

THALES
Building a future we can all trust

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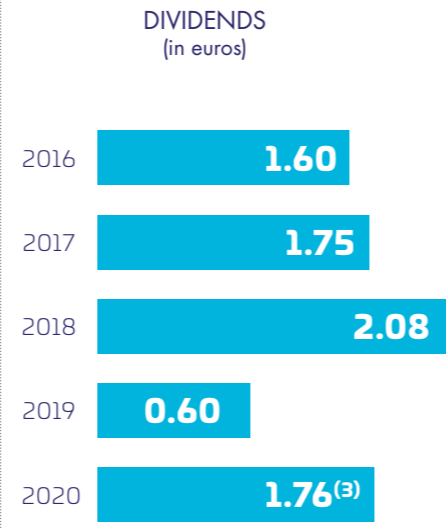
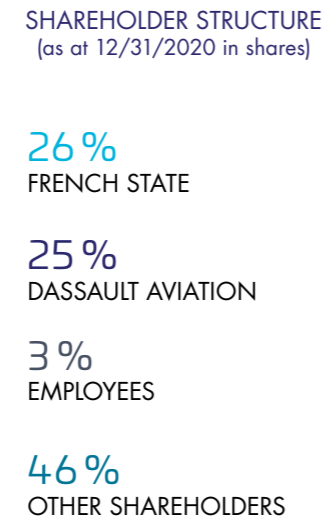
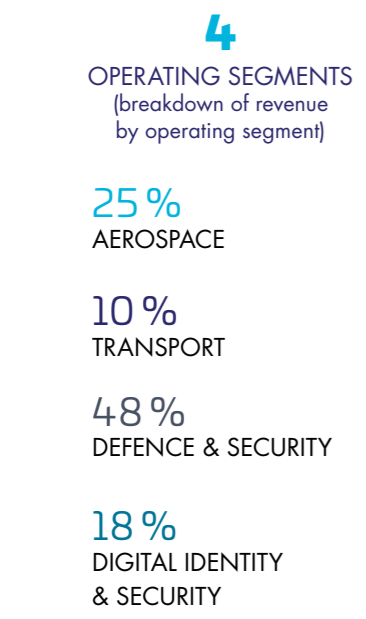
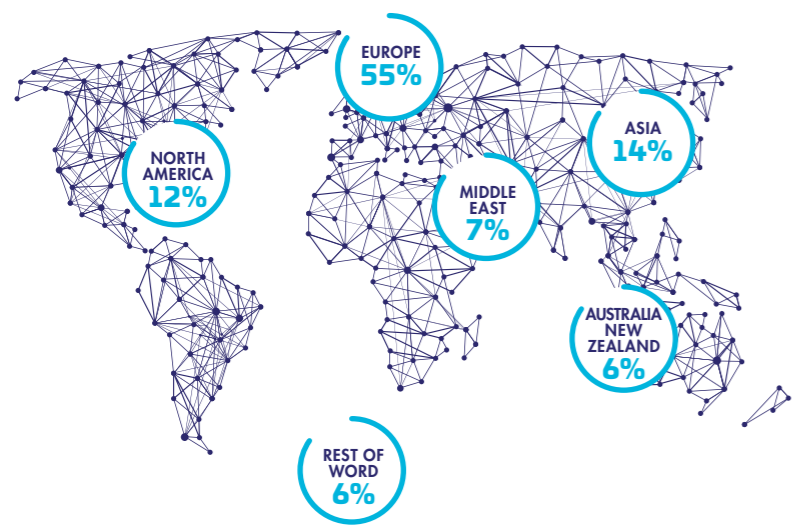
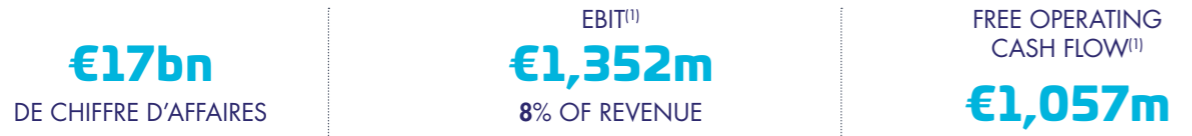
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Annual Environment Report 2020

2020 KEY FIGURES



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

OUR PURPOSE

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

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

“ BUILDING A FUTURE WE CAN ALL TRUST ”

THALES'S FOUR STRATEGIC ASSETS

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

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

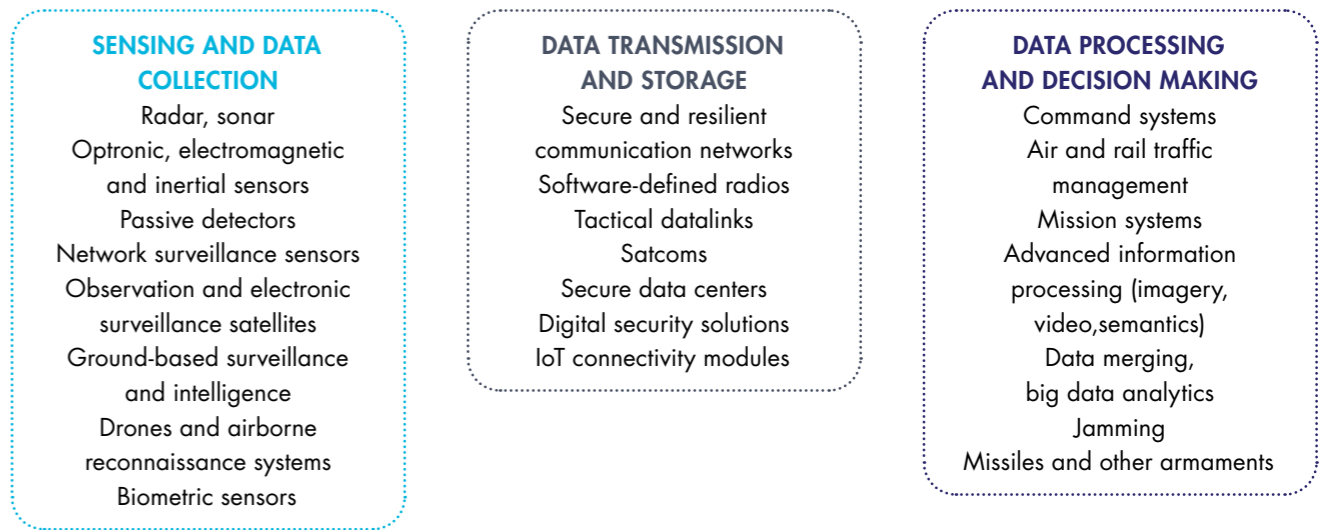
AN IN-DEPTH KNOWLEDGE OF ITS MARKETS
The resilience of Thales business model is based on five large markets which use the same technologies and know-how but have different business cycles. In virtually all its business activities, Thales is in the top 3 worldwide or ranks number one in Europe.

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

OUR MISSION

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

DATA IN THE CRITICAL DECISION-MAKING CHAIN



LEADER IN DEFENCE, SECURITY, AEROSPACE AND TRANSPORT,



DEFENCE & SECURITY

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

GROWTH DRIVERS

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

AREAS OF EXPERTISE

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

COMPETITIVE POSITION



CIVIL/MILITARY



DIGITAL IDENTITY AND SECURITY

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

GROWTH DRIVERS

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

AREAS OF EXPERTISE

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

COMPETITIVE POSITION



CIVIL



AEROSPACE

AERONAUTICS

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

GROWTH DRIVERS

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

AREAS OF EXPERTISE

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

COMPETITIVE POSITION



CIVIL/MILITARY



SPACE

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

GROWTH DRIVERS

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

AREAS OF EXPERTISE

- Global leader in construction of commercial telecommunications satellites.

COMPETITIVE POSITION



CIVIL/MILITARY



GROUND TRANSPORTATION

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

GROWTH DRIVERS

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

AREAS OF EXPERTISE

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

COMPETITIVE POSITION



CIVIL



OUR STRATEGIC PRIORITIES AND AMBITIONS

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

Patrice Caine Chairman & Chief Executive Officer

STRENGTHENING OUR POSITION ON LONG-TERM GROWTH MARKETS

LEADER IN SMART AND DIGITAL SOLUTIONS FOR DEFENCE MARKETS

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

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

PROGRESS IN 2020

Record order intake, despite the Covid-19 crisis.

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

PRIORITIES FOR 2021

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

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

READY TO SUPPORT THE RECOVERY OF CIVIL AVIATION

Global air traffic growth scenarios



PROGRESS IN 2020

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

PRIORITY FOR 2021

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

SPACE: RETURN TO SUSTAINABLE GROWTH IN A RAPIDLY CHANGING SEGMENT

PROGRESS IN 2020

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

PRIORITY FOR 2021

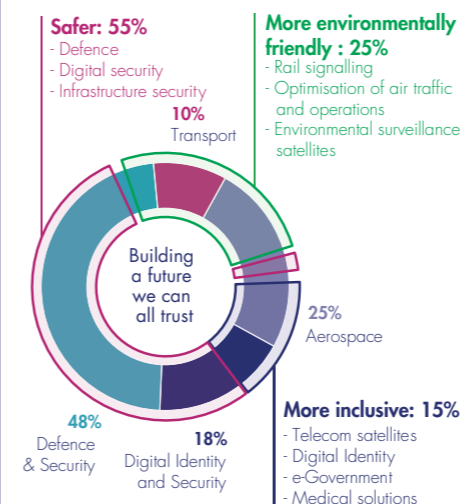
Remain at the forefront of innovation through the development of flexible geostationary satellites (Space Inspire) and the implementation of major space projects (Galileo, Lightspeed constellation).

INVEST TO SUSTAIN LONG-TERM GROWTH

SUSTAINABILITY AT THE HEART OF THALES’S STRATEGY

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

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



PROGRESS IN 2020

Deployment of Thales purpose adopted in 2019.

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

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

PRIORITIES FOR 2021

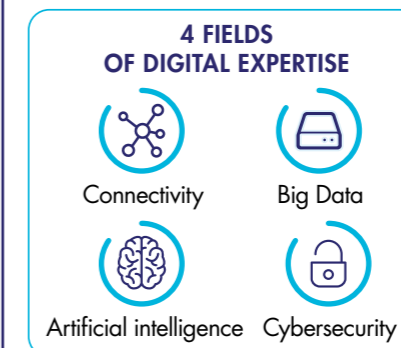
Inclusion of quantitative CSR objectives in the variable compensation of 54,000 employees.

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

MAKE THALES LEADER IN DIGITAL TRANSFORMATION OF MARKETS

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

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



PROGRESS IN 2020

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

PRIORITIES FOR 2021

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

ACCELERATING SYNERGIES BETWEEN THALES AND GEMALTO

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

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

PROGRESS IN 2020

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

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

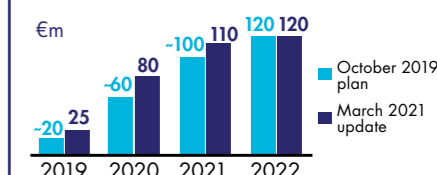
In September, Thales launched the CipherTrust Data Security platform, which brings together the best of Thales and Gemalto technology to simplify the security of sensitive business data. Similarly, Gemalto’s biometrics solutions are now systematically included in Thales’s security offers for sensitive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

PRIORITIES FOR 2021

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

Generate cost synergies of €110 million in 2021.

Cost synergies ahead of plan



OUR VALUE CREATION PROCESS

ADDRESSING KEY SOCIETAL, ENVIRONMENTAL AND TECHNOLOGY TRENDS



OUR RESOURCES

INTELLECTUAL CAPITAL

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

HUMAN CAPITAL

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

ENVIRONMENTAL CAPITAL

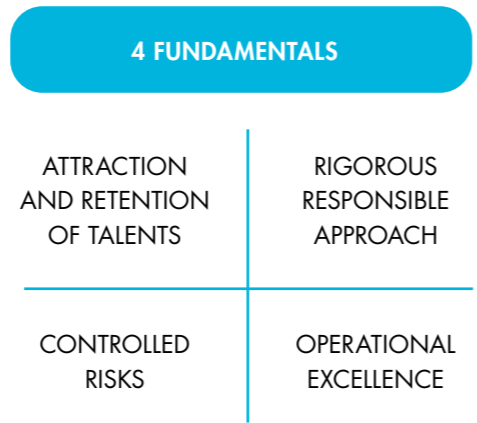
Deployment of the **strategy for a low-carbon future** aligned on the 2°C climate target of the Paris Agreement.
Signatory of the principles and recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD).

SOCIETAL CAPITAL

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

FINANCIAL CAPITAL

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

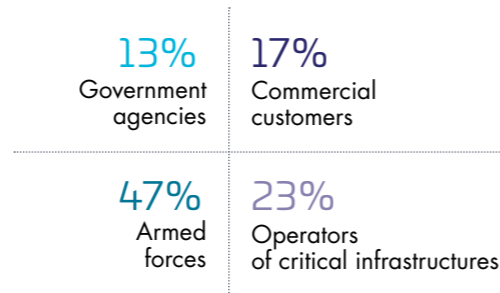


OUR PURPOSE

“ BUILDING A FUTURE WE CAN ALL TRUST. ”

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

A RESILIENT MODEL BUILT ON A WIDE



4 STRATEGIC ASSETS

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

A RESPONSIBLE AND ETHICAL COMPANY

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

Markets sharing many technologies



OUR ACHIEVEMENTS IN 2020

INTELLECTUAL CAPITAL

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

HUMAN CAPITAL

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

ENVIRONMENTAL CAPITAL

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

SOCIETAL CAPITAL

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

FINANCIAL CAPITAL

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

OUR CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS



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

4 PRIORITY SUSTAINABLE DEVELOPMENT GOALS

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

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

6 SIGNIFICANT SUSTAINABLE DEVELOPMENT GOALS

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



SHARED VALUE CREATION WITH OUR STAKEHOLDERS

REVENUE IN 2020
€17bn

EMPLOYEES
COMPENSATION PAID IN 2020
€7.4bn

SUPPLIERS
PURCHASES IN 2020
€7bn

GOVERNMENTS
INCOME TAX 2020⁽¹⁾
€264m

SHAREHOLDERS
DIVIDENDS PAID IN 2020
€85m

CAPACITY TO FINANCE
FUTURE GROWTH

SELF-FUNDED R&D
IN 2020
€1,025m

TOTAL ACQUISITION
2018-2020
€5.1bn

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



A CREDIT FACILITY LINKED TO ENVIRONMENTAL PERFORMANCE

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



USING TECHNOLOGY TO BETTER COMBAT COVID-19

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



PROTECT AND GUARANTEE THE IDENTITY OF CITIZENS

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



HELPING INNOVATIVE STARTUPS GROW

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

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

1. A CORPORATE RESPONSIBILITY POLICY TO SUPPORT SUSTAINABLE ECONOMIC GROWTH

For more than 20 years, Thales has been proactively implementing a strong corporate responsibility policy based on the highest international standards. This is now illustrated by the company's *raison d'être*, newly adopted in 2020: "Building a future we can all trust".

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

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

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

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

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

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

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

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



Since 2016, Thales has published an integrated annual corporate responsibility report which aims to provide all stakeholders – employees, customers, suppliers, business partners, local communities, public authorities, NGOs, etc. – with details about how the organisation interacts with its ecosystem and uses capital to create value in the short, medium and long term. In this document, Thales sets out its ever-growing commitment to the Sustainable Development Goals defined by the United Nations in 2015

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

IN 2020, THALES EMBARKED ON A CERTIFICATION PROCESS PURSUANT TO ISO 37001

2016 "Anti-bribery management systems". Certification was issued by AFNOR in March 2021, with the scope covering Thales SA and the companies in France, and some international subsidiaries of Thales International SAS⁽¹⁾ (Thales EURAM, Thales AMEWA and Thales NSEA, each on their own perimeter in Europe and Latin America, Middle-East and Africa and in Asia). The Group plans to further pursue this process with a view to extending the scope of this certification.

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

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

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

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

In 2020, this working group met again to assess the impact of the global Covid-19 pandemic on the six risks selected for the Non-Financial Performance Statement. The Group considers that this crisis has not substantially changed the type of CSR risks to which it is exposed

The six risks selected on that basis relate to:

- DIVERSITY AND INCLUSION,
- PROTECTION OF THE HEALTH AND SAFETY OF EMPLOYEES,
- ENVIRONMENTAL IMPACTS OF THE GROUP'S ACTIVITIES⁽²⁾,
- ANTICIPATION OF ENVIRONMENTAL STANDARDS IN PRODUCT DESIGN⁽²⁾,
- COMPLIANCE WITH RULES OF ETHICAL BUSINESS CONDUCT (ESPECIALLY THE FIGHT AGAINST CORRUPTION AND INFLUENCE PEDDLING)⁽²⁾,
- VIGILANCE REGARDING SUPPLIERS' COMPLIANCE WITH CORPORATE RESPONSIBILITY ISSUES.

Risk identification	Risk monitoring and management
<p>1. Diversity and inclusion</p> <p>In a more globalised cultural and technological environment, increasing team diversity and developing a more inclusive corporate culture are key ways to support innovation and creativity thanks to a broader range of approaches, perspectives and ideas.</p> <p>A lack of diversity of its teams could affect the Group's ability to properly account for major technological changes and respond to changes in customer expectations. This could in turn have a negative effect on its competitiveness and profitability.</p>	<p>Since 2016, proactive targets have been introduced Group-wide to strengthen diversity and inclusion in the broad sense of the term. These targets are covered in a quarterly scorecard (see Chapter 5.4.2 Universal registration document 2020).</p> <p>In an effort to encourage team diversity and employee inclusion and ensure differences are respected, the Group has adopted a dedicated governance system structured around a Steering Committee, a Diversity and Inclusion Council and a central Diversity and Inclusion department.</p> <p>In terms of gender diversity and professional equality, the Group has been rolling out negotiated action plans in France since 2004 under agreements signed with trade unions.</p> <p>Since 2009, Thales has been a signatory of a European agreement called IDEA, which includes gender equality commitments. The Group's initiatives in this area are discussed in greater detail in Chapter 5.4.2 Universal registration document 2020.</p>

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

⁽¹⁾ Representatives from the Finance, Health, Safety & Environment, Human Resources, Purchasing, Audit, Risks & Internal Control, Strategy & Marketing, Ethics & Corporate Responsibility, and Communications Departments, plus the Company Secretary and corporate management.

Risk identification	Risk monitoring and management
<p>4. Anticipation of environmental standards in product design</p> <p>Accelerated changes in environmental regulations could rule out certain technical solutions, particularly for certain suppliers or subcontractors. This could require the Group to qualify and implement alternative solutions, adapt its supply chain, or upgrade certain industrial resources, with the costs and delays associated with such changes.</p> <p>Regulatory differences between countries and constant changes to regulations also make it more difficult for Thales to verify the compliance of solutions that are marketed, and could put the company at a competitive disadvantage.</p> <p>Lastly, the expectations and voluntary segment-specific national or international commitments relating to the circular economy or the reduction of the carbon footprint, in particular for products with a long life cycle (e.g. aerospace), could lead to technical impossibilities or significant additional costs.</p>	<p>The Group's analyses of environmental risks are regularly updated based on new issues, customer needs, regulatory changes and voluntary commitments (e.g.: REACH in Europe, chemicals, circular economy, climate change, etc.) based on active global regulatory monitoring. Specific attention was given in 2020 to the regulatory consequences of Brexit.</p> <p>These factors are taken into account in the design of the Group's products and solutions:</p> <ul style="list-style-type: none"> • Thales is committed to the eco-design of all its new products and deploys tools to promote its adoption by employees, anticipate obsolescence, and limit CO₂ emissions in product use phases; • numerous examples illustrate the significant contribution of the Group's products, solutions and services to carbon reduction, particularly in the field of transportation (see Chapter 4.3). <p>The Group's commitments to a low-carbon future and the associated targets are also passed on to suppliers and the supply chain and integrated into the contracts and/or specifications sent to them.</p> <p>Solutions for replacing hazardous substances are also being developed ahead of regulatory deadlines (see Chapter 4.2.2.2).</p>
<p>5. Compliance with rules of ethical business conduct (particularly anti-corruption and influence peddling)</p> <p>Thales's business encompasses more than 70 countries.</p> <p>Failure to comply with applicable laws and regulations relating to ethical business conduct, especially the fight against corruption and influence peddling, may have serious legal and financial consequences for the Group and severely damage its reputation.</p>	<p>The Group's anti-corruption compliance programme, which has been in place for many years, was strengthened in 2018 and 2019 to take account of recent legislative and regulatory changes, especially those resulting from France's Sapin II law.</p> <p>In 2020, Thales embarked on a certification process pursuant to ISO 37001:2016 "Anti-bribery management systems. Certification was issued by AFNOR in March 2021, with the scope covering Thales SA and the companies in France, and some international subsidiaries of Thales International SAS (Thales EURAM, Thales AMEWA and Thales NSEA, each on their own perimeter in Europe and Latin America, Middle-East and Africa and in Asia). The Group plans to further pursue this process with a view to extending the scope of this certification.</p> <p>The Group's anti-corruption policy is described in Chapter 5.6.1 Universal registration document 2020.</p>

Risk identification	Risk monitoring and management
<p>6. Vigilance concerning supplier compliance with corporate responsibility issues</p> <p>The Group's purchases account for approximately 40% of its sales. They are made worldwide from around 19,000 active suppliers of all sizes, many of whom have their own subcontracting chains.</p> <p>Despite the Group's increased vigilance, it is difficult to guarantee that all stakeholders in the supply chain will be fully compliant with laws relating to social, environmental and ethical responsibility</p> <p>Should any supplier fail to comply, it might affect the Group's business activity, image and profitability.</p>	<p>Monitoring and management of this risk are included in the Duty of Care Plan (see Chapter 5.7.5 Universal registration document 2020) pursuant to law No. 2017-399 of 27 March 2017 on the Duty of Care of parent companies and contracting companies.</p>

THE NON-FINANCIAL PERFORMANCE STATEMENT also includes the disclosures required under Article L. 225-102-1, III, paragraph 2 of the French Commercial Code. These include disclosures about the consequences of the company's business activities and the use of the goods and services it produces on climate change, its corporate commitments to sustainable development, the circular economy, the fight against food waste and food insecurity, respect for animal welfare and responsible, fair and sustainable food, collective agreements signed within the company and their impact on the company's economic performance and employees' working conditions, initiatives aimed at combating discrimination and promoting diversity, and measures taken for people with disabilities.

SEE THE RELATED CROSS-REFERENCE TABLE IN CHAPTER 8.6.



3. NON-FINANCIAL PERFORMANCE SCORECARD

Issue/Risk	Policies	Key performance indicator	2019 Outcomes ^(a)	2020 Outcomes ^(a)
1. Diversity and inclusion	<p>Thales's commitment: Bring out the best in everyone</p> <p><i>"At Thales, I work in teams that are open to diversity and value our differences and backgrounds."</i></p> <p>Cross-functional initiative taken by the Executive Committee as part of the Ambition 10 plan</p> <p>Being a global leader with a strong local presence means embracing diversity in all its forms: gender, age, origin and nationality. A truly diverse, global organisation has an additional advantage when it comes to competitiveness and attracting and retaining top local talent. Diversity stimulates innovation and creativity thanks to a broad range of approaches, perspectives and ideas. Inclusion, which presupposes the acceptance of diversity and recognition of its importance, improves Thales's collective performance.</p>	% of women in top positions	17,2%	18%
		% of Management Committees with at least three female members	50%	68%
2. Workplace health and safety	<p>Thales's commitment: Be attentive to everyone</p> <p><i>"At Thales, my manager trusts me: he empowers me and ensures my well-being." "At Thales, I have all the resources and support I need to maintain a healthy work-life balance."</i></p> <p>Thales's commitment: HSE policy</p> <p><i>"Thales is committed to providing a safe and healthy working environment for its employees at its own sites and at external sites."</i></p>	Absenteeism rate	2,56%	3,30%
		Frequency rate of accidents at work	2,32	1,66
		Severity rate of accidents at work	0,057	0,056
		Percentage of employees working at an OHSAS 18001/ISO 45001-certified site	77,5%	77,1%
3. Environmental impacts related to the Group's activities	<p>Thales's commitment: HSE policy</p> <p><i>"Thales is committed to safeguarding the environment by limiting impacts (energy, climate, natural resources, etc.) and preventing pollution risks."</i></p>	Reduction of direct operational emissions ^(b) Absolute value compared with 2018	-1,8%	-35%
		Reduction of indirect emissions ^(c) Absolute value compared with 2018	-1,7%	-29%
		Recycling rate of non-hazardous waste	58%	60%
		Percentage of employees working at ISO 14001-certified sites	84%	84%

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

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

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

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

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

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

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

^(g) New 2020 indicator.



4. A COMMITTED APPROACH TO MEET ENVIRONMENTAL CHALLENGES

4.1 GENERAL POLICY ON ENVIRONMENTAL ISSUES

4.1.1 LONG-STANDING COMMITMENTS RENEWED AND STRENGTHENED

In line with its values, its purpose (“building a future we can all trust”) and its social responsibility strategy, Thales has been committed to a proactive and responsible approach to environmental protection for over 15 years. This commitment, written into the Code of Ethics, is reflected in a policy to reduce the environmental impacts and risks from business activities and products worldwide at all levels of the organisation. The environmental risks identified in the NFPS are those corresponding to material environmental impacts in connection with the Group’s activities and anticipation of environmental standards in product design. They are described in Chapter 2.

“**BUILDING A FUTURE WE CAN ALL TRUST**”

To ensure compliance with applicable regulations and anticipate future standards, the policy has four key areas of focus:

- **PREVENTING IMPACTS ON PEOPLE AND THE ENVIRONMENT FROM THE GROUP’S ACTIVITIES;**
- **FACTORING THE ENVIRONMENT INTO PRODUCT POLICIES AND SERVICES;**
- **SIGNIFICANTLY REDUCING THE GROUP’S OWN CARBON FOOTPRINT, AS WELL AS THAT OF ITS CUSTOMERS AND CIVIL SOCIETY;**
- **FOSTERING A SPIRIT OF INNOVATION WITH REGARD TO THE ENVIRONMENT.**

To turn its commitments into action, the Group has set environmental and sustainability performance targets since 2007. New targets were set by the Executive Committee in 2019 for a five-year period to 2023 with an extension to 2030 for greenhouse gas reduction targets.

Thus, in line with its commitments, the Group has strengthened its environmental strategy through the launch of its “strategy for a low-carbon future”, with ambitious targets that involve its entire value chain. This policy can be consulted on Thales’s website and is set out in Chapter 4.2.3.

In parallel, the Group is continuing to work on optimising the management of its waste and to manage the anticipated gradual replacement of hazardous substances which could result in the obsolescence of some products.

PERFORMANCE RELATED TO ENVIRONMENTAL IMPACTS IN CONNECTION WITH THE GROUP’S ACTIVITIES AND ANTICIPATION OF ENVIRONMENTAL STANDARDS IN PRODUCT DESIGN (NFPS)

Key performance indicator	2018	2019	2020	Change 2018/2020	Target 2023	Target 2030	Trend
Environmental management Percentage of employees working at ISO 14001 certified sites	89%	84%	84%	-5 pts			
Natural resources Recycling rate of non-hazardous waste ^(a)	55%	58%	60%	+5 pts	75%		😊
Ecoconception New developments incorporating eco-design	NA	NA	44%	+44 pts	100%		😊
Percentage of Product Line Architects, Product Line Managers, Product Design Authorities, and Design Authorities trained in or made aware of eco-design	NA	5%	33%	+28 pts	75%		😊
Climate (thousands of tCO₂) Reduction of direct operational emissions ^(b)	344	340	225	-35%	-20%	-40%	😊
Reduction of indirect emissions ^{(b) (c)}	13,584	13,189	9,592	-29%	-7%	-15%	😊

DETAILED FIGURES CAN BE FOUND IN CHAPTER 4.4 “ENVIRONMENTAL INDICATORS” TABLE.

^(a) Excluding exceptional waste, which corresponds to waste that is produced outside of the Group’s normal activities, for example during construction.

^(b) Expressed as an absolute value compared to 2018.

^(c) After integrating improvements in modelling carried in 2019 and 2020, see 5.5.2.4.3 Universal registration document 2020.

4.1.2 A SHARED MOMENTUM AND ORGANISATION

4.1.2.1 GLOBAL ORGANISATION

Aiming to consistently improve its environmental performance and prevent risks, the Group has set up an organisation that addresses these challenges: a Group Health Safety Environment (HSE) Department that is responsible for defining its strategy, policy, processes, methods and associated standards, and for supervising and monitoring their implementation across the Group, which coordinates a dedicated global HSE network. This organisation is described in section 5.4.3.5 Universal registration document 2020.

“THALES’S GLOBAL TEAMS ARE ALSO COMMITTED TO PROTECTING THE ENVIRONMENT THROUGH PROACTIVE LOCAL ACTIONS.”

4.1.2.2 AWARENESS, TRAINING, AND INVOLVEMENT OF EMPLOYEES

The members of the expanded international HSE network meets at a conference once a year. In 2020, this two-day event was held as a web conference which brought together over 860 employees from all functions around the world. Four major topics were discussed, including environmental challenges and the strategy for a low-carbon future (see Chapter 4.2.3).

Online training modules are available to educate Group employees on the basic aspects of environmental risk control, general themes such as eco-responsibility, or specific issues such as managing chemicals, labelling hazardous materials, or issues related to climate change.

In 2020, several information sessions on the Group’s strategy for a low-carbon future were organised, complemented by a recording made available to all employees via the Group’s intranet site. These sessions made it possible to raise awareness among over 600 people. Continuing the momentum begun in 2019, the Group paid special attention to raising awareness and training managerial teams on rolling out the HSE 2023 vision, to management committees’ commitment to climate issues, and to the roll-out of the low-carbon future policy.

In addition, nearly 500 employees completed specific eco-design awareness sessions in 2020. To further support environmental knowledge within the Group, the various job families (environment, purchasing, design, sales, etc.) are offered additional training modules.

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

Thales’s global teams are also committed to protecting the environment through proactive local actions. The year 2020 was notably marked by a week dedicated to Sustainable Development during which the teams from each site were invited to reflect on their best practices in terms of workplace health, safety, and environment, and to carry out concrete actions in favour of responsible energy management, such as unplugging their non-essential electronic equipment outside office hours. The results of these actions were then shared to encourage best practices and support worthwhile initiatives.

It is also noteworthy that several groups of eco-conscious employees, who want to be more engaged in their workplace as part of their daily activities and duties, have formed throughout the Group, particularly in France, around various subjects such as energy savings and waste. The HSE teams work in concert with these groups to develop synergies.

4.1.2.3 RELATIONS WITH EXTERNAL STAKEHOLDERS

Thales is committed to communicating in a totally transparent way with government authorities and its employees, customers, partners, suppliers, and subcontractors, as well as civil society stakeholders, sharing its environmental challenges with them. Procedures are also in place to receive, deal with, and communicate alerts and requests swiftly. It is also possible to send questions to the Group’s HSE Department using a dedicated e-mail address.

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

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

Lastly, the Group’s HSE teams participate in the work of the International Aerospace Environmental Group (IAEG) and the French Aerospace Industries Association (GIFAS). Thales’s Vice President of Health, Safety and Environment chairs the IAEG’s Strategic Planning Committee and the Environmental and Sustainable Development Commission of the French Aerospace Industries Association (GIFAS).

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



500

employees completed specific eco-design awareness sessions in 2020



4.1.3 A CONTINUOUS IMPROVEMENT AND RISK PREVENTION PROCESS

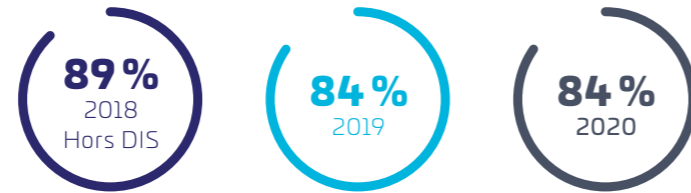
4.1.3.1 CONTINUOUS IMPROVEMENT AND PREVENTION PROCESS

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

The Environmental Management System has been implemented at all sites as part of a dedicated process for ensuring the management and limitation of environmental risks and of the environmental impacts of operational activities (buildings, industrial facilities, equipment and worksites), the supply chain (purchasing, supplier audits) and products delivered (product policy, design, bids, projects and services).

Integrated into the different 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 organisation. It also defines the risk management and alert procedures in the event of an accident.

CHANGES IN THE NUMBER OF EMPLOYEES WORKING AT AN ISO 14001 SITE



The decline recorded between 2018 and 2019 is linked to the integration of Gemalto.

At the end of 2020, 144 sites were certified, compared to 138 in 2019. 84% of the Group's employees work at an ISO14001-certified site, which includes, among other, the management of the environmental impacts of products. Each year, audits are conducted by the internal audit teams (audit policy, maturity assessment) or external auditors for ISO 14001 certification or preventive inspections from insurers.

In addition, to provide support to sites, the eHSE risk management software suite was adapted to the changes in the ISO14001 standard, particularly in relation to taking into account challenges of stakeholder demands, risks and opportunities related to environmental analysis, and the effectiveness of actions and the associated resources.

Using a single tool allows all Group entities to report, record and manage action plans related to any environmental incidents or accidents.

These environmental risk management processes, and in particular those related to climate change, are described in Chapter 3.1.8.

4.1.3.2 INDUSTRIAL RISK MANAGEMENT

Only six of the Group's sites present significant industrial risks: Four sites are Seveso-classified in Europe (one as "upper tier" and three as "lower tier"), while two sites in Australia are classified as high industrial risk.

Safety management systems (covering major accident prevention policy, contingency plan, risk assessment, the associated risk management scenarios...) are in place and are regularly inspected by the country HSE departments and regulatory authorities, in accordance with applicable regulations. After the Lubrizol accident in Rouen, France, the Group assessed the regulatory status and the situation of its four Seveso sites in Europe in 2020.

The 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 Seveso-listed sites. Risks arising from accidents (such as fire or pollution) are managed locally, with the support of the relevant Group departments, if necessary. Accident prevention and management procedures, as well as procedures for handling specific complaints, are in place for such cases. An accident reporting tool makes it possible to analyse accidents that do occur and draw suitable lessons from them. In 2020, there were only 10 incidents across the Group, which had no significant impact on health or the environment.



10 incidents across the Group, which had no significant impact on health or the environment

“ SAFETY MANAGEMENT SYSTEMS ARE IN PLACE AND ARE REGULARLY INSPECTED BY THE COUNTRY HSE DEPARTMENTS AND REGULATORY AUTHORITIES, IN ACCORDANCE WITH APPLICABLE REGULATIONS. ”

Performance related to environmental impacts in connection with the Group's activities and anticipation of environmental standards in product design (NFPS):



84% of employees are working at an ISO 14001 site in 2020



4.1.3.3 ENVIRONMENTAL RISK MAPPING

The Group's risk mapping incorporates an environmental component: it addresses the environmental risk factors linked to the Group's activities, the increasing changes in environmental standards in the countries where it operates, and the risk factors induced by climate change.

The analysis of environmental risks that could impact people's health, the environment, and the Group (reputational and financial impacts, the ability to continue certain activities, etc.) is periodically reviewed and, if necessary, updated to keep pace with changes in business activities, scientific and technical developments and emerging challenges and opportunities.

This analysis is intended to:

- verify that Group employees, people working at its permanent premises or worksites, and more broadly local residents, are not exposed to health or environmental risks;
- check that the Group's activities do not present a threat to the environment;
- ensure that activities and products sold are compliant;
- analyse and anticipate the long-term impact of new regulations on the Group's commitments and on the design of new products or services;
- evaluate the impact of climate change on the Group's activities.

A Risk Assessment Committee coordinates an annual evaluation of the risk management system for each legal entity, leading to:

- an improvement plan that incorporates the recommendations of experts and translates into action plans at all levels of the company;
- a summary of the materiality of the impacts for the Group, drawn up in consultation with the International HSE Committee.

In parallel, Thales pursues an active risk prevention engineering policy with the support of specialised partners. Risks that could trigger a major loss affecting people, the environment, and/or significantly impacting the value chain (fire, machinery breakdown, etc.) are closely monitored.

To this end, the Group's Insurance Department draws up and manages a site inspection plan as part of a prevention strategy aimed at reducing the likelihood of claims and limiting the impact of incidents. In 2020, 40 sites were thus visited. Additionally, and in order to comply with travel restrictions, risk prevention conference calls were organised for more than 20 Group sites.

The scope of prevention visits covers more than 230 sites, 184 of which received a risk prevention visit. Risk inspection visits cover several areas: property damage, fire, multiple natural hazards, and machinery breakdown. As a reminder, in 2019, prevention visits were carried out at around 160 sites (2018 scope before the integration of Gemalto).

In addition to the risks related to the Group's activities and to natural disasters (earthquakes, etc.), risks associated with adapting to climate change are specifically analysed and re-evaluated in order to reduce the Group's exposure and vulnerability:

- **FOREST FIRES (E.G., IN THE UNITED STATES AND AUSTRALIA);**
- **WATER STRESS;**
- **FLOODS;**
- **STORMS, HIGH WINDS;**
- **CONSEQUENCES OF DEFORESTATION AND DISRUPTIONS TO WILDLIFE HABITAT, ETC.**

In 2020, the Group was not subject to any claims related to weather events or natural disasters.

Beyond its ordinary operations, environmental risk management is applied with the same rigour to disposal and acquisition transactions in order to limit the guarantees given or the risks assumed for these transactions, regardless of their nature, amount, or duration.

The materiality grid below is built based on the compilation of all the evaluation grids for the significant environmental impacts of the Group's sites and activities, as well as the evaluation of their materiality on the surrounding environment, and in particular with regard to their nature, quantification, and the sensitivity of the host environments:

MATERIALITY OF ENVIRONMENTAL IMPACTS

Materiality of impacts	Industrial activities	Tertiary activities	Comments
Greenhouse gas emissions	Low	Low	The Group's industrial activities do not require intensive energy consumption and therefore generate only small quantities of greenhouse gases (scope 1 and 2).
Soil pollution	Moderate	Insignificant	
Consommations énergétiques	Low	Insignificant	
Productions de déchets non dangereux	Low	Insignificant	
Productions de déchets dangereux	Low	Insignificant	Given its industrial activities, the production of hazardous waste is limited and represents only 18% of the total production of waste, which is processed through appropriate channels.
Consommation d'eau	Low	Insignificant	The Group's water consumption is low as a result of not operating in water-stressed areas and due to the many plans it has implemented over the past 15 years. These plans are supplemented and optimised by establishing recycling loops wherever possible. This impact is thus not material.
Émissions dans l'eau	Insignificant	None	Industrial sites collect and process their wastewater before discharge. Only 31 of the 188 sites within the Group's environmental reporting scope have to deal with emissions in water.
Émissions atmosphériques	Insignificant	None	



4.1.3.4 VULNERABILITY AND ADAPTATION TO CLIMATE RISK

The approach adopted by the Group to adapt to climate change is designed to reduce its vulnerability to the effects of climate change such as the hazards of natural disasters (storms, floods, etc.), earthquakes, fires, or the depletion of resources (see 4.1.3.3).

The Group's commitments under its strategy for a Low-Carbon Future in accordance with the 2°C trajectory of the Paris Agreement also highlight the many opportunities associated with the fight against climate change, both in terms of energy performance and industrial processes (see 4.2.3.3), as well as the development of low-carbon products and solutions (see 4.2.3.5 and 4.2.3.6).

Thales remains involved in the study conducted jointly by AFEP (French private companies association) and the French think tank the Shift Project to analyse energy and climate scenarios, and make recommendations to companies

4.1.3.5 DISPUTES AND ENVIRONMENTAL ALERTS

Thales was not cited in any environmental dispute that gave rise to compensation in 2020 and made no generic guarantees in relation to the environment. In addition, four sites (including one site on two occasions) were the subject of a letter, request or environmental complaint (as defined by ISO 14001) from local authorities, employees or third parties, for a total of five in 2020 which have either been dealt with or are in the process of being dealt with. At 31 December 2020, total provisions for environmental risks at Group level amounted to €4.3 million.

“ THALES WAS NOT CITED IN ANY ENVIRONMENTAL DISPUTE THAT GAVE RISE TO COMPENSATION IN 2020 AND MADE NO GENERIC GUARANTEES IN RELATION TO THE ENVIRONMENT. ”

4.2 REDUCE THE ENVIRONMENTAL IMPACT ACROSS THE ENTIRE VALUE CHAIN

4.2.1 REDUCING THE ENVIRONMENTAL IMPACT OF OUR ACTIVITIES

4.2.1.1 REDUCING, REUSING AND RECYCLING WASTE

Thales's responsible waste management commitments seek to reduce the quantity of waste the company produces, limit the amount of waste sent to landfill, and optimise recycling of non-hazardous waste.

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

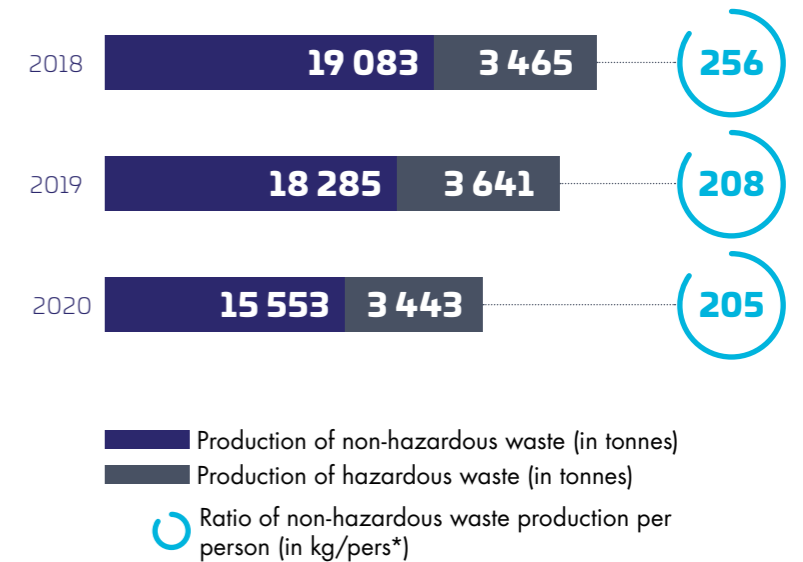
	2018	2019	2020	Change 2018/2020	2023 Natural resources
Natural resources					
Recycling rate of non-hazardous waste ⁽¹⁾	55%	58%	60%	+5 pts	75%

These commitments have helped to reduce the non-hazardous waste produced per person by 20% between 2018 and 2020 (excluding exceptional waste⁽¹⁾), with a 16% drop in total waste produced.

The landfilling rate was also reduced between 2018 and 2020 from 18.7% to 13.5% (excluding exceptional waste).

In October 2020, an initiative called "Energy from Waste," was launched at the Piscataway site (United States) and now allows waste that was previously landfilled to be used to generate electricity. In just three months, seven tons of waste has generated four MWh through this alternative to landfilling.

CHANGE IN WASTE PRODUCTION EXCLUDING EXCEPTIONAL WASTE⁽¹⁾



^{*} Based on the average annual headcount at the sites, including permanent employees, temporary employees, trainees and service providers permanently on site, and excluding employees on permanent assignment or based at external sites.

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

As a result of measures taken, 85% of all waste (excluding exceptional waste) was recovered and, more specifically, 60% of non-hazardous waste (excluding exceptional waste) was recycled in 2020.

To achieve this, various measures related to selective waste sorting, the search for recycling channels or optimum treatment channels, and campaigns to change habits and behaviour (printing policy and reusing cardboard and other packaging, for example) have been introduced. These measures are aimed at reducing waste production and improving waste treatment. For example, the amount of paper and packaging waste fell by 24% compared to 2018.

Certain Group sites reuse packaging either to supply Thales sites or to transfer equipment from one site to another. Hazardous waste has also been a specific target. Dedicated areas for collection and storage have helped to manage this type of waste prior to disposal. The quantity of hazardous waste (excluding exceptional waste) has fallen by 0.6% since 2018.

Lastly, the majority of Thales sites have opted for food service companies to manage their corporate restaurants. Therefore, the Group does not have a direct impact on food waste. Nevertheless, Thales, works with these partner companies to set up responsible handling solutions that encourage less food waste, as does all its partners.

This is particularly true at the Bordeaux campus, where an initiative was established in 2020 to recover surplus food from the corporate restaurant to benefit a local association. This collaboration allowed an average of 48 kilos of food per week to be donated, or approximately 120 meals, which the association then distributed.

4.2.1.2 PRESERVING WATER

Water is a vital resource to be protected. For more than 20 years, Thales has engaged in a far-reaching programme to reduce its water consumption by, among other things, dealing with leaks, centralising the management of its water networks, replacing water-intensive equipment, optimising industrial processes, and recycling water for reuse in industrial processes. This has allowed the Group to significantly reduce and stabilise its water needs over the past 15 years, thereby reducing the pressure on this rare resource in a sustainable way.

Risks linked to water management have not been identified as material at Group level (see 4.1.3.3). Nevertheless, despite the low level of consumption achieved as a result of optimised multi-year management plans (including the promotion of recycling loops), and not operating in water-stress areas, the management of water resources remains a point of focus for the Group as it remains committed to not increasing its consumption.

Furthermore, in 2019, Thales completed the CDP’s water security questionnaire (Carbon Disclosure Project), which helps assess how current and future water management risks are being accounted for, at both strategic and usage levels, and obtained a B- grade, which corresponds to the industry average. Thales also completed this questionnaire in 2020, in order to provide transparency to its stakeholders, although it was not graded.

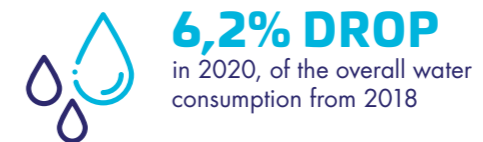
	2018	2019	2020	2018/2020	Target
Water					
Water consumption (thousand m ³)	1,771	1,776	1,661	-6%	No increase in consumption

In 2020, overall water consumption amounted to 1,661,000 m³, down 6.2% from 2018. This drop confirms the collective effort at all sites, including the Mulwala site (Australia), which alone represents 36% of the Group’s water consumption due to its industrial processes and activities.

These achievements benefited from increased employee awareness and from the continuous expansion in the use of best practices.

4.2.1.3 IMPACT OF INDUSTRIAL ACTIVITIES

Industrial wastewater discharge	Thales’s activities generate little in the way of industrial wastewater: slightly more than 600,000 m ³ in 2020. 97% of wastewater is discharged from eight sites and 66% comes from the Mulwala site (Australia). Consolidated wastewater discharges have fallen by 4.5% compared with 2018, as a result of ongoing plant optimisation and modernisation measures, and wastewater recycling and reuse.
Industrial atmospheric emissions	In general, Thales’s activities do not generate atmospheric emissions, except for activities at a few specific industrial sites or activities linked to site operations (for example, heating). For those few sites, industrial atmospheric emissions are channelled and treated where necessary (with filters, scrubbers, etc.) and regularly checked. This primarily relates to solvents. The quantities used are low: slightly less than 600 tonnes in 2020. Just eight of the 142 sites concerned (out of 188) account for 79% of solvent purchases. The Mulwala site alone accounts for 65% of these purchases and 69% of atmospheric emissions resulting from the manufacture of propellants requiring a large quantity of solvents. In 2020, 8% of solvent purchases were linked to measures to prevent and combat Covid-19, leading many sites that do not usually use solvents to report purchasing them. As a result, between 2019 and 2020, industrial atmospheric emissions associated with solvents increased 11% due to solvents used in relation to the health crisis, as well as due to an improved monitoring and reporting of the quantities of solvents used for industrial processes in Singapore and Poland. Although certain sites eliminated or replaced solvents with detergents, industrial atmospheric emissions increased 52% between 2018 and 2020 due to commissioning in 2019 and the ramp-up phases of the new manufacturing process associated with increased production capacity at the Mulwala site.
Combating noise and odour pollution	While Thales’s activities generate very little noise or odour pollution, measures are still put in place to limit them. Cooling systems are the most common sources of noise pollution, and precautions are taken to limit noise levels associated with this equipment. Sound levels are checked periodically. The few sites where noise is a particular issue are equipped with acoustic attenuation systems, or only conduct noise-generating activities at specific times. The increased use of computer simulations for pyrotechnic testing, for example, also helps to reduce noise. Only five of the Group’s sites report generating odour pollution. This concerns odours resulting from evaporation basins for solvents and paints. Appropriate actions are implemented to reduce this pollution: dredging, installation of water wheels to increase the dissolved oxygen levels, reduced usage, installation of waste treatment and suction equipment, use of specific protective equipment for operators.



Land use and pollution prevention

For more than 20 years, the Group has implemented a policy of anticipating and responsibly managing its pollution risks. Few sites are subject to significant contamination, and where contamination has been identified, it is usually due to earlier industrial activities (some of which are independent of Thales and related to previous owners). Any new situation identified as presenting a risk of pollution or proven pollution is dealt with by means of a rigorous investigation process supervised by external expert firms and is managed and monitored responsibly.

When available techniques allow, appropriate treatments are implemented. Their aim is to minimize impacts on the environment while favouring on-site treatments over transferring pollution to be treated at another site.

The water table is periodically monitored at some industrial sites. The cases in question are regularly monitored by the Group's HSE Department, in conjunction with the Legal Department dedicated to real estate and environmental issues, while closely coordinating with the local authorities concerned (Regional Environment Directorates, Regional health authorities, Prefects, etc.).

The Group considers environmental criteria when choosing locations for its sites, looking at climate and geological risks, the impact of its activities on the human and natural environment, and land use. The objective is to optimise compatibility between the Group's activities and the environment. Some activities, such as pyrotechnics, require a specific site due to the risks those activities generate, and need to be bounded by extensive security areas and suitable geology. These areas account for approximately 79% of the total land area occupied by the Group (two sites in Australia and one in France). However, steps are taken to enhance their ecological value either by promoting biodiversity or by converting them into pasture or farmland.

The remainder of the Group's land areas are mostly industrial (51%) and offices (41%).

4.2.1.4 PROTECTING BIODIVERSITY

The preservation of species, their habitat and ecosystems, the preferential use of areas dedicated to flora and the protection of historical and natural heritage are taken into account in all decisions to help protect the environment. As early as 2006, Thales drew up a preliminary inventory of its sites in France located near or within protected areas and, at certain sites, assessed the impact of business activities on biodiversity and the degree to which the site depends on the surrounding ecosystem services provided by nature. It then consolidated this information into a map of biodiversity-related risks for Group sites located in the most vulnerable areas. Although the overall impact of the Group's activities on biodiversity is low, Thales encourages its sites and employees to continue to promote actions to protect biodiversity. Inventories are carried out at some sites by volunteers or in partnership with local authorities or biodiversity protection agencies, and ad hoc management measures are put in place.

Several Australian sites have had habitat management plans in place for several years, notably concerning erosion prevention. In France, during the construction of the Mérignac campus in 2014, 30-year commitments were entered into to ensure environmental offsets, such as reforestation, preservation of wildlife and habitat, and replanting in wetlands. The corresponding action plans continue to be carried out and are delivering all of the expected benefits in terms of biodiversity.

Many sites prioritise outdoor features to favour the natural habitat and bring attention to wildlife. At the Pont-Audemer site, a global project was rolled out in partnership with the regional park and town: employees did an inventory of the wildlife with high school students, built bat shelters and birdhouses, planted fruit trees, and helped create two ponds and brought in geese for eco-pasturing. The Toulouse site created an apiary and a shared garden, the Meudon and La Ciotat sites installed beehives, and at the Gémenos site, employees are cultivating a permaculture hill.

For sites with large areas of plains or forests, special precautions are taken to protect fauna and flora by promoting environmentally friendly and natural techniques for mowing and grazing and by eliminating crop protection products. Other sites raise employee awareness through photography exhibitions on forests, agroforestry, and the species that can be found on-site.

“ IT SHOULD BE NOTED THAT THE IMPACT OF ACTIVITIES ON BIODIVERSITY IS CONSIDERED LOW. ”

4.2.2 AN INNOVATIVE DYNAMIC TO HELP REDUCE ENVIRONMENTAL FOOTPRINT

Thales has embarked on a process to develop eco-responsible products and systems that meet different needs, specifically:

- compliance with and anticipation of environmental regulations for the purpose of managing obsolescence and the associated industrial risk;
- creation of value for customers and differentiators for the market through innovation;
- reduction in environmental impacts and compliance with the Group's commitments.

The three main guidelines of this process are:

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

The process is embedded in other key processes undertaken by the Group, such as Product Policy, Engineering, Operations and Purchasing. The Group is also developing methods and tools to help product designers and architects make eco-responsible choices, leverage environmental information and verify that chosen solutions comply with regulatory requirements.

Life cycle and environmental impact analyses of products performed in previous years have highlighted the need to replace hazardous products and determine the life cycle phases that have the highest impact in terms of CO₂ emissions. For the majority of the Group's products and solutions, use phases have the highest carbon footprint. This is primarily due to the potentially very long product life (20 years and above), and to high rates of use. The analyses also showed that actions to reduce CO₂ emissions generally lead to a reduction in other environmental impacts, thus identifying actual attractive action levers. In 2020, Thales conducted simplified life cycle analyses on 12 products under development.

For products installed on board mobile platforms, the main parameters in terms of environmental impact were the nature of the platform (air, naval, rail, etc.) and its characteristics (service life, percentage of time spent in motion, etc.). This was largely due to the impact of the weight being moved and, to a lesser extent, the platforms' energy consumption. For fixed products, the predominant parameter was energy consumption. Reducing impacts thus depends both on our ability to reduce their intensity through the direct contribution of product design and on our customers' ability to reduce the energy intensity of the platforms on which they are installed.

For a limited number of products, which have a short service life and concerning consumer applications, particularly bank or SIM cards and associated peripherals, the analysis shows that the production phase generates the most significant impacts. Efforts are thus focused on the reduction of environmental impacts in this life cycle phase.

Lastly, the Group is contributing to the low-carbon efforts of its customers. Indeed, several products and systems developed by Thales make it possible to very significantly avoid some emissions of the customers who use them. Examples include traffic management, flight path optimisation, driver or pilot assistance systems, as well as simulators that limit the amount of training required in actual flight (see 4.2.3.5).

Performance related to the anticipation of environmental standards in product design (NFPS):



33 %

Is the percentage of Product Line Architects, Product Line Managers, Design Authorities, and Product Design Authorities trained in or made aware of eco-design

Creating awareness of environmental issues and taking them into account in new product development are an essential part of eco-design policy. Training tools and sessions have been in place at the Group's various entities since 2019 and have reached some 500 employees, a pace that accelerated in 2020 despite the crisis. Furthermore, training sessions are currently being rolled out specifically targeting people in charge of the Group's product policies.

4.2.2.1 DEVELOPING ECO-DESIGN

In order to be part of an overall sustainable process, the way we account for environmental challenges in how products are developed must also create value for Thales and its customers: improved operating conditions, reduction of total ownership costs, optimisation of end-of-life management. This aspect is being addressed specifically through the product policy and the eco-design initiative that has been put in place, which is aimed at reconciling value proposition with reduced environmental impact.

Research conducted in recent years to characterise Thales's main products has identified two priority areas for improvement:

- the use of sustainable resources for product design and manufacturing, with a particular focus on hazardous substances, quantities of materials, and their recyclability;
- the reduction of the energy consumed and CO₂ emitted during the product use phase.

“ THE WAY WE ACCOUNT FOR ENVIRONMENTAL CHALLENGES IN HOW PRODUCTS ARE DEVELOPED MUST ALSO CREATE VALUE FOR THALES AND ITS CUSTOMERS ”

A cross-functional Group Steering Committee, coordinated by the HSE Department and comprising HSE product coordinators from all the GBUs allows for a coherent approach, the sharing of information and best practices, and for sustainable performance indicators to be established and monitored on a quarterly basis by the Director of Operations and Performance, who is a member of the Group's Executive Committee.

The search for new technologies and the design of new equipment involve restricting the use of materials to cut down on size and mass, and to facilitate dismantling, as well as replacing the substances that are most toxic for health and the environment. These requirements are conveyed to suppliers of the equipment and components that Thales assembles at its sites. The manufacturing processes are also optimised to limit loss of materials and amounts of discharge and waste.

For example, using standard dimensions to produce plates and structural sections leads to fewer “shavings”. Moreover, since 2017, Thales has been using the additive manufacturing process (3D printing) to manufacture space parts. There are ongoing studies to expand the scope of use of this technique, particularly in aeronautics. This technology, combined with the use of topological optimisation tools, limits the quantity of materials used to address a given need. It also makes it easier to repair parts and optimises service offerings. In addition, for specific activities such as bank cards and SIM cards, Thales is developing manufacturing processes that allow recycled plastic to be used for the body of the card.

The table in Chapter 4.3 includes examples of products whose environmental impacts have been reduced using the measures discussed above.

Thales also pays close attention to the availability of critical resources such as rare earth metals and responds to surveys conducted by European and French authorities. Lastly, Thales has reduced the use of materials such as wood, cardboard and plastic by rationalising, limiting, and reusing packaging, both for supplying Thales sites and for transferring equipment from one site to another.

4.2.2.2 OBSOLESCENCE AND REPLACEMENT OF HAZARDOUS MATERIALS

The increase of and changes in environmental regulations have led to the restriction – and, in some cases, prohibition – of the use of certain substances. This has led to the growing risk that it may become impossible to manufacture or provide through-life maintenance to a system or piece of equipment. For this reason, Thales has taken a proactive approach which involves anticipating risks and implementing the measures required to manage them. The Group pays particularly close attention to technologies requiring the use of substances on the European REACH Regulation Candidate List, as well as other regulations such as RoHS, WEEE, and POP.

This approach relies on centralised regulatory monitoring, which is constantly increasing in scope; the resulting information is then summarised and disseminated as alerts based on the priority and criticality of the subjects. It includes the collection of data on substances directly concerned by the regulations and which are present in the components and sub-components used in the products and solutions developed by the Group. All of these data are entered into a central database, which is accessible to all Group entities, and in the PLM (Product Lifecycle Management) tools and ERP (Enterprise Resource Planning) systems. An analysis tool developed in-house enables the cross-referencing of all of this information to ensure compliance with regulations and perform the impact analyses needed to anticipate the risk of obsolescence and eco-responsible management.

Thales has developed replacement plans to keep obsolescence risks under control. These investigations into replacements, produced internally or with manufacturing partners, aim to assess the performance of alternative industrial processes and ensure that manufactured products remain compliant with technical requirements. In some cases, it is necessary to redesign products and their interfaces and rescope industrial tools, a process that is implemented over several years.

In the case of chromates, Thales began researching replacement processes in 2013 for more than 30 industrial processes used by subcontractors in its applications. The Group has thus committed more than €7 million for this work and to the deployment of replacement processes in equipment and systems. At the end of 2020, between 60% and 100% of replacements had already been made, in line with the cut-off dates. For the few processes where there is so far no qualified technical solution, or when the industrial deployment of alternative solutions has not been completely finalised, Thales has ensured that both itself and its supply chains are covered:

- by REACH authorisation applications, for which the final decisions were voted on in 2020 by the European Commission;
- through compliance with conditions for use linked to these authorisations;
- by continuing its research into alternative solutions to arrive at qualified solutions that are technologically feasible.

Similarly, the Group is evaluating exposure to potential risks linked to other substances, such as lead or cadmium, and setting up studies to find alternative solutions whenever necessary.



Performance related to the anticipation of environmental standards in product design (NFPS):



adherence to schedule in line with the cut-off dates set by the European Commission (2024 and 2026)

Industrial processes affected by the replacement of chromates

4.2.3 THE CHALLENGE OF CLIMATE CHANGE

4.2.3.1 STRATEGY FOR A LOW-CARBON FUTURE

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

(in ktCO ₂)	2023 target	2030 target	2020 actual	Trend
Climate				
Reduction of direct operational emissions (compared with 2018, in absolute terms)	-20%	-40%	-35%	☺
Reduction of indirect emissions (compared with 2018, in absolute terms)	-7%	-15%	-29%	☺

To continue the commitments it affirmed in the "Business Proposals for COP21" in 2015, and later in the "French Business Climate Pledge" in 2017 and 2019, Thales confirmed its commitment in November 2019 through the adoption of its strategy for a low-carbon future, which is based on three pillars:

Reduce direct emissions and emissions from products

Thales aims to ambitiously reduce its greenhouse gas emissions with targets expressed in absolute values aligned with the 2°C trajectory and by involving its entire value chain⁽¹⁾:

- 40% reduction in operational direct emissions by 2030 (internal operations, employee mobility) with an interim target of 20% in 2023;
- 15% reduction in indirect emissions by 2030 (purchasing, use of Thales equipment by customers) with an interim target of 7% in 2023.

Offer its customers innovative and eco-responsible functions and services that will enable them to reduce their own greenhouse gas emissions

- by developing smart traffic management solutions (rail, road, sea and air), that will reduce emissions;
- by optimising the energy efficiency of the digital world with the development of solutions that are "designed for energy efficiency" for digital data science, algorithms and artificial intelligence.

Contribute to a better understanding of climate phenomena, especially through the development of dedicated space systems

The progress relating to these targets is measured against a 2018 baseline. It is regularly monitored and an annual mapping of the Group's carbon footprint is published.

The strategy for a Low-Carbon Future adopted by the Group was developed in 2018 following the globally recognised methodology of the updated Science Based Targets initiative (SBTi). The application of this methodology is a voluntary initiative used to determine greenhouse gas reduction targets that are consistent with the "2°C vs pre-industrial levels" climate scenarios set out in the Paris Agreement. This international initiative was launched by the World Wildlife Fund (WWF), the World Resources Institute (WRI) and the Carbon Disclosure Project (CDP). The methodology is also recognised by 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 to its principles and recommendations. A cross reference table of TCFD-related elements is provided in Chapter 6.1. The Group aligns with the four pillars of the TCFD recommendations:

1. DISCLOSE THE ORGANISATION'S GOVERNANCE AROUND CLIMATE RELATED-RISKS AND OPPORTUNITIES;
2. DISCLOSE CLIMATE-RELATED RISKS AND OPPORTUNITIES;
3. DISCLOSE HOW THE ORGANISATION IDENTIFIES, ASSESSES AND MANAGES CLIMATE-RELATED RISKS;
4. DISCLOSE THE METRICS AND TARGETS USED TO ASSESS AND MANAGE RELEVANT CLIMATE-RELATED RISKS AND OPPORTUNITIES.

4.2.3.2 GOVERNANCE OF THE STRATEGY FOR A LOW-CARBON FUTURE

The strategy for a Low-Carbon Future engages all the company's employees, who are responsible for translating and deploying it in their day-to-day activities within the organisation.

The strategy's deployment is supported by a dedicated governance at various levels of the Group and structured around:

The Group Central Steering Committee

- This Steering Committee is headed by the Senior EVP, Chief Operating Office and Chief Performance Office, who is also a member of the Executive Committee;
- it brings together:
 - two Global Business Unit Executive Vice Presidents and the Executive Vice President, Group Secretary and General Counsel, in charge of steering the Group CSR policy,
 - the leaders of each of these four pillars (operations, purchasing, mobility and products), as well as other key functions in the Group such as HSE, Finance and Communication;
- It ensures the monitoring, coordination, identification and management of risks and opportunities related to achieving the 2023 and 2030 targets;
- the Committee's first meeting was held in December 2020.

A steering committee for each of the four pillars: Operations, Products, Purchasing and Mobility

- These Steering Committees meet twice a year and report to the Group Central Steering Committee.
- They are supported by multidisciplinary work groups meeting on regular basis to design roadmaps and implement action plans.

The Group has conducted many awareness-raising and training sessions since 2019 to facilitate the implementation of the policy (over 600 people involved).

Alongside these strategic governance bodies, there is a CSR Committee created in October 2020 and chaired by the Chairman & Chief Executive Officer (see Chapter 1).

The possible impacts of climate challenges and risks are integrated in the Group's strategic thinking, and the implementation of its strategy remains aligned with the Paris Agreement, especially:

- identifying not only risks but also market opportunities, benefits, and financial challenges;
- implementing a responsible purchasing policy;
- updating the Group's risk mapping integrating resiliency challenges. An initial meeting on this topic was held during the fourth quarter of 2020.

The corresponding risk assessment to date is included in Chapter 2

At local level, all the Group's operational units launched working groups to provide concrete support for action plans and related awareness-raising.

Lastly, in 2020, the Executive Committee sought to strengthen the collective aspect of CSR performance recognition. To this end, it was decided that, starting in 2021, for employees eligible for variable compensation, 10% of this compensation would be related to CSR targets corresponding to the Group's commitments. The strategy for a Low-Carbon Future accounts for 25% of this objective (see Chapter 5.4.1.3.6 Universal registration document 2020).

⁽¹⁾ The "2°C trajectory" refers to a reduction in greenhouse gases compatible with the Paris Agreement targets to limit global warming to 2°C, using a methodology based on the recognised Science Based Targets standard.



4.2.3.3 REDUCE THE CARBON FOOTPRINT OF DIRECT OPERATIONAL EMISSIONS

The Group's direct operational emissions refer to emissions related to energy consumption and use of chemicals (scope 1 & 2) and emissions relating to employee mobility (scope 3 – business travel). In 2019, the Group made a commitment to reduce these emissions by 20% by 2023 and 40% by 2030 in absolute value against a 2018 baseline.

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

(in ktCO ₂)	2018	2019	2020	Change 2018/2020	2023 target	2030 target
Climate						
Reduction of direct operational emissions	344	340	225	-35 %	-20 %	-40 %
Emissions related to energy consumption and the use of chemicals (scope 1 and 2)	251	249	196	-22%		
Emissions related to employee mobility (scope 3 business travel)	93	91	29	-69 %		

Reduce emissions related to energy consumption and the use of chemicals

(in ktCO ₂)	2018		2019		2020	Change 2018-2020
	Reported	Adjusted	Reported	Adjusted		
Emissions related to energy consumption and the use of chemicals (scope 1 and 2)	233	251	230	249	196	-22%
Emissions related to energy	208	226	204	223	160	-29%
of which emissions related to electricity consumption (scope 2)	NA	167	NA	165	105	-37%
Emissions related to chemicals (scope 1)		25		26	36	+ 44 %

Reduce emissions related to energy consumption

In 2020, Thales changed its methodology for calculating CO₂ emissions related to electricity in order to take better account of electricity from eligible renewable sources. The 2018 baseline for electricity-related CO₂ emissions used in the Group's strategy for a Low-Carbon Future published in 2019 was calculated using the location-based method, in alignment with the Science Based Targets Initiative methodology. However, the Thales reporting of data published in previous NFPS considered all green energy as eligible for CO₂ emissions reduction for 2018 and 2019. This change led to a recalculation of CO₂ emissions related to electricity consumption for 2018 and 2019, with strict application of the location-based method, as recommended by the Group's external expert, Carbone 4.

(in ktCO ₂)	2018	2019	2020	Change 2018-2020
Emissions related to electricity consumption (in ktCO ₂)	167	165	105	-37%
Total share of electricity from renewable sources (%)	25%	26%	27%	+2 pts ^(a)
of which electricity from renewable sources related to a specific contract (%)	NA	NA	80%	

Before 2020, sites lacked specific information on the nature of the contracts for the supply of electricity from renewable sources. Electricity from eligible renewable sources has only been taken into account from 2020 onwards and only if a specific contract identifies the categories of origin as described below.

Thus, in 2020, the in-depth review of the Group's renewable electricity contracts determined that 47 sites had a specific eligible contract, compared to only 16 in 2019. These specific supply contracts are mainly agreements with binding guarantees of origin (46%), as well as non-binding guarantees of origin (28%), Power Purchase Agreements (23%) and self-consumption (3%).

This new methodology with stricter definitions could only be consolidated in 2020 and retrospectively applied to the years 2018 and 2019, resulting in a recalculation of corresponding CO₂ emissions in order to ensure the consistency and robustness of the targets set in the strategy for a Low-Carbon Future.

THE SIGNIFICANT REDUCTION OF EMISSIONS

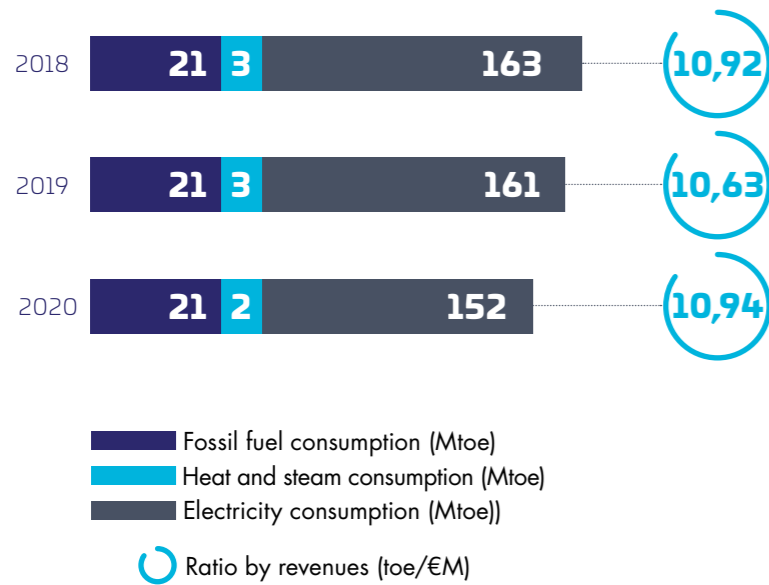
related to electricity consumption is explained by the large increase in the number of sites supplied with electricity from renewable sources, owing to this methodological change.

^(a) In the absence of specific information about the nature of the supply contracts, the benefits of renewable electricity supplies were not taken into account when calculating CO₂ emissions related to electricity consumption in 2018 and 2019

Note: CO₂ emissions relating to energy consumption using the market-based and location-based methodologies are as follows:

(in ktCO ₂)	2018	2019	2020	Change 2018-2020
Emissions related to electricity Location-based methodology	167	165	157	-6%
Market-based methodology	125	120	96	-23%
Thales methodology (criteria for eligible renewable electricity)	-	-	105	NA

CHANGE IN ENERGY CONSUMPTION



By the end of 2020, 23% of the Group's workforce was employed in Group entities certified to ISO 50001 "Energy Management Systems". In addition, 20 sites employing 16% of the Group's workforce have obtained an environmental performance certification for buildings (HQE, BREEAM, etc.)



2,5% DROP

In 2020, the Group continued to reduce its fossil fuel consumption (gas, fuel oil and coal), down 2.5% compared with 2018

Reduce emissions related to the use of chemicals

Along with energy, products with high global warming potential, used mainly in refrigeration systems, have been subjected to detailed action plans.

Many sites have continued to replace high-emitting refrigerants with equipment containing lower emitting refrigerants and have implemented action plans to limit leaks and, in some cases, even replaced the less efficient equipment. Thus, in 2020, SF₆, one of the main greenhouse gases contained in air conditioning systems, was reduced to just 1% of Group CO₂ emissions related to chemicals.

Total scope 1 emissions increased by 10% between 2018 and 2020, due to a 43% increase in CO₂ emissions related to the use of chemicals (Kyoto Protocol). This increase resulted from a leak of extinguishing gas from a fire protection system in France and, in Australia, from the slight increase in the use of solvents to support a site's ramp-up of production.

Reduce emissions related to employee mobility

The Group implements an action plan to reduce emissions related to all employee travel. In the coming years, this plan will benefit from the Smart Working initiative launched in 2020, which aims to rethink the way the Group's employees work and to redesign their workspaces (see 5.4.3.2 Universal registration document 2020).

Work organisation

The organisation of work is thus being redesigned to encourage the gradual adoption of alternatives to travel, including shared offices, co-working spaces and telecommuting.

On this last point, the agreement on telecommuting signed on 17 December 2020 for employee working in France expands and harmonises telecommuting provisions. (see 5.4.3.4.2 Universal registration document 2020).

Business travel

For several years, the Group has implemented a business travel policy aiming at minimizing the associated carbon footprint. Investments in communication tools (telepresence rooms, video conferencing, etc.) make it possible to limit business travel.

For business travel that cannot be avoided, the Group encourages the use of more eco-friendly modes of transport such as trains and low-energy use vehicles. In this regard, short-term car rental companies are encouraged to offer hybrid or electric vehicles.

In 2020, CO₂ emissions related to business travel were assessed at 29 ktCO₂e, i.e. a 68% drop compared with 2019 and 69% compared with 2018. This sharp decline is explained by the reduction of business travel induced by the Covid-19 pandemic

Company car policy

The policy on Company cars is determined by the Group and is implemented in each country depending on legal and taxation provisions, local practices and the energy mix. In France, which accounts for about 50% of the vehicle fleet, a range of vehicles is available for each use with the aim of significantly reducing the associated carbon footprint, in line with the target of a 40% reduction in operational emissions by 2030. To this effect :

- diesel engine cars have been banned for employees travelling less than 15,000 km per year;
- other types of engines are preferred, with an emission target below 120g CO₂/km (according to the NEDC standard, or 160g CO₂/km according to the WLTP standard). To support this move, company financial support is larger for company cars that emit fewer carbon emissions.

In 2020, the roll-out of this policy resulted in a significant increase in orders for hybrid company vehicles, which now represent almost 50% of orders.

Orders for electric company vehicles are encouraged, including for utility vehicles, associated with the installation of charging stations at the sites (69 in France, or 138 charging stations) and the introduction of a roaming charging service now available for company vehicles.

This trend is expected to gain strength as the fleet is renewed, with additional demand for various ranges of electric vehicles.

Commuting

With regard to commuting, a wide-ranging analysis is underway to encourage car-sharing and the use of eco-friendly transport, while ensuring employee safety.

The use of charging stations at the Group's sites in France is picking up: the number of individual users rose by 52% over the October 2019-September 2020 period, with a 33% increase for company vehicles over the same period. Together, they represent about 900 recharges per month, even with the sharp drop observed during the first lockdown in 2020. The average electricity consumption is around 14,000 kWh per month, corresponding to 90,000 km without CO₂ emissions, thus avoiding 11 tonnes of CO₂ emissions. These results are evidence of employees' enthusiasm for clean vehicles.

4.2.3.4 REDUCE INDIRECT CARBON EMISSIONS

The Group's indirect 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 made a commitment to reduce these emissions by 7% by 2023 and 15% by 2030, in absolute value compared with the 2018 baseline.

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

(in ktCO ₂)	2018	2019	2020	Change 2018/2020	2023 target	2030 target
Climate						
Indirect emissions	13,584	13,189	9,592	-29%		
Emissions related to the purchase of goods and services	2,384	2,289	1,992	-16%	-7%	-15%
Emissions related to the use of products and services sold (scope 3)	11,200	10,900	7,600	-32%		

Reduce emissions related to the purchase of goods and services

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

These emissions were measured at 2,289 ktCO₂e for 2019 and 1,992 ktCO₂e for 2020, i.e. a drop of 13% compared with 2019 and of 16% compared with 2018. These estimates were made using emission factors associated with each of the Group's purchasing categories, in agreement with the external expert (Carbone 4).

The total amount of emissions was calculated at constant 2018 scope, i.e. excluding the purchases of the DIS Global Business Unit. An action plan is in place to integrate the purchases of the DIS Global Business Unit into the Group's emissions measurement.

An action plan has been deployed to reduce emissions related to the Group's supply chain, in particular by establishing dialogue with its suppliers. This action plan aims to:

- progressively collect real data on greenhouse gas emissions related to the production of goods and services purchased;
- assess and take action to reduce the carbon footprint of these purchases;
- encourage the use of suppliers with a low carbon footprint, especially through a responsible purchasing policy (see section 5.7.4.1 Universal registration document 2020).

IN ADDITION, AS A MEMBER OF A DEDICATED WORKING GROUP WITHIN THE INTERNATIONAL AEROSPACE ENVIRONMENTAL GROUP (IAEG), THALES TOOK PART IN THE DRAFTING OF A SECTOR METHODOLOGY GUIDE FOR CALCULATING EMISSIONS RELATED TO THE PURCHASE OF GOODS AND SERVICES AND CAPITAL GOODS.

Reduce emissions related to products and services sold

In 2020, Thales continued to fine-tune its work on modelling CO₂ emissions during the use phases of products and services sold. Although uncertainties relating to these models remain significant (at around 15%), the Group is convinced of the importance of setting targets and implementing action plans aimed at reducing emissions during these phases which, for most of the Group's products, represent the majority of their life cycle emissions.

In order to make the calculations more representative, possible use scenarios were expanded, while taking into account the real lifetimes of the platforms (sometimes considerably lower than the theoretical potentials taken as reference), and adjusting the characteristics of some equipment (typical consumption, utilisation profile, lifetime). To maintain the comparability of data, calculations relating to the use phases of products and services sold have been updated for 2018 and 2019.

In parallel, Global Business Units continued working on their roadmaps, identifying priority products and work to be undertaken to meet the objectives set for 2023 and 2030.

CO₂ emissions related to the use phase of products put on the market in 2020 are estimated at 7.6 million tCO₂e, down by 30% compared with 2019 and 32% compared with 2018 (11.2 million tCO₂e updated using the fine-tuned methodology and retroactively including the DIS Global Business Unit reporting scope for hardware).

This sharp decline compared with the 2018 baseline reflects the impact of the Covid-19 pandemic on production volumes of aircraft manufacturers and, to a lesser extent, changes in activity in other segments as well as improvements made to products and solutions.

4.2.3.5 SOLUTIONS SUPPORTING THE FIGHT AGAINST CLIMATE CHANGE

Innovative solutions for sustainable mobility

The solutions Thales offers to air and ground transportation operators are designed to optimise operating efficiency for customers while limiting environmental impact (optimising flight times, securing flight paths, reducing fossil fuel consumption and helping to reduce the emission of pollutants such as carbon, sulphur and hydrogen oxides). Thales designs complex Artificial Intelligence (AI)-based systems and dedicates its expertise to the development of an AI that is eco-responsible, less energy-intensive, and based on learning and leveraging knowledge or the only use of useful data. These developments concern air and rail traffic management systems, as well as flight management and train operating assistance systems.

When it comes to flight and air traffic management, Thales has been developing functionalities for over 30 years that improve performance and lower impacts (noise, fuel consumption and emissions) during all phases of a flight. Recent achievements include:

- an air traffic management system with the ability to refresh flight paths every minute according to aircraft's real position, combined with atmospheric monitoring that integrates wind and weather phenomena.;
- a flight management system that continuously monitors, adapts and fine-tunes the aircraft's path for an optimised, safer flight (avoiding hazardous weather phenomena) and lower fuel consumption.

Thales participates in the European SESAR programme, which coordinates R&D in the Air Traffic Management domain. In 2020, Thales notably contributed to equipping commercial aircraft with new-generation flight management systems on over 50,000 flights whose environmental performance was recorded.



30% DROP

of CO₂ emission related to the use phase of products put on the market in 2020 compared with 2019 and 32% compared with 2018

In an increasingly urbanised world where 75% of the population is expected to live in cities by 2050, creating the conditions for sustainable mobility is one of the most effective factors to contribute to the reduction of CO₂ emissions. To this end, traffic management and driving assistance systems make it possible to safely increase the number of vehicles circulating in real time on rail and urban transport networks, while optimising energy consumption and reducing congestion. In addition, Thales develops payment solutions facilitating the interoperability of transport modes, making public transport more attractive and hence contributing to the reduction of CO₂ emissions.

Thales's signalling systems are evolving towards more decentralisation and digitalisation, with the development of individualised object controllers (switches, signals) capable of directly steering actuators (parts of the switching system). This leads to a reduced need for cables and fewer safety relay installations with the corresponding reduction in energy consumption (3 watts per old generation relay retired). Moreover, a decentralised architecture requires fewer buildings, thereby reducing the system's environmental footprint.

The contribution made by navigation satellites to traffic fluidity and management is another important aspect. It plays a key role in a smarter and thus greener mobility. Navigation projects represent around one-third of sales in Thales Alenia Space's Observation, Exploration and Navigation Product Line.

Thales is a founding member of the Movin'On LAB, a "Think and Do Tank" made up of key players in the mobility ecosystem. Thales contributes its expertise in the areas of digital and cybersecurity to promote sustainable mobility.



Smart Cities

Data analysis makes cities function more efficiently. Thales's solutions collect data on such parameters as water and energy consumption, subscriptions to various public and private services, and transport users, allowing city authorities to improve residents' quality of life and reduce their environmental footprint. Through its data analysis solutions, Thales helps city planners and managers:

- leverage smart city data reservoirs efficiently, to better understand and anticipate the needs of residents and offer them secure and optimised services that make their lives easier;
- inform users via traffic information systems, giving motorists and train passengers information on traffic conditions in near-real time;
- manage day-to-day operations more effectively and facilitate the coordination of various stakeholders, especially in the event of an emergency. These solutions also improve the environmental efficiency of cities with regard to water and energy consumption, transport use, etc.

Another example is the development of simulators in the fields of civil and military aviation. In addition to a clean, eco-design approach, these reduce the number of flight hours necessary for pilot training and thus avoid the corresponding real flight emissions. The increased use of Artificial Intelligence will make simulations increasingly realistic, with even greater avoidance of CO₂ emissions. For example, Helisim, a joint venture between Thales, Airbus Helicopters and Défense Conseil International that is specialised in helicopter flight simulator training estimates that it has avoided the emission of 8,800 tonnes of CO₂ into the atmosphere and continues to avoid the emission of over 18g of CO₂ every second.

4.2.3.6 MONITORING AND UNDERSTANDING THE EFFECTS OF CLIMATE CHANGE

Through Thales Alenia Space, its joint venture with Leonardo, the Group has been a major player in Earth observation, understanding climate change and monitoring the environment for over 40 years. These activities, mainly undertaken within the Observation, Exploration and Navigation Product Line, account for about 25% of its business.

“ THE GROUP HAS BEEN A MAJOR PLAYER IN EARTH OBSERVATION, [...] FOR OVER 40 YEARS “

Some of these observation methods are also being used for control and prevention. They make it possible to better manage fishery, agricultural and forest resources and are supplemented by monitoring systems set up on ships and aircraft. Examples of some of the specific items that are being monitored so that action can be taken as needed to protect the environment include:

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

These observations are enabled by many Thales Alenia Space solutions, such as Geostationary weather satellites, optical measuring instruments, the ERS and COSMO-SkyMed radar satellites, altimetric instruments and satellites used in oceanography and radars for monitoring ice. Today, Thales Alenia Space is in charge of the Sentinel radars S1 (A, B, C & D) and oceanographic S3 (A, B, C & D) and Jason CS S6.

Moreover, all European geostationary weather satellites have been developed by Thales Alenia Space, which is currently working on the third generation for the European Space Agency (ESA) and EUMETSAT.

In 2020, Thales Alenia Space was selected by the European Space Agency (ESA) for five of the six missions of the new phase of Copernicus, the flagship Earth observation satellite programme of the European Commission and the ESA. Specifically, Thales will be the prime contractor for the CHIME mission (hyperspectral imaging for agriculture, food security, soil condition, biodiversity, etc.), the CIMR mission (passive microwave imaging to measure ocean surface temperature and a number of marine parameters) and the Rose-L mission (L-Band radar to monitor soil moisture and polar ice thickness). The Group will also be responsible for the CO₂M payload (CO₂ emissions monitoring) and for the altimetry of the CRISTAL mission (polar ice and snow topography).

Images gathered through these various observation tools provide extremely valuable information to the scientific community, as well as to agencies and authorities who intervene in natural disasters. These data can also be used to create digital models that help in understanding and modelling climate phenomena



4.3 OVERVIEW OF ECO-RESPONSIBLE PRODUCTS AND SERVICES

Innovation	Domain/Segment	Products, service or solution	Environmental Impact	Key figures
Eco-designed products				
Product architecture optimisation	Space	Low noise amplifier	Reduction of materials use and CO ₂ emissions during launch phase	CO ₂ emissions reduced by 50%
System architecture optimisation	Aeronautics	Multi Application Critical Controller (MACC) Replacement of 5 modules by a single one to cover auxiliary system needs	Reduction of materials use and CO ₂ emissions during use phase	CO ₂ emissions reduced by 60%
Use of recycled or bio-sourced plastic for SIM cards and bank cards	Digital	New manufacturing processes allowing recycled plastic to be used to manufacture products: PET recycled avoiding release into the ocean and polystyrene recycled from electronics	Reduced use of natural resources, recyclability, circular economy Reduction of waste volume and related potential pollution	Over 5 million recycled plastic containers sold in 2020
Energy hybridisation to power on-board systems on military vehicles and shelters	Defence	DYON Automation of the switch between a vehicle alternator and lithium batteries, supplemented by solar panels	Reduction of fossil fuel consumption, energy transmission requirements, logistics footprint and CO ₂ emissions while providing operational benefits (autonomy, absence of noise and heat signature, secure transport, etc.).	
Power supply through renewable energy	Defence Coastal surveillance	Use of solar panels to charge the GO12 radar batteries Use of solar panels to charge camera batteries	Reduction of CO ₂ emissions Avoid connecting to the grid in hard-to-REACH areas or using a generator	

Innovation	Domain/Segment	Products, service or solution	Environmental Impact	Key figures
Features that help the climate				
Ticketing solution for interoperable mobility	Ground transportation	TRANSCITY, an evolving and modular ticketing solution integrating cybersecurity constraints and personal data protection	Improving public transport networks' attractiveness, contributing to the reduction of CO ₂ emissions	50 million daily transactions managed by TRANSCITY
Equipment monitoring and control systems in stations		Monitoring and control of equipment in stations, enabling real-time optimisation of the mode of operation adapted to needs	Improved energy efficiency and thus reduced CO ₂ emissions while ensuring passenger safety and comfort	Control centres for over 100 metro lines in 31 countries
Optimisation of train driving strategy based on data provided by on-board equipment		GREENSPEED Driver Advisory System Determines the best driving strategy based on statistical tables or by working with dynamic data from a Greenspeed Train Management System, which improves performance.	Improved energy efficiency and thus reduced CO ₂ emissions while ensuring punctuality and safety: 15% reduction in traction energy consumption.	Over 4,000 GREENSPEED users
Optimisation of metro driving, with or without driver		The Green CBTC feature of the SELTRAC CBTC solution uses automatic driving that reduces energy consumption and promotes regeneration during braking.	Improved energy efficiency and thus reduced CO ₂ emissions while ensuring frequent service (benefit comparable with the Greenspeed solution mentioned above): 15% reduction in traction energy consumption.	SELTRAC CBTC on over 100 metro lines in 40 cities
Data-driven software solution operating in a private cloud, fully online and cyber-secure		ARAMIS, a management, control and command solution for reliable, safe, punctual and energy-efficient rail traffic management	Over 30% efficiency improvement Over 30% capacity increase Both effects leading to a reduction of CO ₂ emissions	72,000 km of track equipped and 52,000 trains per day in 16 countries managed with ARAMIS

4.4 ENVIRONMENTAL INDICATORS

The table below includes a number of items for assessing trends in Thales's environmental performance on a comparable basis. In 2020, the scope comprised 32 countries and 188 sites. This scope represents 94% of sales and 95% of the Group's workforce. 2018 is the base year for all 2019/2023/2030 targets. This chapter was reviewed for fair presentation by Mazars. Most of the indicators included in the table below are subject to a moderate assurance conclusion. They are listed in the detailed opinion set out in Chapter 5.8 Universal registration document 2020. "Independent Third Party Report"

Innovation	Domain/Segment	Products, service or solution	Environmental Impact	Key figures
Features that help the climate				
Fully connected and scalable new generation flight management system	Aeronautics	PureFlyt Enables the aircraft flight path to be continuously monitored, adapted and fine-tuned for an optimised flight	Reduction of fuel consumption and associated CO ₂ emissions, improvement of flight security (avoidance of most severe weather phenomena)	The combination of ATFM et PureFlyt systems can lead to a 10% reduction of CO ₂ emissions from commercial aircraft by 2023.
Mastery of path prediction algorithms coupled with the use of AI		Air Traffic Flow Management (ATFM)	Reduction of fuel consumption and associated CO ₂ emissions, improvement of flight security (avoidance of most severe weather phenomena)	
Products for monitoring and understanding climatic phenomena				
A near-infrared and shortwave infrared spectrometer to measure human-produced CO ₂ emissions	Space	CO ₂ M instrument for the future mission of the Copernicus flagship programme. This will be the only CO ₂ imager, with a swath width of approximately 200 km.	Measurement of CO ₂ emissions and distinction between natural CO ₂ and CO ₂ from human activity. Evaluation of the effectiveness of country climate policies. Steering of country climate policies. Monitoring of achievement of national targets	1st tranche of contract: €72m Emissions measurement with enhanced accuracy over a 4 km ² area
Satellite carrying an L-band synthetic aperture radar (SAR) instrument		Rose-L, a Copernicus environmental monitoring satellite	Reduction of the time between occurrence of a natural or human-caused disaster and the first image taken after that disaster Land monitoring and emergency management	1st tranche of contract: €40m

	Units	2018	2019	2020	2018/2020 change
Waste					
Non-hazardous waste recycling rate ^(a)	%	55% ^(c)	58% ^(c)	60%	+ 5 pts
Including exceptional waste	%	56% ^(c)	63% ^(c)	41%	-15 pts
Hazardous waste recycling rate	%	38%	45%	37%	-1 pt
Total waste production ^(a)	tonnes	22,548 ^(c)	21,926 ^(c)	18,996	-16%
Per €m in sales	kg/€m	1.31	1.26	1.19	-10%
Ratio of non-hazardous waste ^(a)	%	85% ^(c)	83% ^(c)	82%	-3 pts
Non-hazardous waste per person ^(a)	kg/pers.	256 ^(c)	208 ^(c)	205	-20%
Water					
Water consumption	thousand m ³	1,771	1,776	1,661	-6%
Per €m in sales	m ³ /€m	103	102	104	+1%
Industrial discharge					
Industrial wastewater discharge	thousand m ³	629	566	601	-4,5%
Solvent discharges to the atmosphere	tonnes	373 ^(d)	510 ^(d)	567	+52%
Energy					
Total energy consumption	(thousand toe)	187 ^(c)	184	175	-7%
Per €m in sales	toe/€m	10.92	10.63	10.94	+0%
Electricity consumption	(thousand toe)	163 ^(c)	161 ^(c)	152	-7%
Per €m in sales	toe/€m	9.5	9.3	9.5	+0%
Share of electricity from renewable sources	%	25%	26%	27%	+2 pts
Fossil fuel consumption	(thousand toe)	21.3 ^(c)	21.0 ^(c)	20.7	-3%
Per €m in sales	toe/€m	1.24	1.21	1.30	+5%

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

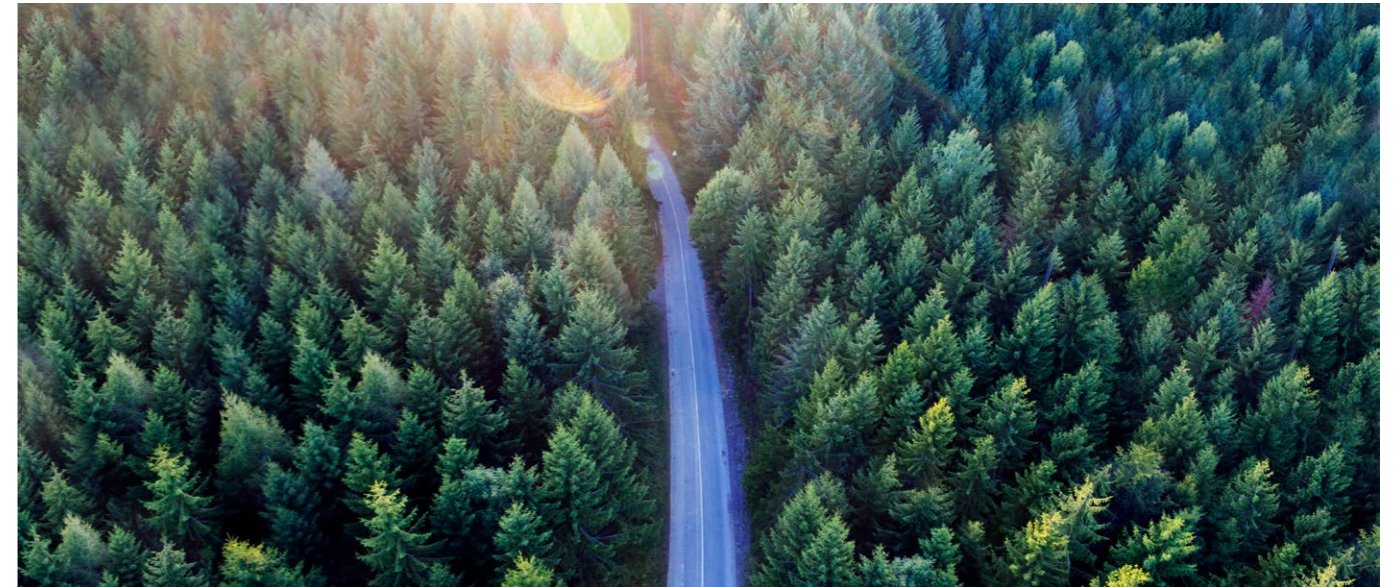
^(b) Data updated in 2020 (recalculation of 2018/2019 CO₂ emissions from electricity using new methodology, see chapter 4.2.3.3).

^(c) Data for 2018 and 2019 were updated in 2020 following a review of the data.

^(d) Data for 2018 and 2019 were updated in 2020 following a review of the data.

	Units	2018	2019	2020	2018/2020 change
Carbon footprint					
Direct CO₂ emissions from operations	thousand tonnes CO ₂	344 ^(b)	340 ^(b)	225	-35%
CO ₂ emissions from energy use	thousand tonnes CO ₂	226 ^(b)	223 ^(b)	160	-29%
Per €m in sales	kg CO ₂ /€m	13,1	12,8	10,0	-24%
CO ₂ emissions linked to Kyoto Protocol substances and R22	thousand tonnes CO ₂	25	26	36	+43%
Of which related SF ₆	thousand tonnes CO ₂	1,3	0,7	0,2	-85%
CO ₂ emissions from business travel	thousand tonnes CO ₂	93	91	29	-69%
Per €m in sales	kg CO ₂ /€m	5,4	5,2	1,8	-67%
Indirect CO ₂ emissions ^(f)	thousand tonnes CO ₂	13 584	13 189	9 592	-29%
CO ₂ emissions from the purchase of goods and services	thousand tonnes CO ₂	2 384	2 289	1 992	-16%
CO ₂ emissions from the use phase of products sold	thousand tonnes CO ₂	11 200	10 900	7 600	-32%
Scopes 1,2 and 3 according to the GHG Protocol	thousand tonnes CO ₂	13 928	13 529	9 817	-30%
Scope 1	thousand tonnes CO ₂	78 ^(d)	78	86	+10%
Scope 2	thousand tonnes CO ₂	173 ^(b)	171 ^(b)	110	-37%
Scope 3	thousand tonnes CO ₂	13 676,8	13 279,9	9 620,7	-30%
TOTAL SCOPES 1, 2 AND 3 PER €M IN SALES	TONNES CO₂/€M	0,812	0,780	0,614	-24%
Environmental management					
ISO 14001-certified sites		-	138	144	-
Percentage of employees working at ISO 14001-certified sites	%	89% ^(e)	84%	84%	-5 pts

^(b) Data updated in 2020 (recalculation of 2018/2019 CO₂ emissions from electricity using new methodology, see chapter 4.2.3.3).
^(c) Data for 2018 and 2019 were updated in 2020 following a review of the data.
^(d) Data for 2018 and 2019 were updated in 2020 following a review of the data.
^(e) The method used to calculate solvent emissions was improved in 2020 and reapplied to the 2018 and 2019 data.
^(f) Excluding DIS Global Business Unit for emissions related to purchase of goods and services.
^(g) 2018 percentage excluding DIS Global Business Unit

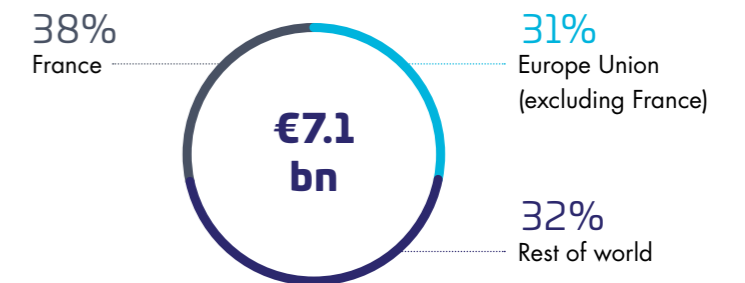


5. AN ORGANISATION THAT IS PROACTIVE TOWARDS ITS STAKEHOLDERS

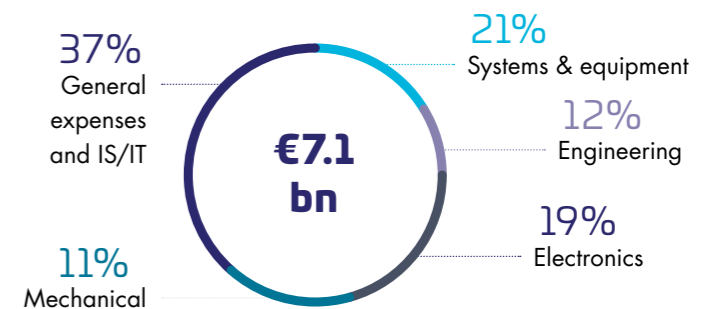
5.1 INCORPORATING THE CHALLENGES OF CORPORATE RESPONSIBILITY IN THE SUPPLY CHAIN

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

Geographic breakdown of 2020 Group purchases



Segment mix of 2020 Group purchases



5.1 SUSTAINABLE PROCUREMENT COMMITMENTS

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

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

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

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

5.1.1 ACTING RESPONSIBLY

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

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

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

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

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

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



CORPORATE RESPONSIBILITY CHARTER

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

Sustainable procurement indicators (NFPS)

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

5.1.2 QUALITY RELATIONSHIPS

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

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

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

5.1.3 FOSTERING INNOVATION

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

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

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

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

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

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

5.1.4 MEETING THE CHALLENGE OF CLIMATE CHANGE

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

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

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

5.1.5 THINKING GLOBALLY AND ACTING LOCALLY

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

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

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

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

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

COVID-19: SUPPORT FOR SUPPLIERS

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

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

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

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

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

PROCUREMENT OF PERSONAL PROTECTIVE EQUIPMENT FOR EMPLOYEES

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

5.1.6 MOVING FORWARD TOGETHER

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

SPOTLIGHT: SPECIAL ATTENTION PAID TO CONFLICT MINERALS

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

5.2 DUTY OF CARE PLAN

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

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

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

5.2.1 GOVERNANCE OF THE DUTY OF CARE PLAN



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

5.2.2 RISK MAP RELATED TO THE DUTY OF CARE

5.7.5.2.1 RISK IDENTIFICATION

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

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

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

5.7.5.2.2 RISK PRIORITISATION

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

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

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

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

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

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

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

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

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

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

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

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

5.2.3 PROCEDURES FOR REGULAR ASSESSMENT IN RESPECT OF THE RISK MAP

5.2.3.1 PROCEDURES FOR REGULAR ASSESSMENT OF THE SITUATION OF SUBSIDIARIES

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

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

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

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

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

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

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

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

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

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

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

Additional assessment measures

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

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

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

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

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

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

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

Description of the detailed self-assessment questionnaire (SAQ)

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

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

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

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



5.2.4 APPROPRIATE MEASURES TO MITIGATE RISKS OR PREVENT SERIOUS VIOLATIONS

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

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

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

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

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

The Group's social policy is based on social dialogue (see Chapter 5.4.3.1 Universal registration document 2020) as well as a policy of diversity and inclusion (see Chapter 5.4.2 Universal registration document 2020) which contribute to risk prevention.

In terms of health and safety, Thales is committed to providing a safe and healthy working environment for its employees on its own premises and at external worksites. The Group has set an objective of anticipating and preventing these risks, including psychosocial risks, and ensuring hygiene, safety, health and quality of life at work (see section 5.4.3.5 Universal registration document 2020). Furthermore, more than 77% of employees work at ISO 45001-certified sites (Safety Management System). Likewise, more than 80% of employees work at ISO 14001-certified sites (Environmental Management System). Lastly, Thales conducts health-safety-environment maturity audits at all its sites. The results of these audits are reviewed annually through the Yearly Attestation Letter (see section 3.4.1).

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

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



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

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

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

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

For example, in 2020, Thales ended commercial relations with around 10 listed suppliers and subcontractors.

SPOTLIGHT: COMPREHENSIVE SITE MANAGEMENT AND SECURITY SERVICES

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

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

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

Such centralised services now concern 65 Thales sites in France, i.e. more than 80% of Thales's global real estate assets, and are carried out by some 1,500 people.

Moreover, the framework agreement for site management services includes an incentive to employ people from the disability-friendly sector, thus enabling the integration of more than 20 people with disabilities into the on-site teams each year.

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

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

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

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



25

workplace alerts, 18 of which were considered valid

5.2.6 SYSTEM FOR MONITORING THE MEASURES IMPLEMENTED AND ASSESSING THEIR EFFECTIVE-NESS

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

The measures in the duty of care plan are assessed through a report and the indicators described in sections 3, especially: rates of frequency and severity of workplace accidents, percentage of employees working at OHSAS 18001, ISO 45001 and ISO 14001-certified sites, the percentage of new suppliers committed to the principles of Thales's new Integrity and Corporate Responsibility Charter (67% in 2020), the percentage of suppliers assessed among those considered “at-risk” according to the duty of care mapping (24% in 2020) and the changes in the number of alerts received via the Thales alert system in 2020 (25 in 2020 versus 34 in 2019).

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

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

5.3 THALES'S COMMITMENTS TO CIVIL SOCIETY

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

5.3.1 ROLL-OUT OF THE THALES SOLIDARITY PROGRAMME

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

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

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

Commitment at every level of the Group

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

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

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

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



5.3.2 PROJECTS SUPPORTED BY THE THALES SOLIDARITY ENDOWMENT FUND

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

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

5.3.2.1 ELEVEN PROJECTS SPONSORED BY EMPLOYEES

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

In July 2020, 11 winning projects were selected in eight countries. These received funding in the autumn to launch their first actions, often remotely. Sponsored by employees based in Spain, the United States, France and Italy, these projects will provide support to more than 2,600 children and adults in Asia, Africa, Central America and Europe in the 2020-21 school year:

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

5.3.2.2 A FIVE-YEAR PARTNERSHIP TO PROMOTE EDUCATION THROUGH RESEARCH

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

5.3.2.3 THREE NEW SOCIAL INNOVATION PROJECTS IN FRANCE

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

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

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

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



15 PROJECTS

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



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

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

5.3.3.1 EMPLOYEES' CITIZENS' INITIATIVES

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

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

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

5.3.3.2 TECHNICAL EXPERTISE AND PROTECTIVE EQUIPMENT FOR MEDICAL TEAMS

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

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



260,000
masks given to the French government



5.3.3.3 THALES SOLUTIONS TO SUPPORT OPERATORS INVOLVED IN COMBATING THE CRISIS AND KEEPING ESSENTIAL BUSI-NESSSES RUNNING

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

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

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

To ensure the continuity of civil defence operations in France, at the Châtelleraut site and elsewhere, Thales teams are providing maintenance, spare parts and support services for civil defence helicopters, to ensure they keep flying, which is crucial during the health crisis. In the Netherlands, Thales also helped the Dutch police keep information flowing between the various emergency rooms and crisis centres. Data from across the country is integrated into a secure online system, enabling teams at these crisis centres to have a better view of the overall situation and make the right decisions as quickly as possible.

Thales also provides support to:

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

5.3.3.4 PROPOSALS AND PARTNERSHIPS FOR INNOVATIVE SOLUTIONS

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

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

6. METHODOLOGICAL NOTES

SCOPE

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

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

Only companies meeting the following criteria are included:

EQUITY INTEREST AND OPERATIONAL CONTROL

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

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

ACTIVITY/WORKFORCE

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

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

CHANGES TO THE SCOPE OF CONSOLIDATION

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

REPORTING PROCEDURE

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

INDICATORS

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

REPORTING TOOL

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

ANALYSIS OF PERFORMANCE

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

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

