0	5.6	0.0	54.1
154.4	590.8	590.8	82 %	0.0	34.2	267.2	0.0	160.4
222.3	545.0	545.0	100 %	0.0	0.0	370.6	5.0	0.0
43.8	398.5	398.5	100 %	0.0	154.5	0.0	6.0	28.0
34.6	250.7	113.0	100 %	0.0	0.0	36.4	0.0	0.0
209.4	235.2	235.2	99 %	0.0	2.8	272.0	366.8	123.6
-11.3	155.6	0.0	100 %	0.0	89.1	0.0	0.0	0.0
4.1	129.2	8.6	100 %	0.0	0.0	0.0	0.0	0.0
37.3	119.6	119.6	100 %	0.0	0.0	5.0	0.0	0.0
244.0	237.4	237.4	100 %	10.0	0.3	59.3	38.8	22.1
4.5	113.8	113.8	100 %	0.0	0.0	32.2	0.0	0.0
-7.9	88.2	88.2	100 %	0.0	300.0	0.0	0.0	0.0
-186.9	77.1	77.1	100 %	0.0	0.0	0.0	0.0	0.0
7.1	73.3	14.9	100 %	0.0	0.0	6.2	0.0	1.0
-253.7	63.7	63.7	100 %	0.0	7.2	18.9	869.3	105.5
-5.7	53.2	53.2	100 %	0.0	0.0	2.2	142.4	2.2
13.3	40.0	37.6	100 %	0.0	80.2	0.0	0.0	3.1
5.5	36.4	0.0	100 %	0.0	6.2	0.0	0.0	0.0
10.0	33.4	7.4	100 %	0.0	45.2	0.2	0.3	0.0
23.0	26.4	26.4	100 %	0.0	71.1	0.0	60.9	0.0
26.5	21.8	21.8	100 %	0.0	0.1	0.0	0.0	0.0
0.0	11.0	0.0	100 %	0.0	0.0	0.0	0.0	0.0
	<b>14,601.6</b>	<b>13,351.9</b>		<b>506.1</b>	<b>1,616.4</b>	<b>7,098.0</b>	<b>4,651.5</b>	<b>1,054.1</b>
313.0	833.7	833.7	35 %	—	—	—	—	27.6
224.9	89.8	89.8	33 %	4.9	—	—	—	10.5
94.7	26.7	26.7	33 %	—	—	—	—	3.8
158.4	26.4	26.4	50 %	—	—	—	—	5.0
12.9	24.3	24.3	50 %	—	—	—	—	—
	<b>1,000.9</b>	<b>1,000.9</b>		<b>4.9</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>46.9</b>
	<b>15,602.5</b>	<b>14,352.8</b>		<b>511.0</b>	<b>1,616.4</b>	<b>7,098.0</b>	<b>4,651.5</b>	<b>1,101.0</b>
	9.4	6.3		—	15.2	5.0	—	0.9
	0.7	0.1		—	—	—	—	—
	10.1	6.4		—	15.2	5.0	—	0.9
	27.0	24.0		1.1	425.4	—	—	0.1
	20.2	16.7		—	75.0	4.5	350.6	—
	<b>47.2</b>	<b>40.7</b>		<b>1.1</b>	<b>500.4</b>	<b>4.5</b>	<b>350.6</b>	<b>0.1</b>
	<b>57.3</b>	<b>47.1</b>		<b>1.1</b>	<b>515.6</b>	<b>9.5</b>	<b>350.6</b>	<b>1.0</b>
	<b>15,659.8</b>	<b>14,399.9</b>		<b>512.1</b>	<b>2,132.0</b>	<b>7,107.5</b>	<b>5,002.1</b>	<b>1,102.0</b>
				506.1	1,616.4	7,098.0	4,651.5	1,054.1
				—	15.2	5.0	—	0.9
				6.0	500.4	4.5	350.6	47.0

## Investments made and thresholds crossed in French companies in financial years 2021 and 2022

Percentage of investment owned <i>(in thousand of euros)</i>	As at 12/31/21					As at 12/31/22				
	> 5%	> 20%	> 33%	> 50%	> 66%	> 5%	> 20%	> 33%	> 50%	> 66%
<b>1. Increases</b>										
196 Centelec SAS	—	—	—	—	—	—	—	—	—	100%
197 Centelec SAS	—	—	—	—	—	—	—	—	—	100%
198 Centelec SAS	—	—	—	—	—	—	—	—	—	100%
199 Centelec SAS	—	—	—	—	—	—	—	—	—	100%
200 Centelec SAS	—	—	—	—	—	—	—	—	—	100%
Centelec UK Limited	—	—	—	—	—	—	—	—	—	100%
194 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
195 Centelec SAS	—	—	—	—	100%	—	—	—	—	—
Crystal SAS	—	—	—	—	100%	—	—	—	—	—
<b>2. Decreases</b>										
199 Centelec SAS	—	—	—	—	—%	—	—	—	—	100%
Crystal SAS	—	—	—	—	—%	—	—	—	—	100%
Thales Cloud Securise	—	—	—	—	—%	—	—	—	—	95%
192 Centelec SAS	—	—	—	—	100%	—	—	—	—	—%
193 Centelec SAS	—	—	—	—	100%	—	—	—	—	—%
195 Centelec SAS	—	—	—	—	100%	—	—	—	—	—%
SAS Chatellerault Brelandière	—	—	—	—	100%	—	—	—	—	—%
SAS Etreilles	—	—	—	—	100%	—	—	—	—	—%
Cholet Parc SAS	—	—	—	—	100%	—	—	—	—	—
SAS Immeuble Pour l'Electronique	—	—	—	—	100%	—	—	—	—	—
SAS Saint Heand	—	—	—	—	100%	—	—	—	—	—



## Note 24. Information on existing branches (Article L. 232-1 II of the French Commercial Code)

As at December 31, 2022, Thales had a secondary facility registered in France with the Companies Register and indicated on its Kbis company registration certificate.

### 7.2.2.6 Company financial summary for the last five years

	2018	2019	2020	2021	2022
<b>1. Share capital at year-end</b>					
Share capital	639.3	640.0	640.1	640.2	640.2
Number of ordinary shares outstanding	213,104,081	213,317,506	213,365,958	213,411,309	213,411,309
Maximum number of shares to be created in future by exercise of share subscription options	309,738	93,803	43,305	0	0
<b>2. Operations and results for the year</b>					
Revenues excluding tax	228.6	252.5	237.8	245.2	248.0
Earnings before tax, employee profit-sharing, depreciation, amortisation and provisions	443.4	479.9	462.7	450.3	1,046.2
Income tax benefit	61.4	43.1	78.9	50.3	7.0
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	453.4	501.9	509.3	452.2	1,122.8
Distributed net profit	442.0	127.3	374.7	543.6	147,2 <sup>(a)</sup>
<b>3. Earnings per share</b>					
Earnings after tax and employee profit-sharing but before amortisation, depreciation and provisions	2.37	2.45	2.54	2.35	4.93
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	2.13	2.35	2.39	2.12	5.26
Net dividend per share	2.08	0.60	1.76	2.56	2.94 <sup>(b)</sup>
<b>4. Employees</b>					
Average headcount during the year, of which:	828	876	873	849	873
• Engineers and managers	736	790	792	779	812
• Technicians and supervisors	92	86	81	70	61
Personnel expenses, of which:	226.4	232.1	212.7	222.4	241.2
• Total payroll for the year	164.5	165.0	151.5	156.6	170.9
• Social security and other social welfare benefits paid during the year	61.9	67.1	61.2	65.8	70.3

2018: Capital increased from €637,976,175.0 to €639,312,243.0 following a capital increase.

2019: Capital increased from €639,312,243.0 to €639,952,518.0 following a capital increase.

2020: Capital increased from €639,952,518.0 to €640,097,874.0 following a capital increase.

2021: Capital increased from €640,097,874.0 to €640,233,927.0 following a capital increase.

2022: No change in capital compared to end 2021.

(a) Interim dividend.

(b) Subject to approval by the Annual General Meeting of May 10, 2023.

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## 7.3 Statutory auditors' reports

### 7.3.1 Statutory auditors' report on the consolidated financial statements

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or the verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

#### Year ended December 31, 2022

To the Annual General Meetings of Thales,

#### Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Thales for the year ended December 31, 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

#### Basis for Opinion

##### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

#### Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1<sup>st</sup>, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014.

#### Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.



## Impairment tests of cash-generating units (CGUs)

### Risk identified

As at December 31, 2022, goodwill amounted to M€ 5,470 and other intangible assets and property, plant and equipment amounted to M€ 5,044.7.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs corresponding to your Group's global business units.

Management conducts impairment tests on your Group's CGUs. Substantially all intangible assets and other property, plant and equipment are tested at the CGU level.

Both the methodology applied and the detailed assumptions used are described in Notes 1.5 "Main sources of estimates" and 4.1 b) "Impairment tests" to the consolidated financial statements.

The valuation of the value in use of each CGU is determined on the basis of discounted future cash flows which rely on Management's assumptions, estimates or significant judgment. We considered impairment tests of cash-generating units (CGUs) to be a key audit matter.

### Our response

With our valuation experts integrated in the audit team, our work notably consisted in:

- reconciling the net carrying amount of assets tested for each CGU with the consolidated financial statements;
- examining the implementation of these tests, the valuation methodology of the value in use and the arithmetical accuracy of the calculations performed;
- assessing the cash flow forecasts in regard to the economic and financial environment of each business line, the consideration of action plans related to the impacts of climate-related matters and the financial performance for the period;
- assessing the actuarial assumptions used, taking into account the economic context and in particular components such as inflation forecasts;
- examining the consistency of the forecasts for the first two years with the budget submitted to the Board of Directors, as well as the consistency between the forecasts for the following years with Management's latest estimates;
- assessing the consistency of the growth rate used to calculate future operating cash flows with existing market analysis and analysts' consensus;
- examining the different parameters used to calculate the weighted average cost of capital applied to future cash flows;
- performing sensitivity analyzes on the CGUs' value in use determined by Management to changes on the discount rate, the long-term growth rate and the EBIT rate.

Finally, we also assessed the appropriateness of the information provided in Note 4 "Property, plant and equipment and intangible assets" to the consolidated financial statements.

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## Recognition of revenue and contract costs

### Risk identified

A significant part of your Group's revenue and current operating income stems from the recognition of various contracts. Regarding contracts whose transfer of control is gradual, revenue is recognized using the percentage of completion method (M€ 11,041.0 for the year ended December 31, 2022). Regarding contracts whose transfer of control is carried out at completion, revenue is recognized at the time of such completion (M€ 6,527.8 for the year ended December 31, 2022).

Your Company determines the revenue and the margin of the contracts in accordance with the terms and conditions described in Notes 1.5 "Main sources of estimates" and 13-c "Accounting policies – Revenue" to the consolidated financial statements.

Recognition of revenue and margin relating to those contracts during an accounting closing primarily depends on:

- estimates of the revenue and margin at completion of each contract, and notably on the level of provisions for technical, contractual and commercial risks;
- costs incurred to date in relation to total costs estimated at completion.

Estimates of costs at completion, as well as the achievement of technical milestones for these contracts whose transfer of control is gradual, are based on your Group's information systems and internal procedures, notably involving account managers. These estimates are reviewed regularly by the Operations and Financial departments, particularly at each closing date.

We considered the recognition of revenue and contract costs to be a key audit matter, given the impact of these contracts on your Group's consolidated financial statements and the level of estimates required by Management to determine results at completion.

### Our response

Our work notably consisted in:

- evaluating your Group's information systems and procedures used to book order intakes, to estimate revenue, costs at completion and costs incurred, as well as to measure cost progress;
- reconciling the contract management data with the accounting data entered in the information systems;
- selecting contracts that are significant due to their financial impact and risk profile, and interviewing the account managers and the operations and financial departments of the global business units, about the progress made on these contracts, and their assessment of the risks in order to:
- evaluate, with regard to these contracts, the analyzes performed by your Group which enabled it to come to a decision regarding the gradual transfer of control and the transfer of control at completion and, if where relevant, the identification of various performance obligations;
- assess the reflection of the contractual clauses including price revision clauses in the accounts, particularly regarding revenue to be recognized under performance obligations not yet fulfilled. In particular, we familiarized ourselves with the contractual clauses of termination for convenience, legal notes and margin simulations carried out by your Group;
- assess the main assumptions for revenue recognition and costs at completion, contractual data and exchanges with the customer or its representatives, and the third parties involved in the completion of contracts. This work included the experience gained throughout the years on these contracts or similar contracts;
- assess, for each selected contract, the consistency of the revenue and all the other items in the income statement and balance sheet with the contractual and operational provisions.

Lastly, we also assessed the appropriateness of the information provided in Note 13.c) "Accounting policies – Revenue", 13.d) "Accounting policies – Operating assets and liabilities" and 10.2 "Contract assets and liabilities" to the consolidated financial statements regarding contract assets and liabilities.



## Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Board of Directors' Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

## Report on Other Legal and Regulatory Requirements

### Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, 1 of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the Chairman and Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Furthermore, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Thales by the annual general meeting held on June 25, 1983 for MAZARS and on May 15, 2003 for ERNST & YOUNG Audit.

As at December 31, 2022, MAZARS was in the fortieth year and ERNST & YOUNG Audit in the twentieth year of total uninterrupted engagements, respectively.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.

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- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

### Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 7, 2023

The Statutory Auditors

French original signed by

#### MAZARS

Dominique Muller

Ariane Mignon

#### ERNST & YOUNG Audit

Jean-François Ginies

Vincent Gauthier



## 7.3.2 Statutory auditors' report on the financial statements

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### Year ended December 31, 2022

To the Annual General Meeting of Thales,

### Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Thales for the year ended December 31, 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Accounts Committee.

### Basis for Opinion

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Valuation of Equity investments

#### Key Audit Matter

Equity investments, recorded in the balance sheet as at December 31, 2022 for a net amount of M€14,399.9 represent a significant balance sheet item. They are recorded at the lowest of their acquisition cost or their value in use.

As stated in Note 8 "Equity investments" to the financial statements, the value in use is determined based on profitability forecasts, the underlying assets, recent transactions or the market price of any listed securities.

Impairment tests are carried out annually at the end of the year in order to bring this exercise in line with the internal schedule for drawing up the Group's strategic plans. The value in use estimate of these equity investments requires the exercise of Management's judgment in the choice of the information to consider according to the investments concerned. Depending on the situation, this information may correspond to historical information (shareholders' equity of the entities concerned) or forecast information (discounted future cash flows).

Therefore, we considered the valuation of equity investments to be a key audit matter.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

### Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1<sup>st</sup>, 2022 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

### Justification of Assessments Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

#### Our response

In order to assess the equity investments' valuation, our work mainly consisted in:

- for valuations based on underlying asset information:
  - comparing the shareholders' equity used against the financial statements of each related entity which were subject to an audit or analytical procedures.
- for valuations based on forecasts with the involvement of valuation experts in our audit team:
  - assessing the cash flow projections of the related entities with regard to the economic and financial context of each business, and the financial performance of the period by comparing the consistency of:
    - the first two-year cash flow projections with the data used in the Group's budget submitted to your Board of Directors;
    - the cash flow projections of the following years with the most recent Management's estimates.
  - assessing the actuarial assumptions made, taking into account the economic context, and in particular components such as inflation forecasts;
  - assessing the actuarial assumptions used with regard to the risks that are likely to impair the carrying amount of the equity investments, such as those induced by climate-related matters;
  - analyzing the various parameters used to calculate the weighted average cost of capital applied to the flow projections;
  - evaluating the consistency of the growth rate used for the projected flows with the market analyzes and consensus observed.

Lastly, we also assessed the appropriateness of the information provided in Note 8 "Equity investments" to the financial statements.

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### Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

#### Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

#### Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*Code de commerce*) relating to the remuneration and benefits received by, or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

#### Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

### Report on Other Legal and Regulatory Requirements

#### Format of preparation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, 1 of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the Chairman and Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the preparation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

#### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Thales by your annual general meetings held on June 25, 1983 for MAZARS and on May 15, 2003 for ERNST & YOUNG Audit.

As at December 31, 2022, MAZARS was in the fortieth year and ERNST & YOUNG Audit in the twentieth year of total uninterrupted engagements, respectively.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Accounts Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

### Statutory Auditors' Responsibilities for the Audit of the Financial Statements

#### Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.





As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Report to the Audit Committee

We submit to the Audit and Accounts Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Accounts Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Accounts Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit and Accounts Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 7, 2023

The Statutory Auditors

French original signed by

#### MAZARS

Dominique Muller  
Ariane Mignon

#### ERNST & YOUNG Audit

Jean-François Ginies  
Vincent Gauthier

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## 7.4 Statutory auditors

For the period covered by the historical financial information, Thales' statutory auditors were as follows:

### 7.4.1 Regular statutory auditors

#### MAZARS

Tour Exaltis

61, rue Henri Regnault

92075 Paris-La Défense cedex

Represented by Dominique Muller and Gregory Derouet.

Current term of office conferred by the Annual General Meeting of May 15, 2019, expiring with the audit of the financial statements for the year 2025.

#### ERNST & YOUNG Audit

Tour First

TSA 14444

92037 Paris-La Défense cedex

Represented by Vincent Gauthier and Jean-François Ginies.

Current mandate conferred by the Annual General Meeting of May 6, 2021, expiring with the audit of the financial statements for the year 2026.

### 7.4.2 Honorary statutory auditors

The amount of fees paid to the statutory auditors of the Thales parent company and to the members of their networks and expensed over the years 2022 and 2021 is detailed in Note 14 of the Consolidated Financial Statements (page 281).

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## Appendices

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**Appendices**

Attestation of the person responsible for the Universal Registration Document

## 8.1 Attestation of the person responsible for the Universal Registration Document

I hereby attest that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its scope.

I hereby attest that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of all the companies included in the consolidation, and that the information included in this Universal Registration Document which is part of the management report, as listed in the cross-reference table on pages 324 and 325, presents a true and fair view of the development of the business, the results and the financial position of the Company and of all the companies included in the consolidation, as well as a description of the principal risks and uncertainties they face.

I have obtained a letter from the statutory auditors indicating that they have completed their audit of the information relating to the financial position and the financial statements, as well as the historical financial statements included by reference herein, and that they have read the entire document.

Paris-La Défense, April 3, 2023

**Patrice Caine**

**Chairman and Chief Executive Officer**

## 8.2 Changes to the structure of the 2022 Universal Registration Document

There are no significant changes in the structure of the 2022 Universal Registration Document as compared to the 2021 Universal Registration Document.



## 8.3 Historical financial information included by reference

Pursuant to Article 19 of European Commission Regulation 2017/1129, the following information is included by reference in this Universal Registration Document :

- the consolidated financial statements and related audit reports on pages 218 to 269 and 302 to 306 of the 2021 Reference Document, filed with the Autorité des marchés financiers (AMF) on April 6, 2022;
- the financial information, key figures, description of the main activities and presentation of the Group's results and situation on pages 8 to 11 and 30 to 39, respectively, of the 2021 Reference Document filed with the Autorité des marchés financiers (AMF) on April 6, 2022;
- the consolidated financial statements and related audit reports on pages 204 to 254 and 286 to 289 of the 2020 Reference Document, filed with the Autorité des marchés financiers (AMF) on April 12, 2021;
- the financial information, key figures, description of the main activities and presentation of the Group's results and situation on pages 6, 8 and 9, and 33 to 41, respectively, of the 2020 Reference Document filed with the Autorité des marchés financiers (AMF) on April 12, 2021.

The parts of these documents which are not included by reference in this document are either not applicable to the investor or are covered by another part of the Universal Registration Document.

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## 8.4 Cross-reference table for the annual financial report and the management report

The cross-reference table below identifies the information in this Registration Document that constitutes the annual financial report required by Articles L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulation. It includes the information required for the annual management report to be prepared by the Board of Directors in accordance with Articles L. 225-100 et seq. of the French Commercial Code.

For more details, please refer to the cross-reference table of the Extra-Financial Performance Statement in section 8.7 below.

	Section of the 2022 Universal Registration Document	Page(s)
<b>Article L. 225-100-1 of the French Commercial Code:</b>		
Analysis of the development of the business	1, 2.1, 2.2, 2.3	5, 20, 32, 34
Analysis of results	2.3	34
Analysis of the financial situation, including debt	2.3.7	42
Key financial and non-financial performance indicators (relating to the specific activities of the Company and the Group)	1, 2.3, 5.3	5, 34, 135
Main risks and uncertainties	3	50
Objectives and policy with respect to the coverage of each major category of transactions	3.1.2, 3.3.1, 7.1.6, Note 6	52, 64, 255
Exposure to price, credit, liquidity and cash risks	3.1.2, 3.3.1, 3.4, 7.1.6, Note 6	52, 64, 66, 255
Information on the use of financial instruments	3.3.1, 7.1.6, Note 6	64, 255
<b>Article L. 22-10-35 of the French Commercial Code:</b>		
Information on the financial risks related to the effects of climate change and measures taken to reduce them	3.1.7, 5.2, 5.5.2, 5.5.3, 5.5.4	59, 130, 153, 157, 165
Main features of internal control and risk management procedures relating to the preparation and processing of accounting and financial information	3.4	66
<b>Article L. 225-102 of the French Commercial Code:</b>		
Employee shareholding as of the last day of the fiscal year (proportion of capital represented)	1, 6.2.1.2, 6.2.3.1, 6.2.3.7, 7.2.2.5, Notes 14 and 15	5, 221, 223, 230, 299, 300
<b>Article L. 225-102-1 of the French Commercial Code:</b>		
Non-Financial Performance Statement	8.7	329
<b>Art. L. 225-37-1 of the French Commercial Code:</b>		
Equal opportunity and equal pay policy	5.4.1, 5.4.2	137, 142
<b>Art. L. 225-102-4 of the French Commercial Code:</b>		
Vigilance plan	5.7	197
<b>Art. L. 225-102-2 of the French Commercial Code:</b>		
Information on "Seveso" classified sites	5.5.2.1	154
<b>Article L. 232-1 of the French Commercial Code:</b>		
Situation during financial year 2022	2.3	34
Foreseeable evolution of the situation and future prospects	2.3.9	43
Significant events after the end of the 2022 financial year	7.1.6, Note 12, 7.2.2.5, Note 22	275, 305
Research and development activities	2.2	32
Existing branches	7.2.2.5, Note 24	309
<b>Article L. 233-6 of the French Commercial Code:</b>		
Significant equity investments in companies headquartered in France	7.2.2.5, Note 23	306
Activities and results of Thales SA, the parent company	2.5.1.2, 2.5.1.3, 7.2	46, 283
Activities of Thales SA subsidiaries in financial year 2022	7.2.2.5, Note 23	306

	Section of the 2022 Universal Registration Document	Page(s)
<b>Article L. 233-13 of the French Commercial Code:</b>		
Identities of the principal shareholders and holders of voting rights at General Meetings, and changes during the financial year	6.2.1.2, 6.2.3.2	221, 223
Structure, changes in the Company's capital and crossing of thresholds in the Company in 2022	6.2.1.2, 6.2.3.3.3	221, 225
<b>Article R. 225-102 of the French Commercial Code:</b>		
Table of results for the last 5 financial years	7.2.2.6	309
<b>Article L. 225-211 of the French Commercial Code:</b>		
Acquisition and disposal by the Company of its own shares	6.2.3.4.3, 7.2.2.5, Note 14	227, 299
<b>Articles L. 22-10-57 and L. 22-10-59 of the French Commercial Code:</b>		
Reports on stock options and free shares	6.2.2.1, 6.2.2.2, 6.2.3.5.1, 4, 7.1.6, Note 9.4, 7.2.2.5, Note 15	223, 228, 229, 270, 300
<b>Articles L. 233-7 and L. 233-13 of the French Commercial Code:</b>		
Shareholder information	6.2	221
<b>Article R. 228-90 (1) of the French Commercial Code:</b>		
Mention of possible adjustments for securities giving access to capital in the event of share buybacks or financial transactions	N/A	
<b>Article D. 441-4 of the French Commercial Code:</b>		
Information on the payment terms of suppliers and customers	7.2.1.2	283
<b>Articles L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code:</b>		
Disposal of cross-holdings	N/A	
<b>Articles L. 511-6 and R. 511-2-1-3 of the French Monetary and Financial Code:</b>		
Amount of loans with a maturity of less than three years granted to SMEs	N/A	
<b>Articles L. 621-18-2 of the French Monetary and Financial Code and 223-26 of the AMF General Regulation:</b>		
Information on transactions in the Company's shares by directors and related persons	4.6	121
<b>Article 243a of the French General Tax Code:</b>		
Dividends distributed for the last 3 financial years	6.4.1.4	235
<b>Article 223c of the French General Tax Code:</b>		
Amount of non-deductible expenses and charges and the resulting tax	7.2.2.5, Note 6	293
<b>Article 464-2 of the French Commercial Code:</b>		
Injunctions or financial penalties for anti-competitive practices Law no. 2016/1691 of December 9, 2016 known as "Sapin II"	N/A	
Anti-corruption mechanism	5.6.1.2	179
<b>Regulation (EU) 2020/852 of 18 June 2020 and Delegated Regulations (EU) 2021/2178 of 6 July 2021 and 2021/2139 of 4 June 2021</b>		
"Environmental taxonomy" statement	5.5.7	176
<b>Financial Statements:</b>		
Annual Financial Statements	7.2.2	287
Statutory auditors' report on the Annual Financial Statements (including their assessment of the Board's Corporate Governance Report)	7.3.2	315
Consolidated Financial Statements	7.1	240
Statutory auditors' Report on the Consolidated Financial Statements	7.3.1	310
Identities of the statutory auditors	7.4	318
Honorary statutory auditors	7.1.6, Note 14	281
<b>Other Information:</b>		
Parent company management report	7.2.1, 7.2.2.5, Note 9	283, 296
Statutory auditors' report on related-party agreements	6.3.4	232

## 8.5 Cross-reference table for the Corporate Governance Report

On the recommendation of the Governance and Compensation Committee, the Board of Directors approved the Corporate Governance Report at its meeting of March 7, 2023, and instructed its Chairman to report to the Annual General Meeting of May 10, 2023 on the same. Before being submitted to the Governance and Compensation Committee, this report was prepared by representatives of the Company Secretary's Office, the Finance Department, and the Group Human Resources Department.

The following cross-reference table identifies, in this Registration Document and in order to facilitate the interpretation hereof, the information that constitutes the aforementioned Board's Corporate Governance Report, as provided for in Articles L. 225-37 last indent, L. 22-10-8 to L. 22-10-11, and L. 225-37-4 of the French Commercial Code.

Type of information	Section of the 2022 Universal Registration Document	Page(s)
Adherence to a Corporate Governance Code and application of the "comply or explain" principle	4.2	84
Composition and operation of the Board of Directors	4.2.1	85
Methods for the exercise of General Management	4.2.1	85
Balanced representation of women and men on the Board of Directors	4.2.1	85
Conditions for the preparation and organization of the work of the Board of Directors	4.2.3	90
Restrictions on the authority of the Chief Executive Officer	4.2.1, 4.2.6	85, 96
Diversity policy of the Board of Directors and its Committees	4.2.5	94
Gender balance in management bodies	4.2.5	94
Special conditions for the participation of shareholders in the General Meeting	4.2.8	96
Elements likely to have an impact in the event of a takeover bid	4.2.8	96
Table summarizing current delegations of authority granted by the General Meeting of Shareholders to the Board of Directors to increase the share capital	4.2.8	96
Agreements Between an Executive or Significant shareholder and a Subsidiary	4.2.8	96
Procedure for the evaluation of current agreements – implementation	4.2.8	96
List of all offices and positions held in any company by each of the directors during the financial year	4.1.1	74
<b>Compensation information:</b>		
Compensation and benefits of any kind provided to the Directors and the Executive Director for the year 2022	4.4.1	100
Remuneration policy for corporate officers	4.4.2	112
Relative proportion of fixed and variable compensation of corporate officers	4.4.1.1 A), 4.4.1.4, Table 3	100, 109
Use of the option to request the return of variable compensation	N/A	
Commitments of any kind made by the Company for the benefit of its corporate officers	4.4.1	100
Compensation paid or granted to corporate officers by a company included within the scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code	N/A	
Equity ratios	4.4.1.1 D) 1)	104
Annual changes in compensation, Company performance, average compensation of Company employees and equity ratios	4.4.1.1 D) 1)	104
How total compensation complies with the adopted compensation policy, including how it contributes to the Company's long-term performance and how the performance criteria were applied	4.4.1.1 A), 4.4.1.1.D) 2)	100, 105
How the vote of the most recent Ordinary General Meeting provided for in section II of Article L. 225-100 of the French Commercial Code was taken into account	4.4.2.1. B) a)	114
Deviation from the compensation policy implementation procedure and any derogations	4.4.1.1. B)	102
Application of the provisions of Article L. 225-45 paragraph 2 of the French Commercial Code (suspension of payment of directors' fees in the event of non-compliance with the gender diversity requirement of the Board of Directors)	N/A	
Allocation and retention of options by corporate officers	N/A	
Allocation and retention of free shares to executive directors	N/A	



## 8.6 Cross-reference table – Annexes I and II of Commission Delegated Regulation (EU) 2019/980

To facilitate the reading of the Universal Registration Document, the following cross-reference table identifies the principal information required by Annexes I and II of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 and refers to the pages of this Universal Registration Document where the information relating to each of these headings is mentioned.

No	Heading	Page(s)
<b>1.</b>	<b>Persons responsible, third party information, experts' reports and competent authority approval</b>	<b>1, 322</b>
<b>2.</b>	<b>Statutory auditors</b>	<b>318</b>
<b>3.</b>	<b>Risk factors</b>	<b>50 to 65</b>
<b>4.</b>	<b>Information about Thales</b>	<b>220</b>
<b>5.</b>	<b>Business overview</b>	
5.1	Principal activities	20 to 31
5.2	Principal markets	10 to 11
5.3	Important events in development of Thales' business	20 to 31
5.4	Strategy and objectives	12 to 13
5.5	Dependence on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	32 to 33
5.6	Competitive position	9, 20 to 31
5.7	Investments	44 to 45
<b>6.</b>	<b>Organizational structure</b>	
6.1	Brief description of the Group	46 to 47
6.2	List of significant subsidiaries	306 to 308
<b>7.</b>	<b>Operating and financial review</b>	
7.1	Financial condition	7, 34 to 43, 240 to 244, 287 to 289
7.2	Operating results	7, 34 to 43, 240
<b>8.</b>	<b>Capital resources</b>	
8.1	Information concerning Thales' capital resources	221 to 230, 240 to 243, 266 to 267, 288
8.2	Source and amounts of cash flows	34, 38, 42, 244, 256, 258, 263, 273, 289
8.3	Information on the borrowing requirements and funding structure	67 to 69, 279 to 280
8.4	Restrictions on the use of capital resources	64 to 65, 261 to 262
8.5	Anticipated sources of funds	34, 38, 240, 256
<b>9.</b>	<b>Regulatory environment</b>	<b>61 to 63</b>
<b>10.</b>	<b>Trend information</b>	<b>42</b>
<b>11.</b>	<b>Profit forecasts or estimates</b>	<b>43</b>
<b>12.</b>	<b>Administrative, management and supervisory bodies and senior management</b>	
12.1	Members of the administrative, management or supervisory bodies and senior managers	74 to 96
12.2	Administrative, management and supervisory bodies and senior management conflicts of interests	83
<b>13.</b>	<b>Remuneration and benefits</b>	
13.1	Remuneration and benefits in kind	100 to 119
13.2	Amounts set aside or accrued to provide for pension, retirement or similar benefits	65, 103 to 104, 141 to 142, 248, 268 to 270, 270 to 271, 280, 301

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# 8 Appendices

Cross-reference table – Annexes I and II of Commission Delegated Regulation (EU) 2019/980

No	Heading	Page(s)
<b>14.</b>	<b>Board practices</b>	
14.1	Date of expiration of the current terms of office	85
14.2	Service contracts	118, 232
14.3	Information on the Audit Committee and the Compensation Committee	90 to 94
14.4	Statement on compliance with the applicable corporate governance regimes	84
14.5	Potential material impacts on corporate governance	87
<b>15.</b>	<b>Employees</b>	
15.1	Number and breakdown of employees by main category of activity and geographic location	205
15.2	Directors' shareholdings and stock options	108
15.3	Information as to employee share ownership	141
<b>16.</b>	<b>Major shareholders</b>	
16.1	Crossing of notifiable thresholds	220, 225
16.2	Existence of different voting rights	96
16.3	Control of Thales	221, 223 to 226
16.4	Any arrangements, known to Thales, the operation of which may at a subsequent date result in a change in its control	97, 223 to 226
<b>17.</b>	<b>Related party transactions</b>	<b>255, 261, 275, 305</b>
<b>18.</b>	<b>Financial information concerning Thales' assets and liabilities, financial position and profits and losses</b>	
18.1	Historical financial information	240 to 244, 287 to 289
18.2	Interim and other financial information	N/A
18.3	Auditing of historical annual financial information	310 to 317
18.4	Pro forma financial information	N/A
18.5	Dividend policy	43, 285
18.6	Legal and arbitration proceedings	275, 302
18.7	Significant change in Thales' financial position	N/A
<b>19.</b>	<b>Additional information</b>	
19.1	Share capital	221
19.1.1	Issued capital	221 to 222
19.1.2	Other shares	223
19.1.3	Treasury shares	226 to 228
19.1.4	Securities	N/A
19.1.5	Acquisition rights and/or obligations	97, 110, 226
19.1.6	Options or agreements	110 to 111
19.1.7	History of share capital	221 to 222
19.2	Memorandum and Articles of Incorporation	220
19.2.1	Thales' objects and purposes	220
19.2.2	Rights, preferences and restrictions attaching to each share class	96 to 97
19.2.3	Provisions regarding a change	96 to 97
<b>20.</b>	<b>Material contracts</b>	<b>N/A</b>
<b>21.</b>	<b>Documents available</b>	<b>236</b>



## 8.7 Cross-reference table for the Non-Financial Performance Statement

Elements of the Non-Financial Performance Statement	Section of the 2022 Universal Registration Document	Page(s)
<b>Business model</b>	<b>1</b>	<b>12 to 13</b>
<b>Main non-financial risks</b>	<b>5.2</b>	<b>130</b>
<b>Result of the policies applied by the Company or the Group including key performance indicators</b>	<b>5.3 to 5.7</b>	<b>135 to 201</b>
<b>Anti-corruption:</b>		
Description of the risk regarding "compliance with rules concerning business ethics (in particular, the fight against corruption and influence peddling)"	5.2, 5.6.1.2	130, 179
Policies applied, due diligence procedures and results	5.6.1.1 to 5.6.1.2	179 to 181
<b>Respect for Human Rights:</b>		
Description of the risk	5.2, 5.6.2.6, 5.7	130, 192, 197
Policies, due diligence procedures and results	5.7.2 to 5.7.5, 5.6.2.6	198 to 201, 192
<b>Social and societal consequences:</b>		
Description of the risk related to "diversity and inclusion"	5.2, 5.4.2	130, 142
Diversity and inclusion policies, due diligence procedures and results	5.4.2	142
Description of the risk related to the "protection of employee health and safety"	5.2, 5.4.4	130, 147
Policies, due diligence procedures and results related to the protection of employee health and safety	5.4.4, 5.7	147, 197
Description of the risk related to "vigilance regarding suppliers' compliance with corporate responsibility issues"	5.2, 5.6.2.5, 5.7	130, 189, 197
Policies, due diligence procedures and results related to regarding suppliers' compliance with corporate responsibility issues.	5.7	197
<b>Other required information:</b>		
<ul style="list-style-type: none"> <li>Collective agreements concluded at the company and their impact on the economic performance of the company and the working conditions of employees</li> </ul>	5.4.4	147
<ul style="list-style-type: none"> <li>Measures to combat discrimination and promote diversity and measures taken in favor of people with disabilities</li> </ul>	5.4.2	142
<ul style="list-style-type: none"> <li>Actions to promote the practice of physical activities and sports</li> </ul>	5.4.4.1	147
<ul style="list-style-type: none"> <li>Fight against tax evasion</li> </ul>	5.6.1.7	184
Fight against food waste, food insecurity, respect for animal welfare, responsible, fair and sustainable food	This information is not relevant to the Group's activities, which are not involved in industrial food production or consumption cycles	
<b>Environmental consequences:</b>		
Description of the risk related to the "environmental impacts related to the Group's activities"	5.2, 5.5	130, 152
Policies, due diligence procedures and results relating to the environmental impacts related to the Group's activities	5.5.1 to 5.5.6	152 to 175
Description of the risk related to "anticipation of environmental standards in product design"	5.2, 5.5.3, 5.5.4	130, 157, 165
Policies, due diligence procedures and results for anticipating environmental standards in product design	5.5.1 to 5.5.6	152 to 175
<b>Other required information:</b>		
<ul style="list-style-type: none"> <li>Consequences of the Company's activity and the use of the goods and services it produces on climate change</li> </ul>	5.5.3, 5.5.4	157, 165
<ul style="list-style-type: none"> <li>Circular economy</li> </ul>	5.5.3 to 5.5.5	157 to 171
<b>Certification by the independent third party organization on the information contained in the NFPS</b>	<b>5.1</b>	<b>208</b>

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## 8.8 2022 Taxonomy data release tables

### • 2022 TURN OVER

Economic activities	Codes	Absolute turnover	Proportion of turnover	Substantial contribution criteria						
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
		million of euros	%	%	%	%	%	%	%	
<b>A. Taxonomy eligible activities</b>										
<b>A.1. Taxonomy aligned</b>										
Turnover of taxonomy aligned activities (A.1.)		0	0	0	0	0	0	0	0	0
<b>A.2. Taxonomy eligible but not taxonomy aligned activities</b>										
Turnover of taxonomy eligible but not taxonomy aligned activities (A.2.)		0	0	0	0	0	0	0	0	0
<b>Total A (A.1. + A.2.)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. Taxonomy non-eligible activities</b>										
Turnover of taxonomy non eligible activities (B)		17,569	100							
<b>TOTAL A + B</b>		<b>17,569</b>	<b>100</b>							

### • 2022 OPEX

Economic activities	Codes	Absolute Opex	Proportion of Opex	Substantial contribution criteria						
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
		million of euros	%	%	%	%	%	%	%	
<b>A. Taxonomy eligible activities</b>										
<b>A.1. Taxonomy aligned</b>										
Opex of taxonomy aligned activities (A.1.)		0	0	0	0	0	0	0	0	0
<b>A.2. Taxonomy eligible but not taxonomy aligned activities</b>										
Opex of taxonomy eligible but not taxonomy aligned activities (A.2.)		0	0	0	0	0	0	0	0	0
<b>Total A (A.1. + A.2.)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. Taxonomy non-eligible activities</b>										
Opex of taxonomy non eligible activities (B)			0							
<b>TOTAL A + B</b>		<b>0</b>	<b>0</b>							





DNSH criteria											Category (enabling)	Category (transitional)**
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover year N	Taxonomy-aligned proportion of turnover year N-1				
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T		
								0	0			
								0	0			
								0	0			

DNSH criteria											Category (enabling)	Category (transitional)**
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Opex year N	Taxonomy-aligned proportion of Opex year N-1				
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T		
								0	0			
								0	0			

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- 2022 CAPEX (TABLE 1/2)

Economic activities	Codes	Absolute Capex <i>million of euros</i>	Proportion of Capex %	Substantial contribution criteria						
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	
<b>A. Taxonomy eligible activities</b>										
<b>A.1. Taxonomy aligned</b>										
6.5 Transport by motorbikes, passenger cars and light commercial vehicles		0	0	100	0	0	0	0	0	0
7.3 Installation, maintenance and repair of energy efficiency equipment		4,2	1%	100	0	0	0	0	0	0
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		4,6	1%	100	0	0	0	0	0	0
7.6 Installation, maintenance and repair of renewable energy technologies		2,1	0	100	0	0	0	0	0	0
7.7 Acquisition and ownership of buildings		14,2	2%	100	0	0	0	0	0	0
Capex of taxonomy aligned activities (A.1.)		25,1	3%	100	0	0	0	0	0	0



DNSH criteria							Minimum safeguards	Taxonomy -aligned proportion of Capex year N	Taxonomy -aligned proportion of Capex year N-1	Category (enabling)	Category (transitional)**
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems						
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T		
N/A	N/A	N/A	N/A	N/A	N/A	Y	0			T	
Y	Y	N/A	N/A	Y	N/A	Y	1%			E	
Y	Y	N/A	N/A	N/A	N/A	Y	1%			E	
Y	Y	N/A	N/A	N/A	N/A	Y	0			E	
Y	Y	N/A	N/A	N/A	N/A	Y	2%				
							3%				

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- 2022 CAPEX (TABLE 2/2)

Economic activities	Codes	Absolute Capex	Proportion of Capex	Substantial contribution criteria						
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
		million of euros	%	%	%	%	%	%	%	
<b>A.2. Taxonomy eligible but not taxonomy aligned activities</b>										
6.5 Transport by motorbikes, passenger cars and light commercial vehicles		6,3	1 %	100	0	0	0	0	0	0
7.3 Installation, maintenance and repair of energy efficiency equipment		0	0	100	0	0	0	0	0	0
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		0	0	100	0	0	0	0	0	0
7.6 Installation, maintenance and repair of renewable energy technologies		0	0	100	0	0	0	0	0	0
7.7 Acquisition and ownership of buildings		109,8	15 %	100	0	0	0	0	0	0
Capex of taxonomy eligible but not taxonomy aligned activities (A.2.)		116,1	16 %	100	0	0	0	0	0	0
<b>Total A (A.1. + A.2.)</b>		<b>141,2</b>	<b>19 %</b>	<b>100 %</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. Taxonomy non-eligible activities</b>										
Capex of taxonomy non eligible activities (B)		592,2	81 %							
<b>Total A + B</b>		<b>733,4</b>	<b>100 %</b>							





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