The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company’s scores per section:

<table>
<thead>
<tr>
<th>Section</th>
<th>Number of Questions</th>
<th>Score Based on Publicly Available Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Leadership and Organisational Culture</td>
<td>4</td>
<td>8/8</td>
</tr>
<tr>
<td>2. Internal Controls</td>
<td>6</td>
<td>7/12</td>
</tr>
<tr>
<td>3. Support to Employees</td>
<td>7</td>
<td>7/14</td>
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<tr>
<td>4. Conflict of Interest</td>
<td>4</td>
<td>3/8</td>
</tr>
<tr>
<td>5. Customer Engagement</td>
<td>6</td>
<td>6/12</td>
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<tr>
<td>6. Supply Chain Management</td>
<td>5</td>
<td>6/10</td>
</tr>
<tr>
<td>7. Agents, Intermediaries and Joint Ventures</td>
<td>10</td>
<td>10/20</td>
</tr>
<tr>
<td>8. Offsets</td>
<td>4</td>
<td>2/8</td>
</tr>
<tr>
<td>10. State-Owned Enterprises</td>
<td>5</td>
<td>4/10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
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<td><strong>57/110</strong></td>
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<td><strong>BAND</strong></td>
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*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.
## 1. Leadership and Organisational Culture

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?</td>
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<table>
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<th>Score</th>
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<tr>
<th>Comments</th>
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<tbody>
<tr>
<td>The company has a publicly stated anti-corruption commitment, which details the company’s stance against any form of corruption within the organisation, including bribery. Statements from the company’s Chairman and CEO are included in the company’s Code of Ethics, Compliance Code of Conduct and Practical Guide to Ethical Behaviour documents and so it is clear that this commitment was authorised and endorsed by the company’s leadership.</td>
</tr>
</tbody>
</table>

### Evidence

[1] Code of Ethics  
Accessed 18/06/2019  

[p.3] Naval Group has chosen to integrate Corporate and Social Responsibility (CSR) in its development strategy. Ethics is an essential component of it and is also a foundation for credibility, attractiveness and long-term future. This Naval Group Code of Ethics is a reference text expressing the general rules applicable throughout the Group, according to which we intend to develop our activities. Today we are carrying this commitment on an international scale with the United Nations Global Compact of which we are proud to be an advanced level member.

This 2018 edition integrates the feedback from these last ten years and aims to strengthen the Group’s commitment in its CSR initiative. Beyond the rules and regulations, the Group defines its repository in line with our values: commitment, respect, winning mindset, rigour and confidence.

It is the responsibility of everyone working for Naval Group or for any other entity or organisation related to Naval Group, to appropriate this Code of Ethics and to comply with it. I ask you to read it and consult your site ethics experts where necessary so that everyone can be an ambassador for our commitment. Together, vigilant, we will make sure that wherever Naval Group operates, it is in accordance with our values.

Hervé Guillou Chairman and CEO of Naval Group

Accessed 18/06/2019  

[p.2] Message from the CEO

« The Naval Group is the heir of a long industrial history. Today it is a group of high technologies leading naval in Europe, and fully committed to its international development.

As part of the conduct of its business, Naval Group promotes a culture of integrity based on respect and adaptation to the new ethical norms and standards applicable in France as well as in all the countries where the employees work and a principle of zero tolerance for corruption in all forms.

It is in this spirit that our new Compliance Code of Conduct has been edited.

The purpose of this Code is to clearly set out what is expected from us all and from our stakeholders. It is intended to give practical and operational guidance in order to enable employees to manage situations which may represent a risk for our company, such as corruption, of course, but also trading in influence, money laundering and terrorist financing, fraud and conflicts of interest. »
Our Compliance Code of Conduct, which is an integral part of the Group's Compliance programme, provides basic regulatory legal guidelines and essential ethical behavior standards that will help us make the right business decisions.

The team of the Group Ethics, Compliance and Governance Department, set up by the Group Management, is at your disposal to answer any questions or address any doubts.

Compliance is everyone's business. We count on you to disseminate this Code, to communicate on its principles and to respect the rules it sets. »

M. Hervé GUILLOU
CEO
Naval Group

Accessed 18/06/2019

[p.6] Company ethics; why commit

Naval Group has chosen to align its development strategy with its values in terms of the company’s social responsibilities (CSR) and ethics. This demanding objective has led us to define company ethics specific to Naval Group, based on compliance with laws and human rights. We are currently pushing this commitment on an international scale with the United Nations Global Compact of which we are proud to be an advanced level member.

Far from simple posture, this commitment implicates the individual behaviour of all workers both internally, in our daily relations with colleagues, and externally to the group, when communicating with our suppliers, customers and partners. Sharing a solid ethical reference system and ensuring it is implemented means that this is not only a legal obligation but also a moral obligation for us all.

This is why, in addition to the Naval Group Code of Ethics, I wanted this “Practical Guide to Ethical Behaviour” to be conceived as a base shared by all co-workers. It presents concrete situations in which we could all find ourselves over the course of our working lives, so that everyone can learn the right reflexes to adopt.

[p.7] This non-exhaustive guide calls on the commitment and personal ethics of each individual and is a reminder that we are all responsible for our actions and decisions. I will therefore be strict in the application of a zero tolerance policy for any person found guilty of an infraction or adopting inappropriate behaviour.

The reputation of an international group is measured in terms of personal behaviours. Naval Group’s business ethics, just like our know-how, is a guarantee of our credibility, attractiveness and durability which we must conserve.

Achieving this collective aim will require everyone to be vigilant, and I am counting on you to read this guide, to consult it in the event of any doubt, and to follow its recommendations.

Hervé Guillou
Chairman and Chief Executive Officer

[p.13] 1/ WHAT IS CORRUPTION? Corruption* is defined as “requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof” (Excerpt from article 2 – Civil Law Convention on corruption by the Council of Europe). Corruption in a company often goes hand-in-hand with other infractions which are all reprehensible and punished by law.
<table>
<thead>
<tr>
<th>Question</th>
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</thead>
</table>
| 1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:  
   a) All employees, including staff and leadership of subsidiaries and other controlled entities;  
   b) All board members, including non-executive directors. |

<table>
<thead>
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<th>Comments</th>
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<tbody>
<tr>
<td>The company publishes an explicit anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery, and facilitation payments. This policy clearly applies to all employees regardless of their seniority and all members of a management executive committee and it applies to all entities controlled by the group.</td>
</tr>
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<table>
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<tr>
<th>Evidence</th>
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</table>
| [5] Compliance Program Policy  
Accessed 18/06/2019  

The members of the Executive Committee, the directors of Naval Group's subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:  
Familiarise themselves with and comply with the dedicated corporate documents, in particular the Compliance Code of Conduct, and the instructions governing the activities of each employee and making mandatory to:  
- declare any gifts, meals and marks of hospitality, whether received or given, in accordance with the defined thresholds and conditions;  
- submit for prior authorisation any memberships to associations or patronage and sponsoring activities performed in the name of Naval Group;  
- ensure that the due diligences with regard to entering into business relations with third parties (in particular, business advisers, industrial and strategic partners, offset providers and lobbyists) have been performed. |

Accessed 18/06/2019  

[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.  
All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles. |

<table>
<thead>
<tr>
<th>[p.4] What are our principles regarding Compliance?</th>
</tr>
</thead>
</table>
| ▶ We comply with legislations and regulations applicable to our activities.  
▶ We respect the highest level of demand regarding integrity and regarding Business ethics based on values of integrity, honesty and transparency in the conduct of our activities all over the world.  
▶ We apply the zero tolerance for any form of corruption, passive or active, whatever the form, be it an illicit payment, presents, bonuses, favors, gifts, or any illicit transfer paid directly or indirectly to a customer, representative or to a third party, or received from a third party.  
▶ We forbid the payments of facilitation.  
▶ The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.  
▶ We pay specific attention to companies controlled directly or indirectly by the Group everywhere where they are located.  
▶ We are held informed about rules and current internal procedures regarding fight against corruption, trading of favors, money laundering and terrorism financing. |
What does corruption mean? Corruption is promising, proposing or offering, requesting from or receiving, directly or indirectly any, monetary or other unproper advantage, to/from a third party or on behalf of a third party with the aim of obtaining or preserving a business, or any other illicit advantage in the conduct of a business.

What is a facilitation payment? It is an unofficial payment of small amount paid to civil servants occupying modest responsibilities, with the aim to obtain or accelerate the execution of administrative routine formalities.

Accessed 18/06/2019

[p.4] “The company” hereafter designates Naval Group, with all its elements, in the consolidated subsidiaries sense, including all subsidiaries and participations whether direct or indirect, held exclusively by any entity from the group or jointly with a third party*, controlled exclusively by any entity from the group or jointly with a third party*, under construction or established either permanently or temporarily, without consideration of their legislative form (company, association, consortium), for profit or not.

[p.13] 1/ WHAT IS CORRUPTION? Corruption* is defined as “requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof” (Excerpt from article 2 – Civil Law Convention on corruption by the Council of Europe). Corruption in a company often goes hand-in-hand with other infractions which are all reprehensible and punished by law.

2/ WHAT IS INFLUENCE PEDDLING? Corruption is comprised of a visible part (via material compensations) but is more often invisible, which comprises influence peddling. Influence peddling is defined as “the act of directly or indirectly proposing, offering or giving any unfair advantage as a form of compensation to anyone who states or confirms that they are able to exert influence with regards decision making by a public officer” (Excerpt from article 2 – Influence peddling - Civil Law Convention on corruption by the Council of Europe).
Naval Group’s commitment in the area of combating corruption and influence peddling is embodied through the implementation and deployment of a Compliance program that is in line with the provisions and evolutions of French and international law to which it is subject in this domain.

Applying zero tolerance with regard to any infringements of the applicable law in this domain or the Group’s Compliance program, and with the full backing of the group’s management and governance bodies, this program applies to all employees, regardless of their hierarchical level and whether directly employed by Naval Group SA or one of its controlled companies.

[p.4] The Code of Ethics defines the behaviour rules applicable within the Group and its controlled companies, in compliance with applicable regulations and legislation. These rules can constitute guiding principles for those companies not controlled by the Group.

[p.6] Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of anti-corruption and anti-influence peddling. It defines a compliance system which is strictly in line with a principle of zero tolerance in this respect. This system is deployed throughout the Group via instructions, themselves based on principles:

- The Group notably refuses to grant a customer, a French or foreign public official or an employee of its customers, any unfair advantage, directly or indirectly.

[p.10] There can be no "off-the-books" transactions nor incoming or outgoing cash payments that are not recorded in a cash ledger.
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?

Score
2

Comments
There is evidence that the Compensation, Appointments, Ethics and CSR Committee, which is a designated board committee, is ultimately responsible for the oversight of the company's anti-bribery and corruption programme. It receives reports on the results of the company's compliance programme from the Group Ethics and Social Responsibility Committee (CERSE), a managerial level committee which is tasked with the implementation of the anti-bribery and corruption programme. This includes reporting against an action plan on ethics and corporate social responsibility. In addition, the Audit, Accounts and Risks Committee, a board-level committee, receives annual reporting on the results of the company's compliance programme.

Evidence

[14] CSR Report 2018
Accessed 18/06/2019

[p.3] Corporate social responsibility (CSR) is a major issue for the group and its shareholders. In 2018, Naval Group's Board of Directors also decided that the Board of Directors' Compensation and Appointments Committee would now be called the Compensation, Appointments, Ethics and CSR Committee, and would be responsible for making its recommendations to the Board for matters relating to this field.

Internally, the role of the Corporate Ethics and Social Responsibility committee (CERSE) is to set general guidelines regarding ethics and corporate social responsibility, as applicable to all group companies. CERSE is free to carry out any work it deems useful, within the framework of its missions and role. In addition, it implements the reporting process for behaviour contrary to the ethics and CSR repository when the ethics alert line (ethics@naval-group.com) is alerted. CERSE is composed of eleven persons appointed by the Chief Executive Officer. Its organisation is specified in its internal rules published on the business management system (BMS) on the company's Intranet site.

[p.4] It relies on a network of ethics and CSR relays on each site and subsidiary in France and abroad. The ethics and CSR relays are invited to teleconferences every two months and participate in specific actions such as coordinating and running sessions dedicated to CSR for the site or the subsidiary, participation in the Ethics and Compliance International Day of Naval Group in December of each year, participation in the annual seminar bringing together CSR coordinators (Compliance Officers, ethics and CSR relays, members of CERSE).

The deployment of the approach is supported by the whole group and by the corporate Ethics, Compliance and Governance department, which is hosted by the General Secretary, in direct connection with the Chief Executive Officer.

[p.11] The Remuneration and Appointments Committee of the Board of Directors has become the Remuneration, Appointments, Ethics and CSR Committee to introduce ethics and CSR issues into this specialised committee of the Board of Directors.

[p.40] the Audit, Accounts and Risks Committee, which is tasked with monitoring:

- the economic and financial reporting process,
- the effectiveness of the internal control and risk management systems,
- the legal control, exercised by the Statutory Auditors, of the annual accounts and, if necessary, of the consolidated accounts of the company,
- independence of the Statutory Auditors.
With regard to risks, each year it examines the map of all the kinds of risks to which the group is exposed as a result of its operations and the processes, and action plans put in place to identify and manage these risks, in particular taking account of feedback from past programs.

The members of the Audit, Accounts and Risks Committee are Ms Isabelle Roué, Mr. Luc Rémont and Mr. Pascal Bouchiat. The committee is chaired by Mr Luc Rémont. Mr. Jack Azoulay was a member of this Committee until October 29, 2018, date on which he resigned his office as State representative on the Board.

The Audit, Accounts and Risks Committee meets at least three times per year or more frequently when necessary. It met five times in 2018, with an average attendance rate of 89%.

[p.41] the Remuneration, Appointments, Ethics and Corporate Social Responsibility Committee, that has the following main tasks:

[...]

With regard to Ethics and Corporate Social Responsibility:
- review and monitor measures adopted within the group regarding ethics, compliance, the management of conflicts of interest and, more generally, Corporate Social Responsibility;

Accessed 18/06/2019

[The group’s compliance program] is deployed around the following pillars

[...]

7. Annual reporting on the progress and results of this Compliance program and any verified incidents reported to the group management and its governance bodies, in particular the Audit, Accounts and Risks Committee of the Board of Directors.

[13] Our governance (webpage)
Accessed 18/06/2019

Naval Group’s CSR policy implies the commitment of all employees and mobilises several group entities and departments. This is why the CSR policy is being directed by a multidisciplinary and transversal body: the Group Ethics and Social Responsibility Committee (CERSE).

CERSE defines the general orientations in terms of ethics and CSR and ensures the implementation of best practices within the group. It reports on its actions to the Chairman and CEO. Composed in equal parts of women and men, it is made up of representatives of the different departments within the group (in particular: Health and safety at work, Environment (H&SW&E), Human resources (HR), combatting corruption and influence peddling, etc.) as well as the secretary of the Social and Economic Committee (Comité Social et Economique – CSE). CERSE is chaired by the Director of the Group Ethics, Compliance and Governance department (Directeur Ethique, Compliance et Gouvernance groupe – DECG).

With regard to the group’s management bodies, CSR-related issues are reported to the Compensation, Appointments, Ethics and CSR Committee of the Board of Directors.

[1] Code of Ethics
Accessed 18/06/2019

[p.12] To support the implementation of the Code of Ethics, Naval Group has put in place a Committee for Ethics and Corporate Social Responsibility (CERSE). The list of CERSE members is available on the Group’s Intranet (“Navista” page of the Group Ethics, Compliance and Governance Department).

[...]

With regard to Ethics and Corporate Social Responsibility:
- review and monitor measures adopted within the group regarding ethics, compliance, the management of conflicts of interest and, more generally, Corporate Social Responsibility;
- suggests an action plan to the Chairman and CEO, relating to the implementation of the ethics and CSR repository and presents the results of its work to the Board of Directors’ Appointments, Remuneration, Ethics and CSR Committee. This action plan applies to all the Group's subsidiaries (controlled companies) and contributes to the Group's general trends and (medium term / long term) objectives;
**Question**

1.4. Is responsibility for implementing and managing the company’s anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company’s programme?

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**Comments**

There is evidence that a designated senior executive, the Director of Group Ethics, Compliance and Governance, has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. This individual is the Head of the Group Ethics, Compliance and Governance and chairs the Group Ethics and Social Responsibility Committee (CERSE), which presents an action plan to the Chairman and CEO and also reports on its activities to the board-level Appointments, Ethics and CSR Committee.

**Evidence**

Accessed 18/06/2019  

[p.15] 4/ WHAT ACTIONS ARE CARRIED OUT BY NAVAL GROUP TO COMBAT THESE RISKS?

The creation of a dedicated department (Group Ethics, Compliance and Governance, DECG), in charge of creating and implementing the compliance program within the group and its controlled subsidiaries. The head of DECG* is the group referent for all compliance matters.

Accessed 18/06/2019  

[p.16] The group’s Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.

[p.41] Naval Group has an Ethics, Compliance and Governance Department that is the second line of control for the risk of corruption (establishment of standards, implementation of the compliance system in the group and subsidiaries, supervision, internal control) and relies on a network of Compliance Officers placed with entity directors. As a reminder, the first line of control is composed of the operational entities which act in compliance with the group’s processes and the third line of control is based on the internal audit activity which assesses all of the group’s systems and activities.

Accessed 18/06/2019  

[The group’s compliance program] is deployed around the following pillars

1. The presence of a group department and a compliance referent, responsible for developing and implementing the Compliance program: the Group Ethics, Compliance and Governance department (DECG). The DECG director (the Compliance referent as defined in the so-called “Sapin II” law) receives his delegation directly from the Chairman and CEO of Naval Group and has the necessary level of independence for performing his mission.

[13] Our governance (webpage)  
Accessed 18/06/2019  

Naval Group’s CSR policy implies the commitment of all employees and mobilises several group entities and departments. This is why the CSR policy is being directed by a multidisciplinary and transversal body: the Group Ethics and Social Responsibility Committee (CERSE).
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With regard to the group’s management bodies, CSR-related issues are reported to the Compensation, Appointments, Ethics and CSR Committee of the Board of Directors.

To fulfill its mission and accomplish its work, CERSE is supported by the Ethics Relay Network (réseau des relais éthique – RRE). The ethics relays are trained and appointed on each site in France and in group-controlled companies. These ethics relays play an advisory role to the management committees of each site or subsidiary and are one of the primary contact points to respond to ethics- or CSR-related requests or questions from employees. This organisation allows us to progress in terms of CSR: Our progress is documented by annual audits by independent bodies and through the “peer review” of member companies of the United Nations Global Compact, of which Naval Group has been a member since 2014.

Naval Group also reports on its CSR actions in its financial and CSR reports.

[13] Our governance (webpage)
Accessed 18/06/2019

Naval Group’s CSR policy implies the commitment of all employees and mobilises several group entities and departments. This is why the CSR policy is being directed by a multidisciplinary and transversal body: the Group Ethics and Social Responsibility Committee (CERSE).

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[1] Code of Ethics
Accessed 18/06/2019

[p.12] To support the implementation of the Code of Ethics, Naval Group has put in place a Committee for Ethics and Corporate Social Responsibility (CERSE). The list of CERSE members is available on the Group’s Intranet (“Navista” page of the Group Ethics, Compliance and Governance Department).

Supported by the whole of Naval Group’s management, the CERSE is responsible for deploying the Code of Ethics and for verifying its application. Within this framework, it:
- defines and updates the ethics and CSR repository and makes sure that it is necessary for the company and that it exists. The CERSE verifies correct application of these repositories (codes, instructions and policies) by the internal and external stakeholders, in France and internationally;

- conducts the inquiries and, where applicable, recommends the resulting measures and/or penalties if there are deviations relative to the implementation of the repository;

- answers all questions via the secure alert system (see below) that it has put in place. This system is used to address a question directly to a member of the CERSE, either simply to ask a question or to issue an alert;

- supports the crisis management cell for everything relating to ethics and CSR;

- must be referred to for any possible opinion in theory regarding any founding text or modification to founding text, which establishes strategic positioning of the company and which can have an impact on its field of skill, notably as concerns moral and sexual harassment, discrimination (see 23 fields of discrimination), environment, H&SW, fundamental values of the Group, the sustainable development objectives, etc.;

- suggests an action plan to the Chairman and CEO, relating to the implementation of the ethics and CSR repository and presents the results of its work to the Board of Directors’ Appointments, Remuneration, Ethics and CSR Committee. This action plan applies to all the Group’s subsidiaries (controlled companies) and contributes to the Group’s general trends and (medium term / long term) objectives;

- oversees promotion and continuous improvement of ethics and CSR, in collaboration with the entities concerned;

- coordinates continuous development of the extra-financial rating, in collaboration with the Group’s entities.

In its mission and for its work, the CERSE is supported by the Network of Ethics Relays (Réseau des Relais Ethiques - RRE).

The Ethics Relays are named on each site in France and in the international subsidiaries. These Ethics Relays have an advisory role within the management of each site or subsidiary, and are one of the priority contact points for employees to provide responses concerning the ethics domains. The list of Ethics Relays members is available on the Group’s Intranet (“Navista” page of the Group Ethics, Compliance and Governance Department).
## 2. Internal Controls

<table>
<thead>
<tr>
<th>Question</th>
<th>Score</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?</td>
<td>2</td>
<td>There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of the anti-corruption and bribery programme and is overseen by the Audit, Accounts and Risks Committee.</td>
</tr>
</tbody>
</table>

### Evidence

Accessed 18/06/2019

[The group’s compliance program] is deployed around the following pillars

[...]

3. The development and regular updating of a corruption and influence-peddling risk map intended to identify, analyse and rank the corruption risks to which the group is exposed and including an action plan aimed at reducing the identified risks.

[...]

6. The implementation of performance indicators and several areas for verification allowing the evaluation of the maturity of the compliance program and the adherence to this by the employees on the basis of an internal control plan implemented in all group entities. Through a continuous-improvement methodology, these controls are taken into account to adapt or extend the compliance program and, in particular, the risk map.

[1] Code of Ethics
Accessed 18/06/2019

[p.5] Naval Group also complies with French law, notably law 2017-399 dated 27 March 2017 relating to the duty of care by mother companies and prime contractors. The Group has set up a vigilance plan within the domains of CSR which is organised around the following five areas:

1. risk mapping (identification, analysis and prioritisation),
2. regular procedures for assessing the situation within the subsidiaries, with suppliers or subcontractors with respect to the risk mapping,
3. appropriate measures for attenuating risks or to prevent serious impacts,
4. an alerting and gathering mechanism defined in collaboration with the personnel representative bodies,
5. a system to follow up the measures taken and to assess their effectiveness.

This plan is based on a complete repository which, in addition to this Code of Ethics, notably includes:

- a supplier code of conduct, intended for our suppliers and subcontractors,
- a set of charters and guides intended for the Naval Group employees (see below, annexes), notably including the human rights charter which supplements and details our commitment to the Global Compact.

Accessed 18 June 2019
The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.

**[4] Practical Guide to Ethical Behaviour**
Accessed 18/06/2019

The creation of a dedicated department (Group Ethics, Compliance and Governance, DEC), in charge of creating and implementing the compliance program within the group and its controlled subsidiaries. The head of DEC is the group referent for all compliance matters.

The creation of compliance code of conduct which establishes the zero tolerance policy for any act of fraud or corruption committed within the company or influence peddling.

The implementation of instructions defining the rules applicable to co-workers in the framework of their relations with stakeholders.

The deployment of a training system and raising the awareness of personnel most exposed to the risks of corruption.

The implementation of regular internal accounting checks/audits and an evaluation system intended to ensure the compliance system and its instructions are carried out correctly.

The group’s Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.

As such, in 2018, the actions carried out consisted of:

- updating of the group’s risk mapping;
1.2.7.1. Risk management plan

The group faces a number of risks and uncertainties that may impact its financial performance. For this reason it has put in place a risk management system that covers strategic, operational, financial, legal and corporate social responsibility risks. It is under the guidance of the Internal Audit and Risk Committee and [p.17] co-chaired by the Senior Executive Vice-President for Finance, Legal, Purchasing and Real Estate and the General Secretary. The group's business, operating results or financial position could be materially affected by the risks described below or by other risks and uncertainties of which the group is currently unaware or which it regards, as at the date of this document, as immaterial.

All CSR risks have followed the same group methodology with regard to their identification and assessment, except for the fact that the risks in the CSR mapping are assessed as underlying, not net, risks. The entities who collaborated in its creation are: Occupational Health and Safety, Eco-Design, Human Resources, Personal Data Protection, Compliance, the Nuclear and Pyrotechnics Inspectorate, the Diving Safety Inspectorate, and the Audit and Risk Department.

1.2.7.3. Legal risks

The group has identified four major legal risks:

Ethics and compliance

Against a background of international development and an evolving regulatory environment, Naval Group's customers expect mutual commercial relations to be exemplary in terms of demonstrating compliance with the strictest national and international standards and legislation. For the same reasons, its industrial partners express their desire to know about the organisation and the rules in place in the fight against corruption and influence peddling (“compliance”) in order to be certain that they correspond to their standards. In 2017, therefore, in addition to the whistleblowing scheme in place since 2015, the group resolved to strengthen the existing compliance system with regard to both the prevention and handling of risks so that it satisfies the highest requirements in this area (see section 1.2.6, above).

Naval Group does not have any aggressive tax planning scheme in place and does not have any relations with uncooperative states or territories aimed at gaining a tax advantage.

The risk of corruption is detailed in the chapter on the declaration of corporate social responsibility performance.

[14] CSR Report 2018
Accessed 18/06/2019

[p.40] the Audit, Accounts and Risks Committee, which is tasked with monitoring:

- the economic and financial reporting process,
- the effectiveness of the internal control and risk management systems,
- the legal control, exercised by the Statutory Auditors, of the annual accounts and, if necessary, of the consolidated accounts of the company,
- independence of the Statutory Auditors.

Identification and monitoring of the Regulated Agreements and Agreements between Bound Parties referred to in Articles L 225-38 et subsequent articles in the French Commercial Code.

With regard to risks, each year it examines the map of all the kinds of risks to which the group is exposed as a result of its operations and the processes, and action plans put in place to identify and manage these risks, in particular taking account of feedback from past programs.
The members of the Audit, Accounts and Risks Committee are Ms Isabelle Roué, Mr. Luc Rémond and Mr. Pascal Bouchiat. The committee is chaired by Mr. Luc Rémond. Mr. Jack Azoulay was a member of this Committee until October 29, 2018, date on which he resigned his office as State representative on the Board.

The Audit, Accounts and Risks Committee meets at least three times per year or more frequently when necessary. It met five times in 2018, with an average attendance rate of 89%.

[p.41] the Remuneration, Appointments, Ethics and Corporate Social Responsibility Committee, that has the following main tasks:

[...]

With regard to Ethics and Corporate Social Responsibility: review and monitor measures adopted within the group regarding ethics, compliance, the management of conflicts of interest and, more generally, Corporate Social Responsibility;
**Question**

2.2. Is the company’s anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?

**Score**

2

**Comments**

The company states clearly that its entire anti-bribery and corruption programme is subject to a regular assurance process to ensure the programme is consistent with best practice and the business risks facing the company. This explicitly includes provisions for continuous improvement, supplemented by an external audit every year and regular internal audits. There is also evidence that high-level audit findings are presented to the board, with clear ownership assigned to units and/or individuals for planned updates and improvements to the anti-bribery and corruption programme.

**Evidence**

Accessed 18/06/2019

[p.15]

Aware of the risks for the company and co-workers, Naval Group has implemented a compliance program in accordance with the French regulations (“Sapin II” law) and meets the requirements of the best international standards in this regard. This program is applicable within Naval Group SA and its controlled companies and is comprised of eight concrete measures:

1. The creation of a dedicated department (Group Ethics, Compliance and Governance, OCEG), in charge of creating and implementing the compliance program within the group and its controlled subsidiaries. The head of OCEG is the group referent for all compliance matters.

2. The creation of a code of conduct which establishes the zero tolerance policy for any act of fraud or corruption committed within the company or influence peddling.

3. The implementation of instructions defining the rules applicable to co-workers in the framework of their relations with stakeholders.

4. The deployment of a training system and raising the awareness of personnel most exposed to the risks of corruption.

5. The development of tools made available to co-workers to facilitate their initiatives and improve traceability (see the compliance software).

6. The Naval Group alert system ensuring it is possible to report events confidentially (see page 18).

7. The implementation of regular internal accounting checks/audits and an evaluation system intended to ensure the compliance system and its instructions are carried out correctly.

8. The creation of a risks map intended to identify, analyse and prioritise risks of corruption and influence peddling to which Naval Group is exposed.
Naval Group has an Ethics, Compliance and Governance Department that is the second line of control for the risk of corruption (establishment of standards, implementation of the compliance system in the group and subsidiaries, supervision, internal control) and relies on a network of Compliance Officers placed with entity directors. As a reminder, the first line of control is composed of the operational entities which act in compliance with the group’s processes and the third line of control is based on the internal audit activity which assesses all of the group’s systems and activities.

With regard to the group’s management bodies, CSR-related issues are reported to the Compensation, Appointments, Ethics and CSR Committee of the Board of Directors.

To fulfill its mission and accomplish its work, CERSE is supported by the Ethics Relay Network (réseau des relais éthique – RRE). The ethics relays are trained and appointed on each site in France and in group-controlled companies. These ethics relays play an advisory role to the management committees of each site or subsidiary and are one of the primary contact points to respond to ethics- or CSR-related requests or questions from employees. This organization allows us to progress in terms of CSR: Our progress is documented by annual audits by independent bodies and through the “peer review” of member companies of the United Nations Global Compact, of which Naval Group has been a member since 2014.

Naval Group also reports on its CSR actions in its financial and CSR reports.
### Question

2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?

### Score

1

### Comments

The company publicly commits to investigating incidents promptly, independently and objectively. Investigations are managed by the Committee for Ethics and Corporate Social Responsibility (‘CERSE’) to ensure independence. The company provides some information about reporting procedures and processes. For whistleblowing cases, there is a procedure in place that stipulates documentation and actions to be taken at every step of the case, from receipt to final outcome. The company commits to inform whistleblowers of the outcome, if they so wish.

However, it is not clear whether the company commits to reporting investigative findings to senior management and the board. It is also not clear whether summary information of all incidents is reviewed by a senior central body on a regular basis.

### Evidence

[1] Code of Ethics  
Accessed 18/06/2019  

[p.12] To support the implementation of the Code of Ethics, Naval Group has put in place a Committee for Ethics and Corporate Social Responsibility (CERSE). The list of CERSE members is available on the Group's Intranet ("Navista" page of the Group Ethics, Compliance and Governance Department).

Supported by the whole of Naval Group's management, the CERSE is responsible for deploying the Code of Ethics and for verifying its application.

[p.13] In its mission and for its work, the CERSE is supported by the Network of Ethics Relays (Réseau des Relais Éthiques - RRE).

The Ethics Relays are named on each site in France and in the international subsidiaries. These Ethics Relays have an advisory role within the management of each site or subsidiary, and are one of the priority contact points for employees to provide responses concerning the ethics domains. The list of Ethics Relays members is available on the Group's Intranet ("Navista" page of the Group Ethics, Compliance and Governance Department).

3. Applicable procedure

Any person willing to issue an alert will choose among the following list:

- the management line;
- the representatives of the Human Resources Department;
- the local relays (Ethics Relays, Compliance Officer, CSR Relays or Discrimination Expert);
- Ethics, Compliance and Governance Department (DECG);
- the Ethics Committee and CSR (CERSE) via one of its members;
- The Naval Group safe and confidential ethics alert system (See. below), which is only addressed to two people: the chairman and the CERSE secretary.

The Group stakeholders (customers, suppliers, subcontractors…) use the alert system which can be accessed from the Group Internet site in the Ethics code.

The person who receives the alert is not necessarily the one with the qualification to process it. The person will then transmit the alert to a qualified third party.
4. Naval Group alert system

In addition to the dedicated contacts, Naval Group has made an internal alert system available to its employees and stakeholders who are victims or witnesses of inappropriate behaviour within the Group, allowing them to issue an alert and to express themselves with confidence. This alert system is accessible via the following address: ethics@naval-group.com

The e-mails in the alert system are accessible only to the chair and the secretary of the CERSE via a secure access. The anonymity of the whistle-blower and of the person(s) concerned is strictly maintained throughout examination of the affair as well as during deliberations.

Alerts must meet the conditions and are processed in accordance with the following terms:

- Any employee that issues an alert must act in good faith, i.e. without malice or expectation of personal gain and must have reasonable evidence to uphold the veracity of their declarations.

- The use of the alert system in good faith cannot expose the originator to penalties even if the facts are not materially verified after processing and investigation. On the contrary, abusive use of the alert system can expose the originator to disciplinary measures and/or legal proceedings.

- When the alert is issued via the alert system, the matter is examined directly by the chair of the CERSE or by two of its members.

[p.15] The CERSE ensures the independence of its decisions with regard to all levels within the company.

- When the alert is not issued via the alert system, it is examined by one of the dedicated contacts according to the subject: human resources representative, discrimination relay, ethics/CSR Relay, Compliance Officer or the Ethics, Compliance and Governance Department. Each of these contacts is bound by confidentiality undertaking.

– If necessary, an inquiry is conducted. Based on facts, it must determine the reality and materiality of the reported facts. Depending on its conclusions, disciplinary measures, up to dismissal, can be taken, or legal proceedings can be engaged.

Accessed 18/06/2019

[p.18] Naval Group has made dedicated contact persons and an internal alert system available to co-workers* and stakeholders who are victims or witnesses of inappropriate behaviour within the group, allowing them to issue a report and to express themselves with confidence.

IN WHICH CASES SHOULD I ISSUE A REPORT?

In the event of behaviour or a situation opposite to the Code of Ethics, notably from one of the following sectors:

› corruption* or influence peddling,
› the financial, accounting or banking sector,
› anti-competitive practices,
› discrimination and harassment,
› ethics and CSR.

DO I HAVE THE RIGHT TO ISSUE A REPORT? Any Naval Group co-worker or stakeholder (customer, supplier, partner, etc.) may issue a report. One must act in good faith, that is to say, without malice or expectation of a personal counterpart and have reasonable elements to presuppose the veracity of their report. Abuse of the alert system may expose the perpetrator to disciplinary sanctions and / or legal proceedings. Conversely, its use in good faith will not expose the author to any sanction even if the facts reported are not materially established after treatment and investigation.

[p.19] Facts, information or documents, whatever their form or medium, covered by national defense secrecy, medical confidentiality or the secrecy of relations between a lawyer and their client are excluded from the alert system.
WHO CAN I CONTACT?

In all cases, the line manager and/or Human Resources representative are the contacts to be prioritised. The person raising the alert can also turn:

› at their worksite, according to the issue, to a specific interlocutor: discrimination expert, ethics relay, Compliance Officer,
› at the corporate level, to the Committee for Ethics and Corporate Social Responsibility (CERSE*) using the following alert address: ethics@naval-group.com

Please refer to the alert system page on Navista for more information.

WHO HAS ACCESS TO THE MESSAGES SENT TO THE ALERT SYSTEM?

E-mails in the alert system are only accessible to the president and the secretary of the CERSE via secure access. The anonymity of the whistleblower* is strictly maintained throughout examination of the affair as well as during deliberations.

The Committee for Ethics and Corporate Social Responsibility (CERSE*) ensures:
› the eligible alerts are processed impartially and confidentially,
› its decisions are independent from all levels within the company.

DID YOU KNOW?

Since the “Sapin II” law, French law recognises a specific “whistleblower**” status which guarantees their reinforced legal protection.

HOW IS A REPORT PROCESSED?

› Any report is handled by a qualified person bound by a confidentiality obligation.
› The process aims to ensure, as much as necessary, the protection of the identity of the issuer, the persons concerned and the nature of the facts.
› If necessary, an investigation is conducted.
› The investigation is based on facts and must aim to determine the reality and the materiality of the reported facts.
› Depending on the findings of the investigation, disciplinary proceedings or legal proceedings may be initiated.

Accessed 18/06/2019

[p.43] 3.3.2. WHISTLEBLOWING SYSTEM

For many years, Naval Group has had a hotline and a system for collecting and handling whistleblowing reports. When French Law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption and the modernization of the economy, known as “Sapin 2” (article 8 § III on whistleblowers and article 17 § II-2) and Law no. 2017-399 of March 27, 2017 on the duty of vigilance came into force, and in order to make this hotline more accessible internationally, it was redubbed ethics@naval-group.com.

This hotline is open to all regular and occasional employees, regardless of status, entities controlled by the group, as well as all of the group’s stakeholders (clients, suppliers, subcontractors, partners, etc.).

It appears on the company’s website as well as in the ethics and compliance standards: Code of Ethics, Compliance Code of Conduct, and supplier code of conduct.

The Ethics and CSR Committee, which is chaired by the group’s Chief Ethics, Compliance and Governance Officer and whose members are appointed by the Chairman and Chief Executive Officer, is tasked with:
• responding to any contact made through the secured hotline, whether for a simple question or a whistleblowing report;
• carrying out investigations to follow up on reports made through the hotline, in strict compliance with the rules of confidentiality; and
• as applicable, it recommends the appropriate actions and/or sanctions, if there is any demonstrated deviation from ethical standards (as described in paragraph 1.2.6.1. above)

Accessed 18/06/2019

[The group’s compliance program] is deployed around the following pillars

[…]

5. The setting up of a secure Naval Group whistleblowing hotline (ethics@naval-group.com) that is accessible to all and allows in particular the reporting of corruption and influence-peddling risks. When required, Naval Group shall initiate an investigation to process the report, in accordance with the Naval Group defined instruction.

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.5] 3. Collection and processing of reports relating to behaviours contrary to the Ethical and CSR standards. In accordance with the specific procedure developed by Naval Group, dedicated contact persons and a whistleblowing hotline are available for any employees and stakeholders who are victims of or witnesses to inappropriate behaviour, and a secure and confidential internal alert e-mail (ethics@naval-group.com) enabling them to file a report and express their concerns in complete confidence. Dedicated staffs, properly trained and qualified are tasked to conduct investigations.

Naval Group guarantees that no employee or stakeholder who has filed a report in good faith and in accordance with the procedures provided for by the Group shall be subject to reprisals or any form of disciplinary action.

Whistleblowing line process

Accessed 18/05/2020
Internal control helps to achieve the group’s objectives, yet it is not an absolute guarantee because of the limitations inherent to any system. Internal control is part and parcel of the company’s management and is the responsibility of operational staff. Since 2015, operational staff have had a whistle-blower system at their disposal. This system provides a channel of communication that enables them to blow the whistle (in addition to existing channels, which protect the whistle-blower’s identity by ensuring that information remains confidential) and is intended to detect any breaches of procedure. The whistle-blower system can be used in the event of any breach of accounting procedures. Operational and functional managers are responsible for carrying out checks, but also for self-assessment of the effectiveness of internal control within their area of responsibility. This self-assessment enables the entities to assess their maturity and identify areas for improvement. An adapted internal control matrix for controlled subsidiaries was deployed in 2017 and 2018. The Audit and Risks Department oversees internal control, ensures its relevance and assesses its effectiveness. It is supported by a network of Risk and Opportunity Managers.

The Audit and Risks Department tests the quality of the responses to the internal control matrix through audits.

Indicators are monitored internally and reported weekly to the Executive Committee (for quality alerts) and monthly to the group Quality dashboard published and sent to all top management. The indicators chosen are linked to the Quality, Safety and Environment policy and objectives: for example, the number of non-conformities detected by customers, the number of internal alerts, the Supply Quality frequency rate. Objectives are set annually by the Executive Committee.

Accessed 18/05/2020
Question

2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?

Score

1

Comments

There is evidence that the company assures itself of the quality of its internal investigations, including those reported through whistleblowing channels. The company explicitly states that staff tasked with conducting investigations are properly qualified and trained to perform the function. There is evidence of how complaints and investigations are managed and there is a procedure for the escalation of complaints.

However, there is no publicly available evidence that the company reviews its investigations procedure at least every three years or in response to any changes in the regulatory environment. There is also no information about how complaints about the investigation process itself are handled or who is responsible for doing so.

Evidence

[1] Code of Ethics
Accessed 18/06/2019

[p.12] To support the implementation of the Code of Ethics, Naval Group has put in place a Committee for Ethics and Corporate Social Responsibility (CERSE). The list of CERSE members is available on the Group's Intranet ("Navista" page of the Group Ethics, Compliance and Governance Department).

Supported by the whole of Naval Group's management, the CERSE is responsible for deploying the Code of Ethics and for verifying its application.

[p.13] In its mission and for its work, the CERSE is supported by the Network of Ethics Relays (Réseau des Relais Éthiques - RRE).

The Ethics Relays are named on each site in France and in the international subsidiaries. These Ethics Relays have an advisory role within the management of each site or subsidiary, and are one of the priority contact points for employees to provide responses concerning the ethics domains. The list of Ethics Relays members is available on the Group's Intranet ("Navista" page of the Group Ethics, Compliance and Governance Department).

3. Applicable procedure

Any person willing to issue an alert will choose among the following list:

- the management line;
- the representatives of the Human Resources Department;

[p.14] - the local relays (Ethics Relays, Compliance Officer, CSR Relays or Discrimination Expert);
- Ethics, Compliance and Governance Department (DECG);
- the Ethics Committee and CSR (CERSE) via one of its members;
- The Naval Group safe and confidential ethics alert system (See. below), which is only addressed to two people: the chairman and the CERSE secretary.

The Group stakeholders (customers, suppliers, subcontractors…) use the alert system which can be accessed from the Group Internet site in the Ethics code.

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4. Naval Group alert system

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Alerts must meet the conditions and are processed in accordance with the following terms:

- Any employee that issues an alert must act in good faith, i.e. without malevolence nor expectation of personal gain and must have reasonable evidence to uphold the veracity of their declarations.

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– If necessary, an inquiry is conducted. Based on facts, it must determine the reality and materiality of the reported facts. Depending on its conclusions, disciplinary measures, up to dismissal, can be taken, or legal proceedings can be engaged.

Accessed 18/06/2019

[p.18] Naval Group has made dedicated contact persons and an internal alert system available to co-workers* and stakeholders who are victims or witnesses of inappropriate behaviour within the group, allowing them to issue a report and to express themselves with confidence.

IN WHICH CASES SHOULD I ISSUE A REPORT?

In the event of behaviour or a situation opposite to the Code of Ethics, notably from one of the following sectors:
› corruption* or influence peddling,
› the financial, accounting or banking sector,
› anti-competitive practises,
› discrimination and harassment,
› ethics and CSR.

DO I HAVE THE RIGHT TO ISSUE A REPORT? Any Naval Group co-worker or stakeholder (customer, supplier, partner, etc.) may issue a report. One must act in good faith, that is to say, without malice or expectation of a personal counterpart and have reasonable elements to presuppose the veracity of their report. Abuse of the alert system may expose the perpetrator to disciplinary sanctions and / or legal proceedings. Conversely, its use in good faith will not expose the author to any sanction even if the facts reported are not materially established after treatment and investigation.

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› at their worksite, according to the issue, to a specific interlocutor: discrimination expert, ethics relay, Compliance Officer,
› at the corporate level, to the Committee for Ethics and Corporate Social Responsibility (CERSE*) using the following alert address: ethics@naval-group.com

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WHO HAS ACCESS TO THE MESSAGES SENT TO THE ALERT SYSTEM?

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The Committee for Ethics and Corporate Social Responsibility (CERSE*) ensures:
› the eligible alerts are processed impartially and confidentially,
› its decisions are independent from all levels within the company.

DID YOU KNOW?

Since the “Sapin II” law, French law recognises a specific “whistleblower*” status which guarantees their reinforced legal protection.

HOW IS A REPORT PROCESSED?

› Any report is handled by a qualified person bound by a confidentiality obligation.
› The process aims to ensure, as much as necessary, the protection of the identity of the issuer, the persons concerned and the nature of the facts.
› If necessary, an investigation is conducted.
› The investigation is based on facts and must aim to determine the reality and the materiality of the reported facts.
› Depending on the findings of the investigation, disciplinary proceedings or legal proceedings may be initiated.

Accessed 18/06/2019

[p.16] As part of the fight against harassment, “investigator” training for “reporting harassment” was offered to CERSE members and France’s ethics officers. This training helped participants to learn more about the legal framework, understand the challenges for the company of preventing harassment and adopt the right methodology to identify and detect inappropriate situations and behaviours in the company. A training session called “Handling discrimination” was also set up for ethics and discrimination officers. In addition, throughout 2018, the “Sexual harassment and ethics whistleblowing” awareness training was deployed at sites in France.

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.5] 3. Collection and processing of reports relating to behaviours contrary to the Ethical and CSR standards. In accordance with the specific procedure developed by Naval Group, dedicated contact persons and a whistleblowing hotline are available for any employees and stakeholders who are victims of or witnesses to inappropriate behaviour, and a secure and confidential internal alert e-mail (ethics@naval-group.com) enabling them to file a report and express their concerns in complete confidence. Dedicated staffs, properly trained and qualified are tasked to conduct investigations. Naval Group guarantees that no employee or stakeholder who has filed a report in good faith and in accordance with the procedures provided for by the Group shall be subject to reprisals or any form of disciplinary action.
Naval Group encourages all individuals to speak out when they become aware of conduct that is contrary to the group's ethics and CSR guidelines, in particular when it concerns acts of corruption or influence peddling. In this respect, Naval Group has drawn up a group instruction defining the methods for collecting and processing reports relating to behaviour contrary to the Ethics and CSR reference framework. There are many ways in which to escalate an alert:

– line management, local relays;
– the ethics liaison officer, compliance officer;
– the human resources department;
– the ethics hotline (ethics@naval-group.com).

The use of the latter in good faith guarantees the protection of the whistleblower's identity as well as the absence of exposure to any sanction or dismissal, a direct or indirect discriminatory measure, or retaliation, even if the facts are not substantially proven after processing and investigation.

The alert line is also accessible to the group's external stakeholders (customers, suppliers, subcontractors, consultants employed on a Naval Group site) who wish to issue an alert: the address is indicated on the Naval Group website. This notification may be made in English or French and in the language used in the subsidiary. When the hotline is activated, investigations are carried out by two members of the group's Ethics and CSR Committee (CERSE) using a common investigation method. All investigators receive training in investigative techniques that ensure the confidentiality of the data processed and the impartiality of the procedure.

The issuer and the persons directly concerned are informed, as far as necessary, of the alert's processing by the CERSE when it is reported via the ethics hotline. When the results of the investigation are likely to result in disciplinary proceedings or legal proceedings, they are sent to the departments concerned as soon as possible so that all necessary measures are taken.

In addition to processing the alerts themselves, Naval Group undertakes to ensure that no sanction is directed against one of its employees who, in good faith, refuses to apply an order or carry out an action that would be...
contrary to the group’s ethics or values. Naval Group encourages them to speak up using the various means at their disposal to escalate an alert.

Accessed 18/05/2020

Ethical whistleblowing
Naval Group has set up channels for detecting and reporting ethical and compliance alerts that allow any Naval Group employee or stakeholder (including suppliers and subcontractors working at sites and subsidiaries) to express concerns or make a report.

The team of investigators dedicated to handling and investigating ethical and compliance alerts receives annual training in investigation techniques from an external facilitator. The content of the training is reviewed annually to take into account the instances encountered and lessons learned.
### Question

2.5. Does the company’s investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?

### Score

1

### Comments

There is evidence that the company commits to report material findings of bribery and corruption to board level Audit, Accounts and Risks Committee. In its publicly available investigation procedures it is implied that members of CERSE evaluate whether to instigate legal proceedings.

However, it is unclear whether this suggests the company will inform relevant authorities in case of material findings of bribery and corruption.

### Evidence

**[1] Code of Ethics**
Accessed 18/06/2019

– If necessary, an inquiry is conducted. Based on facts, it must determine the reality and materiality of the reported facts. Depending on its conclusions, disciplinary measures, up to dismissal, can be taken, or legal proceedings can be engaged.

**[4] Practical Guide to Ethical Behaviour**
Accessed 18/06/2019

HOW IS A REPORT PROCESSED?

› Any report is handled by a qualified person bound by a confidentiality obligation.
› The process aims to ensure, as much as necessary, the protection of the identity of the issuer, the persons concerned and the nature of the facts.
› If necessary, an investigation is conducted.
› The investigation is based on facts and must aim to determine the reality and the materiality of the reported facts.
› Depending on the findings of the investigation, disciplinary proceedings or legal proceedings may be initiated.

**[11] Combatting corruption and influence peddling (compliance) (webpage)**
Accessed 18/06/2019

[The group’s compliance program] is deployed around the following pillars

[...]

7. Annual reporting on the progress and results of this Compliance program and any verified incidents reported to the group management and its governance bodies, in particular the Audit, Accounts and Risks Committee of the Board of Directors.
### Question

2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?

| Score | 0 |

| Comments |

The company does not publish any data on ethical or bribery and corruption investigations or disciplinary actions involving its employees.

| Evidence |

No evidence found.
## 3. Support to Employees

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?</td>
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<table>
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<table>
<thead>
<tr>
<th>Comments</th>
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<tbody>
<tr>
<td>There is evidence that the company provides a training module that outlines the basic principles of its anti-bribery and corruption policy, including the whistleblowing options available to employees. There is some evidence that the company provides this training to all employees across all divisions and countries of operation, and in all appropriate languages. The company states that dependent on an assessment of their exposure to corruption risk, some employees are required to undertake refresher courses or modules on the anti-bribery and corruption programme at least every three years. However, there is no evidence that all employees are required to undertake refresher trainings at least every three years.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
| [1] Code of Ethics  
Accessed 18/06/2019  
| [p.12] Naval Group distributes this Code of Ethics to each employee. Naval Group provides training for employees that desire additional knowledge in this domain. A Practical Guide to Ethical Behaviour has been put in place specifically in order to facilitate employee access to the training and to familiarise as many as possible with the good practices in terms of ethics. |

Accessed 18/06/2019  
| [p.7] We are engaged in a plan of training designed for employees and Executive leaders. This plan is updated each year. It comes in different modules:  
- Face-to-face training sessions are regularly held on the various Sites and subsidiaries, in particular for workers exposed to the risk of Compliance.  
- An e-learning training program is also available to employees.  
- The training modules are made available in the training catalog.  
- In addition, employees who so wish can also contact the Ethics, Compliance and Governance Department to receive dedicated training. |

| [5] Compliance Program Policy  
Accessed 18/06/2019  
| [p.2] The members of the Executive Committee, the directors of Naval Group’s subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:  

[...]
Follow the training courses organised by the Group's Ethics, Compliance & Governance Department or its representatives (aimed in particular at employees that are the most exposed to the risk of corruption and influence peddling). |

Accessed 18 18/06/2019 |
[The group’s compliance program] is deployed around the following pillars

[...]

4. The deployment of a training and awareness-raising plan aimed at all Naval Group employees (in France and globally) and in particular the personnel that is the most exposed to the risk of corruption, in accordance with the established risk map, but also our external stakeholders, whenever this is possible.

[14] CSR Report 2018
Accessed 18/06/2019

[p.11]

3. Training

<table>
<thead>
<tr>
<th>Coordination and ongoing training of the Compliance Officers network by organising group and individual training days</th>
<th>Search for partnerships with recognised schools or organisations offering training in the field of Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continued training for employees most exposed to the compliance risk</td>
<td>Implementation of e-learning and modules dedicated to certain aspects of the Scheme for the most exposed employees (ongoing training) and continuation of training, particularly for new arrivals</td>
</tr>
<tr>
<td>Over one thousand people trained in 2018</td>
<td>Continuing awareness-raising with &quot;New Hires&quot;</td>
</tr>
</tbody>
</table>

Accessed 18/05/2020

[p.74] 4. Awareness, training and communication
Each new employee joining the Group is made aware of the risks of corruption and undertakes to read the compliance code of conduct. A specific anti-corruption bilingual elearning module has also been set up for all Group employees.

Based on the risk map, updated each year, the persons most exposed to the risk of corruption are identified and trained accordingly. In addition to the company’s top management and middle managers, three trade families are particularly targeted: sales, purchasing and specifiers. These populations receive training at least every three years.

To complement awareness-raising and training, an annual communication plan enables the group to coordinate the anti-corruption system, from the highest level of each entity down to the employees. The organisation of an annual Ethics and Compliance Day during the UN International Human Rights and AntiCorruption Days illustrates this approach.

The risk of conflict of interest is dealt with in a group instruction which sets out the appropriate steps to be taken on four levels:
- detection: mapping, self-declaration, reporting;
- integration, in the recruitment process, of a prior assessment, due diligence, on the candidate with a declaration of interest;
- management and processing, in the event of suspicion;
- sanction in the event of proven facts.

This instruction also provides a framework for hiring directors from the public sector in accordance with applicable laws and regulations relating to the employment of former public officials in the private sector.

Accessed 18/05/2020
• the development of a training plan updated each year that targets jobs identified as at-risk according to the corruption risk mapping (including executive posts and members of the Boards of Directors of companies controlled by Naval Group). Modules specialised by type of business line or activity have been developed. Employees affected must undergo new training (given as needed in French, English and Portuguese and translated into Arabic) at least every three years;
### Question

3.2 Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:

- a) Employees in high risk positions,
- b) Middle management,
- c) Board members.

### Score

1

### Comments

There is evidence that employees in certain positions receive different or tailored anti-bribery and corruption training. The company states in its public materials that training is aimed at employees that are most exposed to corruption risks. It makes specific reference to tailored training for employees in high risk positions, board members and middle management.

Although there is evidence that the company's training plan is updated annually, the company indicates that training for employees in high risk positions is refreshed every three years, rather than on an annual basis.

### Evidence

Accessed 18/06/2019

[The group’s compliance program] is deployed around the following pillars

[...]

4. The deployment of a training and awareness-raising plan aimed at all Naval Group employees (in France and globally) and in particular the personnel that is the most exposed to the risk of corruption, in accordance with the established risk map, but also our external stakeholders, whenever this is possible.

[5] Compliance Program Policy
Accessed 18/06/2019

[p.2] The members of the Executive Committee, the directors of Naval Group’s subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:

[...]

Follow the training courses organised by the Group’s Ethics, Compliance & Governance Department or its representatives (aimed in particular at employees that are the most exposed to the risk of corruption and influence peddling).

Accessed 18/06/2019

[p.7] We are engaged in a plan of training designed for employees and Executive leaders. This plan is updated each year. It comes in different modules:

- □ Face-to-face training sessions are regularly held on the various Sites and subsidiaries, in particular for workers exposed to the risk of Compliance.
- □ An e-learning training program is also available to employees.
- □ The training modules are made available in the training catalog [sic].
- □ In addition, employees who so wish can also contact the Ethics, Compliance and Governance Department to receive dedicated training.

[14] CSR Report 2018
[4. Awareness, training and communication]

Each new employee joining the Group is made aware of the risks of corruption and undertakes to read the compliance code of conduct. A specific anti-corruption bilingual elearning module has also been set up for all Group employees. Based on the risk map, updated each year, the persons most exposed to the risk of corruption are identified and trained accordingly. In addition to the company’s top management and middle managers, three trade families are particularly targeted: sales, purchasing and specifiers. These populations receive training at least every three years.

To complement awareness-raising and training, an annual communication plan enables the group to coordinate the anti-corruption system, from the highest level of each entity down to the employees. The organisation of an annual Ethics and Compliance Day during the UN International Human Rights and AntiCorruption Days illustrates this approach.

The risk of conflict of interest is dealt with in a group instruction which sets out the appropriate steps to be taken on four levels:
- detection: mapping, self-declaration, reporting;
- integration, in the recruitment process, of a prior assessment, due diligence, on the candidate with a declaration of interest;
- management and processing, in the event of suspicion;
- sanction in the event of proven facts.

This instruction also provides a framework for hiring directors from the public sector in accordance with applicable laws and regulations relating to the employment of former public officials in the private sector.

Accessed 18/05/2020
[p.19] In 2019, the actions carried out consisted of:
- the presentation of milestones for the deployment of the compliance system within the group (by sites and by controlled companies) to the group’s executive bodies: the Executive Committee and the Audit, Accounts and Risks Committee of the Board of Directors. These points give an overview of the development of the fifteen performance indicators (on the basis of the guidelines issued by the Global Reporting Initiative) to measure the effectiveness of the compliance system throughout the group and the setting of objectives for the following year (see Anti-Corruption Policy);

[...]
- the implementation and monitoring of a plan to identify and train employees most exposed to the risk of corruption and influence peddling;
updating of a bilingual e-learning course dedicated to raising awareness of all Naval Group employees about the fight against corruption and influence peddling in their daily lives; A specific performance indicator (measured monthly) to measure the rate

- the development of a training plan updated each year that targets jobs identified as at-risk according to the corruption risk mapping (including executive posts and members of the Boards of Directors of companies controlled by Naval Group). Modules specialised by type of business line or activity have been developed. Employees affected must undergo new training (given as needed in French, English and Portuguese and translated into Arabic) at least every three years;

[...]

- in June 2019, the second annual seminar for the entire Group’s ethics and compliance community, members of the group’s Executive Committee and external experts and speakers, including representatives of the French Anti-Corruption Agency,
- in December 2019, the third Ethics and Compliance Day in all of the group’s entities, which provided an opportunity to meet employees and disseminate ethical and compliance standards;
<table>
<thead>
<tr>
<th>Question</th>
<th>3.3 Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>1</td>
</tr>
<tr>
<td>Comments</td>
<td>There is evidence that the company measures or reviews the effectiveness of its anti-bribery and corruption communications and personnel training programme. There is evidence that the company has a system to do this, through dedicated questions in staff surveys. The company commits to assuring itself of this annually. However, it is unclear that results are used to update specific parts of the company's anti-bribery and corruption communications and training programme.</td>
</tr>
</tbody>
</table>

**Evidence**

Accessed 18 June 2019  

[p.16] The group’s Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.

As such, in 2018, the actions carried out consisted of:

[…]

the structuring of communication actions for the group’s employees and stakeholders in an annual plan to measure the impact of the messages disseminated. This plan includes the organisation of an International Ethics and Compliance Day in all of the group’s entities to meet employees and distribute the ethics and compliance standard;

[p.41] Performance indicators on compliance will be set in 2019.

Accessed 18 June 2019  

[The group’s compliance program] is deployed around the following pillars

[…]

6. The implementation of performance indicators and several areas for verification allowing the evaluation of the maturity of the compliance program and the adherence to this by the employees on the basis of an internal control plan implemented in all group entities. Through a continuous-improvement methodology, these controls are taken into account to adapt or extend the compliance program and, in particular, the risk map.

[14] CSR Report 2018  
Accessed 18 June 2019  

[p.10] The number of ethics alerts (psychological or sexual harassment, discrimination) fluctuates depending on information campaigns carried out. Employees on sites in France and abroad also use the ethics line.

Accessed 18/05/2020  
Performance indicators have been drawn up by the Group Ethics and Compliance Department to enable it to accurately monitor the progress and state of control of the compliance system within the Group and to report this to the Group Executive Committee and shareholders annually. The Group sets annual objectives for site and subsidiary directors to improve the overall level of control (see anti-corruption policy).

In 2019, the actions carried out consisted of:
- the presentation of milestones for the deployment of the compliance system within the group (by sites and by controlled companies) to the group’s executive bodies: the Executive Committee and the Audit, Accounts and Risks Committee of the Board of Directors. These points give an overview of the development of the fifteen performance indicators (on the basis of the guidelines issued by the Global Reporting Initiative) to measure the effectiveness of the compliance system throughout the group and the setting of objectives for the following year (see Anti-Corruption Policy);

In 2020, I want Naval Group to be ISO 37001 certified to demonstrate the maturity of our anti-corruption program and to make it part of a continuous improvement process. I ask everyone to contribute to the achievement of this objective, in accordance with their responsibilities, under the guidance of the Group Ethics, Compliance and Governance Department.

With this in mind, I ask the entity managers (sites, subsidiaries and functional departments) to do their utmost to achieve at least level 3 (on a scale of 4) of control regarding the anti-corruption program, as defined in the compliance internal control grid, focus on the following points:
- The involvement and exemplarity of the members of the management committees;
- The awareness among managers’ managers and newcomers;
- The training of the most exposed employees;
- The compliance with instructions relating to purchases, commercial activities, meal and gift declarations, sponsorship activities and memberships.
MUTLIPLE IMPACTS
ON EMPLOYEES’ DAILY WORK

COLLECTIVE ADOPTION

Naval Group, with the support of its managerial hierarchy and the network of compliance officers, is raising the awareness of and training its employees in the best practices for the fight against corruption and influence peddling. To this end, it is deploying a training plan aimed in particular at the personnel that are the most exposed to the risk of corruption, in accordance with the risk mapping established.

4300 EMPLOYEES TRAINED ON RISK AWARE
2050 IN 2019
SINCE 2017

EMPLOYEES AND STAKEHOLDERS TRAINED AND EMPOWERED REGARDING RISKS OF CORRUPTION
- HIGH-RISK SITUATIONS TO BE AVOIDED

A WIDE DISTRIBUTION OF BEST PRACTICES THANKS TO INNOVATIVE SUPPORT

Through a communication plan using several types of media, the compliance program is directed to all Naval Group’s stakeholders (employees, consultants, suppliers, fournisseurs, subcontractor etc.).

NAVAL GROUP IS CERTIFIED AT THE LEVEL “ADVANCED” BY THE GLOBAL COMPACT OF THE UNITED NATIONS

E-LEARNING INTRANET (NAVISTA) BROCHURES/GUIDES EVENTS

EACH YEAR, NAVAL GROUP PERFORMS AN INTERNAL SURVEY OVER A PANEL REPRESENTING 10% OF EMPLOYEES TO QUANTIFY THE PERCEPTION OF THE MEASURES DEPLOYED BY THE SYSTEM.
**Question**

3.4 Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?

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**Comments**

Based on publicly available information, there is no evidence that the company’s incentive schemes incorporate ethical or anti-bribery and corruption principles.

**Evidence**

[14] CSR Report 2018  
Accessed 18/06/19  

[p.74] Naval Group’s compensation and benefits policy aims to:

- encourage and acknowledge individual and collective performance;
- ensure fair pay for everyone;
- guarantee competitive salaries compared with the market.

Staff remuneration under State labour laws is defined and modified in accordance with its own regulatory framework.

Salary changes are determined during the mandatory annual negotiations (NAO). Wage negotiations for 2018 took place within the framework of the 2016 agreement on wage measures and the effective duration and organisation of working time for the 2016 financial year and multiannual measures for 2017 and 2018 (agreement signed by CFDT, CFE-CGC and UNSA). The budget increase for 2018 is 2.7%.

In addition, the profit-sharing bonus and a new profit-sharing agreement signed with union partners (CFDT, UNSA and CFE-CGC) were added for the 2018 to 2020 financial years. The criteria chosen to determine the profit-sharing budget are aimed at continuing to improve operational performance in its financial component with the EBITA/sales ratio, the improvement to the quality of the group's products through satisfaction of our customers and the quality of life at work of employees.

In addition, all employees benefit from a collective pension savings plan (PERCO), and matching payments (profit-sharing and voluntary payments) are added to this plan. An additional retirement plan (article 83 of the General Tax Code) is also available to engineers and managers.

The remuneration policy incorporates welfare protection with a mutual benefit organisation, which supplements Social Security contributions relating to the reimbursement of health-related costs and a welfare contract providing insurance against life risks: incapacity, disability, death.

Lastly, managers have a fixed salary and a variable portion, 60% of which is based on the achievement of collective targets and 40% on the achievement of individual targets.

**Remuneration of directors**

This point relates to salaries of the Chairman and Chief Executive Officer and members of the Board of Directors. The Chairman and Chief Executive Officer is Naval Group's sole corporate officer; other members of the Executive Committee are employees.

[p.75] The corporate officer’s salary is fixed by the State (Ministry of Finance) on the basis of a recommendation made by the Board of Directors’ Appointment and Remuneration Committee pursuant to order no. 2014-948 of August 20, 2014 on governance and transactions involving the capital of partially State-owned companies.
Members of the Executive Committee are remunerated through a fixed salary and a variable portion determined as a percentage of the fixed salary. As for all managers, 60% of the variable portion is based on the achievement of collective targets and 40% on the achievement of individual targets.

Welfare benefits available to the members of the Executive Committee are identical to those provided for under the remuneration and welfare benefits policy of other members of the group. They are also offered a company car.

In accordance with legal and regulatory requirements, the ten highest earners’ salaries are listed in the Management report, the social audit and the Auditors’ statement, and are used to make a tax declaration in accordance with form 2027 on remuneration and expenses allocated to the highest paid people in the company.
<table>
<thead>
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<th>Question</th>
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<tbody>
<tr>
<td>3.5 Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?</td>
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<tr>
<th>Comments</th>
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<tbody>
<tr>
<td>Based on publicly available information, there is no evidence that the company commits to support or protect employees who refuse to act unethically, even when it results in a loss of business.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
| [1] Code of Ethics  
Accessed 18/06/19  
[p.4] Naval Group has defined five values in order to guide everyone’s behaviour and action:  
- the commitment of everyone to achieving the Group’s objectives;  
- respect for customers, Group contributors and stakeholders;  
- the winning mindset essential to win new market shares, innovate and engage new talents;  
- rigour with respect to oneself and to others;  
- confidence in the management, with regard to employees, and in the company  
[...] |
Accessed 18/05/2020  
[p.76] In addition to processing the alerts themselves, Naval Group undertakes to ensure that no sanction is directed against one of its employees who, in good faith, refuses to apply an order or carry out an action that would be contrary to the group’s ethics or values. Naval Group encourages them to speak up using the various means at their disposal to escalate an alert. |
### Question

3.6 Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?

### Score

1

### Comments

The company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents in the company’s Compliance Code of Conduct. This applies to all employees of the group as well as other stakeholders that engage with the group.

However, there is no evidence that the company assures itself of its employees’ confidence in its commitment to non-retaliation through surveys, usage data, or other clearly stated means.

### Evidence

**[2] Compliance Code of Conduct**

Accessed 18/06/19


[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

[p.4] What are our principles regarding Compliance?

[...]

→ We encourage an open dialogue with our employees, based on trust, at every level of the Company. Our Employees are incited to communicate openly, to discuss and to express any questions or concerns, and their hierarchy is encouraged to listen to them and to show reactivity in its answer. We are hence strengthening our common culture regarding compliance with rules, and incite each of our Employees to become a full actor of our best practice.

→ We do not tolerate retaliation or attempt of direct or indirect retaliation, against a disinterested whistleblower and who has act in good faith.

→ In case of doubt on the implementation of the Code or the documents which are linked to it, we invite you to get in touch with your manager, or with a member of the Ethics Compliance and Governance Department team (see "Contact details").

[p.7] In case of failure by an employee to abide by the rules established by this Code or related procedures, his/her personal liability may be engaged and it may expose him/herself to disciplinary sanctions which are proportionate to the seriousness of the breach of the Code and are described in the Internal Rules of each site in France or in the Law in non-French Companies.

**[3] Compliance Program - Key Instructions**

Accessed 18/06/19


[p.4] Naval Group guarantees that no employee or stakeholder who has filed a report in good faith and in accordance with the procedures provided for by the Group shall be subject to reprisals or any form of disciplinary action.

**[12] Naval Group Whistleblowing Hotline (webpage)**

Accessed 18/06/19
Naval Group makes available to its employees and stakeholders victims or witnesses of inappropriate behavior within the group, dedicated interlocutors and an internal whistleblowing hotline allowing them to issue a report and express themselves with confidence.

Naval Group undertakes that no employee or stakeholder who has made a report in good faith and in the manner provided by the group, may be subject to retaliation or any sanction.

[16] Key Procedures (Document)  
Accessed 18/05/2020  

[p.5] Naval Group guarantees that no employee or stakeholder who has filed a report in good faith and in accordance with the procedures provided for by the Group shall be subject to reprisals or any form of disciplinary action.

Accessed 18/05/2020  

[p.20] Ethical whistleblowing  
Naval Group has set up channels for detecting and reporting ethical and compliance alerts that allow any Naval Group employee or stakeholder (including suppliers and subcontractors working at sites and subsidiaries) to express concerns or make a report.
### Question

3.7 Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?

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**Comments**

The company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. These channels are sufficiently varied to allow the employee to raise concerns across the management chain and to relevant external bodies. These channels allow for confidential and, wherever possible, anonymous reporting. The company’s whistleblowing line is open to all employees and third parties, suppliers and joint venture partners. There is evidence that channels are available in all relevant languages.

### Evidence

[1] Code of Ethics
Accessed 18/06/2019

[p.12] To support the implementation of the Code of Ethics, Naval Group has put in place a Committee for Ethics and Corporate Social Responsibility (CERSE). The list of CERSE members is available on the Group's Intranet (“Navista” page of the Group Ethics, Compliance and Governance Department).

Supported by the whole of Naval Group's management, the CERSE is responsible for deploying the Code of Ethics and for verifying its application.

[p.13] In its mission and for its work, the CERSE is supported by the Network of Ethics Relays (Réseau des Relais Éthiques - RRE).

The Ethics Relays are named on each site in France and in the international subsidiaries. These Ethics Relays have an advisory role within the management of each site or subsidiary, and are one of the priority contact points for employees to provide responses concerning the ethics domains. The list of Ethics Relays members is available on the Group's Intranet (“Navista” page of the Group Ethics, Compliance and Governance Department).

### 3. Applicable procedure

Any person willing to issue an alert will choose among the following list:

- the management line;
- the representatives of the Human Resources Department;
- the local relays (Ethics Relays, Compliance Officer, CSR Relays or Discrimination Expert);
- Ethics, Compliance and Governance Department (DECG);
- the Ethics Committee and CSR (CERSE) via one of its members;
- The Naval Group safe and confidential ethics alert system (See. below), which is only addressed to two people: the chairman and the CERSE secretary.

The Group stakeholders (customers, suppliers, subcontractors…) use the alert system which can be accessed from the Group Internet site in the Ethics code.

The person who receives the alert is not necessarily the one with the qualification to process it. The person will then transmit the alert to a qualified third party.

### 4. Naval Group alert system
In addition to the dedicated contacts, Naval Group has made an internal alert system available to its employees and stakeholders who are victims or witnesses of inappropriate behaviour within the Group, allowing them to issue an alert and to express themselves with confidence. This alert system is accessible via the following address: 

ethics@naval-group.com

The e-mails in the alert system are accessible only to the chair and the secretary of the CERSE via a secure access. The anonymity of the whistle-blower and of the person(s) concerned is strictly maintained throughout examination of the affair as well as during deliberations.

Alerts must meet the conditions and are processed in accordance with the following terms:

- Any employee that issues an alert must act in good faith, i.e. without malevolence nor expectation of personal gain and must have reasonable evidence to uphold the veracity of their declarations.

- The use of the alert system in good faith cannot expose the originator to penalties even if the facts are not materially verified after processing and investigation. On the contrary, abusive use of the alert system can expose the originator to disciplinary measures and/or legal proceedings.

- When the alert is issued via the alert system, the matter is examined directly by the chair of the CERSE or by two of its members.

[p.15] The CERSE ensures the independence of its decisions with regard to all levels within the company.

- When the alert is not issued via the alert system, it is examined by one of the dedicated contacts according to the subject: human resources representative, discrimination relay, ethics/CSR Relay, Compliance Officer or the Ethics, Compliance and Governance Department. Each of these contacts is bound by confidentiality undertaking.

- If necessary, an inquiry is conducted. Based on facts, it must determine the reality and materiality of the reported facts. Depending on its conclusions, disciplinary measures, up to dismissal, can be taken, or legal proceedings can be engaged.

Accessed 18/06/2019

[p.18] Naval Group has made dedicated contact persons and an internal alert system available to co-workers* and stakeholders who are victims or witnesses of inappropriate behaviour within the group, allowing them to issue a report and to express themselves with confidence.

IN WHICH CASES SHOULD I ISSUE A REPORT?

In the event of behaviour or a situation opposite to the Code of Ethics, notably from one of the following sectors:
› corruption* or influence peddling,
› the financial, accounting or banking sector,
› anti-competitive practises,
› discrimination and harassment,
› ethics and CSR.

DO I HAVE THE RIGHT TO ISSUE A REPORT? Any Naval Group co-worker or stakeholder (customer, supplier, partner, etc.) may issue a report. One must act in good faith, that is to say, without malice or expectation of a personal counterpart and have reasonable elements to presuppose the veracity of their report. Abuse of the alert system may expose the perpetrator to disciplinary sanctions and / or legal proceedings. Conversely, its use in good faith will not expose the author to any sanction even if the facts reported are not materially established after treatment and investigation.

[p.19] Facts, information or documents, whatever their form or medium, covered by national defense secrecy, medical confidentiality or the secrecy of relations between a lawyer and their client are excluded from the alert system.

WHO CAN I CONTACT?
In all cases, the line manager and/or Human Resources representative are the contacts to be prioritised. The person raising the alert can also turn:

› at their worksite, according to the issue, to a specific interlocutor: discrimination expert, ethics relay, Compliance Officer,
› at the corporate level, to the Committee for Ethics and Corporate Social Responsibility (CERSE*) using the following alert address: ethics@naval-group.com

Please refer to the alert system page on Navista for more information.

WHO HAS ACCESS TO THE MESSAGES SENT TO THE ALERT SYSTEM?

E-mails in the alert system are only accessible to the president and the secretary of the CERSE via secure access. The anonymity of the whistleblower* is strictly maintained throughout examination of the affair as well as during deliberations.

The Committee for Ethics and Corporate Social Responsibility (CERSE*) ensures:
› the eligible alerts are processed impartially and confidentially,
› its decisions are independent from all levels within the company.

DID YOU KNOW?

Since the “Sapin II” law, French law recognises a specific “whistleblower*” status which garantees their reinforced legal protection.

HOW IS A REPORT PROCESSED?

› Any report is handled by a qualified person bound by a confidentiality obligation.
› The process aims to ensure, as much as necessary, the protection of the identity of the issuer, the persons concerned and the nature of the facts.
› If necessary, an investigation is conducted.
› The investigation is based on facts and must aim to determine the reality and the materiality of the reported facts.
› Depending on the findings of the investigation, disciplinary proceedings or legal proceedings may be initiated.

Accessed 18/06/2019

[p.4] What are our principles regarding Compliance?

[...]

☐ We encourage an open dialogue with our employees, based on trust, at every level of the Company. Our Employees are incited to communicate openly, to discuss and to express any questions or concerns, and their hierarchy is encouraged to listen to them and to show reactivity in its answer. We are hence strengthening our common culture regarding compliance with rules, and incite each of our Employees to become a full actor of our best practice.

☐ We do not tolerate retaliation or attempt of direct or indirect retaliation, against a disinterested whistleblower and who has act in good faith.

☐ In case of doubt on the implementation of the Code or the documents which are linked to it, we invite you to get in touch with your manager, or with a member of the Ethics Compliance and Governance Department team (see "Contact details").

[p.7] How should we speak up and alert on potential violations of this Code?

We encourage a culture of open communication where employees do not hesitate to express their concerns and seek advice and where managers are listening and demonstrate reactivity in their answers. If a supervisor
[p.8] cannot answer a question or a concern, employees can turn to another member of the network of the Ethics, Compliance and governance Department in his/her Site, function or subsidiary or at Corporate level. Employees are invited to send confidential questions or concerns via email at the following address: ethics@naval-group.com, if it seems inappropriate to seek advice through other channels.

[3] Compliance Program - Key Instructions  
Accessed 18/06/2019  

[p.4] 4. Collection and processing of reports relating to behaviours contrary to the Ethical and CSR standards.

In accordance with the Instruction, Naval Group provides dedicated contact persons and a whistleblowing hotline for any employees and stakeholders who are victims of or witnesses to inappropriate behaviour, and a secure and confidential internal alert e-mail (ethics@naval-group.com) enabling them to file a report and express their concerns in complete confidence.

Accessed 18/06/2019  

[p.43] 3.3.2. WHISTLEBLOWING SYSTEM

For many years, Naval Group has had a hotline and a system for collecting and handling whistleblowing reports. When French Law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption and the modernization of the economy, known as “Sapin 2” (article 8 § III on whistleblowers and article 17 § II-2) and Law no. 2017-399 of March 27, 2017 on the duty of vigilance came into force, and in order to make this hotline more accessible internationally, it was redubbed ethics@naval-group.com.

This hotline is open to all regular and occasional employees, regardless of status, entities controlled by the group, as well as all of the group’s stakeholders (clients, suppliers, subcontractors, partners, etc.).

It appears on the company’s website as well as in the ethics and compliance standards: Code of Ethics, Compliance Code of Conduct, and supplier code of conduct.

The Ethics and CSR Committee, which is chaired by the group’s Chief Ethics, Compliance and Governance Officer and whose members are appointed by the Chairman and Chief Executive Officer, is tasked with:
• responding to any contact made through the secured hotline, whether for a simple question or a whistleblowing report;
• carrying out investigations to follow up on reports made through the hotline, in strict compliance with the rules of confidentiality; and
• as applicable, it recommends the appropriate actions and/or sanctions, if there is any demonstrated deviation from ethical standards (as described in paragraph 1.2.6.1. above)

Accessed 18/06/2019  

[The group’s compliance program] is deployed around the following pillars

[...]  
5. The setting up of a secure Naval Group whistleblowing hotline (ethics@naval-group.com) that is accessible to all and allows in particular the reporting of corruption and influence-peddling risks. When required, Naval Group shall initiate an investigation to process the report, in accordance with the Naval Group defined instruction

[12] Naval Group Whistleblowing Hotline (webpage)  
Accessed 18/06/2019  
Naval Group makes available to its employees and stakeholders victims or witnesses of inappropriate behavior within the group, dedicated interlocutors and an internal whistleblowing hotline allowing them to issue a report and express themselves with confidence.

Naval Group undertakes that no employee or stakeholder who has made a report in good faith and in the manner provided by the group, may be subject to retaliation or any sanction.

In which case to issue a report?

A report must be issued when a person:

- is witness to or aware of a situation of corruption or influence peddling, conflict of interest, financial, accounting or banking fraud, anti-competitive practice, discrimination, harassment, or more generally a situation contrary to ethics;

- witnesses or is aware of risks or serious violations of human rights and fundamental freedoms, the health and safety of persons and the environment resulting from the activities of the enterprise;

- is personally aware of a crime or offense, of a serious and manifest violation of an international commitment duly ratified or approved by France, of a unilateral act of an international organization taken on the basis of a ratified international commitment, law or regulation, or a serious threat or harm to the public interest.

How to issue a report?

A report may in any case be made in writing or orally to my supervisor and / or a representative of the Directorate of Human Resources.

In addition, the author of the report may also turn to:

- in his working site, depending on the subject, to a dedicated interlocutor: referent discrimination, relay ethics / CSR, Compliance Officer;

- at group level, towards the Ethics, Compliance and Governance (DECG) directorate or the Ethics and Corporate Social Responsibility Committee (CERSE) using the following alert line : ethics@naval-group.com

This address can be used for any questions or comments regarding our CSR program.

How is a report processed?

- Any report is handled by a qualified person and bound by a confidentiality agreement.

- The process is intended to ensure, as much as necessary, the protection of the identity of the issuer and the persons concerned and the nature of the facts.

- If necessary, an investigation is carried out by the CERSE in compliance with a specific Naval group instruction.

- The investigation is based on facts and must make it possible to determine the reality and the materiality of the facts reported.

- Depending on the findings of the investigation, disciplinary proceedings or legal proceedings may be initiated.

Who can issue a report?

Any employee or stakeholder of Naval Group may issue a report.

- This person must act in good faith, that is to say, without malice or expectation of a personal counterpart and have reasonable elements to presuppose the veracity of his remarks.
- Abuse of the device may expose the perpetrator to disciplinary sanctions and / or legal proceedings. Its use in good faith cannot expose the author to any sanction even if the facts would not prove materially established after treatment and investigation.

- Facts, information or documents, whatever their form or medium, covered by national defense secrecy, medical confidentiality or the secrecy of relations between a lawyer and his client are excluded from the alert system.

Accessed 18/05/2020
https://www.naval-group.com/wp-content/uploads/2020/05/na Naval Group website. This notification may be made in English or French and in the language used in the subsidiary.

Accessed 18/05/2020
[p.20] Ethical whistleblowing Naval Group has set up channels for detecting and reporting ethical and compliance alerts that allow any Naval Group employee or stakeholder (including suppliers and subcontractors working at sites and subsidiaries) to express concerns or make a report. The team of investigators dedicated to handling and investigating ethical and compliance alerts receives annual training in investigation techniques from an external facilitator. The content of the training is reviewed annually to take into account the instances encountered and lessons learned.
## 4. Conflict of Interest

<table>
<thead>
<tr>
<th>Question</th>
<th>4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>2</td>
</tr>
<tr>
<td>Comments</td>
<td>The company has a policy for conflicts of interest which applies to all employees and board members. The policy refers to actual, potential and perceived conflicts and as well as conflicts associated with employee relationships, financial interests, government relationships, and other employment.</td>
</tr>
</tbody>
</table>

### Evidence

**[1] Code of Ethics**  
Accessed 18/06/2019  

[p.8] The personal interests of an employee can in no case influence the choice of a supplier or a subcontractor. Naval Group's management is particularly vigilant when a personal, family or financial tie exists between an employee and a Naval Group stakeholder.

[p.9] All Naval Group employees owe the Group total loyalty. This implies not working for an existing or potential competitor (without prior formal consent) and excluding any situation of unfair competition. Expenses incurred by an employee who claims reimbursement must have actually been incurred and must be directly related to the project or activity conducted on behalf of the company.

**[2] Compliance Code of Conduct**  
Accessed 18/06/2019  

[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

[p.6] Conflicts of interest

Employees act in the best of the interests of the Naval Group and use the resources and assets of the group to the exclusive benefit of the latter. They undertake to communicate rapidly any link of interest, personal or family, which could be objectively seen as affecting their judgment or which could create a form of irregularity.

We must always put forward the interests of Naval Group and not our personal interest.

In their private activities and outside of working hours employees should not use resources of Naval Group, its intellectual property or its confidential information for personal purposes.

What is a conflict of interest? A conflict of interest arises when the interests of the business and personal interests overlap. Such a conflict of interest is not necessarily a problem in itself, but could become a problem if it is not quickly identified and properly managed.

**[4] Practical Guide to Ethical Behaviour**  
Accessed 18/06/2019  
A conflict of interest* can be defined as a de facto situation which places the co-worker opposite two diverging interests: the general interest linked to the mission that they must fulfil for the company and their own interest which could influence or appear to influence the way in which they fulfil their missions.

The influence linked to my own interest can for example depend on my family responsibilities, professional links, political affiliation, or concern my personal assets, my financial investments or even my debts.

Certain conflicts of interest are likely to involve facts constituting criminal offences such as illegal taking of interests, favouritism*, corruption* or influence peddling.

PRACTICAL CASE
"I am a specifier and I participate in the preparation of a consultation for a security guard contract. The list of companies consulted includes the company that employs my brother as commercial director."

RECOMMENDED BEHAVIOUR
I inform my line management of my potential link with this company. My manager can contact the Legal Department in order to qualify the nature of the particular interest and the associated risk. Where applicable, and with the assent of my superior, I can pull out from dealing with relations with this supplier and from any decision making.

USEFUL INFORMATION
There are two types of possible situations:

› The conflict of interest* can be “real”: when it is established that my particular interest effectively conditions or influences the way in which I fulfil my mission within the company. A co-worker that unduly benefits from their position to draw a personal interest from it would commit a “disloyal act” with respect to the company (refer to C2 “Duty of loyalty”).

› The conflict of interest can be “potential”: when my personal interest is not yet likely to influence the way in which I fulfil my mission, but where a change of function or responsibility could modify this situation.

It is always better to raise an ambiguity and declare a conflict of interests, even potential, rather than allow an unclear or uncomfortable situation to settle in. With a concern for transparency, I declare my situation.

The conflict of interest can arise from a gift or from hospitality accepted from a third party* (refer to B1 “Gifts given or received” and B3 “Invitations* and hospitality”).

The loyalty obligation results from the obligation to carry out the contract in good faith. To this end, employees with a work contract must not cause harm to their employer, in particular by providing unfair competition through a personal company. They must abstain from any act which goes against the company interests and, in particular, any act of unfair competition.

Risks associated with this situation:
› being in a situation with a conflict of interest*, if the company is developing in a satisfactory manner in a field which starts competing with Naval Group or a subcontract in which I intervene as specifier;
› distorting the rules of competition between this company and other Naval Group suppliers (manufacturing products, subcontracting, intellectual services, etc.);
› divulging or using confidential Naval Group information in order to make decisions in the new company;
› applying its civil and criminal liability.

Practical example: “I am contacted by a friend who would like to associate me with the start (or capital) of the company they are planning to create. The field of activity of their project may, in time, lead to the development of technologies of interest to Naval Group.”
RECOMMENDED BEHAVIOUR

1) In general, I refuse to play the expected role in this new company regardless of the level of the potential conflict of interest (see sheet B4) between this company and Naval Group.

2) If I can see no obvious conflict of interest, I present the affair in a transparent manner to my hierarchy and request explicit prior approval.

[p.56] 3) I complete an individual conflict of interest* declaration which must be kept up to date and transferred to my hierarchy in order to identify any particular interest likely to interfere in the decisions relating to my functions both now and in the future.

USEFUL INFORMATION

Unfair competition is the result of misconduct and manoeuvring contrary to the loyalty desired by the standards or commitments made regarding competition, committed by a professional, a company or employee against another professional or company currently suffering in their economic activity.

In addition, using work time for occupations other than performing one’s professional functions may be punishable by disciplinary action as well as possibly constituting an offence relating to a breach of trust.

[7] Charte des relations avec nos fournisseurs et nos sous-traitants

Accessed 18/06/2019

[p.2] De manière générale, il appartient à chaque collaborateur, lorsqu’il agit pour le compte de Naval Group :

- de respecter les règles édictées par le code d’éthique et le code de conduite compliance de Naval Group ;
- d’adopter un comportement respectueux des valeurs du groupe ;
- de se conformer aux règles de droit applicables ;
- d’éviter, ou de déclarer le cas échéant, toute situation de conflit d’intérêts liée à un fournisseur ou sous-traitant
- de respecter les instructions, politiques et procédures du groupe et notamment celles développées par la direction des Achats et des Relations Fournisseurs et par la Direction Ethique, Compliance et Gouvernance Groupe (DECG);
- de ne pas divulguer des informations confidentielles de Naval Group ou confiées à Naval Group;
- de contribuer par son comportement et ses décisions à la bonne réputation du Groupe.

En particulier, chaque collaborateur se doit de respecter les règles suivantes

☐ les cadeaux reçus ou octroyés sont toujours de faible valeur et doivent être déclarés conformément aux instructions en vigueur. Les invitations se limitent à des déjeuners de travail et doivent rester raisonnables ;

☐ les avantages personnels et cadeaux sont refusés pour lui-même et ses proches. Les offres de voyages, séjours, spectacles etc. sont déclinées sauf si elles font l’objet d’une autorisation expresse délivrée par la direction éthique, Compliance et Gouvernance groupe.

☐ les cadeaux et invitations doivent être faits sans recherche de contrepartie et de façon totalement transparente, au su et au vu de l’environnement professionnel de celui qui offre et de celui qui reçoit.

[p.3] Les intérêts personnels d’un collaborateur ne peuvent en aucun cas entrer en ligne de compte dans les relations avec les Fournisseurs et Soustraitants. Les collaborateurs s’engagent à informer leur hiérarchie lorsqu’un lien personnel, familial ou financier existe avec un fournisseur et doivent alors demander explicitement à leur hiérarchie à être exclu du processus de sélection ou de négociation en cours.
En cas de doute sur un comportement à adopter ou une décision à prendre au regard des règles énoncées ci-dessus, il appartient au collaborateur concerné de consulter sa hiérarchie ou le compliance officer de son site avant d’engager toute action ou décision.

Translation:

[p.2] In general, it is the responsibility of each employee, when acting on behalf of Naval Group:

- to comply with the rules set out in the Naval Group Code of Ethics and Compliance Code of Conduct;
- to adopt behaviour respectful of the values of the group;
- to comply with applicable laws;
- to avoid, or to declare if necessary, any conflicts of interest related to a supplier or subcontractor;
- to comply with the Group's instructions, policies and procedures, particularly those developed by the Purchasing and Supplier Relations Department and the Group's Ethics, Compliance and Governance Department (DECG);
- not to divulge Naval Group's confidential information or confidential information entrusted to Naval Group;
- to contribute through its behaviour and its decisions to the good reputation of the Group.

In particular, each employee must respect the following rules:

- Gifts received or granted are always of low value and must be declared in accordance with the instructions in force. Hospitality is limited to working lunches and must remain reasonable;
- Employees should refuse personal benefits and gifts including for their loved ones. Offers of trips, stays, shows etc. are declined unless they are expressly authorized by the Ethics, Compliance and Group Governance Department.
- Gifts and hospitality must be made without seeking a return favour and in a completely transparent way, in the context of the professional environment of the giver and the recipient.

[p.3] The personal interests of an employee can in no way be taken into account in relations with Suppliers and Subcontractors. Employees undertake to inform their manager when a personal, family or financial link exists with a supplier and must then explicitly ask the management to be excluded from the selection or negotiation process in course.

In case of doubt about a behaviour to follow or a decision to be taken with regard to the rules stated above, it is up to the employee concerned to consult his manager or the compliance officer on his site before taking any action or decision.

[8] Charte des relations avec les clients
Accessed 18/06/2019

[p.2] De manière générale, il appartient à chaque collaborateur, lorsqu’il agit pour le compte du groupe Naval Group:

- de respecter les règles édictées par le Code d’éthique et le code de conduite compliance de Naval Group ;
- d’adopter un comportement respectueux des valeurs du Groupe ;
- de se conforter aux règles de droit applicables ;
- de s’assurer que son comportement et ses décisions sont exempts de conflits d’intérêts personnels ;

Translation:
In general, it is expected of each employee, when acting on behalf of the Naval Group, to:

- comply with the rules set out in the Naval Group Code of Ethics and Compliance Code of Conduct;
- to adopt a behaviour respectful of the values of the Group;
- to comply with applicable laws;
- ensure that his / her behaviour and decisions are free from personal conflicts of interest;

[16] Key Procedures (Document)
Accessed 18/05/2020

4. Defining internal measures and controls regarding the prevention of risks of conflict of interests
Naval Group prevent and addresses the risks of conflicts of interest (real or potential) and includes those that may result from relations with public authorities, including Politically Exposed Persons. Among the planned measures:
- The integration of the risk of conflict of interest in the group's corruption risk mapping. This mapping notably establishes a list of positions identified as most at risk, updated at least every year.
- The integration into the hiring process of a position identified as at risk of a due diligence procedure on the candidate verifying the compatibility of his situation with the responsibilities and the position envisaged. In the frame of this procedure, the candidate signs a sworn statement, confirming the absence of any form of real or potential conflict of interest related to his new position, or to commitments that he has subscribed to. He also undertakes to inform his manager without delay in the event that he finds himself in a conflict of interest situation. These declarations are archived by the human resources department and can be consulted as necessary by authorized persons.

If a problematic conflict of interests was identified in the framework of this due diligence, the hiring process with the candidate may come to an end.

Specific measures are planned for the Naval Group Board of Directors, which has its own internal regulations dealing, among other things, with questions relating to the identification and treatment of the risks of conflicts of interest of its members.

Accessed 18/05/2020

The risk of conflict of interest is dealt with in a group instruction which sets out the appropriate steps to be taken on four levels:
- detection: mapping, self-declaration, reporting;
- integration, in the recruitment process, of a prior assessment, due diligence, on the candidate with a declaration of interest;
- management and processing, in the event of suspicion;
- sanction in the event of proven facts.

This instruction also provides a framework for hiring directors from the public sector in accordance with applicable laws and regulations relating to the employment of former public officials in the private sector.

Accessed 18/05/2020

Amongst the measures of the dedicated group procedure implemented, each employee declares upon their honour at the time of recruitment that they are not in a situation of conflict of interest and undertakes to inform the group whenever this is no longer the case. For the most exposed positions, due diligence are conducted in addition to this declaration.
**Question**

4.2 Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?

**Score**

1

**Comments**

There is evidence that the company has procedures for identifying, declaring and managing conflicts of interest. The company’s public documents refer to an individual conflict of interest declaration which can be completed. Potential or actual conflict of interest declarations are reviewed and overseen by the Remuneration, Appointments, Ethics and Corporate Social Responsibility Committee, which is ultimately accountable for handling individual cases. The company mentions criteria for recusals and states that disciplinary measures also apply if employees breach the company’s policy on conflicts of interest.

However, there is no evidence that all employee and board member declarations are held in a dedicated register or central depository that is accessible to those responsible for oversight of the process.

**Evidence**

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<td></td>
</tr>
<tr>
<td>[p.7] What are the consequences in case of failure to comply with this Code?</td>
<td></td>
</tr>
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</table>
In case of failure by an employee to abide by the rules established by this Code or related procedures, his/her personal liability may be engaged and it may expose him/herself to disciplinary sanctions which are proportionate to the seriousness of the breach of the Code and are described in the Internal Rules of each site in France or in the Law in non-French Companies.

It is therefore operational responsibility, management and ethics of each, well read, assimilate and to comply with this Code.

Accessed 18/06/2019

[p.42] CONFLICT OF INTEREST

CONTEXT AND STAKES
A conflict of interest* can be defined as a de facto situation which places the co-worker opposite two diverging interests: the general interest - linked to the mission that they must fulfil for the company - and their own interest which could influence or appear to influence the way in which they fulfil their missions.

The influence linked to my own interest can for example depend on my family responsibilities, professional links, political affiliation, or concern my personal assets, my financial investments or even my debts.

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It is always better to raise an ambiguity and declare a conflict of interests, even potential, rather than allow an unclear or uncomfortable situation to settle in. With a concern for transparency, I declare my situation.

The conflict of interest can arise from a gift or from hospitality accepted from a third party* (refer to B1 “Gifts given or received” and B3 “Invitations* and hospitality”).

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Risks associated with this situation:
›› being in a situation with a conflict of interest*, if the company is developing in
a satisfactory manner in a field which starts competing with Naval Group or a subcontract in which I intervene as specifier;

›› distorting the rules of competition between this company and other Naval Group suppliers (manufacturing products, subcontracting, intellectual services, etc.);
›› divulging or using confidential Naval Group information in order to make decisions in the new company;
›› applying its civil and criminal liability.

Practical example: “I am contacted by a friend who would like to associate me with the start (or capital) of the company they are planning to create. The field of activity of their project may, in time, lead to the development of technologies of interest to Naval Group.”

RECOMMENDED BEHAVIOUR
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2) If I can see no obvious conflict of interest, I present the affair in a transparent manner to my hierarchy and request explicit prior approval.
3) I complete an individual conflict of interest* declaration which must be kept up to date and transferred to my hierarchy in order to identify any particular interest likely to interfere in the decisions relating to my functions both now and in the future.

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In addition, using work time for occupations other than performing one’s professional functions may be punishable by disciplinary action as well as possibly constituting an offence relating to a breach of trust.

[7] Charte des relations avec nos fournisseurs et nos sous-traitants
Accessed 18/06/2019

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In general, it is expected of each employee, when acting on behalf of the Naval Group, to:
- comply with the rules set out in the Naval Group Code of Ethics and Compliance Code of Conduct;
- to adopt a behaviour respectful of the values of the Group;
- to comply with applicable laws;
- ensure that his / her behaviour and decisions are free from personal conflicts of interest;

[14] CSR Report 2018
Accessed 18/06/2019

[p.41] the Remuneration, Appointments, Ethics and Corporate Social Responsibility Committee, that has the following main tasks:

[...]

With regard to Ethics and Corporate Social Responsibility:
- review and monitor measures adopted within the group regarding ethics, compliance, the management of conflicts of interest and, more generally, Corporate Social Responsibility;

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.6] 4. Defining internal measures and controls regarding the prevention of risks of conflicts of interests
Naval Group prevent and addresses the risks of conflicts of interest (real or potential) and includes those that may result from relations with public authorities, including Politically Exposed Persons. Among the planned measures:
- The integration of the risk of conflict of interest in the group's corruption risk mapping. This mapping notably establishes a list of positions identified as most at risk, updated at least every year.
- The integration into the hiring process of a position identified as at risk of a due diligence procedure on the candidate verifying the compatibility of his situation with the responsibilities and the position envisaged. In the frame of this procedure, the candidate signs a sworn statement, confirming the absence of any form of real or potential conflict of interest related to his new position, or to commitments that he has subscribed to. He also undertakes to inform his manager without delay in the event that he finds himself in a conflict of interest situation. These declarations are archived by the human resources department and can be consulted as necessary by authorized persons.
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<tr>
<th>Question</th>
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<tbody>
<tr>
<td>4.3 Does the company have a policy and procedure regulating the</td>
<td>0</td>
<td>Based on publicly available information, there is no evidence that the company has a clear policy regulating the employment of current or former public officials.</td>
</tr>
<tr>
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<td></td>
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**Evidence**

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.6] 4. Defining internal measures and controls regarding the prevention of risks of conflict of interests
Naval Group prevent and addresses the risks of conflicts of interest (real or potential) and includes those that may result from relations with public authorities, including Politically Exposed Persons.
<table>
<thead>
<tr>
<th>Question</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4 Does the company report details of the contracted services of serving politicians to the company?</td>
<td></td>
</tr>
<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td></td>
</tr>
<tr>
<td>There is no evidence that the company reports details of the contracted services of serving politicians.</td>
<td></td>
</tr>
<tr>
<td>Evidence</td>
<td></td>
</tr>
<tr>
<td>No evidence found.</td>
<td></td>
</tr>
</tbody>
</table>
## 5. Customer Engagement

### 5.1 Contributions, Donations and Sponsorships

<table>
<thead>
<tr>
<th>Question</th>
<th>5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>2</td>
</tr>
<tr>
<td>Comments</td>
<td>The company publishes a clear statement that it does not make corporate political contributions.</td>
</tr>
</tbody>
</table>

### Evidence

1. **[1] Code of Ethics**
   - Accessed 18/06/2019

   
   [p.11] Naval Group, as an international player, observes strict political and religious neutrality. The Group refuses to contribute financially to political candidates, elected representatives or parties. All Naval Group employees can nonetheless participate personally in political life, outside the workplace and working hours, but they cannot use the Group's image to support their commitment.

   Naval Group participates in the funding of associations, foundations or in patronage operations falling within the scope of the values and priorities defined by the Group and the applicable regulations.

2. **[2] Compliance Code of Conduct**
   - Accessed 18/06/2019

   
   [p.5] Naval Group respects the individual commitment of its employees to participate, in their private capacity and as citizens, in political activities. However, it is strictly forbidden for employees to make political contributions in the name or on behalf of Naval Group for elections, candidates at the local, regional, national or international level, political parties

   [p.6], for political representatives at the local, regional, national or international level, any organization or any entity policy at the local, regional, national or international.

   Employees are required to ensure that their participation in political life remains within a strictly private framework. Thus their participation in political life takes place only during their free time, outside their working hours and at their own expense.

3. **[3] Compliance Program - Key Instructions**
   - Accessed 18/06/2019

   
   [p.4] 3. Instruction relating to participation in associative and political life, and in charitable, philanthropic, patronage or sponsorship activities.

   Naval Group has chosen to define the conditions under which its employees and stakeholders may join a professional association on behalf of Naval Group or take part in charitable, philanthropic, patronage and sponsorship activities on behalf of Naval Group.

   This Instruction requires due diligence to be conducted for each application for membership of an association and for each charity, philanthropy, patronage and sponsorship project carried out on behalf of Naval Group. It also reaffirms the principle of the Group’s political and religious neutrality in the conduct of its activities and formally prohibits any action that would run counter to this principle.
[p.68] POLITICAL NEUTRALITY

CONTEXT AND STAKES

Naval Group respects the freedom of conscience and individual commitment of their co-workers* and stakeholders to participate, privately and as citizens, in political activities. However, Naval Group maintains strict political, religious and philosophical neutrality, and this is why the Naval Group co-workers* and stakeholders are required to comply with this neutrality in the scope of their functions in order to prevent:

› any lack of objectivity and impartiality in their decision making and any risk of a conflict of interest*;
› offending or provoking a colleague;
› creating a tense situation likely to have a negative effect on the functioning of a department;
› associating the responsibility or image of Naval Group with a controversy and thus compromise relations with customers or partners.

[p.69] USEFUL INFORMATION

It is strictly forbidden for co-workers to make contributions of any nature whatsoever in the name of Naval Group to electoral candidates, political representatives or any political party or organisation operating at a local, regional, national or international level. In the scope of these activities I must therefore ensure that:

› my participation in politics is strictly personal. I am therefore prohibited from using the Naval Group resources, name, image and brand to support my convictions;
› I only participate in politics during my free time, outside of working hours;
› I do not call on co-workers, during their working hours, to finance a political organisation or its representatives or to convince them to subscribe to my convictions;
› I respect the opinions of individuals and the resulting freedom of conscience by not displaying my personal convictions in any manner which may offend the sensibilities of others.
### Question

5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?

<table>
<thead>
<tr>
<th>Score</th>
<th>N/A</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
### Question

5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?

### Score

1

### Comments

There is evidence that the company has a policy and procedure covering both charitable donations and sponsorships. Both charitable activities and sponsorships undertaken on the company’s behalf must be reviewed by the Legal Department and the Head of Group Ethics, Compliance and Governance. There is evidence that due diligence is conducted on recipients and that the company specifies criteria for donations.

However, the company does not publish details of the charitable donations and sponsorships it makes.

### Evidence

[1] **Code of Ethics**  
Accessed 18/06/2019  

[p.11] Naval Group, as an international player, observes strict political and religious neutrality. The Group thus refuses to contribute financially to political candidates, elected representatives or parties. All Naval Group employees can nonetheless participate personally in political life, outside the workplace and working hours, but they cannot use the Group's image to support their commitment.

Naval Group participates in the funding of associations, foundations or in patronage operations falling within the scope of the values and priorities defined by the Group and the applicable regulations.

[2] **Compliance Code of Conduct**  
Accessed 18/06/2019  

[p.6] Activities of charity, philanthropy, patronage and sponsorship

The activities of charity, philanthropy and sponsorship made on behalf of Naval Group are allowed only if they are not prohibited by the applicable law of the country in which they are made and if they do not contravene the strict religious, political and philosophical neutrality Naval Group observes. These activities must be conducted only for the benefit of not-for-profit associations or organizations or exclusively for purposes of charitable or cultural influence for Naval Group.

Accessed 18/06/2019  

[p.44] SPONSORING*/PATRONAGE/ PHILANTHROPIC ACTIVITIES

**CONTEXT AND STAKES**

The sponsoring*, patronage and philanthropic activities contribute to Naval Group’s influence in the world. However, this type of project displaying an ethical, environmental or humanitarian finality can sometimes hide quite different objectives or interests. In accordance with the law, Naval Group therefore supervises these activities rigorously and makes sure that the persons approved to conduct these projects are familiarised and follow a strict protocol.

The risks of failing to comply with the protocol are:

- going against the communication plan defined by Naval Group;
- imposing unexpected expenses or unfavourable contractual conditions on Naval Group;
- jeopardising the reputation and the political neutrality of the company;
- exposing the company and myself to administrative penalties or even criminal prosecution.
USEFUL INFORMATION

The commercial or cultural interest or the humanitarian aspect associated with a sponsoring* or patronage event must not hide the risks to which the company is exposed: a project with an association which is indirectly linked to a political party or, where the directors of which are close to the ruling power, would endanger Naval Group’s political neutrality (see sheet C10) and could be interpreted as political positioning, opening the door to suspicions of corruption or influence peddling.

Each project must be covered by a contract or an explicit agreement between the two parties, that must specify the expected compensations. These contracts must be reviewed systematically by the group’s Legal Department.

Similarly, no sponsoring*, patronage or philanthropic activity can be conducted without the favourable opinion of DECG.

Reference documents

[p.45] Instructions related to participation in political projects and participation in lobbying, charity, philanthropic, patronage or sponsoring* activities

[5] Compliance Program Policy
Accessed 18/06/2019

The members of the Executive Committee, the directors of Naval Group’s subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:

[...]

- submit for prior authorisation any memberships to associations or patronage and sponsoring activities performed in the name of Naval Group;

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.4] Procedure relating to participation in associative and political life, and in charitable, philanthropic, patronage or sponsorship activities: Naval Group requires compliance due diligence to be conducted for each application for membership of an association and for each charity, philanthropy, patronage and sponsorship project carried out on behalf of Naval Group. It also reaffirms the principle of the Group’s political and religious neutrality in the conduct of its activities and formally prohibits any action that would run counter to this principle.

Accessed 18/05/2020

[p.75] Ethics Compliance Governance department, depending on their amount and the stakeholder concerned. Similarly, draft contracts or agreements with third parties identified as being at risk are subject to due diligence and periodic checks (Due Diligence Compliance) carried out by DECG or the Compliance Officer. These due diligence compliance procedures are intended to assess, before entering into any binding contract and at least every three years, the project's level of exposure to the risk of corruption. This assessment is expressed in a compliance opinion containing, if necessary, a risk mitigation plan or identified warning signals. Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group's risk map, such as, for example:

- high-risk clients;
- at-risk suppliers;
- offset projects;
- sales consultants and industrial partners;
- projects for strategic partnerships and M&As;
- charitable, philanthropic, patronage or sponsoring activities;
- lobbying.

Due diligence compliance on these activities includes investigations that mainly serve to identify the final beneficiaries and the main leaders of the third party(parties) concerned and to verify their integrity.
If the identified risks cannot be satisfactorily mitigated, the entity in charge of the contractual relationship will take appropriate measures, which can go as far as the abandonment of the draft contract or the termination of the current contract.
5.2 Lobbying

<table>
<thead>
<tr>
<th>Question</th>
<th>Does the company have a policy and/or procedure covering responsible lobbying?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>1</td>
</tr>
<tr>
<td>Comments</td>
<td>Based on publicly available information, the company has some procedures on lobbying. The company indicates that it ensures that lobbyists acting on behalf of Naval Group conform with regulations on lobbying activities everywhere they are carried out, and in some instances complete transparency and declaration obligations. However, lobbying is not broadly defined, the company does not outline behaviours comprising responsible lobbying practices, and there is no evidence that the policy applies company-wide to all employees, board members and third parties engaged in lobbying activities on the company’s behalf. Specific controls and guidelines for lobbying are unclear.</td>
</tr>
</tbody>
</table>

Evidence

Accessed 18/06/2019

[p.4] Entry into and continuation of business relationships

In addition, DNCS ensures that lobbyists acting for the benefit of Naval Group conform with regulations on lobbying activities everywhere where they are carried out and if necessary transparency and declaration obligations.

Accessed 18/06/2019

[p.45] Reference documents

[...] Instructions related to participation in political projects and participation in lobbying, charity, philanthropic, patronage or sponsoring* activities

Accessed 18/05/2020

[p.74] 5. Reporting and due diligence compliance system

Gifts, meals and tokens of hospitality given or received may be perceived as natural in one country and illegal in another. That is why Naval Group employees must report gifts, meals and tokens of hospitality offered or received in the Compliance software (tool specifically developed by Naval Group) or in a dedicated register. These procedures are then subject to the authorisation of the manager and, where applicable, the Group

[p.75] Ethics Compliance Governance department, depending on their amount and the stakeholder concerned. Similarly, draft contracts or agreements with third parties identified as being at risk are subject to due diligence and periodic checks (Due Diligence Compliance) carried out by DECG or the Compliance Officer. These due diligence compliance procedures are intended to assess, before entering into any binding contract and at least every three years, the project's level of exposure to the risk of corruption. This assessment is expressed in a compliance opinion containing, if necessary, a risk mitigation plan or identified warning signals. Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group's risk map, such as, for example:
– lobbying.

Due diligence compliance on these activities includes investigations that mainly serve to identify the final beneficiaries and the main leaders of the third party(parties) concerned and to verify their integrity. If the identified risks cannot be satisfactorily mitigated, the entity in charge of the contractual relationship will take appropriate measures, which can go as far as the abandonment of the draft contract or the termination of the current contract.
<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?</td>
</tr>
<tr>
<td>Score</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
</tr>
<tr>
<td>The company does not publish any information on its lobbying aims, topics or activities.</td>
</tr>
<tr>
<td>Evidence</td>
</tr>
<tr>
<td>No evidence found</td>
</tr>
<tr>
<td>Question</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5.2.3 Does the company publish full details of its global lobbying expenditure?</td>
</tr>
</tbody>
</table>
## 5.3 Gifts and Hospitality

<table>
<thead>
<tr>
<th>Question</th>
<th>5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>2</td>
</tr>
<tr>
<td>Comments</td>
<td>There is evidence that the company has a policy and procedure on the giving and receipt of gifts and hospitality with clear procedures designed to ensure that such promotional expenses are bona fide and not used for bribery. This policy establishes financial limits, along with an approval procedure, for the different types of promotional expense that employees may encounter. The policy also explicitly addresses the risks associated with gifts and hospitality given to and/or received from domestic and foreign public officials, by specifying a different financial threshold for approvals. The company's policy includes a clear statement that all gifts and hospitality above certain thresholds are recorded in the company’s compliance software. This information is reviewed by the Group Ethics, Compliance and Governance Department.</td>
</tr>
</tbody>
</table>

### Evidence

**[1] Code of Ethics**  
Accessed 18/06/2019  
[p.6] Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of anti-corruption and anti-influence peddling. It defines a compliance system which is strictly in line with a principle of zero tolerance in this respect. This system is deployed throughout the Group via instructions, themselves based on principles:

- The Group notably refuses to grant a customer, a French or foreign public official or an employee of its customers, any unfair advantage, directly or indirectly.
- Gifts, meals and other hospitality presents cannot be offered other than within strict limits, in compliance with applicable rules and regulations and commonly agreed practices. These advantages are subject to prior approval by line management and the Group Ethics, Compliance and Governance Department (DECG).
- All Group employees, purchasers or operationalists, have a duty of integrity and are expected to refuse for themselves or for their close ones, any personal advantage or gift, meal or other hospitality presents of significant value.
- Offers of travel, trips or shows must be refused unless they are specifically authorised by the manager and the Group Ethics, Compliance and Governance Department (DECG).

**[2] Compliance Code of Conduct**  
Accessed 18/06/2019  
[p.4] What are our principles regarding Compliance?

→ We apply the zero tolerance for any form of corruption, passive or active, whatever the form, be it an illicit payment, presents, bonuses, favors, gifts, or any illicit transfer paid directly or indirectly to a customer, representative or to a third party, or received from a third party.

[...]

→ Business lunches, invitations and modest presents of non-pecuniary nature can be proposed or accepted within the framework of normal commercial practices. They cannot in any way influence or give the impression of influencing, a commercial decision.
Gifts or hospitality (including meals and business travel) received or offered should not be intended to influence or perceived to influence a business decision taken in the interest of Naval Group or a third party. In many countries, the gifts and brands of hospitality can play an important role in the establishment and maintenance of good business relationships or on the contrary be banned.

Our employees must therefore adopt a cautious behavior, appeal to their common sense in all circumstances and make an informed decision when they are required to offer or receive gifts and hospitality brands that must in any case remain a reasonable amount. The members of the Ethics, Compliance and Governance Department are at their disposal to help in that sense.

In the interest of transparency and to facilitate any audit or controls, any donation, gift or invitation is precisely recorded. Depending on their amount, prior internal validations must be obtained.

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

Accessed 18/06/2019

The company guarantees the conformity of projects and contract established with third parties as well as the individual behaviour of its workers.

It is for this reason specific instructions (000123102) have been implemented at the group level, which rely on a compliance software. It allows each Naval Group SA co-worker to:

Within some Naval Group subsidiaries, the compliance software can be replaced by a register.

WHY DECLARE?

› Declaring a gift, a meal or hospitality means proving that there is no ambiguity in the gesture and that it is perfectly accountable.
› Declaring also guarantees traceability.
› Declaring means complying with a group instruction applicable to all Naval Group SA co-workers*. 

[p.17] WHEN TO USE THE COMPLIANCE SOFTWARE?
All gifts offered or received, with the exception of goodies, must be previously recorded in the compliance software and must have been validated by the line manager. Gifts received and accepted must be declared within 48 hours following their acceptance.

In order to promote transparency in business practises, co-workers* are recommended to record business meals to which they are invited or that they offer in the compliance software, regardless of their cost.

This declaration is easy, quick and confidential.

Below a certain amount, the validation by the compliance software is automatic. These amounts are available on DECG’s* Navista webpage or with your Compliance Officer.

CONTEXT AND STAKES

Receiving or giving gifts and/or hospitality is a gesture that can fully form part of commercial practices between two partners. However, the limit between courtesy and corruption* is sometimes difficult to perceive. Naval Group has thus established clear rules applicable to everyone, so that there can be no ambiguity associated with this practice.

Faced with this situation, I remain alert in order to avoid:
 › being influenced, losing my independence and exposing myself to possible subsequent pressure;
 › generating mistrust with my contact and losing a business opportunity;
 › exposing myself to disciplinary measures;
 › exposing my company and myself to prosecution which can lead to criminal and financial penalties;
 › seriously undermining the company image

PRACTICAL CASE NO. 1 “Following the organisation of a successful business meeting with a high-ranking foreign official, I wanted to thank the official’s assistant by offering them a perfume worth €100.”

RECOMMENDED BEHAVIOUR

1/I consider the legitimacy of such a gift and ask my line manager to validate this initiative. I consult Naval Group’s policy regarding gifts and hospitality*.

2/Because this gift given to a public official is worth more than €50, I declare it in the compliance software (see page 16) with the help, if necessary, of my site’s Compliance Officer, in order to be validated by the Group Ethics, Compliance* and Governance department (DECG*). I refrain from any action before receiving formal validation by the DECG.

3/Offering a gift worth €100 to a foreign public official* can be considered to be active corruption*. This gesture can be wrongly interpreted and my contact may have to refuse the gift, or it may even put him in an embarrassing situation. In this case, I refrain from giving such a gift, or offer a gift of modest value.

PRACTICAL CASE NO. 2 “After concluding a contract with a supplier, the supplier offers me a box of chocolates to thank me for my involvement in the matter.”

RECOMMENDED BEHAVIOUR

I consider the legitimacy of me receiving such a gift. Can this influence a future decision? I try and assess the value of this gift and I consult the relevant Naval Group policy.

Although it is worth less than €100, I declare it in the compliance software.

This gift is of modest value and appears to be devoid of intention to corrupt. I can therefore accept it without asking for authorisation from my line manager or from the DECG, as long as the total amount of the gifts offered by this supplier during the year does not exceed €200.
I should always consider the true intentions that motivate my contact through the gift that they offer, regardless of its worth. Similarly, it is essential to ask myself how my contact would interpret the gift that I offer them. Before acting, I ask myself a few simple questions:

› Is it legal to offer or accept this gift? If yes, what are the conditions to be obeyed? What are the laws and company regulations applicable to my contact?

› Does or could this gift put my contact in an uncomfortable situation? Does it imply reciprocity? Do I feel easy to talk about it?

› What is it worth? How do I protect myself and avoid any ambiguity?

Each case is individual and must be analysed rigorously. Declare, to protect your integrity.

With the exception of goodies, which are considered to be of modest value, all gifts given or received must be recorded in the compliance software. Above a value of €50, gifts must be validated by the line manager. Above €150, they must also be validated by DECG*. There is no “petty” corruption*. Any gift received or given as undue advantage is prohibited.

[p.37] BUSINESS MEALS GIVEN OR RECEIVED WITH THIRD PARTIES

CONTEXT AND STAKES Although they are often considered common practice, business meals that a co-worker shares with a customer or a business partner can, in some cases, be considered an undue advantage which can notably constitute a corruption offence.

It is of utmost importance to be aware that this practice can undermine my professional integrity and generate risks such as:

› being influenced, losing my independence and exposing myself to possible subsequent pressure;
› exposing myself to disciplinary measures;
› exposing my company and myself to prosecution which can lead to criminal and financial penalties;
› seriously undermining the company image.

[p.38] Naval Group puts in place clear company regulations applicable to all, intended to avoid risky situations and establish greater transparency.

Within the scope of my business relations, I can accept or propose meals from/to third parties occasionally and if they are of reasonable value. Under a certain threshold specified in a Naval Group SA’s instruction, the declared meal will be automatically validated by the compliance software. Information concerning these thresholds can be downloaded from DECG’s* page on Navista. For any question please contact your Compliance Officer.

Before acting, I ask myself a few simple questions:

› Is it legal to offer or accept this meal? If so, what are the conditions to be obeyed? What are the laws and company regulations applicable to my contact?

› Does this meal put me, or could it put my contact, in an uncomfortable situation? Does it imply reciprocity? Do I feel easy to talk about it?

› What is it worth? How do I protect myself and avoid any ambiguity?

The right reflex is to always declare a meal offered or received regardless of the situation.

INVITATIONS AND OTHER HOSPITALITY GIVEN OR RECEIVED

CONTEXT AND STAKES

[p.40] Because it can be the source of serious abuse, giving or accepting invitations* and hospitality is a closely supervised practice in France and abroad. If it is essential to know how to welcome our customers and business partners in good conditions, it is also necessary to distinguish between hospitality and undue advantage.
Because it can be the source of serious abuse, giving or accepting invitations* and hospitality is a closely supervised practice in France and abroad. If it is essential to know how to welcome our customers and business partners in good conditions, it is also necessary to distinguish between hospitality and undue advantage.

Faced with this situation, there is a risk of:
› losing my independence and impartiality;
› being blamed for influencing my contact and being excluded from the business discussions in progress;
› exposing me to disciplinary measures;
› exposing my company and myself to prosecution which can lead to criminal and financial penalties;
› seriously undermining the company image

[p.41] If I take charge of certain expenses I sometimes take the risk of contravening our customers’ company regulations or the legislation applicable in its country. DECG* is there to help me make the right decision: obtaining an opinion from the latter (via the compliance software) protects me and protects the company.

› Whatever happens, the invitation given or received must not include any direct payment or exchange of money with the third party* and must not be used with the aim of obtaining an undue compensation.

› Any invitation* offered or received that does not directly concern the professional sphere or is addressed to acquaintances of the invited person, is strictly prohibited by Naval Group.

› If I am in a position where I must decline an invitation or a request for invitation, I politely refer to our supplier relations charter or customer relations charter, available on the Naval Group internet site.

[7] Charte des relations avec nos fournisseurs et nos sous-traitants
18 June 2019

[p.2] En particulier, chaque collaborateur se doit de respecter les règles suivantes

- les cadeaux reçus ou octroyés sont toujours de faible valeur et doivent être déclarés conformément aux instructions en vigueur. Les invitations se limitent à des déjeuners de travail et doivent rester raisonnables ;

- les avantages personnels et cadeaux sont refusés pour lui-même et ses proches. Les offres de voyages, séjours, spectacles etc. sont déclinées sauf si elles font l'objet d'une autorisation expresse délivrée par la direction éthique, Compliance et Gouvernance groupe.

- les cadeaux et invitations doivent être faits sans recherche de contrepartie et de façon totalement transparente, au su et au vu de l'environnement professionnel de celui qui offre et de celui qui reçoit.

Translation:

In particular, each employee must respect the following rules

- Gifts received or granted are always of low value and must be declared in accordance with the instructions in force. Hospitality is limited to working lunches and must remain reasonable;

- Employees should refuse personal benefits and gifts including for their loved ones. Offers of trips, stays, shows etc. are declined unless they are expressly authorized by the Ethics, Compliance and Group Governance Department.

- Gifts and hospitality must be made without seeking a return favour and in a completely transparent way, in the context of the professional environment of the giver and the recipient.

[8] Charte des relations avec les clients
Accessed 18/06/2019

[p.2] En particulier, chaque collaborateur se doit de respecter les règles suivantes
les cadeaux reçus ou octroyés sont toujours de faible valeur et doivent être déclarés conformément aux instructions en vigueur. Les invitations se limitent à des déjeuners de travail et doivent rester raisonnables ;

les avantages personnels et cadeaux sont refusés pour lui-même et ses proches. Les offres de voyages, séjours, spectacles etc. sont déclinées sauf si elles font l'objet d'une autorisation expresse délivrée par la direction éthique, Compliance et Gouvernance groupe.

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Translation:
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Gifts received or granted are always of low value and must be declared in accordance with the instructions in force. Hospitality is limited to working lunches and must remain reasonable;

Employees should refuse personal benefits and gifts including for their loved ones. Offers of trips, stays, shows etc. are declined unless they are expressly authorized by the Ethics, Compliance and Group Governance Department.

Gifts and hospitality must be made without seeking a return favour and in a completely transparent way, in the context of the professional environment of the giver and the recipient.
6. Supply Chain Management

**Question**

6.1 Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?

**Score**

1

**Comments**

There is evidence that the company’s procurement department is involved, in some capacity, in the establishment and oversight of supplier relationships. The company says that it has an independent procurement organisation that ensures separation of decision-making with regard to suppliers and competitive bidding. The procurement department coordinates a procurement policy orientation committee where supplier lists are approved. There is evidence that the procurement department is involved in the establishment of new suppliers. The procurement director additionally chairs a committee responsible for assessing supplier risks.

However, there is no evidence that the company assures itself that proper procedures regarding the onboarding of suppliers are followed through clearly stated means, such as an audit, at least every three years.

**Evidence**

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

- Managing partnership, merger & acquisition and joint venture projects: Naval Group defines a consistent and homogeneous procedure for all operations relating to this area, ensuring in particular that the conduct of these projects is compatible with the rules of governance, compliance and ethics defined by the Group.

- Qualifying, managing, evaluating and developing suppliers: Naval Group provides in particular for competitive bidding of suppliers and for separation of decision-making powers based on a dedicated procurement organisation that is independent of the requestor. It also provides for third party acceptance of the suppliers’ Code of Conduct.

- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for business advisors and industrial partners, and oversees their remuneration. Periodic renewal of due diligence is also required, through to the end of the business relationship.

- Supervising commercial activities related to obtaining contracts: Naval Group aims to develop competitive commercial proposals, in line with the constraints imposed by customers and in compliance with the applicable national and international regulations. In particular, it incorporates the regulatory requirements of the French Commercial Code, the French Defence Code and the “Sapin II” law on transparency, the fight against corruption and the modernisation of economic life

[1] Code of Ethics
[p.8] Loyalty towards suppliers and subcontractors implies compliance with the purchasing process, i.e.:
- transparency of the selection rules,
- criteria including requirements associated with the effective implementation by the supplier or the subcontractor of measures in terms of CSR and in terms of anti-corruption and anti-influence peddling,
- fair treatment of companies during bidding,
- commitment to apply the negotiated conditions, notably the payment times and the intellectual property rights, -
conformity of the prices paid with the value of the goods or services provided.

In order to ensure the neutrality and independence of relations between Naval Group and its suppliers or subcontractors, the Purchasing department, within the framework of its human resources management policy, endeavours to change its purchasers' portfolios on a regular basis.

Accessed 18/06/2019

[p.16] The group’s Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.

As such, in 2018, the actions carried out consisted of:

[...]

Collaboration with the Purchasing and Supplier Relations Department to redesign the “Manage evaluate classify and develop suppliers” instruction, reinforcing systematic controls prior to contracting with a qualified supplier;

[p.20] Moreover, the supplier list approved at meetings of the procurement policy orientation committee (coordinated by the Procurement Department and attended by members of the operating divisions and the Strategy and Finance departments) is allowing a better appreciation of risks across the various purchase categories through the approved group strategy for the overall number of suppliers.

[14] CSR Report 2018
Accessed 18/06/2019

[p.65] Management of supplier risk

The specific committees dedicated to analysing supplier risks met in 2018. These committees, chaired by the Procurements Director and made up of representatives of the departments concerned, are tasked with defining the action plans required for managing the risks identified by procurement players. These risks are characterised according to the main supplier risk categories. A CSR risk is one of the four main types of risk associated with supplier risk management.

This risk analysis is carried out on a regular basis and updated as required. Naval Group’s entire panel of suppliers is subject to a thorough and rigorous risk analysis from two angles: inability to deliver and impact on company image. This analysis is also considered over the short- and medium-term (program risks) and over the medium- and long-term (sovereignty/market leadership).

The risk analysis conducted for each supplier specifically involves regulatory compliance, OHS, CSR and image as well as the legal aspect and fraud.

The CSR aspect of this supplier risk analysis is going to be strengthened and adjusted in 2018, by more accurately characterising risks associated with supplier fields of activity, typology and location. This more precise characterisation will take account of aspects associated with CSR, from every angle:
Governance: de facto management, transparency, conflict of interest, fraud, corruption, compliance with the rules of competition;

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.3] Compliance due diligence is embedded in the Group procedures and decision process, notably:
- Assessing and managing the risk of corruption and influence peddling in the frame of agreements or contracts concluded between Naval Group and third parties: Naval Group defines different levels of compliance due diligence and a specific methodology in order to assess the exposure of a business project to the risk of corruption and if necessary, to prevent them with a mitigation plan.
- Managing partnership, merger & acquisition and joint venture projects: Enhanced compliance due diligences are performed for all operations relating to this area. Potential red flags and alerts are reported at the partnership and M&A committee composed by members of the general management.
- Qualifying, managing, evaluating and developing suppliers: For new suppliers, compliance due diligence is embedded in the qualification and prequalification process managed by procurement organisation. At risk suppliers are monitored via specific software. Potential alerts are managed by the supplier's risks committee.

[21] Responsible Purchasing Policy (Webpage)
Accessed 18/05/2020

Naval Group continues to enhance its global performance and that of its suppliers in order to maintain its position of European leader in naval defence.
Naval Group, the panel of suppliers of which is made up of two thirds of small and medium-sized enterprises (SME) and mid-market enterprises, makes every effort to implement responsible purchasing practices.
Every year since 2014, Naval Group has been awarded the “supplier relations and responsible purchasing” label by the French business ombudsman jury.

Naval Group’s commitments to its suppliers
Naval Group is committed to developing fair and mutually beneficial long-term relations with its suppliers.
The charter of responsible supplier relations, signed by Naval Group, restates these commitments and is part of an ethical approach. It applies to all group employees working with suppliers and subcontractors and defines the principles and values to be applied concerning ethics and contractual relations.
For any questions, contact the Ethics Committee through its secure and confidential e-mail: ethics@naval-group.com

As a major contributor in the labour pools where it is established, Naval Group leaves a lasting impression on the industrial and economic fabric, and particularly on SMEs.

[22] Selection and Assessment (Webpage)
Accessed 18/05/2020

Naval Group relies on a panel of suppliers and partners who both are a group asset and help create long-lasting value.
Naval Group is continuously watching for new partners with potential in terms of improving operational and economic performance, innovation and international development, to meet local production challenges.
HOW TO BE ADDED TO NAVAL GROUP LIST OF SUPPLIERS?

1. Application via the internet
   Your application is submitted to the Purchasing Department using the unsolicited application form.

2. Pre-selection
   Depending on the current needs, the Naval Group Purchasing Department evaluates the benefits of the products and services proposed by your company and informs you of its conclusions.

3. Pre-certification
   The Purchasing Department then sends you a detailed information file that you have to complete in order to specify and justify your qualifications.

4. Certification
   This step allows us to attest your company capacity to deliver a product or a service compliant with Naval Group criteria. This step may include a technical and/or quality audit. You shall also commit to meeting Naval Group suppliers’ Code of Conduct.

5. Addition to the list of suppliers
   Your company is placed in Naval Group list of suppliers. A direct contact person within the Purchasing Department is then defined: he or she will be your correspondent for any future commercial relations with the Group.
### Question

**6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?**

| Score | 1 |

| Comments |

The company has formal procedures to conduct risk-based due diligence when engaging and re-engaging with any suppliers. The due diligence process explicitly includes, at minimum, establishing the ultimate beneficial ownership of the supplying company. Highest risk suppliers are stated to be subject to enhanced due diligence. The company's due diligence procedure is accompanied by a clear statement that supplier relationships will be subject to review, and potential termination, if any red flags highlighted in the due diligence cannot be mitigated.

However, due diligence is updated at least every three years rather than every two years.

### Evidence

**[3] Compliance Program - Key Instructions**

Accessed 18/06/2019


[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

- Managing partnership, merger & acquisition and joint venture projects: Naval Group defines a consistent and homogeneous procedure for all operations relating to this area, ensuring in particular that the conduct of these projects is compatible with the rules of governance, compliance and ethics defined by the Group.

- Qualifying, managing, evaluating and developing suppliers: Naval Group provides in particular for competitive bidding of suppliers and for separation of decision-making powers based on a dedicated procurement organisation that is independent of the requestor. It also provides for third party acceptance of the suppliers’ Code of Conduct.

- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for business advisors and industrial partners, and oversees their remuneration. Periodic renewal of due diligence is also required, through to the end of the business relationship.

- Supervising commercial activities related to obtaining contracts: Naval Group aims to develop competitive commercial proposals, in line with the constraints imposed by customers and in compliance with the applicable national and international regulations. In particular, it incorporates the regulatory requirements of the French Commercial Code, the French Defence Code and the “Sapin II” law on transparency, the fight against corruption and the modernisation of economic life.

**[1] Code of Ethics**

Accessed 18/06/2019


[p.6] Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of anti-corruption and anti-influence peddling. It defines a compliance system which is strictly in line with a principle of
zero tolerance in this respect. This system is deployed throughout the Group via instructions, themselves based on principles:

[...]

- Any entering into relations with a third party must, in addition, be subject to prior verifications, notably concerning third party people, their reputation and their suitability for the considered relations.

Accessed 18/06/2019

[p.4] Entry into and continuation of business relationships

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.

Accessed 18/06/2019

[p.46] USEFUL INFORMATION

During its invitations to bid, Naval Group undertakes to inform suppliers of the selection criteria for the best bid and their weighting (cost, technical performance, quality deadline, maintainability, etc.).

[p.47] According to the type of purchase to be made, these criteria can in addition be amended by taking into account additional risks, applicable to each supplier:

› linked to the regulatory constraints (export control, research tax credit, offsets, etc.)

› and/or linked to their situation (shareholding, industrial tool, supply chain, Corporate Social Responsibility (CSR), etc.).

The risks associated with the regulatory constraints are assessed upstream and during the supply consultation process.

The risks associated with the supplier’s situation are assessed during their qualification, then during the periodic performance assessments during execution of their contracts with Naval Group.

Naval Group holds the “Responsible purchasing and supplier relations” label, a guarantee of sustainable and balanced relations with their suppliers, and proof of Naval Group’s equity and transparency with respect to their suppliers.

[5] Compliance Program Policy
Accessed 18/06/2019

The members of the Executive Committee, the directors of Naval Group’s subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:

[...]  

- ensure that the due diligences with regard to entering into business relations with third parties (in particular, business advisers, industrial and strategic partners, offset providers and lobbyists) have been performed.
Accessed 18/06/2019

[p.41] In addition, the number of due diligence checks performed before entering into doing business with third parties has risen sharply, in connection with the instruction on entering into business relationships with designated third parties.

Accessed 18/06/2019

Instructions defining the provisions according to which each employee must:

[...]

Ensure that prior and periodic checks (due diligence) with regard to entering into a business relation with third parties (in particular sales advisors, industrial and strategic partners, offset suppliers and representatives of interest groups or lobbyists) have been performed.

[16] Key Procedures (Document)
Accessed 18/05/2020


Naval Group carries out compliance due diligence adapted to the potential corruption risks related to a business opportunity or an existing relationship with a third party. A compliance due diligence is updated a minima every 36 months.

The most stringent level of compliance due diligence is for example applied to contracts or agreements with business advisors, offset partners, M&A, industrial partner, lobbyists and joint ventures projects. Naval Group has experienced management teams, specialised in managing relations with these stakeholders. Compliance due diligence for these projects includes specific investigations (identification of natural persons ultimate owners, managers, judicial background etc.) in order to identify and treat potential red flags.; If the risks identified cannot be mitigated properly, Naval Group may decide to stop the contractualisation process or the existing business relation with the third party. The Group also adds business ethics clauses in its contracts mentioning a right of audit and a termination clause in order to ensure compliance with anti-corruption regulations and the application of the best CSR standards.

Compliance due diligence is embedded in the Group procedures and decision process, notably:
- Assessing and managing the risk of corruption and influence peddling in the frame of agreements or contracts concluded between Naval Group and third parties: Naval Group defines different levels of compliance due diligence and a specific methodology in order to assess the exposure of a business project to the risk of corruption and if necessary, to prevent them with a mitigation plan.
- Managing partnership, merger & acquisition and joint venture projects: Enhanced compliance due diligences are performed for all operations relating to this area. Potential red flags and alerts are reported at the partnership and M&A committee composed by members of the general management.
- Qualifying, managing, evaluating and developing suppliers: For new suppliers, compliance due diligence is embedded in the qualification and prequalification process managed by procurement organisation. At risk suppliers are monitored via specific software. Potential alerts are managed by the supplier’s risks committee.
- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for

[p.4] business advisors and industrial partners, and oversees their remuneration. Periodic renewal of compliance due diligence is also required every 36 months, through to the end of the business relationship.
- Supervising commercial activities related to obtaining contracts: Naval Group develops competitive commercial proposals, in line with the constraints imposed by customers and in compliance with the applicable national and international regulations. In particular, it incorporates the regulatory requirements of the French Commercial Code, the French Defence Code and the “Sapin II” law on transparency, the fight against corruption and the modernisation of economic life.
- Procedure relating to participation in associative and political life, and in charitable, philanthropic, patronage or sponsorship activities: Naval Group requires compliance due diligence to be conducted for each application for membership of an association and for each charity, philanthropy, patronage and sponsorship project carried out on
behalf of Naval Group. It also reaffirms the principle of the Group’s political and religious neutrality in the conduct of its activities and formally prohibits any action that would run counter to this principle.

Accessed 18/05/2020

[p.75] Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group's risk map, such as, for example:
– high-risk clients;
– at-risk suppliers;
– offset projects;
– sales consultants and industrial partners;
– projects for strategic partnerships and M&As;
– charitable, philanthropic, patronage or sponsoring activities;
– lobbying.

Due diligence compliance on these activities includes investigations that mainly serve to identify the final beneficiaries and the main leaders of the third party(parties) concerned and to verify their integrity. If the identified risks cannot be satisfactorily mitigated, the entity in charge of the contractual relationship will take appropriate measures, which can go as far as the abandonment of the draft contract or the termination of the current contract.

Accessed 18/05/2020

[p.43] Naval Group has created several systems for managing this risk of abuse and fraud, by:
• introducing appropriate standards for the entire group and its subsidiaries, and for its suppliers (Code of Ethics and Human Rights Charter);
• as regards suppliers and subcontractors:
  • asking suppliers on the panel to respond to an independent external firm’s questionnaire on CSR issues,
  • auditing suppliers identified as “at risk” on the panel used by Naval Group SA and/or its subsidiaries via a dedicated platform maintained by a third-party service provider and performing due diligence, searching in particular for red flags concerning their reputation or integrity and those of their ultimate beneficiaries and managers, who must be identified,
  • auditing new suppliers of Naval Group SA and its subsidiaries during the supplier pre-qualification phase and before suppliers join the panel,
  • having suppliers on the panel of Naval Group SA or its subsidiaries sign an undertaking to adhere to Naval Group’s Supplier code of conduct, which may be adapted to the legislation of the supplier’s country of origin; for more occasional suppliers, a reference to Naval Group’s Supplier code of conduct should be included in the general purchasing conditions.

Accessed 18/05/2020

[p.7]
Naval Group requires that any at risk opportunity (as defined in the corruption risk mapping) of contract with a third party is subject to compliance due diligence in order to obtain a compliance risk assessment on the project. A compliance due diligence is updated a minima every 36 months following the contractualization process.

1. Steps aimed at identifying and reducing Naval Group risk exposure

1. Collection of information on the third party
   - KYC - KYS

2. Risk analysis
   - Reliability
   - Transparency
   - Repute

3. Compliance risk assessment
   - Low
   - Medium
   - High

4. Mitigating the risk exposure

5. Business decision

Legal information, managers, shareholders, judicial background etc.

The DECG provides to the operational managers a tailor-made and independent risk analysis.

On a case-by-case basis, the DECG provides a risk-mitigation plan to be implemented by operational teams.
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?

Score
2

Comments
There is evidence that the company ensures that its suppliers have adequate anti-bribery and corruption policies and procedures in place. The company’s Supplier Code of Conduct requires suppliers to have their own policies that prohibit bribery and cover conflicts of interest and whistleblowing. Although the Supplier Code of Conduct does not explicitly refer to prohibition of facilitation payments and policies on gifts and hospitality, suppliers are separately expected to follow the company’s own integrity principles, which cover all of these areas. The company assures itself of its suppliers’ adherence to these principles when onboarding new suppliers and throughout the duration of the supplier relationship, through the inclusion of audit and termination rights in its contracts.

Evidence

[6] Supplier Code of Conduct
Accessed 18 June 2019

[p.3] In this perspective, this supplier code of conduct defines the minimum standards that Naval Group requires its suppliers to adopt and to comply with within the framework of their commercial activities. The full participation of suppliers in this plan must mean that Naval Group and its customers can be guaranteed that the delivery of products and/or services comply with contractual commitments and these standards, notably in terms of CSR.

[p.4] 1. General principles Suppliers are committed to conducting the activities carried out for the benefit of Naval Group and its customers in compliance with this code and in strict compliance with the laws and other legal rules applicable in the countries where they operate. Like Naval Group, the suppliers are furthermore required to comply with the standards and references of international law and notably those issued by the United Nations (UN) (i.e. the United Nations Convention against Corruption), the International Labor Organization (ILO) and the Organization for Economic Co-operation and Development (OECD).

The suppliers shall develop and implement their own CSRs based on Naval Group's guidelines given below.

[...] 1.2. Preventing conflicts of interest Suppliers shall prevent and avoid any situation that might create a conflict of interest. Such situations may occur when the private interests of an employee or a representative of the supplier (or a close relative of this employee or representative) interfere with the interests of Naval Group.

Suppliers are required to inform all the parties affected in the event of a real or potential conflict of interest. This includes any conflict between Naval Group's interests and the interests of personnel or those of close relatives, friends or associates.

[p.8] 2.2. Preventing corruption

Honest trading in compliance with current laws and practices, including the prevention of corruption is a permanent requirement of Naval Group. Consequently, Naval Group expects its suppliers to comply in full with the obligations stipulated by national and international texts which are applicable in terms of preventing corruption and money laundering and to apply all necessary resources to prevent corruption and influence peddling.

When dealing with public and private bodies (including their employees and representatives), suppliers shall not offer, promise, give or solicit either directly or indirectly any benefit of any sort or payment of money to obtain a contract or obtain any improper profit or advantage.

The exchange of commercial gestures must not be made to obtain an unfair competitive advantage. Suppliers must ensure that in all their commercial relationships, gifts or commercial gestures which are offered or received are
authorized by the law and the regulations, that these exchanges do not infringe upon the rules and principles of the recipient organization and that they correspond to acceptable business practices and customs.

Suppliers are required to exercise due diligence so that corruption can be prevented and detected in all commercial agreements.

[p.9] 3. Implementation of the supplier code of conduct

3.1 Contractual value and scope

Supplier support for this supplier code of conduct is an essential condition for the inclusion in Naval Group's supplier panel or to conclude a purchasing contract with Naval Group SA or one of the companies it controls (of which more than 50% of the share capital and/or voting rights are held directly or indirectly by Naval Group SA).

By signing or accepting an order governed by Naval Group's general purchasing conditions or a purchasing contract with Naval Group which refers to this supplier code of conduct, the supplier's legal representative agrees that all its activities and work performed with respect to the order or purchasing contract

[p.10] for the benefit of Naval Group strictly complies with the provisions contained in this code.

The supplier code of conduct forms an integral part of the contractual documents which apply to the order or purchasing contract.

The standards established in this code are an addition to the stipulations in the orders and purchase contracts between a supplier and Naval Group and do not supersede them.

3.2 Commitment from suppliers

Suppliers shall comply at least with the laws and other legal rules applying in their own countries. Where the principles enshrined in the Code of Conduct are more rigorous than the legal rules applying in a supplier's own country, the principles shall prevail, subject however to their compatibility with the mandatory legal provisions applying in that country.

3.3 Measurement of CSR performance - Consequences of failure to comply with the supplier code of conduct

Naval Group requires its suppliers to be transparent with respect to their compliance with this code. As part of its supplier assessment and selection process, Naval Group measures the overall CSR performance and carries out the due diligence associated with the fight against corruption and influence peddling. Suppliers are required to reply to any CSR or anti-corruption questionnaire sent to them by Naval Group or a representative of Naval Group in this respect, throughout the duration of the commercial relationship between Naval Group and the supplier concerned.

Furthermore, suppliers shall spontaneously report to Naval Group any event that might compromise the accuracy of the information which they provided during

[p.11] the assessment and selection processes and/or any audits conducted by Naval Group.

Should it be discovered that a supplier is unable to comply in full with certain obligations under this code, the supplier and Naval Group may agree, depending on the difficulties involved, to set up a progress plan that will be run by the supplier over an agreed period with the aim of maintaining a successful and longterm relationship between that supplier and Naval Group.

Furthermore, in the event of a serious failure which prevents the progress plan from being carried out, the capacity of the supplier to be included in Naval Group's supplier panel may be called into question.

Naval Group reserves the right to terminate the agreements, orders and purchase contracts signed with this supplier, without prejudice to any damages that may be claimed by Naval Group.

3.4 Audits

Naval Group reserves the right to audit its suppliers to ensure they are complying with and implementing the Code of Conduct's principles.
Suppliers shall co-operate with audits which will be organized in a manner that shall be agreed, either by Naval Group or by external auditors mandated by Naval Group. However, if the supplier already regularly uses an independent auditing body with a respected international reputation in the CSR field, Naval Group may take into consideration the results of the audits carried out, subject to the corresponding audit reports being available for consultation by Naval Group and that the said body has received Naval Group approval.

Suppliers must maintain an archive which is sufficient to prove compliance with this code and so that complete, authentic and accurate archives are available to Naval Group's representatives.

[p.12] 4.2. Right to notify

Naval Group shall make a secured notification line available to its suppliers so that they can pass on to an internal and independent body any question or any report relating to business ethics and compliance found within the framework of the business relationship with Naval Group:

ethics@naval-group.com

Additional information is available on the group's internet site.

If any non-conformity is found with respect to one of the previously mentioned principles, suppliers are required to inform Naval Group. They can do this by addressing their contact person at Naval Group or use the notification line.

[p.13] Suppliers are also required to supply their employees with the means to raise questions or ethical, legal or compliance problems without fear of reprisals. They are also required to take the necessary measures to prevent, detect and correct any retaliatory measures.

[1] Code of Ethics
Accessed 18/06/2019

[p.12] This Code of Ethics can also be communicated outside the Group and notably to its customers, suppliers, subcontractors and shareholders, in accordance with the rules defined by the Committee for ethics and corporate social responsibility.

Accessed 18/06/2019

[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

[p.4] What are our principles regarding Compliance?

→ We comply with legislations and regulations applicable to our activities.
→ We respect the highest level of demand regarding integrity and regarding Business ethics based on values of integrity, honesty and transparency in the conduct of our activities all over the world.
→ We apply the zero tolerance for any form of corruption, passive or active, whatever the form, be it an illicit payment, presents, bonuses, favors, gifts, or any illicit transfer paid directly or indirectly to a customer, representative or to a third party, or received from a third party.
→ We forbid the payments of facilitation.
→ The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.
® We pay specific attention to companies controlled directly or indirectly by the Group everywhere where they are located.
We are held informed about rules and current internal procedures regarding fight against corruption, trading of favors, money laundering and terrorism financing.

What does corruption mean? Corruption is promising, proposing or offering, requesting from or receiving, directly or indirectly any, monetary or other improper advantage, to/from a third party or on behalf of a third party with the aim of obtaining or preserving a business, or any other illicit advantage in the conduct of a business.

What is a facilitation payment? It is an unofficial payment of small amount paid to civil servants occupying modest responsibilities, with the aim to obtain or accelerate the execution of administrative routine formalities.

[p.5] Entry into and continuation of business relationships

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

[…]

- Qualifying, managing, evaluating and developing suppliers: Naval Group provides in particular for competitive bidding of suppliers and for separation of decision-making powers based on a dedicated procurement organisation that is independent of the requestor. It also provides for third party acceptance of the suppliers’ Code of Conduct.

[14] CSR Report 2018
Accessed 18/06/2019

[p.64] In 2018, Naval Group continued to assess the CSR performances of suppliers on its panel. The restated objective is to have this performance assessment for all suppliers on its panel. New entrants to the panel will be subject to a CSR performance assessment. Naval Group uses two firms specialising in performance assessment to carry out this task. The results of CSR performance evaluations have been taken into account since this year in the overall evaluation of supplier performances. This assessment is made annually for the main suppliers in the panel, and special attention is paid to suppliers involved in purchasing types identified as most at risk in the CSR risk mapping. If necessary, in cases in which a supplier’s performance is inadequate compared with the performance of suppliers of the same type and in the same business sector, this would lead to action plans being put in place. Just as in the previous year, an analysis of the findings of the assessments carried out shows that the CSR level of performance of suppliers on Naval Group’s panel is higher than the average performance level of suppliers assessed by the firms specialising in performance assessments, based on all fields of activity. Less than 3% of the panel’s suppliers assessed in 2017 were identified as potentially posing a risk as regards achieving CSR.
performance. The suppliers in question are subject to an improvement plan. The procedure for CSR performance assessment of suppliers will also be rolled out for suppliers on the panels of all subsidiaries in the group. This expanded deployment began at the end of 2018.

Management of supplier risk The specific committees dedicated to analysing supplier risks met in 2018. These committees, chaired by the Procurements Director and made up of representatives of the departments concerned, are tasked with defining the action plans required for managing the risks identified by procurement players. These risks are characterised according to the main supplier risk categories. A CSR risk is one of the four main types of risk associated with supplier risk management. This risk analysis is carried out on a regular basis and updated as required. Naval Group’s entire panel of suppliers is subject to a thorough and rigorous risk analysis from two angles: inability to deliver and impact on company image. This analysis is also considered over the short- and medium-term (program risks) and over the medium- and long-term (sovereignty/market leadership). The risk analysis conducted for each supplier specifically involves regulatory compliance, OHS, CSR and image as well as the legal aspect and fraud. The CSR aspect of this supplier risk analysis is going to be strengthened and adjusted in 2018, by more accurately characterising risks associated with supplier fields of activity, typology and location. This more precise characterisation will take account of aspects associated with CSR, from every angle:

- Governance: de facto management, transparency, conflict of interest, fraud, corruption, compliance with the rules of competition;
Question

6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?

Score

2

Comments

There is evidence that the company takes steps to ensure that its sub-contractors have adequate anti-bribery and corruption programmes in place and that the substance of its anti-corruption and bribery programme and standards are promoted throughout the supply chain. This evidence is in the form of a clear statement, short description or set of supplier principles that sets the minimum standards of ethical behaviour expected throughout the supply chain.

Evidence

[6] Supplier Code of Conduct
Accessed 18/06/2019

[p.10] 3.3 Measurement of CSR performance - Consequences of failure to comply with the supplier code of conduct
Naval Group requires its suppliers to be transparent with respect to their compliance with this code. As part of its supplier assessment and selection process, Naval Group measures the overall CSR performance and carries out the due diligence associated with the fight against corruption and influence peddling. Suppliers are required to reply to any CSR or anti-corruption questionnaire sent to them by Naval Group or a representative of Naval Group in this respect, throughout the duration of the commercial relationship between Naval Group and the supplier concerned. Furthermore, suppliers shall spontaneously report to Naval Group any event that might compromise the accuracy of the information which they provided during

[p.11] the assessment and selection processes and/or any audits conducted by Naval Group. Should it be discovered that a supplier is unable to comply in full with certain obligations under this code, the supplier and Naval Group may agree, depending on the difficulties involved, to set up a progress plan that will be run by the supplier over an agreed period with the aim of maintaining a successful and longterm relationship between that supplier and Naval Group.

Furthermore, in the event of a serious failure which prevents the progress plan from being carried out, the capacity of the supplier to be included in Naval Group's supplier panel may be called into question. Naval Group reserves the right to terminate the agreements, orders and purchase contracts signed with this supplier, without prejudice to any damages that may be claimed by Naval Group.

3.4 Audits
Naval Group reserves the right to audit its suppliers to ensure they are complying with and implementing the Code of Conduct's principles. Suppliers shall co-operate with audits which will be organized in a manner that shall be agreed, either by Naval Group or by external auditors mandated by Naval Group. However, if the supplier already regularly uses an independent auditing body with a respected international reputation in the CSR field, Naval Group may take into consideration the results of the audits carried out, subject to the corresponding audit reports being available for consultation by Naval Group and that the said body has received Naval Group approval. Suppliers must maintain an archive which is sufficient to prove compliance with this code and so that complete, authentic and accurate archives are available to Naval Group's representatives.

[p.12] 4.Distribution of Naval Group's ethics and CSR policy

4.1. Promoting ethical and CSR values
Naval Group requires its suppliers to honor this commitment in the long term and to use their best efforts within their own spheres of influence to promote behavior that is in line with this code.

In particular, the distribution of these principles to their personnel, their training and the application of due diligence for which the supplier is responsible: Naval Group requires its suppliers to implement efficient programs encouraging their employees and those of their subsidiaries to make choices based on ethics and values in their commercial relationships - going beyond compliance with laws, regulations and contractual obligations. Suppliers are thus invited to draft their own Compliance Code of Conduct as well as their own ethics and CSR code and to convey their principles to their subsidiaries and to companies which supply them with goods or services.
| Naval Group’s suppliers also undertake to use their best efforts to promote and apply the principles of this code to their own suppliers and to persuade them to implement these principles |  |
### Question

**6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?**

### Score

0

### Comments

There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations relating to its suppliers, or the associated disciplinary actions.

### Evidence

No evidence found.
## 7. Agents, Intermediaries and Joint Ventures

### 7.1 Agents and Intermediaries

<table>
<thead>
<tr>
<th>Question</th>
<th>7.1.1 Does the company have a clear policy on the use of agents?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>1</td>
</tr>
<tr>
<td>Comments</td>
<td>There is evidence that the company has a policy on the use of agents. The company indicates that it has a dedicated team that works with agents, and states in its Compliance Code of Conduct that agents are subject to monitoring. However, the company does not have a comprehensive policy covering agents and it is unclear how the company assesses the corruption risks around agents and the specific controls it has put in place to mitigate these risks. The company also does not explicitly commit to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function.</td>
</tr>
</tbody>
</table>

### Evidence

**[2] Compliance Code of Conduct**  
Accessed 18/06/2019  

[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

**[4] Entry into and continuation of business relationships**

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.

**[1] Code of Ethics**  
Accessed 18/06/2019  

[p.6] Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of anti-corruption and anti-influence peddling. It defines a compliance system which is strictly in line with a principle of zero tolerance in this respect. This system is deployed throughout the Group via instructions, themselves based on principles:

[...]

- Any entering into relations with a third party must, in addition, be subject to prior verifications, notably concerning third party people, their reputation and their suitability for the considered relations.
[3] Compliance Program - Key Instructions
Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

[...] - Qualifying, managing, evaluating and developing suppliers: Naval Group provides in particular for competitive bidding of suppliers and for separation of decision-making powers based on a dedicated procurement organisation that is independent of the requestor. It also provides for third party acceptance of the suppliers' Code of Conduct.

- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for business advisors and industrial partners, and oversees their remuneration. Periodic renewal of due diligence is also required, through to the end of the business relationship.

[5] Compliance Program Policy
Accessed 18/06/2019

The members of the Executive Committee, the directors of Naval Group's subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:

[...] - ensure that the due diligences with regard to entering into business relations with third parties (in particular, business advisers, industrial and strategic partners, offset providers and lobbyists) have been performed.

Accessed 18/06/2019

[p.16] The group's Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.

As such, in 2018, the actions carried out consisted of:

[...] - Updating of the instruction for commercial consultants and industrial partners;

Accessed 18/06/2019
Instructions defining the provisions according to which each employee must:

[..]

Ensure that prior and periodic checks (due diligence) with regard to entering into a business relation with third parties (in particular sales advisors, industrial and strategic partners, offset suppliers and representatives of interest groups or lobbyists) have been performed.

[16] Key Procedures (Document)
Accessed 18/05/2020

Naval Group carries out compliance due diligence adapted to the potential corruption risks related to a business opportunity or an existing relationship with a third party. A compliance due diligence is updated a minima every 36 months.
The most stringent level of compliance due diligence is for example applied to contracts or agreements with business advisors, offset partners, M&A, industrial partner, lobbyists and joint ventures projects. Naval Group has experienced management teams, specialised in managing relations with these stakeholders.
Compliance due diligence for these projects includes specific investigations (identification of natural persons ultimate owners, managers, judicial background etc.) in order to identify and treat potential red flags.; If the risks identified cannot be mitigated properly, Naval Group may decide to stop the contractualisation process or the existing business relation with the third party. The Group also adds business ethics clauses in its contracts mentioning a right of audit and a termination clause in order to ensure compliance with anti-corruption regulations and the application of the best CSR standards.
Compliance due diligence is embedded in the Group procedures and decision process, notably:
- Assessing and managing the risk of corruption and influence peddling in the frame of agreements or contracts concluded between Naval Group and third parties: Naval Group defines different levels of compliance due diligence and a specific methodology in order to assess the exposure of a business project to the risk of corruption and if necessary, to prevent them with a mitigation plan.

[..]

- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for

[p.4] business advisors and industrial partners, and oversees their remuneration. Periodic renewal of compliance due diligence is also required every 36 months, through to the end of the business relationship.

Accessed 18/05/2020

[p.75] Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group's risk map, such as, for example:
- high-risk clients;
- at-risk suppliers;
- offset projects;
- sales consultants and industrial partners;
- projects for strategic partnerships and M&As;
- charitable, philanthropic, patronage or sponsoring activities;
- lobbying.
Due diligence compliance on these activities includes investigations that mainly serve to identify the final beneficiaries and the main leaders of the third party(parties) concerned and to verify their integrity. If the identified risks cannot be satisfactorily mitigated, the entity in charge of the contractual relationship will take appropriate measures, which can go as far as the abandonment of the draft contract or the termination of the current contract.
**Question**

7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?

**Score**

<p>| | | |</p>
<table>
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</tbody>
</table>

**Comments**

There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging or re-engaging any agents and intermediaries. All agents and highest risk intermediaries are subject to enhanced due diligence. The company commits to not engaging or terminating its engagement with agents or intermediaries where the risks identified in the due diligence cannot be mitigated.

However, due diligence is repeated at least every three years, rather than every two years, as required for a score of ‘2’.

**Evidence**

[1] **Code of Ethics**
Accessed 18/06/2019

[p.6] Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of anti-corruption and anti-influence peddling. It defines a compliance system which is strictly in line with a principle of zero tolerance in this respect. This system is deployed throughout the Group via instructions, themselves based on principles:

[...]

- Any entering into relations with a third party must, in addition, be subject to prior verifications, notably concerning third party people, their reputation and their suitability for the considered relations.

[2] **Compliance Code of Conduct**
Accessed 18/06/2019

[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

[p.4] What are our principles regarding Compliance?

- We comply with legislations and regulations applicable to our activities.
- We respect the highest level of demand regarding integrity and regarding Business ethics based on values of integrity, honesty and transparency in the conduct of our activities all over the world.
- We apply the zero tolerance for any form of corruption, passive or active, whatever the form, be it an illicit payment, presents, bonuses, favors, gifts, or any illicit transfer paid directly or indirectly to a customer, representative or to a third party, or received from a third party.
- We forbid the payments of facilitation.
- The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.
- We pay specific attention to companies controlled directly or indirectly by the Group everywhere where they are located.
- We are held informed about rules and current internal procedures regarding fight against corruption, trading of favors, money laundering and terrorism financing.
What does corruption mean? Corruption is promising, proposing or offering, requesting from or receiving, directly or indirectly any, monetary or other unproper advantage, to/from a third party or on behalf of a third party with the aim of obtaining or preserving a business, or any other illicit advantage in the conduct of a business.

What is a facilitation payment? It is an unofficial payment of small amount paid to civil servants occupying modest responsibilities, with the aim to obtain or accelerate the execution of administrative routine formalities.

[p.5] Entry into and continuation of business relationships

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

- Managing partnership, merger & acquisition and joint venture projects: Naval Group defines a consistent and homogeneous procedure for all operations relating to this area, ensuring in particular that the conduct of these projects is compatible with the rules of governance, compliance and ethics defined by the Group.

- Qualifying, managing, evaluating and developing suppliers: Naval Group provides in particular for competitive bidding of suppliers and for separation of decision-making powers based on a dedicated procurement organisation that is independent of the requestor. It also provides for third party acceptance of the suppliers’ Code of Conduct.

- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for business advisors and industrial partners, and oversees their remuneration. Periodic renewal of due diligence is also required, through to the end of the business relationship.

- Supervising commercial activities related to obtaining contracts: Naval Group aims to develop competitive commercial proposals, in line with the constraints imposed by customers and in compliance with the applicable national and international regulations. In particular, it incorporates the regulatory requirements of the French Commercial Code, the French Defence Code and the “Sapin II” law on transparency, the fight against corruption and the modernisation of economic life.

[5] Compliance Program Policy
Accessed 18/06/2019

[p.2] The members of the Executive Committee, the directors of Naval Group’s subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:
- ensure that the due diligences with regard to entering into business relations with third parties (in particular, business advisers, industrial and strategic partners, offset providers and lobbyists) have been performed.

Accessed 18/06/2019

[p.16] The group’s Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.

As such, in 2018, the actions carried out consisted of:

[...]

Updating of the instruction for commercial consultants and industrial partners;

Accessed 18/06/2019

Instructions defining the provisions according to which each employee must:

[...]

Ensure that prior and periodic checks (due diligence) with regard to entering into a business relation with third parties (in particular sales advisors, industrial and strategic partners, offset suppliers and representatives of interest groups or lobbyists) have been performed.

[16] Key Procedures (Document)
Accessed 18/05/2020

Naval Group carries out compliance due diligence adapted to the potential corruption risks related to a business opportunity or an existing relationship with a third party. A compliance due diligence is updated a minima every 36 months.

The most stringent level of compliance due diligence is for example applied to contracts or agreements with business advisors, offset partners, M&A, industrial partner, lobbyists and joint ventures projects. Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

Compliance due diligence for these projects includes specific investigations (identification of natural persons ultimate owners, managers, judicial background etc.) in order to identify and treat potential red flags.; If the risks identified cannot be mitigated properly, Naval Group may decide to stop the contractualisation process or the existing business relation with the third party. The Group also adds business ethics clauses in its contracts mentioning a right of audit and a termination clause in order to ensure compliance with anti-corruption regulations and the application of the best CSR standards.

Compliance due diligence is embedded in the Group procedures and decision process, notably:
- Assessing and managing the risk of corruption and influence peddling in the frame of agreements or contracts concluded between Naval Group and third parties: Naval Group defines different levels of compliance due diligence and a specific methodology in order to assess the exposure of a business project to the risk of corruption and if necessary, to prevent them with a mitigation plan.
- Managing partnership, merger & acquisition and joint venture projects: Enhanced compliance due diligences are performed for all operations relating to this area. Potential red flags and alerts are reported at the partnership and M&A committee composed by members of the general management.
- Qualifying, managing, evaluating and developing suppliers: For new suppliers, compliance due diligence is embedded in the qualification and prequalification process managed by procurement organisation. At risk suppliers are monitored via specific software. Potential alerts are managed by the supplier’s risks committee.
- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for
[p.4] business advisors and industrial partners, and oversees their remuneration. Periodic renewal of compliance due diligence is also required every 36 months, through to the end of the business relationship.

- Supervising commercial activities related to obtaining contracts: Naval Group develops competitive commercial proposals, in line with the constraints imposed by customers and in compliance with the applicable national and international regulations. In particular, it incorporates the regulatory requirements of the French Commercial Code, the French Defence Code and the “Sapin II” law on transparency, the fight against corruption and the modernisation of economic life.

- Procedure relating to participation in associative and political life, and in charitable, philanthropic, patronage or sponsorship activities: Naval Group requires compliance due diligence to be conducted for each application for membership of an association and for each charity, philanthropy, patronage and sponsorship project carried out on behalf of Naval Group. It also reaffirms the principle of the Group’s political and religious neutrality in the conduct of its activities and formally prohibits any action that would run counter to this principle.

Accessed 18/05/2020

[p.75] Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group's risk map, such as, for example:

- high-risk clients;
- at-risk suppliers;
- offset projects;
- sales consultants and industrial partners;
- projects for strategic partnerships and M&As;
- charitable, philanthropic, patronage or sponsoring activities;
- lobbying.

Due diligence compliance on these activities includes investigations that mainly serve to identify the final beneficiaries and the main leaders of the third party(ies) concerned and to verify their integrity. If the identified risks cannot be satisfactorily mitigated, the entity in charge of the contractual relationship will take appropriate measures, which can go as far as the abandonment of the draft contract or the termination of the current contract.
<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
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<tbody>
<tr>
<td>1</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is evidence that the company has formal procedures to establish the beneficial ownership of agents prior to engaging them. The company commits to not engaging or terminating its engagement with agents or intermediaries where ultimate beneficial ownership cannot be established.</td>
</tr>
<tr>
<td>However, the company receives a score of ‘2’ because these check are conducted every three years and not at least every two years and there is no evidence of a commitment to independently verify beneficial ownership information of high risk agents.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>[1] Code of Ethics</td>
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<tr>
<td>Accessed 18/06/2019</td>
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<td>[p.5] Entry into and continuation of business relationships</td>
</tr>
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<td>Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.</td>
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<td>[p.3] 1. Compliance due diligence regarding contracts or agreements with third parties. Naval Group carries out compliance due diligence adapted to the potential corruption risks related to a business opportunity or an existing relationship with a third party. A compliance due diligence is updated a minima every 36 months.</td>
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</table>
The most stringent level of compliance due diligence is for example applied to contracts or agreements with business advisors, offset partners, M&A, industrial partner, lobbyists and joint ventures projects. Naval Group has experienced management teams, specialised in managing relations with these stakeholders. Compliance due diligence for these projects includes specific investigations (identification of natural persons ultimate owners, managers, judicial background etc.) in order to identify and treat potential red flags.; If the risks identified cannot be mitigated properly, Naval Group may decide to stop the contractualisation process or the existing business relation with the third party. The Group also adds business ethics clauses in its contracts mentioning a right of audit and a termination clause in order to ensure compliance with anti-corruption regulations and the application of the best CSR standards.

Compliance due diligence is embedded in the Group procedures and decision process, notably:
- Assessing and managing the risk of corruption and influence peddling in the frame of agreements or contracts concluded between Naval Group and third parties: Naval Group defines different levels of compliance due diligence and a specific methodology in order to assess the exposure of a business project to the risk of corruption and if necessary, to prevent them with a mitigation plan.
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- Qualifying, managing, evaluating and developing suppliers: For new suppliers, compliance due diligence is embedded in the qualification and prequalification process managed by procurement organisation. At risk suppliers are monitored via specific software. Potential alerts are managed by the supplier’s risks committee.
- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for business advisors and industrial partners, and oversees their remuneration. Periodic renewal of compliance due diligence is also required every 36 months, through to the end of the business relationship.
- Supervising commercial activities related to obtaining contracts: Naval Group develops competitive commercial proposals, in line with the constraints imposed by customers and in compliance with the applicable national and international regulations. In particular, it incorporates the regulatory requirements of the French Commercial Code, the French Defence Code and the “Sapin II” law on transparency, the fight against corruption and the modernisation of economic life.
- Procedure relating to participation in associative and political life, and in charitable, philanthropic, patronage or sponsorship activities: Naval Group requires compliance due diligence to be conducted for each application for membership of an association and for each charity, philanthropy, patronage and sponsorship project carried out on behalf of Naval Group. It also reaffirms the principle of the Group's political and religious neutrality in the conduct of its activities and formally prohibits any action that would run counter to this principle.

Accessed 18/05/2020

[p.75] Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group's risk map, such as, for example:
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Accessed 18/05/2020
COMPLIANCE DUE DILIGENCE
A DECISION-MAKING TOOL FOR THE OPERATIONAL TEAMS

Naval Group requires that any at-risk opportunity (as defined in the corruption risk mapping) of contract with a third party is subject to compliance due diligence in order to obtain a compliance risk assessment on the project. A compliance due diligence is updated a minimum every 36 months following the contractualization process.

1. STEPS AIMED AT IDENTIFYING AND REDUCING NAVAL GROUP RISK EXPOSURE

2. COLLECTION OF INFORMATION ON THE THIRD PARTY
   KYC - KYS

3. RISK ANALYSIS
   • RELIABILITY
   • TRANSPARENCY
   • REPUT

4. COMPLIANCE RISK ASSESSMENT
   LOW
   MEDIUM
   HIGH

5. MITIGATING THE RISK EXPOSURE

6. BUSINESS DECISION

Legal information, managers, shareholders, judicial background etc.
The DECS provides to the operational managers a tailor-made and independent risk analysis.

On a case-by-case basis, the DECS provides a risk-mitigation plan to be implemented by operational teams.
### Question

| 7.1.4 Does the company’s anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities? |

### Score

| 1 |

### Comments

There is evidence the company’s anti-bribery and corruption policy applies to agents and intermediaries, and that it includes anti-bribery and corruption clauses in its contracts with such entities, with clear audit and termination rights.

However, the company states that such clauses apply in general to subcontractors without referencing agents specifically.

### Evidence

**[1] Code of Ethics**

Accessed 18/06/2019


[p.6] Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of anti-corruption and anti-influence peddling. It defines a compliance system which is strictly in line with a principle of zero tolerance in this respect. This system is deployed throughout the Group via instructions, themselves based on principles:

[...]

- Any entering into relations with a third party must, in addition, be subject to prior verifications, notably concerning third party people, their reputation and their suitability for the considered relations.

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Accessed 18/06/2019


[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

[p.4] What are our principles regarding Compliance?

- We comply with legislations and regulations applicable to our activities.
- We respect the highest level of demand regarding integrity and regarding Business ethics based on values of integrity, honesty and transparency in the conduct of our activities all over the world.
- We apply the zero tolerance for any form of corruption, passive or active, whatever the form, be it an illicit payment, presents, bonuses, favors, gifts, or any illicit transfer paid directly or indirectly to a customer, representative or to a third party, or received from a third party.
- We forbid the payments of facilitation.
- The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.
- We pay specific attention to companies controlled directly or indirectly by the Group everywhere where they are located.
- We are held informed about rules and current internal procedures regarding fight against corruption, trading of favors, money laundering and terrorism financing.
What does corruption mean? Corruption is promising, proposing or offering, requesting from or receiving, directly or indirectly any, monetary or other unproper advantage, to/from a third party or on behalf of a third party with the aim of obtaining or preserving a business, or any other illicit advantage in the conduct of a business.

What is a facilitation payment? It is an unofficial payment of small amount paid to civil servants occupying modest responsibilities, with the aim to obtain or accelerate the execution of administrative routine formalities.

[p.5] Entry into and continuation of business relationships

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

[...]

- Qualifying, managing, evaluating and developing suppliers: Naval Group provides in particular for competitive bidding of suppliers and for separation of decision-making powers based on a dedicated procurement organisation that is independent of the requestor. It also provides for third party acceptance of the suppliers’ Code of Conduct.

Accessed 18/06/2019

[p.16] The group’s Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.

As such, in 2018, the actions carried out consisted of:

[...]

Updating of the instruction for commercial consultants and industrial partners;

[6] Supplier Code of Conduct
Accessed 18/06/2019
Furthermore, Naval Group has defined a vigilance plan based on risk mapping and including reasonable vigilance measures intended to prevent serious breaches of ethics and the CSR, resulting from the activities of the group and those of its subcontractors, service providers or suppliers (individually or collectively hereinafter called "supplier(s)").

In this perspective, this supplier code of conduct defines the minimum standards that Naval Group requires its suppliers to adopt and to comply with within the framework of their commercial activities. The full participation of suppliers in this plan must mean that Naval Group and its customers can be guaranteed that the delivery of products and/or services comply with contractual commitments and these standards, notably in terms of CSR.

1. General principles Suppliers are committed to conducting the activities carried out for the benefit of Naval Group and its customers in compliance with this code and in strict compliance with the laws and other legal rules applicable in the countries where they operate. Like Naval Group, the suppliers are furthermore required to comply with the standards and references of international law and notably those issued by the United Nations (UN) (i.e. the United Nations Convention against Corruption), the International Labor Organization (ILO) and the Organization for Economic Co-operation and Development (OECD).

The suppliers shall develop and implement their own CSRs based on Naval Group's guidelines given below.

1.2. Preventing conflicts of interest Suppliers shall prevent and avoid any situation that might create a conflict of interest. Such situations may occur when the private interests of an employee or a representative of the supplier (or a close relative of this employee or representative) interfere with the interests of Naval Group.

Suppliers are required to inform all the parties affected in the event of a real or potential conflict of interest. This includes any conflict between Naval Group's interests and the interests of personnel or those of close relatives, friends or associates.

2. Preventing corruption

Honest trading in compliance with current laws and practices, including the prevention of corruption is a permanent requirement of Naval Group. Consequently, Naval Group expects its suppliers to comply in full with the obligations stipulated by national and international texts which are applicable in terms of preventing corruption and money laundering and to apply all necessary resources to prevent corruption and influence peddling.

When dealing with public and private bodies (including their employees and representatives), suppliers shall not offer, promise, give or solicit either directly or indirectly any benefit of any sort or payment of money to obtain a contract or obtain any improper profit or advantage.

The exchange of commercial gestures must not be made to obtain an unfair competitive advantage. Suppliers must ensure that in all their commercial relationships, gifts or commercial gestures which are offered or received are authorized by the law and the regulations, that these exchanges do not infringe upon the rules and principles of the recipient organization and that they correspond to acceptable business practices and customs.

Suppliers are required to exercise due diligence so that corruption can be prevented and detected in all commercial agreements.

3. Implementation of the supplier code of conduct

3.1 Contractual value and scope

Supplier support for this supplier code of conduct is an essential condition for the inclusion in Naval Group's supplier panel or to conclude a purchasing contract with Naval Group SA or one of the companies it controls (of which more than 50% of the share capital and/or voting rights are held directly or indirectly by Naval Group SA).
By signing or accepting an order governed by Naval Group's general purchasing conditions or a purchasing contract with Naval Group which refers to this supplier code of conduct, the supplier's legal representative agrees that all its activities and work performed with respect to the order or purchasing contract for the benefit of Naval Group strictly complies with the provisions contained in this code.

The supplier code of conduct forms an integral part of the contractual documents which apply to the order or purchasing contract.

The standards established in this code are an addition to the stipulations in the orders and purchase contracts between a supplier and Naval Group and do not supersede them.

3.2 Commitment from suppliers

Suppliers shall comply at least with the laws and other legal rules applying in their own countries. Where the principles enshrined in the Code of Conduct are more rigorous than the legal rules applying in a supplier's own country, the principles shall prevail, subject however to their compatibility with the mandatory legal provisions applying in that country.

3.3 Measurement of CSR performance - Consequences of failure to comply with the supplier code of conduct

Naval Group requires its suppliers to be transparent with respect to their compliance with this code. As part of its supplier assessment and selection process, Naval Group measures the overall CSR performance and carries out the due diligence associated with the fight against corruption and influence peddling. Suppliers are required to reply to any CSR or anti-corruption questionnaire sent to them by Naval Group or a representative of Naval Group in this respect, throughout the duration of the commercial relationship between Naval Group and the supplier concerned.

Furthermore, suppliers shall spontaneously report to Naval Group any event that might compromise the accuracy of the information which they provided during the assessment and selection processes and/or any audits conducted by Naval Group.

Should it be discovered that a supplier is unable to comply in full with certain obligations under this code, the supplier and Naval Group may agree, depending on the difficulties involved, to set up a progress plan that will be run by the supplier over an agreed period with the aim of maintaining a successful and longterm relationship between that supplier and Naval Group.

Furthermore, in the event of a serious failure which prevents the progress plan from being carried out, the capacity of the supplier to be included in Naval Group's supplier panel may be called into question.

Naval Group reserves the right to terminate the agreements, orders and purchase contracts signed with this supplier, without prejudice to any damages that may be claimed by Naval Group.

3.4 Audits

Naval Group reserves the right to audit its suppliers to ensure they are complying with and implementing the Code of Conduct's principles.

Suppliers shall co-operate with audits which will be organized in a manner that shall be agreed, either by Naval Group or by external auditors mandated by Naval Group. However, if the supplier already regularly uses an independent auditing body with a respected international reputation in the CSR field, Naval Group may take into consideration the results of the audits carried out, subject to the corresponding audit reports being available for consultation by Naval Group and that the said body has received Naval Group approval.

Suppliers must maintain an archive which is sufficient to prove compliance with this code and so that complete, authentic and accurate archives are available to Naval Group's representatives.

[p.12] 4.2. Right to notify
Naval Group shall make a secured notification line available to its suppliers so that they can pass on to an internal and independent body any question or any report relating to business ethics and compliance found within the framework of the business relationship with Naval Group:

ethics@naval-group.com

Additional information is available on the group's internet site.

If any non-conformity is found with respect to one of the previously mentioned principles, suppliers are required to inform Naval Group. They can do this by addressing their contact person at Naval Group or use the notification line.

[p.13] Suppliers are also required to supply their employees with the means to raise questions or ethical, legal or compliance problems without fear of reprisals. They are also required to take the necessary measures to prevent, detect and correct any retaliatory measures.

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.3] Compliance due diligence for these projects includes specific investigations (identification of natural persons ultimate owners, managers, judicial background etc.) in order to identify and treat potential red flags.; If the risks identified cannot be mitigated properly, Naval Group may decide to stop the contractualisation process or the existing business relation with the third party. The Group also adds business ethics clauses in its contracts mentioning a right of audit and a termination clause in order to ensure compliance with anti-corruption regulations and the application of the best CSR standards.
<table>
<thead>
<tr>
<th>Question</th>
<th>Score</th>
<th>Comments</th>
</tr>
</thead>
</table>
| 7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices? | 1     | There is evidence that incentive structures for agents are highlighted and addressed as a factor in bribery and corruption risk.  
However, there is no evidence that the company imposes a threshold on the payment of sales commissions to agents, and/or there is no requirement that remuneration is paid in stage payments or into local bank accounts. |

| Evidence                                                                 |       | [16] Key Procedures (Document)  
Accessed 18/05/2020  
[...]  
- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for  
[p.4] business advisors and industrial partners, and oversees their remuneration. Periodic renewal of compliance due diligence is also required every 36 months, through to the end of the business relationship. |
<table>
<thead>
<tr>
<th>Question</th>
<th>7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td>The company does not publish any details of the agents currently contracted to act for and/or on behalf of the company.</td>
</tr>
<tr>
<td>Evidence</td>
<td>No evidence found.</td>
</tr>
<tr>
<td>Question</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?</td>
<td></td>
</tr>
<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td></td>
</tr>
<tr>
<td>There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or the associated disciplinary actions involving agents.</td>
<td></td>
</tr>
<tr>
<td>Evidence</td>
<td></td>
</tr>
<tr>
<td>No evidence found.</td>
<td></td>
</tr>
</tbody>
</table>
7.2 Joint Ventures

<table>
<thead>
<tr>
<th>Question</th>
<th>7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>1</td>
</tr>
<tr>
<td>Comments</td>
<td>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering and while operating with all third parties, including joint ventures. There is evidence that the company's due diligence explicitly includes checks on the ultimate beneficial ownership of the partner company. However, there is no evidence to suggest that joint ventures operating in high risk markets or with high risk partners, such as state-owned enterprises, are subject to enhanced due diligence. In addition, it is unclear how frequently due diligence is repeated.</td>
</tr>
</tbody>
</table>

Evidence

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

- Managing partnership, merger & acquisition and joint venture projects: Naval Group defines a consistent and homogeneous procedure for all operations relating to this area, ensuring in particular that the conduct of these projects is compatible with the rules of governance, compliance and ethics defined by the Group.

[1] Code of Ethics
Accessed 18/06/2019

[p.6] Naval Group conducts business in compliance with the applicable rules and regulations notably in terms of anti-corruption and anti-influence peddling. It defines a compliance system which is strictly in line with a principle of zero tolerance in this respect. This system is deployed throughout the Group via instructions, themselves based on principles:

[…]

- Any entering into relations with a third party must, in addition, be subject to prior verifications, notably concerning third party people, their reputation and their suitability for the considered relations.

Accessed 18/06/2019
What are our principles regarding Compliance?

[...]

We pay specific attention to companies controlled directly or indirectly by the Group everywhere where they are located.

[5] Compliance Program Policy
Accessed 18/06/2019

The members of the Executive Committee, the directors of Naval Group’s subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:

[...]

ensure that the due diligences with regard to entering into business relations with third parties (in particular, business advisers, industrial and strategic partners, offset providers and lobbyists) have been performed.

Accessed 18/06/2019

Instructions defining the provisions according to which each employee must:

[...]

Ensure that prior and periodic checks (due diligence) with regard to entering into a business relation with third parties (in particular sales advisors, industrial and strategic partners, offset suppliers and representatives of interest groups or lobbyists) have been performed.

[16] Key Procedures (Document)
Accessed 18/05/2020

Compliance due diligence for these projects includes specific investigations (identification of natural persons ultimate owners, managers, judicial background etc.) in order to identify and treat potential red flags.; If the risks identified cannot be mitigated properly, Naval Group may decide to stop the contractualisation process or the existing business relation with the third party. The Group also adds business ethics clauses in its contracts mentioning a right of audit and a termination clause in order to ensure compliance with anti-corruption regulations and the application of the best CSR standards.

[...]

Managing partnership, merger & acquisition and joint venture projects: Enhanced compliance due diligences are performed for all operations relating to this area. Potential red flags and alerts are reported at the partnership and M&A committee composed by members of the general management.
### Question

**7.2.2** Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?

### Score

2

### Comments

The company explicitly commits to establishing and implementing anti-bribery and corruption policies and procedures in all of its joint ventures by requiring the adoption of its own anti-bribery and corruption programme in its joint ventures. In its public materials, the company states that it includes anti-corruption clauses in its contracts with stakeholders. These clauses include clear audit and termination rights to detect, control and prevent breaches.

### Evidence

[p.4] "The company" hereafter designates Naval Group, with all its elements, in the consolidated subsidiaries sense, including all subsidiaries and participations whether direct or indirect, held exclusively by any entity from the group or jointly with a third party*, controlled exclusively by any entity from the group or jointly with a third party*, under construction or established either permanently or temporarily, without consideration of their legislative form (company, association, consortium), for profit or not.

[p.13] 1/ WHAT IS CORRUPTION? Corruption* is defined as “requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof” (Excerpt from article 2 – Civil Law Convention on corruption by the Council of Europe). Corruption in a company often goes hand-in-hand with other infractions which are all reprehensible and punished by law.

2/ WHAT IS INFLUENCE PEDDLING? Corruption is comprised of a visible part (via material compensations) but is more often invisible, which comprises influence peddling. Influence peddling is defined as “the act of directly or indirectly proposing, offering or giving any unfair advantage as a form of compensation to anyone who states or confirms that they are able to exert influence with regards decision making by a public officer” (Excerpt from article 2 – Influence peddling - Civil Law Convention on corruption by the Council of Europe).
Aware of the risks for the company and co-workers, Naval Group has implemented a compliance program in accordance with the French regulations ("Sapin II" law) and meets the requirements of the best international standards in this regard. This program is applicable within Naval Group SA and its controlled companies and is comprised of eight concrete measures:

1. The creation of a dedicated department (Group Ethics, Compliance and Governance, DECG), in charge of creating and implementing the compliance program within the group and its controlled subsidiaries. The head of DECG is the group referent for all compliance matters.

2. The creation of a risk map intended to identify, analyse and prioritise risks of corruption and influence peddling to which Naval Group is exposed.

3. The implementation of instructions defining the rules applicable to co-workers in the framework of their relations with stakeholders.

4. The development of tools made available to co-workers to facilitate their initiatives and improve transparancy (see the compliance software).

5. The deployment of a training system and raising the awareness of personnel most exposed to the risks of corruption.

6. The implementation of regular internal accounting checks/audits and an evaluation system intended to ensure the compliance system and its instructions are carried out correctly.

7. The Naval Group alert system ensuring it is possible to report events confidentially (see page 18).

[p.18] Naval Group has made dedicated contact persons and an internal alert system available to co-workers* and stakeholders who are victims or witnesses of inappropriate behaviour within the group, allowing them to issue a report and to express themselves with confidence.
IN WHICH CASES SHOULD I ISSUE A REPORT?

In the event of behaviour or a situation opposite to the Code of Ethics, notably from one of the following sectors:
› corruption* or influence peddling,
› the financial, accounting or banking sector,
› anti-competitive practises,
› discrimination and harassment,
› ethics and CSR.

DO I HAVE THE RIGHT TO ISSUE A REPORT?

Any Naval Group co-worker or stakeholder (customer, supplier, partner, etc.) may issue a report. One must act in good faith, that is to say, without malice or expectation of a personal counterpart and have reasonable elements to presuppose the veracity of their report. Abuse of the alert system may expose the perpetrator to disciplinary sanctions and / or legal proceedings. Conversely, its use in good faith will not expose the author to any sanction even if the facts reported are not materially established after treatment and investigation.

Facts, information or documents, whatever their form or medium, covered by national defense secrecy, medical confidentiality or the secrecy of relations between a lawyer and their client are excluded from the alert system.

[p.19] WHO CAN I CONTACT?

In all cases, the line manager and/or Human Resources representative are the contacts to be prioritised. The person raising the alert can also turn:
› at their worksite, according to the issue, to a specific interlocutor: discrimination expert, ethics relay, Compliance Officer,
› at the corporate level, to the Committee for Ethics and Corporate Social Responsibility (CERSE*) using the following alert address: ethics@naval-group.com

Please refer to the alert system page on Navista for more information.

WHO HAS ACCESS TO THE MESSAGES SENT TO THE ALERT SYSTEM?

E-mails in the alert system are only accessible to the president and the secretary of the CERSE via secure access. The anonymity of the whistleblower* is strictly maintained throughout examination of the affair as well as during deliberations.

The Committee for Ethics and Corporate Social Responsibility (CERSE*) ensures:
› the eligible alerts are processed impartially and confidentially,
› its decisions are independent from all levels within the company.

DID YOU KNOW?

Since the “Sapin II” law, French law recognises a specific “whistleblower*” status which guarantees their reinforced legal protection.

HOW IS A REPORT PROCESSED?

› Any report is handled by a qualified person bound by a confidentiality obligation.
› The process aims to ensure, as much as necessary, the protection of the identity of the issuer, the persons concerned and the nature of the facts.
› If necessary, an investigation is conducted.
› The investigation is based on facts and must aim to determine the reality and the materiality of the reported facts.
› Depending on the findings of the investigation, disciplinary proceedings or legal proceedings may be initiated.

[p.34] CONTEXT AND STAKES
Receiving or giving gifts and/or hospitality is a gesture that can fully form part of commercial practices between two partners. However, the limit between courtesy and corruption is sometimes difficult to perceive. Naval Group has thus established clear rules applicable to everyone, so that there can be no ambiguity associated with this practice.

Faced with this situation, I remain alert in order to avoid:
› being influenced, losing my independence and exposing myself to possible subsequent pressure;
› generating mistrust with my contact and losing a business opportunity;
› exposing myself to disciplinary measures;
› exposing my company and myself to prosecution which can lead to criminal and financial penalties;
› seriously undermining the company image

PRACTICAL CASE NO. 1 “Following the organisation of a successful business meeting with a high-ranking foreign official, I wanted to thank the official's assistant by offering them a perfume worth €100.”

RECOMMENDED BEHAVIOUR

1/I consider the legitimacy of such a gift and ask my line manager to validate this initiative. I consult Naval Group’s policy regarding gifts and hospitality.

2/Because this gift given to a public official is worth more than €50, I declare it in the compliance software (see page 16) with the help, if necessary, of my site’s Compliance Officer, in order to be validated by the Group Ethics, Compliance* and Governance department (DECG*). I refrain from any action before receiving formal validation by the DECG.

[p.35] 3/ Offering a gift worth €100 to a foreign public official can be considered to be active corruption. This gesture can be wrongly interpreted and my contact may have to refuse the gift, or it may even put him in an embarrassing situation. In this case, I refrain from giving such a gift, or offer a gift of modest value.

PRACTICAL CASE NO. 2 “After concluding a contract with a supplier, the supplier offers me a box of chocolates to thank me for my involvement in the matter.”

RECOMMENDED BEHAVIOUR

I consider the legitimacy of me receiving such a gift. Can this influence a future decision? I try and assess the value of this gift and I consult the relevant Naval Group policy.

Although it is worth less than €100, I declare it in the compliance software.

This gift is of modest value and appears to be devoid of intention to corrupt. I can therefore accept it without asking for authorisation from my line manager or from the DECG, as long as the total amount of the gifts offered by this supplier during the year does not exceed €200.

[p.36] USEFUL INFORMATION

I should always consider the true intentions that motivate my contact through the gift that they offer, regardless of its worth. Similarly, it is essential to ask myself how my contact would interpret the gift that I offer them. Before acting, I ask myself a few simple questions:
› Is it legal to offer or accept this gift? If yes, what are the conditions to be obeyed? What are the laws and company regulations applicable to my contact?
› Does or could this gift put my contact in an uncomfortable situation? Does it imply reciprocity? Do I feel easy to talk about it?
› What is it worth? How do I protect myself and avoid any ambiguity?

Each case is individual and must be analysed rigorously. Declare, to protects your integrity.

With the exception of goodies, which are considered to be of modest value, all gifts given or received must be recorded in the compliance software. Above a value of €50, gifts must be validated by the line manager. Above
€150, they must also be validated by DECG*. There is no “petty” corruption*. Any gift received or given as undue advantage is prohibited.

[p.37] BUSINESS MEALS GIVEN OR RECEIVED WITH THIRD PARTIES

CONTEXT AND STAKES Although they are often considered common practice, business meals that a co-worker shares with a customer or a business partner can, in some cases, be considered an undue advantage which can notably constitute a corruption offence.

It is of utmost importance to be aware that this practice can undermine my professional integrity and generate risks such as:
› being influenced, losing my independence and exposing myself to possible subsequent pressure;
› exposing myself to disciplinary measures;
› exposing my company and myself to prosecution which can lead to criminal and financial penalties;
› seriously undermining the company image.

[p.38] Naval Group puts in place clear company regulations applicable to all, intended to avoid risky situations and establish greater transparency.

Within the scope of my business relations, I can accept or propose meals from/to third parties occasionally and if they are of reasonable value. Under a certain threshold specified in a Naval Group SA’s instruction, the declared meal will be automatically validated by the compliance software. Information concerning these thresholds can be downloaded from DECG’s* page on Navista. For any question please contact your Compliance Officer.

Before acting, I ask myself a few simple questions:
› Is it legal to offer or accept this meal? If so, what are the conditions to be obeyed? What are the laws and company regulations applicable to my contact?
› Does this meal put me, or could it put my contact, in an uncomfortable situation? Does it imply reciprocity? Do I feel easy to talk about it?
› What is it worth? How do I protect myself and avoid any ambiguity?

The right reflex is to always declare a meal offered or received regardless of the situation.

INVITATIONS AND OTHER HOSPITALITY GIVEN OR RECEIVED

CONTEXT AND STAKES

[p.40] Because it can be the source of serious abuse, giving or accepting invitations* and hospitality is a closely supervised practice in France and abroad. If it is essential to know how to welcome our customers and business partners in good conditions, it is also necessary to distinguish between hospitality and undue advantage.

Because it can be the source of serious abuse, giving or accepting invitations* and hospitality is a closely supervised practice in France and abroad. If it is essential to know how to welcome our customers and business partners in good conditions, it is also necessary to distinguish between hospitality and undue advantage.

Faced with this situation, there is a risk of:
› losing my independence and impartiality;
› being blamed for influencing my contact and being excluded from the business discussions in progress;
› exposing me to disciplinary measures;
› exposing my company and myself to prosecution which can lead to criminal and financial penalties;
› seriously undermining the company image.

[p.41] If I take charge of certain expenses I sometimes take the risk of contravening our customers’ company regulations or the legislation applicable in its country. DECG* is there to help me make the right decision: obtaining an opinion from the latter (via the compliance software) protects me and protects the company.

› Whatever happens, the invitation given or received must not include any direct payment or exchange of money with the third party* and must not be used with the aim of obtaining an undue compensation.
Any invitation* offered or received that does not directly concern the professional sphere or is addressed to acquaintances of the invited person, is strictly prohibited by Naval Group.

If I am in a position where I must decline an invitation or a request for invitation, I politely refer to our supplier relations charter or customer relations charter, available on the Naval Group internet site.

[p.42] CONFLICT OF INTEREST

CONTEXT AND STAKES

A conflict of interest* can be defined as a de facto situation which places the co-worker opposite two diverging interests: the general interest - linked to the mission that they must fulfil for the company - and their own interest which could influence or appear to influence the way in which they fulfil their missions.

The influence linked to my own interest can for example depend on my family responsibilities, professional links, political affiliation, or concern my personal assets, my financial investments or even my debts.

Certain conflicts of interest are likely to involve facts constituting criminal offences such as illegal taking of interests, favouritism*, corruption* or influence peddling.

PRACTICAL CASE

"I am a specifier and I participate in the preparation of a consultation for a security guard contract. The list of companies consulted includes the company that employs my brother as commercial director."

RECOMMENDED BEHAVIOUR

I inform my line management of my potential link with this company. My manager can contact the Legal Department in order to qualify the nature of the particular interest and the associated risk.

Where applicable, and with the assent of my superior, I can pull out from dealing with relations with this supplier and from any decision making.

[p.43] USEFUL INFORMATION

There are two types of possible situations:

The conflict of interest* can be “real”: when it is established that my particular interest effectively conditions or influences the way in which I fulfil my mission within the company. A co-worker that unduly benefits from their position to draw a personal interest from it would commit a “disloyal act” with respect to the company (refer to C2 “Duty of loyalty”).

The conflict of interest can be “potential”: when my personal interest is not yet likely to influence the way in which I fulfil my mission, but where a change of function or responsibility could modify this situation.

It is always better to raise an ambiguity and declare a conflict of interests, even potential, rather than allow an unclear or uncomfortable situation to settle in. With a concern for transparency, I declare my situation.

The conflict of interest can arise from a gift or from hospitality accepted from a third party* (refer to B1 “Gifts given or received” and B3 “Invitations* and hospitality”).

[3] Compliance Program - Key Instructions

Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

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All of these requirements are applied through specific instructions for:

- Managing partnership, merger & acquisition and joint venture projects: Naval Group defines a consistent and homogeneous procedure for all operations relating to this area, ensuring in particular that the conduct of these projects is compatible with the rules of governance, compliance and ethics defined by the Group.

[1] Code of Ethics
Accessed 18/06/2019

[p.4] The Code of Ethics defines the behaviour rules applicable within the Group and its controlled companies, in compliance with applicable regulations and legislation. These rules can constitute guiding principles for those companies not controlled by the Group.

[p.12] This Code of Ethics can also be communicated outside the Group and notably to its customers, suppliers, subcontractors and shareholders, in accordance with the rules defined by the Committee for ethics and corporate social responsibility

Accessed 18/06/2019

[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

[p.4] What are our principles regarding Compliance?

☐ We comply with legislations and regulations applicable to our activities.
☐ We respect the highest level of demand regarding integrity and regarding Business ethics based on values of integrity, honesty and transparency in the conduct of our activities all over the world.
☐ We apply the zero tolerance for any form of corruption, passive or active, whatever the form, be it an illicit payment, presents, bonuses, favors, gifts, or any illicit transfer paid directly or indirectly to a customer, representative or to a third party, or received from a third party.
☐ We forbid the payments of facilitation.
☐ The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.
☐ We pay specific attention to companies controlled directly or indirectly by the Group everywhere where they are located.
☐ We are held informed about rules and current internal procedures regarding fight against corruption, trading of favors, money laundering and terrorism financing.

What does corruption mean? Corruption is promising, proposing or offering, requesting from or receiving, directly or indirectly any, monetary or other improper advantage, to/from a third party or on behalf of a third party with the aim of obtaining or preserving a business, or any other improper advantage in the conduct of a business.

What is a facilitation payment? It is an unofficial payment of small amount paid to civil servants occupying modest responsibilities, with the aim to obtain or accelerate the execution of administrative routine formalities.

[p.5] Entry into and continuation of business relationships

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the
relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.

[16] Key Procedures (Document)
Accessed 18/05/2020

[p.3] Compliance due diligence for these projects includes specific investigations (identification of natural persons ultimate owners, managers, judicial background etc.) in order to identify and treat potential red flags.; If the risks identified cannot be mitigated properly, Naval Group may decide to stop the contractualisation process or the existing business relation with the third party. The Group also adds business ethics clauses in its contracts mentioning a right of audit and a termination clause in order to ensure compliance with anti-corruption regulations and the application of the best CSR standards.

[p.6] 5. Defining the conditions of application of a compliance program in companies in which Naval Group holds participations.
Naval Group defines the procedures for implementing a compliance program in any company in France and abroad in which it holds participations. In this regards, procedures regarding the compliance program can be adapted to the specific local context of the country where it operates.
Question

7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?

Score

2

Comments

The company explicitly commits to take an active role in preventing bribery and corruption in all of its joint ventures. There is clear evidence to support the company’s commitment, through a statement of possible controls that it may implement.

Evidence

Accessed 18/06/2019

[p.4] “The company” hereafter designates Naval Group, with all its elements, in the consolidated subsidiaries sense, including all subsidiaries and participations whether direct or indirect, held exclusively by any entity from the group or jointly with a third party*, controlled exclusively by any entity from the group or jointly with a third party*, under construction or established either permanently or temporarily, without consideration of their legislative form (company, association, consortium), for profit or not.

[p.13] 1/ WHAT IS CORRUPTION? Corruption* is defined as “requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof” (Excerpt from article 2 – Civil Law Convention on corruption by the Council of Europe). Corruption in a company often goes hand-in-hand with other infractions which are all reprehensible and punished by law.

2/ WHAT IS INFLUENCE PEDDLING? Corruption is comprised of a visible part (via material compensations) but is more often invisible, which comprises influence peddling. Influence peddling is defined as “the act of directly or indirectly proposing, offering or giving any unfair advantage as a form of compensation to anyone who states or confirms that they are able to exert influence with regards decision making by a public officer” (Excerpt from article 2 – Influence peddling - Civil Law Convention on corruption by the Council of Europe).
Aware of the risks for the company and co-workers, Naval Group has implemented a compliance program in accordance with the French regulations ("Sapin II" law) and meets the requirements of the best international standards in this regard. This program is applicable within Naval Group SA and its controlled companies and is comprised of eight concrete measures:

1. The creation of compliance code of conduct which establishes the zero tolerance policy for any act of fraud or corruption committed within the company or influence peddling.
2. The implementation of instructions defining the rules applicable to co-workers in the framework of their relations with stakeholders.
3. The development of tools made available to co-workers to facilitate their initiatives and improve traceability (see the compliance software).
4. The deployment of a training system and raising the awareness of personnel most exposed to the risks of corruption.
5. The implementation of regular internal accounting checks/audits and an evaluation system intended to ensure the compliance system and its instructions are carried out correctly.}

Aware of the risks for the company and co-workers, Naval Group has implemented a compliance program in accordance with the French regulations ("Sapin II" law) and meets the requirements of the best international standards in this regard. This program is applicable within Naval Group SA and its controlled companies and is comprised of eight concrete measures:

1. The creation of a dedicated department (Group Ethics, Compliance and Governance, DECG), in charge of creating and implementing the compliance program within the group and its controlled subsidiaries. The head of DECG is the group referent for all compliance matters.
2. The creation of a risks map intended to identify, analyse and prioritise risks of corruption and influence peddling to which Naval Group is exposed.
3. The implementation of instructions defining the rules applicable to co-workers in the framework of their relations with stakeholders.
4. The development of tools made available to co-workers to facilitate their initiatives and improve traceability (see the compliance software).
5. The deployment of a training system and raising the awareness of personnel most exposed to the risks of corruption.
6. The implementation of regular internal accounting checks/audits and an evaluation system intended to ensure the compliance system and its instructions are carried out correctly.
7. The Naval Group alert system ensuring it is possible to report events confidentially (see page 18).
Naval Group has made dedicated contact persons and an internal alert system available to co-workers* and stakeholders who are victims or witnesses of inappropriate behaviour within the group, allowing them to issue a report and to express themselves with confidence.

IN WHICH CASES SHOULD I ISSUE A REPORT?

In the event of behaviour or a situation opposite to the Code of Ethics, notably from one of the following sectors:
  › corruption* or influence peddling,
  › the financial, accounting or banking sector,
  › anti-competitive practices,
  › discrimination and harassment,
  › ethics and CSR.

DO I HAVE THE RIGHT TO ISSUE A REPORT?

Any Naval Group co-worker or stakeholder (customer, supplier, partner, etc.) may issue a report. One must act in good faith, that is to say, without malice or expectation of a personal counterpart and have reasonable elements to presuppose the veracity of their report. Abuse of the alert system may expose the perpetrator to disciplinary sanctions and / or legal proceedings. Conversely, its use in good faith will not expose the author to any sanction even if the facts reported are not materially established after treatment and investigation.

Facts, information or documents, whatever their form or medium, covered by national defense secrecy, medical confidentiality or the secrecy of relations between a lawyer and their client are excluded from the alert system.

BUSINESS MEALS GIVEN OR RECEIVED WITH THIRD PARTIES

CONTEXT AND STAKES Although they are often considered common practice, business meals that a co-worker shares with a customer or a business partner can, in some cases, be considered an undue advantage which can notably constitute a corruption offence.

It is of utmost importance to be aware that this practice can undermine my professional integrity and generate risks such as:
  › being influenced, losing my independence and exposing myself to possible subsequent pressure;
  › exposing myself to disciplinary measures;
  › exposing my company and myself to prosecution which can lead to criminal and financial penalties;
  › seriously undermining the company image.

Naval Group puts in place clear company regulations applicable to all, intended to avoid risky situations and establish greater transparency.

Within the scope of my business relations, I can accept or propose meals from/to third parties occasionally and if they are of reasonable value. Under a certain threshold specified in a Naval Group SA’s instruction, the declared meal will be automatically validated by the compliance software. Information concerning these thresholds can be downloaded from DECG’s* page on Navista. For any question please contact your Compliance Officer.

Before acting, I ask myself a few simple questions:

  › Is it legal to offer or accept this meal? If so, what are the conditions to be obeyed? What are the laws and company regulations applicable to my contact?
  › Does this meal put me, or could it put my contact, in an uncomfortable situation? Does it imply reciprocity? Do I feel easy to talk about it?
  › What is it worth? How do I protect myself and avoid any ambiguity?

The right reflex is to always declare a meal offered or received regardless of the situation.

INVITATIONS AND OTHER HOSPITALITY GIVEN OR RECEIVED

CONTEXT AND STAKES
Because it can be the source of serious abuse, giving or accepting invitations* and hospitality is a closely supervised practice in France and abroad. If it is essential to know how to welcome our customers and business partners in good conditions, it is also necessary to distinguish between hospitality and undue advantage.

Faced with this situation, there is a risk of:
› losing my independence and impartiality;
› being blamed for influencing my contact and being excluded from the business discussions in progress;
› exposing me to disciplinary measures;
› exposing my company and myself to prosecution which can lead to criminal and financial penalties;
› seriously undermining the company image

If I take charge of certain expenses I sometimes take the risk of contravening our customers’ company regulations or the legislation applicable in its country. DECG* is there to help me make the right decision: obtaining an opinion from the latter (via the compliance software) protects me and protects the company.

› Whatever happens, the invitation given or received must not include any direct payment or exchange of money with the third party* and must not be used with the aim of obtaining an undue compensation.

› Any invitation* offered or received that does not directly concern the professional sphere or is addressed to acquaintances of the invited person, is strictly prohibited by Naval Group.

› If I am in a position where I must decline an invitation or a request for invitation, I politely refer to our supplier relations charter or customer relations charter, available on the Naval Group internet site.

CONFLICT OF INTEREST

CONTEXT AND STAKES

A conflict of interest* can be defined as a de facto situation which places the co-worker opposite two diverging interests: the general interest - linked to the mission that they must fulfil for the company - and their own interest which could influence or appear to influence the way in which they fulfil their missions.

The influence linked to my own interest can for example depend on my family responsibilities, professional links, political affiliation, or concern my personal assets, my financial investments or even my debts.

Certain conflicts of interest are likely to involve facts constituting criminal offences such as illegal taking of interests, favouritism*, corruption* or influence peddling.

PRACTICAL CASE

"I am a specifier and I participate in the preparation of a consultation for a security guard contract. The list of companies consulted includes the company that employs my brother as commercial director."

RECOMMENDED BEHAVIOUR

I inform my line management of my potential link with this company. My manager can contact the Legal Department in order to qualify the nature of the particular interest and the associated risk. Where applicable, and with the assent of my superior, I can pull out from dealing with relations with this supplier and from any decision making.

USEFUL INFORMATION

There are two types of possible situations:

› The conflict of interest* can be “real”: when it is established that my particular interest effectively conditions or influences the way in which I fulfill my mission within the company. A co-worker that unduly benefits from their position to draw a personal interest from it would commit a "disloyal act" with respect to the company (refer to C2 "Duty of loyalty").

› The conflict of interest can be “potential”: when my personal interest is not yet likely to influence the way in which I fulfill my mission, but where a change of function or responsibility could modify this situation.
It is always better to raise an ambiguity and declare a conflict of interests, even potential, rather than allow an unclear or uncomfortable situation to settle in. With a concern for transparency, I declare my situation.

The conflict of interest can arise from a gift or from hospitality accepted from a third party* (refer to B1 “Gifts given or received” and B3 “Invitations* and hospitality”).

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

[p.3] 1. Initiating and maintaining business relationships with external stakeholders.

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

- Managing partnership, merger & acquisition and joint venture projects: Naval Group defines a consistent and homogeneous procedure for all operations relating to this area, ensuring in particular that the conduct of these projects is compatible with the rules of governance, compliance and ethics defined by the Group.

[1] Code of Ethics
Accessed 18/06/2019

[p.4] The Code of Ethics defines the behaviour rules applicable within the Group and its controlled companies, in compliance with applicable regulations and legislation. These rules can constitute guiding principles for those companies not controlled by the Group.

[p.12] This Code of Ethics can also be communicated outside the Group and notably to its customers, suppliers, subcontractors and shareholders, in accordance with the rules defined by the Committee for ethics and corporate social responsibility.

Accessed 18/06/2019

[p.3] This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

All our other stakeholders should also consider this Code: Clients, suppliers, service providers, industrial and commercial partners. We expect that they comply with our Integrity principles.

[p. 4] What are our principles regarding Compliance?

[...]

☐ We pay specific attention to companies controlled directly or indirectly by the Group everywhere where they are located.
This Compliance Code of Conduct is the common reference which all the employees, managers, executives and Directors of the controlled entities of the Group, wherever Naval Group operates. Where we do not control the company, we urge the controlling co-shareholders to adopt or adapt this Code.

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→ We respect the highest level of demand regarding integrity and regarding Business ethics based on values of integrity, honesty and transparency in the conduct of our activities all over the world.
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→ We forbid the payments of facilitation.
→ The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.
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What is a facilitation payment? It is an unofficial payment of small amount paid to civil servants occupying modest responsibilities, with the aim to obtain or accelerate the execution of administrative routine formalities.

Entry into and continuation of business relationships

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

Our suppliers, contractors and service providers (consultants, agents, suppliers including offsets) are subject to a specific alertness before entering business then the follow-up relations with the latter.

Accessed 18/05/2020
8. Offsets

Question

8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?

Score

0

Comments

There is some evidence that the company addresses the corruption risks associated with offset contracting, however there is no evidence that a dedicated body, department or team is responsible for monitoring the company's offset activities and therefore the company receives a score of '0'.

Evidence

Accessed 18 June 2019

[p.4] Entry into and continuation of business relationships

Controls adapted to the level of potential Compliance risk are carried out on the basis of the information collected or provided by a third party prior to any entry into a business relationship and then during the lifetime of the relationship, to ensure that the third party meets technical, human, financial, regulatory and ethical requirements to meet the requirements of Naval Group with its stakeholders.

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Accessed 18/05/2020

[p.75] Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group's risk map, such as, for example:
– high-risk clients;
– at-risk suppliers;
– offset projects;
– sales consultants and industrial partners;
– projects for strategic partnerships and M&As;
– charitable, philanthropic, patronage or sponsoring activities;
– lobbying.

Due diligence compliance on these activities includes investigations that mainly serve to identify the final beneficiaries and the main leaders of the third party(parties) concerned and to verify their integrity. If the identified risks cannot be satisfactorily mitigated, the entity in charge of the contractual relationship will take appropriate measures, which can go as far as the abandonment of the draft contract or the termination of the current contract.

[3] Compliance Program - Key Instructions
Accessed 18/06/2019

Naval Group requires due diligence compliance checks to be carried out on any external stakeholders identified in its corruption and influence peddling risk map with whom it enters into a business relationship.

The Instruction defines the specific level of due diligence to be applied to these stakeholders, and in particular those identified as at risk (such as business advisors, offset partners, industrial partners and lobbyists). Naval Group has experienced management teams, specialised in managing relations with these stakeholders.
The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders. All of these requirements are applied through specific instructions for:

[...]

- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for business advisors and industrial partners, and oversees their remuneration. Periodic renewal of due diligence is also required, through to the end of the business relationship.
Question

8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?

Score

1

Comments

There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations.

However, the process does not specifically mention checks on beneficial ownership and conflicts of interest and there is no evidence that the company seeks to assure itself of the legitimacy of the investment. In addition, it is not clear that the company refreshes this due diligence at least every two years or when there is a significant change in the business relationship or nature of the partner.

Evidence

Accessed 18/06/2019

[p.4] Entry into and continuation of business relationships

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The Group has also defined business ethics clauses dedicated in particular to compliance with anti-corruption regulations and the application of the best CSR standards; these are designed to be included in contracts with its stakeholders.

All of these requirements are applied through specific instructions for:

- Selecting and managing business advisors and industrial partners. Naval Group performs enhanced due diligence in its selection process for business advisors and industrial partners, and oversees their remuneration. Periodic renewal of due diligence is also required, through to the end of the business relationship.

[5] Compliance Program Policy
Accessed 18/06/2019
The members of the Executive Committee, the directors of Naval Group’s subsidiaries, the entire managerial line and the employees regardless of the hierarchical level, must:

[...]

ensure that the due diligences with regard to entering into business relations with third parties (in particular, business advisers, industrial and strategic partners, offset providers and lobbyists) have been performed.

[16] Key Procedures (Document)
Accessed 18/05/2020

Naval Group carries out compliance due diligence adapted to the potential corruption risks related to a business opportunity or an existing relationship with a third party. A compliance due diligence is updated a minima every 36 months. The most stringent level of compliance due diligence is for example applied to contracts or agreements with business advisors, offset partners, M&A, industrial partner, lobbyists and joint ventures projects. Naval Group has experienced management teams, specialised in managing relations with these stakeholders.

Accessed 18/05/2020

Due diligence compliance procedures are applied to all Group sites and subsidiaries and focus in particular on the types of activities identified as most exposed in the Group’s risk map, such as, for example:
– high-risk clients;
– at-risk suppliers;
– offset projects;
– sales consultants and industrial partners;
– projects for strategic partnerships and M&As;
– charitable, philanthropic, patronage or sponsoring activities;
– lobbying.

Due diligence compliance on these activities includes investigations that mainly serve to identify the final beneficiaries and the main leaders of the third party(parties) concerned and to verify their integrity. If the identified risks cannot be satisfactorily mitigated, the entity in charge of the contractual relationship will take appropriate measures, which can go as far as the abandonment of the draft contract or the termination of the current contract.
<table>
<thead>
<tr>
<th>Question</th>
<th>Score</th>
<th>Comments</th>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.3  Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?</td>
<td>0</td>
<td>The company does not publish any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company's offset programme.</td>
<td>No evidence found.</td>
</tr>
</tbody>
</table>
Question

8.4 Does the company publish details about the beneficiaries of its indirect offset projects?

Score
1

Comments

In its 2017 and 2018 CSR Reports, the company publishes examples of its direct and indirect offset projects and the names of some of the beneficiaries. The level of detail provided is sufficient that the beneficiary of the offsets are identifiable. There is evidence that this information is updated annually.

However, it is unclear whether this is a complete list of the company’s offset beneficiaries.

Evidence

[14] CSR Report 2018
Accessed 18/06/2019

[p.59] Offsets refer to specific contractual obligations in connection with major international public procurement contracts. These obligations may apply to defence contracts, but also to energy, transport, telecommunications and other infrastructure projects. Generally speaking, offsets require the vendor to create added value in the country of the purchaser. They involve measures aimed at encouraging local development and balancing the balance of payments through involvement of local industry (local content), the acquisition of technology through transfers from the vendor, investments, counterpurchases, or other similar operations. Offsets are linked to a sales contract. They are defined by rules and/or laws specific to each country with a policy in this subject. Note that many countries may have similar requirements, but they may not have been formally defined by offset regulations.

[p.60] These rules define eligibility criteria for offset activities – industrial sector, the nature of the offset and the valuation etc., –, and the conditions for implementing them, which will be included in a specific agreement – or offset contract – setting out points such as the value of the commitment (or the calculation base, which is quite often equal to 100 % of the contract’s value), the methods for the valuation of offsetting projects, the timeframes for their completion and the penalties for non-completion, to name these topics only.

There are two main categories of offsets direct offsets and indirect offsets:

- direct offsets

These relate to equipment, technology or activities directly linked to the product purchased. In this case, the purchasing government may require the supplier to transfer the technology associated with the product, subcontract a minimum proportion of the contract to local firms, train the end user in the use and maintenance of the product purchased, and so on;

- indirect offsets

These are unrelated to the product purchased and may be carried out in another industrial sector or high-tech area. Indirect offset projects may take the form of investments, transfers of technology, licences or export subsidies. Depending on the client, the request may be directed more at one of these categories than the other depending on the local strategies and the country’s level of development.

A multiplier coefficient will sometimes be applied to the actual value of the offset transaction in order to steer the vendor towards priority projects according to the purchaser’s own agenda; this means that in some countries a purchase in a high-tech field may generate several times the actual value of the purchase or service in question. This multiplier coefficient may also differ depending on the nature of the transaction: a transfer of technology will often benefit from a bigger multiplier than a purchase of a more standard product.

Offsets are an integral part of Naval Group’s offering, and the offset offered is taken into account in the client’s evaluation of the overall proposal. It may be a prerequisite, and in certain circumstances the offset contract may have to be negotiated and signed prior to the main sales contract for our products.
Examples in 2018

Malaysia

In connection with carrying out its offsets for the Malaysia Gowind® corvette program, Naval Group signed a Memorandum of Agreement (MoA) in 2016 with the Universiti Teknologi Malaysia, Ocean Thermal Energy Centre (UTM OTEC), which is the centre of excellence for ocean thermal energy in Malaysia.

In 2018, Naval Group continued actions initiated in 2017 for a collaboration project between the National Defence University of Malaysia (UPNM) and the École centrale de Nantes (ECN), for the development of a course for a Masters in Maritime Technology in Kuala Lumpur.

As part of this agreement, the three partners are pooling their skills in order to develop top-class training that will help to build a high level of expertise in the maritime field in Malaysia.

[p.61] The first Malaysian students arrived in France in September 2017 and joined Masters and PhD courses at the École centrale. These same students, future graduates, will then teach at the UPNM on their return to Malaysia, receiving educational support from the École centrale. This cooperation will result in the promotion of Malaysian students who have graduated in their country of origin, and the best students among them will go to Nantes to complete their training by following Masters 2 courses. Naval Group will also bring its expertise in naval engineering for designing and developing course content. The specialised Masters 2 degree will include courses, supported by the group’s experts, which are devoted to the incorporation of combat systems.

Naval Group negotiated an offset production contract in the framework of the Scorpene submarine maintenance programme (ISS), in 2018. This contract will be signed in 2019. A first operation was anticipated. The National Defence University of Malaysia (UPNM) and the EURECOM School in Sophia-Antipolis have started a cooperation by which the school will host the first students in the Cybersecurity Master in September 2018.

Brazil

In 2017, Naval Group successfully continued to fulfil its offset obligations for the PROSUB contract for supplying submarines to Brazil. In particular, Naval Group supported a project to modernise facilities at the Brazilian Navy Arsenal (AMRJ – Arsenal da Marinha do Rio de Janeiro). Starting in 2014, Naval Group provided the Brazilian Navy with its expertise by proposing designs and giving its advice and support in relation to modernisation of the launch system in the main dock of the Navy’s arsenal in Rio.

Colombia

It is Colombia’s intention to develop and build a new generation of frigates in collaboration with the local shipyard Cotecmar at its Cartagena site as part of the Colombian Navy’s fleet renewal program. In partnership with the Colombian National Apprenticeship Service (SENA) and the French Ministry of Education, on September 1, 2017 Naval Group signed a letter of intent aimed at setting up a Franco-Colombian vocational training centre. The latter will contribute to strengthening necessary skills, in particular for implementation of the future Colombian frigates programme.

This vocational training cooperation project will create the shipbuilding training centre in Colombia along with its teaching materials, while ensuring the transfer of skills, preparation of skills standards and increased mobility between the two countries. The trades covered range from welding to fabrication, including pipework, electricity and marine engineering.

Romania

On November 15 and 16, 2017 Naval Group organised an industrial seminar in Romania, in conjunction with GICAN (naval activities and construction industries group) so that naval defence companies from both countries involved in the Romanian Navy’s modernisation program (acquisition of four, 2,500-tonne corvettes and modernisation of two frigates) could meet up. Some 17 French companies and more than 60 Romanian companies attended the B2B days. On November 15, Naval Group and its partner, the Constanta shipyard signed a Memorandum of Agreement. More than 170 interviews took place over these two days, which were attended by High Authorities of the Ministry for Economic Affairs, the Ministry of Defence and the chairmen of the Senate Defence Committee and Chamber of Deputies.
It was through these seminars that a large number of potential cases of cooperation were identified, and these seminars also highlighted Naval Group’s strong desire to strengthen its presence in Romania.

CSR Report 2017
Accessed 18/06/19

In connection with carrying out its offsets for the Gowind® Malaysia corvette program, Naval Group signed a Memorandum of Agreement (MoA) in 2016 with the Universiti Teknologi Malaysia, Ocean Thermal Energy Centre (UTM OTEC), which is a centre of excellence for ocean thermal energy in Malaysia.

Under this agreement, a preliminary feasibility study for the installation of an ocean thermal, energy plant on Layang Layang Island, which lies off the coast of Sabah, in West Malaysia, was carried out by Naval Energies. If this project is carried out, it will allow the island to reduce the use of fossil fuels and would also boost its economic development. For Naval Group, this collaboration is in line with its strategy of building close, lasting relationships with its clients and developing a common technological vision of the future in the naval and maritime field.

Furthermore, Naval Group is supporting a cooperation project between the National Defence University of Malaysia (UPNM) and the École centrale de Nantes (ECN), for the development of a course for a Masters in Maritime Technology in Kuala Lumpur. UPNM, ECN and Naval Group signed a Memorandum of Agreement in March 2017 at the LIMA 2017 Defence Trade Fair in Langkawi.

As part of this agreement, the three partners are pooling their skills in order to develop top-class training which will help to build a high level of expertise in the maritime field in Malaysia. The first Malaysian students arrived in France in September 2017 and joined a Masters course and are doing a PhD at the École centrale. These same students, future graduates, will then teach at the UPNM on their return to Malaysia, receiving educational support from the École centrale. This cooperation will result in the promotion of Malaysian students who have graduated in their country of origin, and the best students among them will go to Nantes to complete their training by following a Masters 2 course. Naval Group will also bring its expertise in naval engineering for designing and developing course content. The specialised Masters 2 degree will include courses, supported by the group’s experts, which are devoted to the incorporation of combat systems.

Brazil

In 2017, Naval Group successfully continued to fulfil its offset obligations in the PROSUB contract for supplying submarines to Brazil. In particular, Naval Group supported a project to modernise facilities at the Brazilian Navy Arsenal (AMRJ – Arsenal da Marinha do Rio de Janeiro). Starting in 2014, Naval Group provided the Brazilian Navy with its expertise by proposing designs and giving its advice and support in relation to the modernisation of the launch system in the main dock of the Navy’s arsenal in Rio.

Colombia

It is Colombia’s intention to develop and build a new generation of frigates in collaboration with the local shipyard Cotecmar at its Cartagena site as part of the Colombian Navy’s fleet renewal program. In partnership with the Colombian National Apprenticeship Service (SENA) and the French Ministry of Education, on September 1, 2017 Naval Group signed a letter of intent aimed at setting up a FrancoColombian vocational training centre, which will help to strengthen the skills required, particularly when the Colombian frigate program is implemented in the future.

This vocational training cooperation project will create a shipbuilding training centre in Colombia along with its teaching materials, while ensuring the transfer of skills, preparation of skills standards and increased mobility between the two countries. The trades covered range from welding to fabrication, including pipework, electricity and marine engineering.

Romania

On November 15 and 16, 2017 Naval Group organised a shipbuilding industry seminar in Romania, in conjunction with GICAN (naval activities and construction industries group) so that naval defence companies from both countries involved in the Romanian Navy’s modernisation program (acquisition of four, 2,500-tonne corvettes and modernisation of two frigates) could meet up. Some 17 French companies and more than 60 Romanian companies...
attended the B2B days. On November 15, Naval Group and its partner, the Constanta shipyard signed a Memorandum of Agreement. More than 170 interviews took place over this 2-day period, which was attended by High Authorities of the Ministry for Economic Affairs, the Ministry of Defence and the chairmen of the Senate Defence Committee and Chamber of Deputies.

It was through these seminars that a large number of potential cases of cooperation were identified, and these seminars also highlighted Naval Group’s strong desire to strengthen its presence in Romania.

[23] News release (Webpage)
Accessed 18/05/2020
NAVAL GROUP ENHANCES INDIAN INDUSTRIAL PARTNERSHIPS AT DEFEXPO 2020
On 6th February 2020, at DEFEXPO 2020 Naval Group announced signatures of important industrial alliances with Indian partners, thereby re-instating our commitment to indigenous content.
At DEFEXPO 2020, Naval Group reiterates its commitment to deepen sustainable cooperation with the Indian industry. Naval Group, with its robust track-record in terms of large and rich technology transfers worldwide, has been a pioneer in policy of Make in India and now gearing up for “make from India”.
With a presence of more than a decade in India, Naval Group has firmly supported the self-reliance of the Indian Navy for its naval programs. Naval Group’s international strategy is to build long-term strategic partnerships with the most qualified and innovative industrial actors of the countries for our clients in order to ensure their sovereignty.
Naval Group is proposing a robust offset package in our competitive and technically advanced offer for the Indian tender for modern heavy weight torpedoes. “This is the natural extension of our industrial presence in India achieved through the ongoing project for Kalvari-class submarine” declared Patrice Pyra, Commercial Director of Naval Group Underwater Weapons.
“Our partners share essential features with us such as high-level of quality standards and the search for ever increasing innovation and we are eager to take them on-board our global projects” said Massi Begous, Naval Group Senior Vice-President for International Industrial Development, while welcoming and signing MoUs with qualified Indian companies:
1. VEM Technologies Pvt Ltd
2. H And H Precision Pvt Ltd
3. HBL Power Systems Ltd
4. CFF Fluid Control Pvt Ltd
5. Flash Forge Pvt Ltd
6. Omega Renk Bearings Pvt Ltd
7. Walchandnagar Industries Ltd
8. Elcome Integrated Systems Pvt Ltd
9. Marine Electricals (India) Ltd
10. Axon Interconnectors and Wires Pvt Ltd
11. Engie Axima India Pvt Ltd
12. Linia Engineering Services
13. Souriau India Pvt Ltd
### 9. High Risk Markets

<table>
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<th><strong>Question</strong></th>
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<tbody>
<tr>
<td>9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?</td>
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<table>
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<th><strong>Score</strong></th>
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<th><strong>Comments</strong></th>
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<tr>
<td>The company acknowledges the corruption risks associated with operating in different markets, and there is evidence that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. The results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls.</td>
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<tr>
<th><strong>Evidence</strong></th>
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Accessed 18/06/2019  

[The group’s compliance program] is deployed around the following pillars

[...]  
3. The development and regular updating of a corruption and influence-peddling risk map intended to identify, analyse and rank the corruption risks to which the group is exposed and including an action plan aimed at reducing the identified risks.  

[...]  
6. The implementation of performance indicators and several areas for verification allowing the evaluation of the maturity of the compliance program and the adherence to this by the employees on the basis of an internal control plan implemented in all group entities. Through a continuous-improvement methodology, these controls are taken into account to adapt or extend the compliance program and, in particular, the risk map. |

[1] Code of Ethics  
Accessed 18/06/2019  

[p.5] Naval Group also complies with French law, notably law 2017-399 dated 27 March 2017 relating to the duty of care by mother companies and prime contractors. The Group has set up a vigilance plan within the domains of CSR which is organised around the following five areas:

1. risk mapping (identification, analysis and prioritisation),  
2. regular procedures for assessing the situation within the subsidiaries, with suppliers or subcontractors with respect to the risk mapping,  
3. appropriate measures for attenuating risks or to prevent serious impacts,  
4. an alerting and gathering mechanism defined in collaboration with the personnel representative bodies,  
5. a system to follow up the measures taken and to assess their effectiveness.  

This plan is based on a complete repository which, in addition to this Code of Ethics, notably includes:

- a supplier code of conduct, intended for our suppliers and subcontractors,  
- a set of charters and guides intended for the Naval Group employees (see below, annexes), notably including the human rights charter which supplements and details our commitment to the Global Compact. |

Accessed 18/06/2019
The Ethics, Compliance and Governance Department establishes and updates rules and applicable procedures regarding Compliance on the basis of a risks mapping which it sets up.

Accessed 18/06/2019

[p.15]

Aware of the risks for the company and co-workers, Naval Group has implemented a compliance program in accordance with the French regulations ("Sapin II" law) and meets the requirements of the best international standards in this regard. This program is applicable within Naval Group SA and its controlled companies and is comprised of eight concrete measures:

1. The creation of a dedicated department (Group Ethics, Compliance and Governance, DCG), in charge of creating and implementing the compliance program within the group and its controlled subsidiaries. The head of DCG is the group referent for all compliance matters.

2. The creation of compliance code of conduct which establishes the zero tolerance policy for any act of fraud or corruption committed within the company or influence peddling.

3. The implementation of instructions defining the rules applicable to co-workers in the framework of their relations with stakeholders.

4. The development of tools made available to co-workers to facilitate their initiatives and improve traceability (see the compliance software).

5. The deployment of a training system and raising the awareness of personnel most exposed to the risks of corruption.

6. The implementation of internal accounting checks/audits and an evaluation system intended to ensure the compliance system and its instructions are carried out correctly.

7. The Naval Group alert system ensuring it is possible to report events confidentially (see page 18).

Accessed 18 June 2019

[p.16] The group’s Ethics, Compliance and Governance Department, whose head is the point of contact in the fight against corruption and influence peddling as defined in French Law no. 2016-1691 of December 9, 2016 respecting transparency, the fight against corruption and the modernisation of economic life (known as the Sapin 2 Law), is in charge of defining and deploying the compliance mechanism within the group.
As such, in 2018, the actions carried out consisted of:

- updating of the group’s risk mapping;

[...]

1.2.7.1. Risk management plan

The group faces a number of risks and uncertainties that may impact its financial performance. For this reason it has put in place a risk management system that covers strategic, operational, financial, legal and corporate social responsibility risks. It is under the guidance of the Internal Audit and Risk Committee and co-chaired by the Senior Executive Vice-President for Finance, Legal, Purchasing and Real Estate and the General Secretary. The group’s business, operating results or financial position could be materially affected by the risks described below or by other risks and uncertainties of which the group is currently unaware or which it regards, as at the date of this document, as immaterial.

All CSR risks have followed the same group methodology with regard to their identification and assessment, except for the fact that the risks in the CSR mapping are assessed as underlying, not net, risks. The entities who collaborated in its creation are: Occupational Health and Safety, Eco-Design, Human Resources, Personal Data Protection, Compliance, the Nuclear and Pyrotechnics Inspectorate, the Diving Safety Inspectorate, and the Audit and Risk Department.

[p.17] 1.2.7.3. Legal risks

The group has identified four major legal risks:

Ethics and compliance

Against a background of international development and an evolving regulatory environment, Naval Group’s customers expect mutual commercial relations to be exemplary in terms of demonstrating compliance with the strictest national and international standards and legislation. For the same reasons, its industrial partners express their desire to know about the organisation and the rules in place in the fight against corruption and influence peddling (“compliance”) in order to be certain that they correspond to their standards. In 2017, therefore, in addition to the whistleblowing scheme in place since 2015, the group resolved to strengthen the existing compliance system with regard to both the prevention and handling of risks so that it satisfies the highest requirements in this area (see section 1.2.6, above).

Naval Group does not have any aggressive tax planning scheme in place and does not have any relations with uncooperative states or territories aimed at gaining a tax advantage.

The risk of corruption is detailed in the chapter on the declaration of corporate social responsibility performance.

[14] CSR Report 2018
Accessed 18/06/2019

[p.40] the Audit, Accounts and Risks Committee, which is tasked with monitoring:

- the economic and financial reporting process,
- the effectiveness of the internal control and risk management systems,
- the legal control, exercised by the Statutory Auditors, of the annual accounts and, if necessary, of the consolidated accounts of the company,
- independence of the Statutory Auditors.

Identification and monitoring of the Regulated Agreements and Agreements between Bound Parties referred to in Articles L 225-38 et subsequent articles in the French Commercial Code.

With regard to risks, each year it examines the map of all the kinds of risks to which the group is exposed as a result of its operations and the processes, and action plans put in place to identify and manage these risks, in particular taking account of feedback from past programs.

[p.41] the Remuneration, Appointments, Ethics and Corporate Social Responsibility Committee, that has the following main tasks:
With regard to Ethics and Corporate Social Responsibility: review and monitor measures adopted within the group regarding ethics, compliance, the management of conflicts of interest and, more generally, Corporate Social Responsibility;

[p.65] Management of supplier risk

The specific committees dedicated to analysing supplier risks met in 2018. These committees, chaired by the Procurements Director and made up of representatives of the departments concerned, are tasked with defining the action plans required for managing the risks identified by procurement players. These risks are characterised according to the main supplier risk categories. A CSR risk is one of the four main types of risk associated with supplier risk management.

This risk analysis is carried out on a regular basis and updated as required. Naval Group’s entire panel of suppliers is subject to a thorough and rigorous risk analysis from two angles: inability to deliver and impact on company image. This analysis is also considered over the short- and medium-term (program risks) and over the medium- and long-term (sovereignty/market leadership).

The risk analysis conducted for each supplier specifically involves regulatory compliance, OHS, CSR and image as well as the legal aspect and fraud.

The CSR aspect of this supplier risk analysis is going to be strengthened and adjusted in 2018, by more accurately characterising risks associated with supplier fields of activity, typology and location.

Accessed 18/05/2020

[p.73] 3. Risks mapping In a context of international development, Naval Group complies with the standards and national and international legislation applicable to it, in particular with regard to the fight against corruption and influence peddling.

The risk of corruption and influence peddling is taken into account for ethical and legal reasons, but also for its potential negative impact on the group’s economic activity, finances and image and ultimately on employment and the viability of the company.

In order to implement the necessary preventive measures, Naval Group draws up a corruption risk map which covers all activities conducted in France and abroad. It takes into account all factors specific to the group’s context, in particular its business sector, stakeholders, processes, business lines and the countries concerned. Abroad, the risk level taken into account during the mapping exercise is highly variable and depends on several factors:
- the scope of our activities (subsidiary, representative office, regional representative);
- the importance of exchanges made (contracts signed, revenues, prospects);
- the nature of our activities (sales, shipbuilding, ship maintenance);
- the level of corruption perception via rankings drawn up by recognised international institutions and bodies such as Transparency International.

As regards third parties with which Naval Group has a contractual relationship, a ranking has been established according to their expectations and the nature of the relationships maintained. A risk level has been defined and preventive measures are implemented (such as due diligence compliance, see below).

Accessed 18/05/2020

[p.46] Detailed description

The risk of corruption and influence peddling is identified in the group’s risk mapping for activities carried out in France and internationally, particularly in the subsidiaries. It covers business dealings with third parties, sponsorship and corporate philanthropy activities, involvement in political and community life, as well as gifts and meals received or offered and the reflection of these transactions in the accounting records.

Impact

The risk of corruption and influence peddling is taken into account for ethical and legal reasons and because of its potential negative impact on the group’s business, finances and image, on jobs and on the company’s viability.
In 2018, Naval Group prepared a single risk map for corporate social responsibility (CSR) including, in addition to the topics within the scope of the law on the duty of vigilance, the fight against corruption and influence peddling. This mapping is used to assess the group’s risks.

These risks, described in point 3.2 above, are monitored by each of the entities in charge, and in particular:

- the Health, Safety and Environment Department (see section 3.2.4. above);
- the Eco-design Department (see section 3.2.3.);
- the Human Resources Department (see section 3.2.5.);
- the Data Protection Officer (see section 3.2.8.);
- the group Ethics, Compliance and Governance Department (see section 3.2.9.). The map was updated in 2019 to include all strategic subsidiaries abroad. To that end, the concept of country risk has been incorporated into the mapping methodology. Country risk is assessed on the basis of the following internal data: nature of the subsidiary’s business, number of employees and external information published by the NGOs Transparency International and Freedom House and the Respeco index, produced by the Research Department of the Chamber of Commerce and Industry of the Hauts-de-France region.
Question

9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?

Score

1

Comments

In its annual Financial Report, the company publishes a list of its consolidated and non-fully consolidated subsidiaries and the percentages owned.

However, the company does not indicate that the list is complete at the time of publication to the best of the its knowledge and does not provide details on the countries of incorporation and operation for all entities.

Evidence

Accessed 18/06/2019

[p.14] 1.2.5. SUBSIDIARIES AND JOINT VENTURES

Subsidiaries

Activities and results of subsidiaries and associates Naval Group holds direct or indirect shareholdings in the following consolidated group companies (all holdings are 100% unless stated otherwise):

Armaris Quater
Armaris Quater owns Naval Group Actionnariat.

Armaris Sixt
Armaris Sixt holds an interest in the Egyptian subsidiary Alexandria Naval for Maintenance and Industry (1 share).

Naval Group Actionnariat
This company is responsible for conducting buybacks of staff shares, allocated under the 2008 and 2014 staff share offers.

Naval Group Participations (formerly DCNS Participations)

Naval Group Participations is a holding company. It holds interests in several Naval Group companies created abroad: Naval Group Technology Canada Inc. (100%), DCNS Arabia (90%), Alexandria Naval for Maintenance and Industry (99.99%), DCNS Zamil (55%) and Naval Group Malaysia Sdn Bhd (insignificant).

Boustead DCNS Naval Corporation SDN BHD (BDNC) (40% holding)

BDNC is located in Malaysia. The company's principal object is to supply in-service support to the Malaysian Navy for its Scorpène® submarines.

DCN International

DCN International was founded in 1990 to manage export contracts for materiel and services for the then Direction des constructions navales (DCN, which became a national government agency in 2000). Following the transfer of government activities to DCN in June 2003, DCN International retains this role with respect to Naval Group for all contracts that were already in existence at the time of the change of status, except those transferred to Armaris. The company has undertaken no new business since then.

Naval Group Far East Pte Ltd Naval Group Far East Pte Ltd operates in Singapore, performing logistics and systems maintenance work in relation to naval and naval aviation activities.
Naval Group India Pte Ltd (formerly DCNS India Pte Ltd)

Naval Group India provides local support for the performance of the Indian submarine-building program.

Défense Environnement Services (DES) (49% holding)

DES was founded by Naval Group and Veolia Environnement Services in order to combine their know-how in a single company. This joint venture is a leading provider of support services to military sites.

Euroysnsnav SAS (50% holding)

Euroysnsnav was established to act as general contractor in relation to the combat systems for Horizon anti-aircraft frigates. A decision to dissolve the company was taken at the General Meeting of its shareholders on June 22, 2016. It was in the process of liquidation as of the end of December 2018.

Itaguaí Construções Navais SA (ICN) (41% holding)

ICN is located in Brazil. The principal object of the company is the construction of submarines in Brazil, in particular under the PROSUB program.

MO PA2

MO PA2 was originally created to be a contractor for the French aircraft carrier No. 2 program. The company has no business activity.

Sirehna

Sirehna specialises in the development of dynamic stabilisation, positioning and landing systems for land, sea and air vehicles and drones.

Naval Group Coopération

The purpose of Naval Group Coopération is to provide external support to the group’s sales staff in export markets.

Naval Group Support (formerly DCNS Support)

The purpose of the company is the design, study, improvement, purchase and sale of all technical assistance services of an industrial nature linked to the supply of all systems, software and munitions used in naval and naval aviation activities, particularly in Saudi Arabia.

Winacelles (40.60% holding)

Winacelles is a company whose purpose was the design, development and readying for series production of offshore wind turbines. The company’s name was deleted from the register of the Lorient Commercial Court on April 4, 2018.

Kership (45% holding)

Kership, held jointly with Piriou, is a joint venture operating in the field of lightly armed vessels 95 metres or less in length, designed primarily to civilian standards and intended for military or civil administrative bodies.

[p.15] Naval Group Malaysia Sdn Bhd

Naval Group Malaysia provides local support for the execution of the Gowind® Malaysia program, participates in the development of the group’s business in Malaysia and provides logistical and administrative support to Naval Group expatriates and secondees in Malaysia.

Naval Energies (59.87% holding) Naval Energies is dedicated to marine renewable energy activities. It is present throughout the product life cycle and has a mastery of the entire value chain: design, manufacturing, installation, connection and maintenance in two MRE technological fields: floating wind turbines and ocean thermal energy conversion.
Naval Group BR Sistemas de Defesa LTDA Naval Group BR Sistemas de Defesa LTDA is a Brazilian company which participates in the development of the group’s business in Brazil and provides logistical and administrative support to Naval Group expatriates and secondees in Brazil.

Projetos e Sistemas Navais SA (100% owned by Naval Group BR Sistemas de Defesa LTDA) Projetos e Sistemas Navais SA (PROSIN) aims to develop the engineering systems business in Brazil. Its operations have been suspended.

Naval Group Australia Pty Ltd Naval Group Australia Pty Ltd is an Australian company that provides support for the development of Naval Group’s business in Australia.

DCNS Zamil (55% holding) DCNS Zamil is a joint venture created in December 2017 with Zamil Offshore Services company and its primary purpose is to perform maintenance on the military vessels of the Saudi Navy’s fleet.

Principia (33.33%)
The purpose of Principia is to perform works, conduct research, give scientific and technical advice and generally perform all engineering activities required to support project owners, contractors and operators on high-tech industrial facilities through to its expertise in the mechanical and thermal fields.

TechnicAtome (20.32%)
TechnicAtome specialises in design, construction, commissioning and in-service support for compact nuclear reactors. Revenue and net income figures for the subsidiaries are shown in note 2 to the annual financial statements of Naval Group SA. Naval Group also has various permanent establishments or representative offices abroad whose activity is directly included in the group’s results. The company has permanent establishments in Finland and India, representative offices in Greece, Australia, Indonesia, Poland, Colombia, Chile, the United Arab Emirates and the Netherlands (some of which are registered as branches in accordance with local laws) as well as branch offices in Saudi Arabia and Egypt.

Accessed 18/05/2020
[p.16] 1.2.5. SUBSIDIARIES AND JOINT VENTURES
Subsidiaries
Activities and results of subsidiaries and associates Naval Group holds direct or indirect shareholdings in the following consolidated group companies (all holdings are 100% unless stated otherwise):
Armaris Quater
Armaris Quater owns Naval Group Actionnariat.
Armaris Sixt
Armaris Sixt holds an interest in the Egyptian subsidiary Alexandria Naval for Maintenance and Industry (1 share).
Naval Group Actionnariat
This company is responsible for conducting buybacks of Naval Group shares acquired by the beneficiaries of both Employee Share Offers in 2008 and 2014, as well as the 2019 collective shareholding plan. These beneficiaries contributed their shares to the FCPE Actions Naval Group.
Naval Group Participations
Naval Group Participations is a holding company. It holds equity interests in several Naval Group companies created abroad: Naval Group Technologie Canada Inc. (100%), Naval Group Arabia (90%), Alexandria Naval for Maintenance and Industry (99.99%), DCNS Zamil (55%), Naval Group Pacific (100%), and Naval Group Malaysia Sdn Bhd (not significant).
Boustead DCNS Naval Corporation Sdn Bhd (BDNC) (40% shareholding)
BDNC is located in Malaysia. The company's principal purpose is to supply in-service support to the Malaysian Navy for its Scorpène® submarines.
DCN International
DCN International was founded in 1990 to manage export contracts for materiel and services for the then Direction des constructions navales (DCN, which became a national government agency in 2000). Following the transfer of government activities to DCN in June 2003, DCN International retains this role with respect to Naval Group for all contracts that were already in existence at the time of the change of status, except those transferred to Armaris. The company has undertaken no new business since then.
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Itaguai Construções Navais SA (ICN) (41% holding)
ICN is located in Brazil. The principal object of the company is the construction of submarines in Brazil, in particular under the PROSUB program.

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Naval Group Support
The purpose of the company is the design, study, improvement, purchase and sale of all technical assistance services of an industrial nature linked to the supply of all systems, software and munitions used in naval and naval aviation activities, particularly in Saudi Arabia.

[The list continues over the following two pages]
### Question

9.3 Does the company disclose its beneficial ownership and control structure?

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**Comments**


Although there is evidence that it files this information with the French commercial registry, this is not freely publicly accessible, and the company therefore does not meet the criteria for a score of ‘2’.

**Evidence**

Accessed 18 June 2019

[p.2] Naval Group (the “company”) is a société anonyme (public limited company) under French law. As at December 31, 2018, 62.25% of its capital was held by the French State, 35% by Thales, and 1.73% by current and former members of staff of the company and its subsidiaries through the Actions Naval Group employee mutual fund (2008 and 2014 Compartments of FCPE Actions Naval Group), the remaining 1.02% being made up of treasury shares held by Naval Group Actionnariat.

[p.78]  

![Shareholder Structure Table](attachment:image.png)

**[11] Combatting corruption and influence peddling (compliance) (webpage)**
Accessed 18 June 2019

In accordance with the French Law of 9 December 2016 in relation to transparency, the fight against corruption and economic modernisation (the so-called Sapin II law), Naval Group declares its interest representatives in the digital register of interest representatives of the French High Authority for Transparency in Public Life (Haute autorité pour la Transparence de la Vie Publique – HATVP).
9.4 Does the company publish a percentage breakdown of its defence sales by customer?

In its annual Financial Report, the company says it has 50 naval customers worldwide. However, it does not provide any further details on these customers as a percentage of its defence sales.

Evidence

Accessed 18 June 2019

[p.29]
## 10. State-Owned Enterprises (SOEs)

### Question

10.1 Does the SOE publish a breakdown of its shareholder voting rights?

### Score

0

### Comments

The SOE does not publish sufficient details of its shareholder voting rights either in the public materials on its website or in freely available commercial registries.

### Evidence

Accessed 18/06/2019

[p.2] Naval Group (the “company”) is a société anonyme (public limited company) under French law. As at December 31, 2018, 62.25% of its capital was held by the French State, 35% by Thales, and 1.73% by current and former members of staff of the company and its subsidiaries through the Actions Naval Group employee mutual fund (2008 and 2014 Compartments of FCPE Actions Naval Group), the remaining 1.02% being made up of treasury shares held by Naval Group Actionnariat.

During 2018, Naval Group Actionnariat (a 100% subsidiary of the group) purchased 38,938 treasury shares in accordance with the share buyback guarantee granted to staff. Of these, 15,256 shares related to the 2008 Compartment of FCPE Actions Naval Group (the First Reserved Share Offer) and 23,682 to the 2014 Compartment of FCPE Actions Naval Group (the Second Reserved Share Offer). As at December 31, 2018, the group thus held 571,185 treasury shares in relation to the two share offers.

[p.78]
5.2.4. Agreements with Thales

At the end of January 2007, in connection with the convergence with the naval activities of Thales, the shareholders’ agreement between the French State and Thales made Thales a “partner industrial shareholder” in the group. The governance arrangements grant Thales the right to play an active role on the group’s Board of Directors.

The group has also signed an industrial and commercial cooperation agreement with Thales. This provides for the optimisation of the organisation of the two groups’ activities based on:

- the non-resumption by Thales (whether directly or indirectly) of any of the activities carried out by TNF (merged with Naval Group on January 1, 2013), Armaris and MO PA2 after completion of the transaction;
- the free exercise by the French or foreign subsidiaries of Thales of activities not covered by the non-resumption undertaking;
- technical and industrial cooperation based on the specialisation of each company’s activities in order to optimise each company’s investments and to allow each party to the contract to benefit from the other’s technological resources;
- the group’s commercial freedom;
- cooperation in the areas of procurement and human resource
Question

10.2 Are the SOE’s commercial and public policy objectives publicly available?

Score

2

Comments

The SOE’s commercial and public policy objectives are made publicly available on its website, and there is evidence that they are updated on an annual basis or whenever there is a change in objectives.

Evidence

[14] CSR Report 2018
Accessed 18/06/2019

[p.15] Strategy and analysis

With more than four hundred years of history at the service of a first-class Navy, enjoying production facilities and skills that only two or three companies in the world can avail themselves of, Naval Group is the leading company in Europe for naval military systems and is founded on a strong national base as well as substantial testimonials in export business.

According to Hervé Guillou, CEO of Naval Group:

“Our ambition is for Naval Group, firmly rooted in France, to simply and gradually become the consolidator of European naval systems within ten years, with an industrial base in several locations in Europe and worldwide. A portfolio of innovative and competitive products and services will drive its profitability and growth, backed by skilled and motivated staff capable of visualising, absorbing and incorporating technologies of the future and able to maintain the skills necessary for the sovereignty of France. Its sales will reach approximately 5 billion Euros through growth in international business and in marine-energy sources. As the creator of high-tech jobs, it will have an equal presence in France, Europe and third-world countries. Its competitiveness and profitability will be on a par with the best of its peers.”

The group’s strategy, outlined in a strategic action plan announced at the end of June 2018 and approved at the Board of Directors meeting on July 17, 2018, is built around five priority focal areas:

- guarantee the superiority of the French Navy;

[p.16] develop our turnover internationally;
- meeting program deadlines;
- maintain a technical and industrial lead;
- draw on new growth drivers.

In addition to the Progress Plan initiated in 2015 and which has shown good results over the period 2015-2018, this strategic action plan is accompanied by a conquest plan intended to strengthen the effectiveness of our commercial and product development approach, to ensure sustainable development of our international sites, to accelerate our differentiation through innovation, to improve the competitiveness of Naval Group’s overall offering, to control our key competencies.

[p.42] the Strategic Planning Committee, the main task of which is to assess group strategy in its main sectors of activity.

The Strategic Planning Committee is composed of Ms Nathalie Ravilly, Ms Sandra Lagumina and Ms Caroline Laurent (who was appointed a member of this Committee by the Board on May 25, 2018), and Mr Hervé Guillou, Mr Patrice Caine and Mr Laurent Chagnas. The committee is chaired by Mr Hervé Guillou. Mr Bertrand Le Meur and Mr Jack Azoulay were members of this Committee until their resignations from their mandates as director and representative of the State on the Board of Directors on April 9, 2018 and October 29, 2018 respectively.
The Strategic Planning Committee meets three times per year or more frequently when necessary. It met five times in 2018, with an average attendance rate of 91%.
Question

10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?

Score

2

Comments

The SOE is open and clear about the nomination process, appointment and composition of its board and provides details of its board members. The SOE discloses details of its nomination process, including the criteria for nomination, which company representatives are involved in the nomination and who makes the final appointment decision. For each board member, the SOE discloses whether that person has any connection to the company or the state or is an independent director.

Evidence

Accessed 18/06/2019

[p.2] Composition and operation of the Board of Directors
The Board of Directors deliberates on all major issues concerning the strategic, economic, financial and technical orientation of the company’s business. It upholds the interests of its principal stakeholders, that is, its shareholders, employees and customers.

Its 18 members were reappointed on December 19, 2014.

The provisions of article 4 of the Order require the French State to appoint a representative to the company’s Board of Directors.

The provisions of article 7 of the Order state that employee representatives must make up one third of the Board of Directors. There are thus six such directors. In accordance with article 8 of the Order, they are elected by the workforce under the terms laid down in title II, chapter II of the Democratisation Act.

[p.3] The General Meeting of Shareholders which met on December 19, 2014 appointed 11 new directors, of whom five were proposed by the French State and three by Thales.

The French State was represented as a director until October 29, 2018 by:

- Mr Jack Azoulay, who was appointed the State’s representative on the company’s Board of Directors on September 16, 2016 by decree of the Minister for the Economy and Finance. He resigned from that office on October 29, 2018. The appointment of a new representative by the French State is expected.

The 11 directors appointed by the General Meeting of Shareholders are:

- Mr Hervé Guillou;
- Ms Sophie Mantel, appointed on the recommendation of the French State;
- Ms Sandra Lagumina, appointed on the recommendation of the French State;
- Mr Jacques Hardelay, appointed on the recommendation of the French State;
- Ms Caroline Laurent, co-opted by the Board on May 25, 2018 on the recommendation of the French State to replace Mr Bertrand Le Meur. In accordance with Article L. 225-24 of the French Commercial Code, the ratification of this co-optation will be submitted for the approval of the General Meeting called to approve the financial statements for the year ended December 31, 2018;
- Mr Bernard Réat, appointed on the recommendation of the French State;
- Mr Patrice Caine, appointed on the recommendation of Thales;
The six directors elected as representatives of the staff are:

- Ms Isabelle Roué;
- Mr Jacques André;
- Mr Joël Ricaud;
- Mr Thierry Barbarin;
- Mr Laurent Chagnas;
- Mr Gilles Rapale.

Mrs Corinne Suné is the secretary of the Board of Directors. She was appointed in this capacity by a decision of the Board on July 21, 2017.
<table>
<thead>
<tr>
<th>Company</th>
<th>Position</th>
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<tbody>
<tr>
<td>Naval Group</td>
<td>Administrator</td>
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<tr>
<td>Naval Group</td>
<td>Administrator - Chair of the Audit Committee</td>
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<td>Naval Group</td>
<td>Member of the Supervisory Board</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<td>Naval Group</td>
<td>Chairman</td>
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<td>Naval Group</td>
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<td>Schneider Electric Industries SAS</td>
<td>Executive Vice President International Operations</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<td>Naval Group</td>
<td>Chairman and Chief Executive Officer</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<td>Naval Group</td>
<td>COO Asset Management</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<tr>
<td>Naval Group</td>
<td>Administrator (from 02/21/2018)</td>
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<tr>
<td>French National Defense Procurement Agency</td>
<td>Director of Strategy</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<tr>
<td>Naval Group</td>
<td>Director of Program modifications M ECC</td>
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<td>Naval Group</td>
<td>Administrator</td>
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<tr>
<td>Naval Group</td>
<td>Prevention/Environment Officer</td>
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<tr>
<td>Naval Group</td>
<td>Administrator</td>
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</tbody>
</table>
The composition of appointments to and rules of procedure for the Company’s Board of Directors are governed simultaneously by the provisions of the Commercial Code pertaining to public limited companies (sociétés anonymes), by the provisions of Order no. 2014-948 of August 20, 2014 (the “Order”), by the provisions of law no. 83-675 of July 26, 1983 concerning democratisation of the public sector (the “Democratisation Act”) with regard to the election and status of directors representing the staff, and by the Company’s articles of association and the bylaws of the Board itself.

Composition and operation of the Board of Directors

The provisions of the Order, the Commercial Code and the Company’s articles of association require the Company’s Board of Directors to be made up of between three and eighteen members.

The provisions of article 4 of the Order require the French State to appoint a representative to the company’s Board of Directors.

The provisions of article 7 of the Order state that employee representatives must make up one third of the Board of Directors. Under the provisions of article 8 of the Order, they shall be elected by staff under the terms laid down in Title II, Chapter II of the Democratisation Act.

The Shareholders General Assembly, which met on December 19, 2014 in order to bring the articles of association of the Company into line with the provisions of Title II of the Order and to appoint new directors, decided to appoint eleven new directors, three of whom were proposed by the shareholder Thales and five by the French State. As a result, the Board of Directors is now permanently composed of eighteen directors.

The current composition of the Company’s Board of Directors is as follows:

- the French State, for which the representative on the Board is expected to be announced following the resignation of Mr Jack Azoulay on October 29, 2018;
the six directors elected as representatives of the staff are:
- Ms Isabelle Roué;
- Mr Jacques André;
- Mr Joël Ricaud;
- Mr Thierry Barbarin;
- Mr Laurent Chagnas;
- Mr Gilles Rapale;

the eleven directors appointed by the Shareholders General Assembly are:
- Mr Hervé Guillou;
- Ms Sophie Mantel, appointed on the recommendation of the State;
- Ms Sandra Lagumina, appointed on the recommendation of the State;
- Mr Jacques Hardelay, appointed on the recommendation of the State;
- Ms Caroline Laurent, co-opted by the Board on May 25, 2018 at the proposal of the State; to replace Mr Bertrand Le Meur;
- Mr Bernard Rétat, appointed on the recommendation of the State;
- Mr Patrice Caine, appointed on the recommendation of Thales;
- Ms Nathalie Ravilly, appointed on the recommendation of Thales;
- Mr Pascal Bouchiat, appointed on the recommendation of Thales;
- Ms Gabrielle Gauthey;
- Mr Luc Rémond.

Pursuant to paragraph one of article L. 225-18-1 of the French Commercial Code, the proportion of directors of each gender may not be less than 40% following the close of the next General Assembly called to approve the appointments in those companies that, as from January 1st, 2017, and for the third consecutive financial year, employ an average of at least 500 permanent staff and report net revenue or total assets of at least €50 million, it being specified that the representative of the State appointed pursuant to Article 4 of the Order is taken into account in application of this rule, in accordance with the provisions of the 4th paragraph of article 5 of the Order.

Since May 25, 2018, the Board of Directors of the Company comprises five women out of a total of twelve directors appointed by the Shareholders’ General Assembly or appointed by the State based on Article 4 of the Order. In application of Clause 6 of Act No. 2011-103, January 27, 2011 dealing with the balanced presence of women and men

[p.35] on the Board of Directors and the Steering Committee and with professional equality, lists of candidates presented to employees for voting shall be composed alternatively of one candidate of each gender and the difference between the number of candidates of each gender on each list shall not exceed one, starting from the second renewal of the Board of Directors in accordance with publication of the law.

Since December 19, 2014, one woman has been sitting on the Company’s Board of Directors, in the subset of directors elected as representatives of the staff.

Furthermore, by virtue of the legal and regulatory provisions applicable to the company, Mr Jacques Paulstre de Lamotte, General Economic and Financial Controller, head of the Space and Arms Industries Mission of the State General Economic and Financial Verification Mission, Ms Anne-Chantal Le Noan, General Controller for Arms and Government Commissioner at the Company, and Mr Stevan Le Ruyet, Secretary of the Central economic and central Social Council, attend meetings of the Board of Directors but may not vote.

Ms Anne-Chantal Le Noan was appointed by decree of the Minister of the Armed Forces dated August 13, 2018 as government auditor to the Company, replacing Mr Olivier Schmit as of September 1, 2018.

The Shareholders General Assembly held on December 19, 2014 also introduced a provision allowing the Board of Directors to appoint a non-voting director ("censeur") into the Company’s Articles of Association. Under the terms of article 14 of the company’s Articles of Association, said non-voting director has a general and ongoing advisory and supervisory role but may never become involved in the management of the company or take the place of the company’s statutory bodies. The non-voting director is invited to attend all meetings of the Board of Directors and takes part in discussions in an advisory capacity. The non-voting director is appointed for a period of five years and may be re-appointed or removed by the Board of Directors. As an exception to this rule, the Company’s Articles of Association stipulate that the term of office of any non-voting director appointed during 2014 would expire at the
close of the Ordinary General Assembly called to approve the financial statements for the year ending December 31, 2019.

At its meeting held on December 19, 2014, the Company’s Board of Directors defined the duties of the non-voting director, stipulating that the role would be an advisory one in the areas of finance, country risks and the insurance of export contracts, and it appointed Ms Sandrine Gaudin as non-voting director for a period of five years, it being specified that her term of office will expire at the close of the Ordinary General Assembly convened to approve the financial statements for the year ending December 31, 2019.

Mr Gabriel Cumenge was appointed as non-voting director, to replace Ms Sandrine Gaudin, by virtue of a decision of the Board of Directors of December 15, 2017. Mr Gabriel Cumenge was appointed for a period of five years, it being specified that his term of office will expire at the end of the Ordinary General Assembly called to approve the financial statements for the year ended December 31, 2021.

[p.36] Term of office of directors

All directors sitting on the Board of Directors of the company have a term of office of five years, in accordance with article 9 of the Company's Articles of Association, it being specified that the terms of office of the directors appointed by the Shareholders General Assembly of December 19, 2014 will expire, as an exception to this rule, at the close of the Ordinary General Assembly called to approve the financial statements for the year ending December 31, 2019. Upon taking office, each director receives firstly a copy of the Articles of Association of the Company and the internal regulation of the Board of Directors, and secondly the information and documents necessary for exercising his or her office.

Obligations and duties of the directors

The work of the Board of Directors is governed by a Board of Directors charter which forms an integral part of the bylaws of the Board of Directors and which defines the rights and duties of members of the Board of Directors, particularly in relation to situations of conflict of interests with which they may be faced, independence of analysis, judgement, decision-making and action, of which they are required to provide evidence, the time which they must devote to their office and confidentiality obligations incumbent upon them in respect of information communicated to them in writing or orally for the purposes of performing their duties and as a result of their involvement in the work of the Board of Directors and the committees of the Board of Directors.

In particular, the bylaws place each director under an obligation to inform the Board of Directors, fully and in advance, of any actual or potential situation of a conflict of interests either directly between the Company and himself or herself, or indirectly through a company in which he or she has an interest and make him or her aware that he or she will have to refrain from taking part in the discussions about and votes on the corresponding resolutions of the committees and of the Board of Directors.

In accordance with the provisions of Article 21 of the Democratisation Act, the directors elected to represent the staff have the same rights and obligations as the other directors. They are subject to all the provisions applying to the other directors, subject to the specific provisions of the above-mentioned law. On the other hand, by virtue of the 2nd paragraph of Article 22 of the Democratisation Act, they are subject to a lower level of liability than that provided for by common law. In fact, when their liability as a director is invoked, it is assessed taking into account that their office is unpaid and in no event may be held jointly and severally liable with the directors appointed by the Shareholders General Assembly.

Accessed 18/05/2020

[p.3] Composition and operation of the Board of Directors

The Board of Directors deliberates on all major issues concerning the strategic, economic, financial and technical orientation of the company’s business. It upholds the interests of its principal stakeholders, that is, its shareholders, employees and customers. Its 18 members were reappointed on December 19, 2014.

The provisions of article 4 of the Order require the French State to appoint a representative to the company’s Board of Directors. The provisions of article 7 of the Order state that employee representatives must make up one third of the Board of Directors. There are thus six such directors. In accordance with article 8 of the Order, they are elected by the workforce under the terms laid down in title II, chapter II of the Democratisation Act.

The General Meeting of Shareholders which met on December 19, 2014 appointed 11 new directors, of whom five were proposed by the French State and three by Thales. The French State was represented as a director by:
• Mr Vincent Le Biez, who was appointed as State representative on the company’s Board of Directors on December 12, 2019 by decree of the Ministry of the Economy and Finance, replacing Mr Pierre Jeannin, who had been appointed in that capacity by order of the Ministry of the Economy and Finance on June 21, 2019.

The 11 directors appointed by the General Meeting of Shareholders are:
• Mr Hervé Guillou;
• Ms Sophie Mantel, appointed on the recommendation of the French State;
• Ms Sandra Lagumina, appointed on the recommendation of the French State;
• Mr Jacques Hardelay, appointed on the recommendation of the French State;
• Ms Éveline Spina, co-opted by the Board on July 16, 2019 on the recommendation of the French State, replacing Ms Caroline Laurent. In accordance with article L. 225-24 of the French Commercial Code, the ratification of this co-optation will be submitted for the approval of the General Meeting called to approve the financial statements for the year ended December 31, 2019;
• Mr Bernard Réat, appointed on the recommendation of the French State;
• Mr Patrice Caine, appointed on the recommendation of Thales;
• Ms Nathalie Ravilly, appointed on the recommendation of Thales;
• Mr Pascal Bouchiat, appointed on the recommendation of Thales;
• Ms Gabrielle Gauthey;
• Mr Luc Rémont.

Until December 18, 2019, the six directors elected as employee representatives were:
• Ms Isabelle Roué;
• Mr Jacques André;
• Mr Joël Ricaud;
• Mr Thierry Barbarin;
• Mr Laurent Chagnas;
• Mr Gilles Rapale.

As the terms of office of the directors representing the company’s employees had come into effect on December 19, 2014 for five (5) years, pursuant to the company’s articles of association, they expired on December 18, 2019. Pursuant to the resolution approved by the Board at its meeting of July 16, 2019, on the basis of article 18 of Law 83-675 of July 26, 1983 on the democratisation of the public sector, the election of employee representatives to the Board of Directors was held on November 28, 2019. The directors elected at these elections, whose terms of office came into effect on December 19, 2019, are the following:
• Mr Olivier Menard;
• Mr Laurent Chagnas;
• Ms Béatrice Una;
• Mr Yvon Velly;
• Mr Tony Lecorps; and
• Mr Didier Chavrier.

Secretarial duties for the Board of Directors are performed by Ms Corinne Suné.
Question

10.4 Is the SOE’s audit committee composed of a majority of independent directors?

Score

0

Comments

There is no evidence that the SOE’s Audit, Accounts and Risks Committee is composed of a majority independent directors.

Evidence

[14] CSR Report 2018
Accessed 18/06/2019

[p.33] The current composition of the Company’s Board of Directors is as follows:

- the French State, for which the representative on the Board is expected to be announced following the resignation of Mr Jack Azoulay on October 29, 2018;

[p.34] the six directors elected as representatives of the staff are:

- Ms Isabelle Roué;
- Mr Jacques André;
- Mr Joël Ricaud;
- Mr Thierry Barbarin;
- Mr Laurent Chagnas;
- Mr Gilles Rapale;

the eleven directors appointed by the Shareholders General Assembly are:

- Mr Hervé Guillou;
- Ms Sophie Mantel, appointed on the recommendation of the State;
- Ms Sandra Lagumina, appointed on the recommendation of the State;
- Mr Jacques Hardelay, appointed on the recommendation of the State;
- Ms Caroline Laurent, co-opted by the Board on May 25, 2018 at the proposal of the State; to replace Mr Bertrand Le Meur;
- Mr Bernard Rélat, appointed on the recommendation of the State;
- Mr Patrice Caine, appointed on the recommendation of Thales;
- Ms Nathalie Ravilly, appointed on the recommendation of Thales;
- Mr Pascal Bouchiat, appointed on the recommendation of Thales;
- Ms Gabrielle Gauthey;
- Mr Luc Rémont.

[p.40] the Audit, Accounts and Risks Committee, which is tasked with monitoring:

- the economic and financial reporting process,
- the effectiveness of the internal control and risk management systems,
- the legal control, exercised by the Statutory Auditors, of the annual accounts and, if necessary, of the consolidated accounts of the company,
- independence of the Statutory Auditors,

With regard to risks, each year it examines the map of all the kinds of risks to which the group is exposed as a result of its operations and the processes, and action plans put in place to identify and manage these risks, in particular taking account of feedback from past programs.
The members of the Audit, Accounts and Risks Committee are Ms Isabelle Roué, Mr. Luc Rémont and Mr. Pascal Bouchiat. The committee is chaired by Mr Luc Rémont. Mr. Jack Azoulay was a member of this Committee until October 29, 2018, date on which he resigned his office as State representative on the Board.

The Audit, Accounts and Risks Committee meets at least three times per year or more frequently when necessary. It met five times in 2018, with an average attendance rate of 89%.

The Audit, Accounts and Risks Committee of the Board of Directors

This committee examines the accounts and accounting procedures presented by the Finance Department; the results of internal audits and work relating to internal checking presented by the Audit and Risks Management; work relating to the group’s main risks presented by the Audit and Risks Management (particular attention is paid to risks related to execution of the group’s major programs); the content of the forecast program of internal audit activities by the Audit and Risks Management.

It guarantees quality of the selection process, approval of the choice of Statutory Auditors and also rotation rules. It also examines the findings of the work done by the Statutory Auditors, ensuring moreover, that they are independent; points regarding the main legal disputes presented by the Legal Department; the group’s internal audit charter which is endorsed by the Chairman of the Audit and Risks Committee.

Financial Report 2018 (Document)
Accessed 18/06/2019
<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?</td>
<td></td>
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<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td>The SOE does not publish any details about its management of asset transactions.</td>
</tr>
<tr>
<td>Evidence</td>
<td>No evidence found.</td>
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List of Evidence & Sources

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<td>21</td>
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