

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

THALES GROUP

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:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	4/8
2. Internal Controls	6	6/12
3. Support to Employees	7	5/14
4. Conflict of Interest	4	3/8
5. Customer Engagement	6	6/12
6. Supply Chain Management	5	6/10
7. Agents, Intermediaries and Joint Ventures	10	5/20
8. Offsets	4	2/8
9. High Risk Markets	4	4/8
10. State-Owned Enterprises	5	7/10
TOTAL		48/110
BAND		D

*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

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
The company publishes a clear statement on its anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. There is evidence that this commitment was authorised and endorsed by the company's leadership.
Evidence
<p>[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf [p.2] Message from EXCOM</p> <p>Companies are subject to a growing array of regulations governing the way they conduct their business affairs.</p> <p>All employees must act in strict compliance with these regulations, given the heavy sanctions that can be imposed for non-compliance, but also in view of the potential damage to the company's brand image and reputation.</p> <p>To protect Thales's reputation, our competitive performance and the long-term future of our businesses, preventing corruption and influence peddling is absolutely vital. It is also a necessity in order to meet the expectations of our stakeholders (investors, banks, customers, suppliers, etc.).</p> <p>The leadership team and the Board of Directors have a zero-tolerance policy concerning corruption and influence peddling.</p> <p>All Thales staff must therefore be familiar with the risks relating to corruption and influence peddling, and the types of conduct that are prohibited by the Group.</p> <p>This Code of Conduct defines and illustrates the types of conduct that could constitute an act of corruption or influence peddling.</p> <p>[1] Code of Ethics Accessed 23/09/2019 https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968 [p.5] Patrice Caine, Chairman, Chief Executive Officer</p> <p>Ethics and corporate responsibility have a profound influence on the way companies manage their business. The manner in which an Ethics policy based on these principles is defined and implemented reflects the conviction of the Group's leadership team and the active engagement of all of its members. Acting with integrity and transparently is clearly of capital importance. The ethics policy laid out in this Code of Ethics contributes to the trust that all of the Group's entities must maintain as a basis for their relationships with all of their stakeholders. I am personally invested in corporate responsibility and in meeting these goals, because I believe that our collective contribution to Thales's reputation, performance and sustainability hinges on irreproachable conduct by all Group employees.</p>

Question
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.
Score
1
Comments
<p>There is clear evidence that the company publishes an anti-bribery and corruption policy, which specifically prohibits bribery, payments to public officials, commercial bribery and facilitation payments. This policy clearly applies to all employees, including staff and leadership of subsidiaries and other controlled entities. However, the company receives a score of '1' because it does not state that its anti-bribery and corruption policy applies to all board members.</p>
Evidence
<p>[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf</p> <p>[p.3] This Code of Conduct for the prevention of corruption and influence peddling (the “Code of Conduct” or the “Code”) is applicable to all Thales employees, who are required to familiarise themselves with its content and comply with its provisions.</p> <p>The rules contained in this Code of Conduct must be followed in all countries of operation and do not affect the applicability of national and international legislations, which may be more stringent, in each country.</p> <p>[p.4] The Group absolutely prohibits any action that could constitute an act of corruption and/or influence peddling in the public or private sectors.</p> <p>What is corruption?</p> <p>As a general rule, corruption occurs when the instigator offers, promises or gives any pecuniary or other undue advantage, whether directly or indirectly, to another person, for the benefit of that individual or of a third party, in order for him/her to act or refrain from acting in relation to the performance of his/her duties with a view to obtaining or retaining business or other undue advantage.</p> <p>It also occurs when the recipient solicits or accepts, directly or indirectly, any pecuniary or other undue advantage, for him/herself or for a third party, in order to act or refrain from acting in relation to his/her duties with a view to awarding or extending a business contract or other undue advantage. “Other undue advantage” means preferential treatment, such as an advantage that a company would not normally have had (for example, an approval for which it would not meet the necessary conditions).</p> <p>[p.5] The recipient may be a public official, which includes: any person holding a legislative, administrative, military or judicial office (whether elected or appointed); any person who performs a function for a public agency; any person who provides a public service; any person authorised by a public international organisation to act on its behalf, or exercising official duties for such an organisation; the family members and relatives of public officials and/or entities in which they may have interests; who, by virtue of their office or duties, could influence a decision to award a business contract by a customer or end-user, or could influence the position adopted by a customer or end-user with respect to the execution of a contract. The offence of bribery or corruption is not limited to the public sector. The recipient of a bribe could equally be a manager or employee of a private-sector company.</p> <p>WHAT IS INFLUENCE PEDDLING?</p> <p>Influence peddling is where an individual promises or offers, directly or indirectly, remuneration or other benefits to anyone who asserts or confirms that s/he is able to exert an influence over the decisions of any other person (such as a national or international public official) in order to obtain an undue advantage, whether or not their presumed influence is real.</p>

It also occurs when a person solicits or receives remuneration or other benefits (such as travel, work carried out at a private residence, etc.) in return for allowing his/her real or presumed influence over a decision-maker to be used illegally.

Influence peddling involves three parties:

- the person who offers or agrees to allow their real or presumed influence over a decision-maker to be used illegally;
- the decision-maker;
- the beneficiary of the decision made by the official.

How to recognise corruption or influence peddling?

All Thales employees must refrain from any action that could constitute an act of corruption, of any kind whatsoever, in the public or private sectors, and/or influence peddling. They must also be able to recognise risky situations, clarify whether requests or proposals could be illegal and take appropriate measures to avoid being involved in acts of corruption or influence peddling. In addition to undue payments, there are a number of situations in which corruption or influence peddling can occur during activities relating to bids, contracts and agreements of all kinds.

[p.8] Facilitation payments

Facilitation payments are small sums paid directly or indirectly to a public official (such as a customs or immigration officer) in return for diligently performing an administrative procedure or facilitating a bureaucratic process (such as expediting an approval or a decision that has been accepted in principle).

Thales does not allow facilitation payments. While some countries exercise a certain tolerance of this practice, such payments are nonetheless considered to be an act of corruption.

What should you do?

If you are asked to make a facilitation payment, you should refuse and immediately inform your line manager. However, an exception to this prohibition can be made in situations where the payment of a small sum is the only way to ensure the physical safety and security of an employee. Any such payment should be reported as soon as possible to your line manager. Such payments, if made, must be recorded in the company's accounts.

[11] Business Ethics Conduct Guide - Prevention of Corruption

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thg087_guidepreventioncorruption_gb_bd.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968

[p.5] For several years now, Thales has attached particular importance to the prevention of corruption, and Group management regularly reiterates the zero tolerance policy applied with regard to all forms of corruption.

[p.6] Corruption

Definition

Active corruption occurs when an individual offers, promises or gives any undue pecuniary or other advantage, whether directly or through intermediaries, to a public official or a private agent, for that individual or for a third party, in order for him/her to act or refrain from acting in relation to the performance of his/her duties, in order to obtain or retain business or other improper advantage.

Passive corruption occurs when an individual solicits, accepts or declines to refuse a gift, donation or any other undue advantage.

In Thales's business activities, corruption is most likely to occur during exchanges with public officials, or within the scope of commercial relationships with customers, partners, suppliers, intermediaries, etc.

Corruption is a criminal offence in virtually every country in the world, in accordance with national legislation, international conventions, and laws with extraterritorial reach such as the US Foreign Corrupt Practices Act (FCPA)

or the UK Bribery Act, which can easily be applied to the international commercial activities of companies like Thales.

[p.14] Facilitation payments

Definition

Facilitation payments are small sums paid directly or indirectly to a public official in return for diligently performing an administrative procedure or easing a bureaucratic process (for example expediting an approval or a decision that has been accepted in principle).

Even though such practices are allowed in some jurisdictions, facilitation payments are considered an act of corruption by most countries. Thales applies the OECD Anti-Bribery Convention*, which explicitly prohibits facilitation payments.

However, an exception to this prohibition can be made in situations in which the payment of a small sum is the only way to ensure the physical safety and security of an employee. Such occurrences must be reported as soon as possible.

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf? ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.4] Thales's corruption risk prevention policy applies to all employees and managers of Thales S.A. (parent company of the Group), wholly-owned subsidiaries and companies in which the Group owns a majority stake (joint ventures in which the Group owns at least 50% of shares or voting rights).

For companies in which Thales owns less than 50% of shares (minority-owned joint ventures), the Group works with the other shareholders to ensure that the basic elements of a corruption risk prevention policy are included in the company's compliance policy.

[1] Code of Ethics

Accessed 23/09/2019

https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf? ga=2.38031907.1898685120.1569238024-1041281346.1568125968

[p.6] In the spirit of Thales's core values, the present Code of Ethics lays down the guidelines of behaviour applicable within the Group, towards employees, customers, suppliers, subcontractors and partners, shareholders, financial markets, as well as towards society as a whole. The rules appearing in this Code are not a substitute for the national and international legislation applicable in each country, with which the Group fully complies. They must be understood and applied by all Group employees.

Managers are responsible for the distribution, understanding and application of the Code of Ethics within their entities. The Code of Ethics also reminds Thales's suppliers, subcontractors and partners of our expectations in terms of ethical conduct. More generally, this document is made public, as needed, to all of our external stakeholders, including customers, suppliers, partners, subcontractors, shareholders, administrations, governments, local communities, etc.

The Code of Ethics holds the Group accountable to all of them.

[p.11] Thales operates in strict compliance with the rules of fair trading and with applicable legislation and codes of practice. The Group absolutely prohibits any action that could constitute an act of corruption and/or influence peddling in the public or private sectors.

[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf

[p.3] 1.2 Scope

Thales's system for preventing corruption and influence peddling applies (i) to all companies directly or indirectly controlled by Thales, and (ii) to all employees and managers of the Thales Group. Thales has put arrangements in place to enable all of its stakeholders (suppliers, service providers and business partners) to comply with this system, or to implement at least equivalent systems to combat corruption and influence peddling.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
0
Comments
<p>There is no publicly available evidence that the board, a designated board committee, or an individual board member is responsible for oversight of the company's anti-bribery and corruption programme.</p> <p>There is evidence that the company has a managerial-level Ethics and Corporate Responsibility Committee which is chaired by the Group Secretary and General Counsel (a combined position). Although there is some evidence that this individual reports to the Chairman and Chief Executive Officer, it is not clear whether the board or board-level individuals engage in formal oversight functions of the company's anti-bribery and corruption programme.</p>
Evidence
<p>[16] 2018 Registration Document Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf [p.61] Ethics and Corporate Responsibility Committee</p> <p>This committee, chaired by the Company Secretary, is composed of representatives of the functional departments and the main countries in which the Group is based. There are three main areas to its work: helping to define Thales's ethics and corporate responsibility policy, ensuring changes are made in the internal Codes and that they are rolled out in Thales, and instigating the appropriate communications initiatives, dealing with the ethical questions submitted to it, and conducting the necessary investigations (where necessary in the form of ad hoc committee meetings) so that it can propose any appropriate actions/sanctions to management.</p> <p>The committee met three times in 2018.</p> <p>[p.79] The Board of Directors has three Committees: an Audit and Accounts Committee, a Governance and Remuneration Committee and a Strategic and Corporate Social Responsibility Committee.</p> <p>[p.137] A dedicated organisational set-up</p> <p>The Group's corruption risk prevention policy is underpinned by a dedicated organisational set-up. Thales has governance bodies and an organisational set-up designed to establish, manage and monitor the implementation of regulations with regard to the prevention of corruption risk, as well as to instil a culture of corporate responsibility throughout the Group.</p> <p>Thales created an Ethics & Corporate Responsibility Committee in 2001 composed of representatives from the functional departments and the company's main host countries. This Group Committee's role is organised around three key priorities. The first is to help define Thales's policy on ethics and corporate responsibility; the second is to ensure that internal codes are kept up to date, rolled out throughout the Group...</p> <p>[p.138] ... and communicated appropriately; and the third is to handle any ethics questions submitted to it and, where necessary, conduct an investigation – as an ad hoc committee – and recommend appropriate action/penalties to management.</p> <p>The Group's Ethics & Corporate Responsibility Committee is chaired by the Company Secretary. The Ethics & Corporate Responsibility Department implements the policy defined by the Group. It sets the internal standards and processes relating to business ethics – more specifically regarding anti-corruption and influence peddling – working closely, and in a cross-functional manner, with all Group departments and contributes to behavioural change at Thales. It is also tasked with "preventing any breaches of the Code of Ethics and the Code of Conduct Prevention of Corruption and Influence Peddling".</p>

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.5] 3.1 MANAGEMENT BODIES

3.1.1 ETHICS AND CORPORATE RESPONSIBILITY COMMITTEE

The missions of the Group Ethics and Corporate Responsibility Committee fall into three categories:

- Strategy: contribute to define Thales's policy on ethics and corporate responsibility; identify potential issues, and proactively propose guidelines for ethical standards and procedures with respect to marketing and sales practices, the environment, labour relations and society at large;
- Training and awareness: ensure the development and deployment of the Code of Ethics within Thales; define training objectives and communication needs; coordinate and monitor Country Ethics Committees and Ethics Officers;
- Decisions: determine actions to be taken on the ethics issues referred to it; launch enquiries when appropriate, and make proposals to management about actions to be taken or sanctions to be applied.

The Group Ethics and Corporate Responsibility Committee is chaired by the Group Secretary & General Counsel and reports to the Chairman & Chief Executive Officer.

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?
Score
1
Comments
<p>There is evidence that a designated managerial-level individual, the Vice President of Ethics and Corporate Responsibility, has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. There is evidence that this individual reports to the Group Secretary and General Counsel (a combined position), however there is no evidence that they have an explicit direct reporting line to the board.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.6] 3.2 ORGANISATION</p> <p>The organisation described below falls under the responsibility of the Thales Group Secretary & General Counsel, who is responsible for ensuring legality, compliance and governance best practice within the Group.</p> <p>3.2.1 ETHICS AND CORPORATE RESPONSIBILITY DEPARTMENT</p> <p>The Ethics and Corporate Responsibility Department is responsible for implementing the ethics and corporate responsibility policy, as defined by the Group Ethics and Corporate Responsibility Committee, and for coordinating the relevant Group players.</p> <p>It helps change behaviours within the Group by identifying and implementing best practice, and defines internal standards and processes with respect to ethical business practices, particularly in the area of prevention of corruption, working closely with the Audit, Risks and Internal Control Department and the Legal & Contracts Department.</p> <p>The Ethics and Corporate Responsibility Department is also responsible for maintaining the Code of Ethics and preventing infringements of the Code, which lays down the general practices and values that Thales wishes to promote.</p> <p>Through its engagement with Thales's stakeholders and its role in setting standards, the Ethics and Corporate Responsibility Department helps promote the Group's corporate image and contributes to regulatory changes to ensure they are as favourable as possible to the Group's strategy and growth.</p> <p>The Department is led by the Vice President, Ethics and Corporate Responsibility, who reports to the Thales Group Secretary & General Counsel.</p> <p>[p.7] 3.2.4 ETHICS OFFICERS</p> <p>A total of 18 Ethics Officers are responsible for deploying the Code of Ethics and its principles into Thales units worldwide. They ensure that employees in their respective units receive adequate training and information. They answer questions about compliance with the Code of Ethics and work with Compliance Officers to implement the ethics policy in light of local legislation and standards.</p> <p>3.2.5 INTERNATIONAL ORGANISATION AND REGIONAL AGENCIES</p> <p>Thales relies on global "compliance/corruption prevention" structures at international level within the Regional Agencies of Thales International.</p> <p>These dedicated structures have the necessary experience, expertise, means and resources (including Compliance Officers) to analyse corruption risks when intermediaries or local industrial partners must be used. They implement</p>

and ensure the enforcement of the compliance and corruption prevention instructions set out in the internal procedures.

[5] 2018 Integrated Report - Corporate Responsibility

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-07/THALES_CRIR_2018_AcCeDe-V2.pdf?_ga=2.202265873.1898685120.1569238024-1041281346.1568125968

[p.29] A dedicated organisation

Thales has established a dedicated organisation for implementing this corruption risk prevention policy. It is responsible for designing and managing solutions to ensure that the whole Group complies with corruption risk prevention regulations. It also helps develop a culture of corporate responsibility within Thales.

2. Internal Controls

Question
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?
Score
1
Comments
<p>There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of its anti-corruption and bribery programme. There is evidence that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's anti-bribery and corruption programme. Although there is evidence that suggests that the results of risk assessment are reviewed by the board, it is unclear how frequently this takes place, and therefore a score of '1' applies.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968</p> <p>[p.5] 3.1.2 RISK COMMITTEES</p> <p>3.1.2.1 Risk Management Committee</p> <p>For every identified risk, the Risk Management Committee specifies the acceptable level of risk for the Group in its courses of business. The notion of acceptable level of risk is related to the principle of adequate procedure, which stipulates that the risk prevention, reduction and control measures in place must be proportionate to the level of risks and impacts identified.</p> <p>The Risk Management Committee allocates responsibilities for coordinating and monitoring these risks to the functional and operational departments in accordance with the Group's operating principles, and more broadly, ensures that the risk assessment and management system in place is comprehensive and effective.</p> <p>The Risk Management Committee is chaired by the Chairman & CEO; members include the Chief Finance Officer, the Group Secretary & General Counsel and, depending on the risks in question, other members of the Executive Committee as appropriate.</p> <p>It meets at least once a year, and in any case before each session of the Audit and Accounts Committee of the Board of Directors covering issues of risk management. The Senior Vice President, Audit, Risks and Internal Control acts as secretary to the Committee.</p> <p>The Risk Management Committee reviews the work of the Risk Assessment Committee.</p> <p>[p.6] 3.1.2.2 Risk Assessment Committee</p> <p>The Risk Assessment Committee performs detailed analysis of incidents, identified risks and evolving threats in accordance with a set work schedule, updates and prioritises risk scenarios based on agreed prudential standards, works with the appropriate Risk Advisor (see p8) to develop a cohesive policy of prevention, internal control, audit and, where appropriate, transfer to insurance companies for each risk scenario, and ensures that risk management policy is duly adopted by the Group's functional and operational managers. The Committee makes recommendations to the Risk Management Committee to improve the Group's overall risk management policy.</p> <p>It is chaired by the Senior Vice President, Audit, Risks and Internal Control; members include the Vice President, Quality and Customer Satisfaction, the Vice President, Insurance and Risk Management, the VP Risk assessment, and the appropriate managers according to the Committee's agenda.</p>

The Committee meets at least three times a year. For all risks, including insurable risks, it is assisted by a facilitation network in the Group's countries of operation, Global Business Units and other functions.

[p.6] 3.2.2 AUDIT, RISKS AND INTERNAL CONTROL DEPARTMENT

The Audit, Risks and Internal Control Department reports regularly to the Audit and Accounts Committee of the Board of Directors. It is led by the Senior Vice President, Audit, Risks and Internal Control.

[p.7] 3.2.2.1 Risks Department

The Risks Department is responsible for:

- analysing exposure to risks by drawing up an exhaustive list of all of the legal/compliance, financial, operational or reputational risks that could impact the company's development, business processes or results;
- updating the risk mapping;
- assessing risks and their potential impact in order to produce entrepreneurial and insurance-based responses, and analysing residual risks in relation to the level of acceptable risk defined by the Thales Board of Directors.

4. Risk identification and assessment

[p.8] To manage risks and support the sustainable development of its business activities, Thales has put in place a global organisation based on the principles of transparency and continuous improvement.

Thales has mapped its major operational, strategic, compliance and financial risks.

Each risk is supervised by a Risk Advisor. The Vice President, Ethics and Corporate Responsibility is the Risk Advisor for the risk of corruption.

The Risk Management Committee and the Risk Assessment Committee oversee the identification and assessment of risks. The Audit, Risks and Internal Control Department works with the appropriate Risk Advisor to develop and monitor the risk management system.

The risk of corruption is analysed using risk scenarios. Each scenario has an associated risk level, impact level and set of risk reduction measures (i.e. the risk prevention, management and control measures implemented within the Group). The scenarios cover direct and indirect risks of corruption and risks associated with inadequate application of risk reduction measures.

The Risk Advisor (i.e. the Vice President, Ethics and Corporate Responsibility) in coordination with the Risks Department periodically analyses how well corruption prevention measures match the risk and tailors them according to:

- changes in applicable national and extra-territorial legislation and regulatory requirements;
- changes in voluntary standards, internationally recognised best practices (OECD, International Chamber of Commerce, etc.) and stakeholder requirements;
- the categories of partners and other third parties, customers and countries of operation, and business strategy;
- areas of improvement identified by the Audit, Risks and Internal Control Department, the Legal & Contracts Department and operational structures, reports from the ethics alert facility and any other allegations that may have been made.

[p.9] 5. Corruption risk prevention measures

The Group develops its corruption risk prevention measures according to its assessment of the levels of corruption risks and impacts.

The principle of proportionality of anti-corruption measures to the levels of risks and impacts determines the stringency and sophistication of the measures put in place and the levels of control applied to them.

The Group's various corruption risk prevention measures and internal standards are based on the following principles:

- Corruption risk identification, analysis and qualification and prior due diligence checks;
- Referral to higher-level management and/or a Compliance/Ethics Officer;
- Escalation procedures when higher-level decisions are needed in the case of significant residual risks;

- For high-level risks, use of structures with experience and expertise, and segregation of roles and responsibilities;
- Traceability and transparency;
- Employee accountability for effective implementation.

[p.14] 7.2 SYSTEM FOR ASSESSING RISK MANAGEMENT IN GROUP ENTITIES

A Group-wide system is in place for assessing the maturity of risk management in each entity. For each risk, Group's operational unit management formally express their responsibility for a set of requirements — including compliance with corruption risk prevention policy — in a Yearly Attestation Letter.

[p.15] This system assesses each Group operational unit's level of maturity and ability to manage risks, based on a detailed description of each risk (scenarios, objectives and priority actions) as well as an internal control questionnaire. These assessments are reviewed by rotation by the Audit, Risks and Internal Control Department and the Risk Advisors to identify the optimum approach and the most effective way to support action plans.

[16] 2018 Registration Document

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.106]

Issue/Risk	Policies	Key performance indicator	Outcomes 2017 ^{FI}	Outcomes 2018
5. Compliance with rules of ethical business conduct (particularly the fight against corruption and influence peddling)	Thales's commitment: zero tolerance for corruption <i>"Ethical conduct, integrity and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company."</i>	Number of operational entities that assessed risks of corruption	110	113
		Anti-corruption training ^{FI}	1,035	4,563
		Alerts received via the Group's alert system	16	15
		<i>Including alerts about acts of corruption</i>	None	None

[4] Corruption prevention (webpage)

Accessed 23/09/2019

<https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention>

To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anticorruption and the modernisation of economic activity.

It is based on:

[...]

a corruption risk map, drawn up in accordance with the Group's general methodology for mapping risks;

[5] 2018 Integrated Report - Corporate Responsibility

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-07/THALES_CRIR_2018_AcCeDe-V2.pdf?_ga=2.202265873.1898685120.1569238024-1041281346.1568125968

[p.25] Thales updates the risk maps to which its activities are exposed twice a year, based on a grid of 18 risk factors that have been identified and then distilled into 55 independent, measurable risk scenarios that are attributable to the governance.

**CLEARLY IDENTIFIED RESPONSIBILITIES:
THREE MAIN STRANDS OF RISK GOVERNANCE**
Expertise Entrepreneurship Compliance

**Corporate
(6 functional
departments)**

Governance and
organisation, risks, pooled
at Group level (cash-flow,
exchange rate,
lack of insurance, etc.)


**6 global business
units and their
24 business lines**

Major bids and projects,
product policy,
business strategy


**110 local
operational
entities**

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

[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf

[p.8] 2.8 MONITORING AND EVALUATION

The Thales Group has put in place regularly updated procedures for monitoring and evaluating the effectiveness of its compliance measures via a series of key indicators.

As part of its commitment to continuously improving the compliance system, the Integrity and Compliance Committee, chaired by the Group Secretary & General Counsel, ensures updating based on information supplied via various sources, such as the network of Chief Compliance Officers, the Audit, Risks and Internal Control Department, the statutory auditors (as part of their audit and monitoring activities), employees reporting concerns via the internal alert system, trainers, etc.

The Group Secretary & General Counsel periodically reports on the Integrity and Compliance Committee's activities to the Executive Committee, the Risk Management Committee and the Board of Directors and/or the Board committees responsible for integrity and compliance (the Audit & Accounts Committee, and the Strategy & Corporate Responsibility Committee).

[21] Universal Registration Document 2019 (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%20208%20April%202020.pdf>

[p.65] The Group Audit, Risks & Internal Control Department submits an audit plan to the Audit and Accounts Committee each year, covering various aspects relating to the Group in respect of compliance with legislation and regulations, assessment of internal control and risk identification and management. The presentation is updated mid - year. At the time of the annual closing of the accounts, the Senior Executive Vice President, Finance & Information Systems reports on risk exposure and significant off - balance sheet commitments to the Audit and Accounts Committee.

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
<p>There is evidence that the company's anti-bribery and corruption programme is subject to a regular internal audit process to ensure the programme is consistent with the business risks facing the company. This includes provisions for continuous improvement, supplemented by internal audits at least every two years. There is evidence that the Internal Audit Department reports regularly to the Audit and Accounts Committee of the Board of Directors. There is also evidence of clear ownership assigned to units and individuals for planned updates and improvements to the anti-bribery and corruption programme.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968</p> <p>[p.6] 3.2.2 AUDIT, RISKS AND INTERNAL CONTROL DEPARTMENT</p> <p>The Audit, Risks and Internal Control Department reports regularly to the Audit and Accounts Committee of the Board of Directors. It is led by the Senior Vice President, Audit, Risks and Internal Control.</p> <p>[p.7] 3.2.2.3 Internal Audit Department</p> <p>The Internal Audit Department performs audits in an objective and independent manner to provide the Senior Management and the Audit and Accounts Committee of the Board of Directors with assurance regarding the level of control the Group exercises over its activities and advice on improvements, contributing to create value. The scope of audit missions usually covers the following areas: operations, compliance, governance and internal control.</p> <p>[p.8]</p> <p>The Risk Advisor (i.e. the Vice President, Ethics and Corporate Responsibility) in coordination with the Risks Department periodically analyses how well corruption prevention measures match the risk and tailors them according to:</p> <p>[...]</p> <ul style="list-style-type: none"> • areas of improvement identified by the Audit, Risks and Internal Control Department, the Legal & Contracts Department and operational structures, reports from the ethics alert facility and any other allegations that may have been made. <p>[p.14] 7.1 INTERNAL AUDIT</p> <p>Working under the responsibility of the Audit, Risks and Internal Control Department, 30 internal auditors, including former Business Unit and programme directors as well as auditors who have previously worked for leading audit companies, verify that the system has been correctly implemented and conduct around 100 internal audits and reviews each year.</p> <p>The audit plan is updated on a half-yearly basis and takes into account risk analyses as well as critical bids and projects. Specific "business ethics" audits are regularly conducted in the operational units and Thales's Major Countries. Regional Agencies of Thales International are audited annually.</p> <p>Internal audits are conducted in accordance with international professional standards and with an internal process managed by supervisors. Each year, compliance with these standards is certified by the Institut Français de l'Audit et du Contrôle Interne (IFACI).</p>

During audits, supervisors are responsible for the team of auditors and ensure that the audit objectives are met.

To maintain their independence, internal auditors are protected by the provisions of a Charter validated by the Audit and Accounts Committee of the Board of Directors. Auditors assigned to the Internal Audit Department must not engage in any operational function or activity that could compromise the independence and objectivity of their assessments and reports.

[p.15] This system assesses each Group operational unit's level of maturity and ability to manage risks, based on a detailed description of each risk (scenarios, objectives and priority actions) as well as an internal control questionnaire. These assessments are reviewed by rotation by the Audit, Risks and Internal Control Department and the Risk Advisors to identify the optimum approach and the most effective way to support action plans.

[16] 2018 Registration Document

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.60] In 2018, 61 audits or advisory engagements arising from the Group's risk analysis and planned according to the criteria set out and approved by the Audit and Accounts Committee, were conducted by teams from the Group Audit, Risks & Internal Control Department. These engagements focused on the following themes:

- Operations: bids and projects, product policy, engineering and industry;
- Compliance: ethics, export control, security of information systems, business continuity plans;
- Governance: organisation, shared services, joint ventures, monitoring of acquisition transactions;
- Internal control: audits on the accuracy of the internal control questionnaires (YAL and ICQ).

[4] Corruption prevention (webpage)

Accessed 23/09/2019

<https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention>

To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anticorruption and the modernisation of economic activity.

It is based on:

[...]

accounting audits integrated into the Group's internal control rules to prevent and detect acts of corruption and fraud;

[2] Ethics and risk management (webpage)

Accessed 23/09/2019

<https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-and-risk-management>

Audits, self-assessments and surveys are central to the Thales risk management organisation. They help us pinpoint any weak links in the system and close potential loopholes. When a problem is discovered, we take immediate action and cooperate with the relevant authorities as a matter of policy.

[12] Business Ethics Conduct Guide - Gifts and Hospitality Guidelines

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/giftsandhospitalityguidelines18peng_0.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968

[p.13] The internal audit department has the right to access the books and records where gifts and hospitality are detailed, together with supporting documents on expenses and any specific registers that may exist (see [R4] on Records).

[21] Universal Registration Document 2019 (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20-%28URD%29%20-%208%20April%202020.pdf>

[p.65] Audit and Accounts Committee

Meetings of this committee of the Board of Directors review the resources employed and the actions taken to improve internal control and risk identification and management. In 2019, the Audit and Accounts Committee met six times.

The Group Audit, Risks & Internal Control Department submits an audit plan to the Audit and Accounts Committee each year, covering various aspects relating to the Group in respect of compliance with legislation and regulations, assessment of internal control and risk identification and management. The presentation is updated mid - year. At the time of the annual closing of the accounts, the Senior Executive Vice President, Finance & Information Systems reports on risk exposure and significant off - balance sheet commitments to the Audit and Accounts Committee.

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
<p>There is evidence that the company commits to investigating incidents promptly, independently and objectively. There is evidence that the company takes steps to ensure the independence of its investigations. For whistleblowing cases, there is evidence that the company has a procedure in place that stipulates documentation and actions to be taken at every step, from receipt to final outcome, and the company commits to ensure whistleblowers are informed of the outcome, if they so wish.</p> <p>However, the company receives a score of '1' because although evidence suggests that the Ethics & Corporate Responsibility Committee can conduct ad hoc investigations, it is unclear whether a senior central body reviews summary information on all investigations at least on an annual basis.</p>
Evidence
<p>[10] Internal Alert – User Guide to the Internal Alert System Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-03/180231_GuideAlerte-UK-0403-MEP2.pdf</p> <p>[p.4] Thales has had an internal alert system in place for many years as part of its Code of Ethics. The Group is updating its internal alert system as a result of the entry into force of new regulations.</p> <p>Why use the internal system?</p> <p>The internal alert system was initially created to strengthen Thales's approach to Ethics & Corporate Responsibility, while giving employees a way to voice their concerns and play an active role in preventing risks. It is an additional mechanism available to employees, and is not intended to replace existing alert channels, namely line management, employee representation bodies, and, where applicable, specific alert mechanisms in certain countries.</p> <p>It enables Thales employees, casual employees and external staff to report any acts that fall within the scope of the system. The internal alert system is based on the principles of confidentiality and respect for the rights of each person concerned throughout the procedure. Its use remains optional. No disciplinary action can be taken against any employee solely because they did not utilise the system.</p> <p>[p.5] When to use the internal system?</p> <p>Subject to compatibility with local regulations, the internal alert system is designed to allow employees, casual employees and external staff to report concerns or incidents relating in particular to the following:</p> <ul style="list-style-type: none"> • Conduct or situations contrary to the Thales Code of Ethics, or the Group's Code of Conduct on Prevention of Corruption and Influence Peddling. • A crime or offence. • A serious and manifest violation of laws or regulations. • A serious and manifest violation of an international undertaking from the French Republic (concerning for instance human rights and fundamental freedoms). • A serious threat, or serious harm, to the public interest, of which the individual initiating the alert has personal knowledge. • Serious abuses of human rights and fundamental liberties, and serious damage to the health and safety of persons and the environment, potentially resulting from the activities of Thales (and of its subcontractors and suppliers, where their activities meet the criteria laid down by regulations and case law). <p>In practice, such reporting may relate in particular to acts of corruption or influence peddling, discrimination, harassment, anti-competitive practices, breaches of stock market regulations, financial and accounting violations, etc</p>

[p.6] Initiating an alert

For an alert to be actionable, it must meet the following criteria: It must have been initiated by an employee, casual employee or member of external staff. It must fall within the scope of the system (see the different areas defined in the section "When to use the internal alert system"). It must relate to facts of which the individual initiating the alert has personal knowledge. It must have been initiated in good faith and in an impartial manner.

Alerts may be reported by any means (by letter, email, telephone or in person) to the VP, Ethics and Corporate Responsibility. Dedicated contact details are as follows:

Email: alert.thales@thalesgroup.com (or use the dedicated Intranet page)

Phone: +33 1 57 77 87 19

Postal address: Thales VP, Ethics and Corporate Responsibility Internal alert system Tour Carpe Diem 31 place des Corolles CS 20001 92098 Paris La Défense cedex

[p.7] If an employee has doubts about acts or behaviours of which they have personal knowledge, they must alert their (direct or indirect) line manager, or their local ethics and/or compliance officer. The role of line managers is to guide and advise their team members. Line management is therefore the preferred route for raising alerts. However, if informing (direct or indirect) line management would potentially cause difficulties, alerts may be raised via the internal alert system.

[p.8] Receipt, actionability assessment and handling of internal alert

Personal data collected is intended for use by the Ethics & Corporate Responsibility Department, the Legal and Contracts Department, the members of the Alert Monitoring Committee, and the persons responsible for processing an alert, provided that they are required to access the information on a "need-to-know" basis for the purpose of verifying or processing an alert report.

[p.9] All alerts received are acknowledged in writing by means of a message sent to the individual raising the alert.

REVIEWING ALERTS TO DETERMINE ACTIONABILITY

Alerts received are the subject of a confidential review, within a maximum of 15 calendar days, by the VP, Ethics and Corporate Responsibility (or his/her deputy) who shall consult the VP, Legal and Contracts (or his/her deputy) to determine whether they are actionable.

Following this review, the VP, Ethics and Corporate Responsibility (or his/her deputy) sends an email to the individual who raised the alert to notify them of the outcome of the review (i.e. whether the alert is actionable or not).

PROCESSING OF ALERTE If an alert is declared actionable, the VP, Ethics and Corporate Responsibility (or his/her deputy) sets up with the VP, Legal and Contracts (or his/her deputy) an Alert Monitoring Committee, whose composition varies depending on the area concerned.

The Alert Monitoring Committee appoints the individuals responsible for handling the alert, and decides whether to have investigations conducted internally or by a third-party body.

As far as possible, the VP, Ethics and Corporate Responsibility (or his/her deputy) informs the individual who raised the alert of the follow-up action taken in respect of the alert, provided that such information does not hinder the implementation of precautionary measures and/or the conduct of investigations.

If no follow-up action is taken in respect of an alert, the VP, Ethics and Corporate Responsibility (or his/her deputy) informs the individual who raised an alert and, where applicable, the person(s) who are the subject of the alert report, by email, that the alert procedure has been closed.

Following closure of an alert procedure, the Alert Monitoring Committee determines the appropriate means for ensuring that the employee is not subject to disciplinary action or discrimination as a result of having made a report in accordance with the internal alert procedure.

[p.10] Identity of individual raising an alert

Except where local legislation makes provision to the contrary, the individual raising an alert is invited to disclose their identity in order to ensure more effective handling of the alert report by enabling additional details to be requested from them. In addition, if the identity of the individual raising an alert is known, measures can be put in place to ensure their protection.

However, even in the event of an anonymous alert, the reported facts will be examined to verify whether they are supported by evidence. Anonymous alerts can therefore be processed under the following conditions:

- The reported facts have been shown to relate to a sufficiently serious matter (such as harassment, corruption and influence peddling, for example).
- The factual information provided is sufficiently precise to allow verification to be carried out, or, if this is not the case:
- The individual who has raised the alert has provided information which allows discussions to take place with a view to obtaining further information, where applicable.

[p.11] Confidentiality

Thales undertakes to implement procedures to guarantee that the identity of the individual raising an alert, the facts of the alert report, and the identity of the person(s) who are the subject of the alert report, are kept confidential, including in the event of disclosure to third parties.

Employees who use the internal alert facility can therefore be sure that every precaution will be taken to ensure that their identity is kept strictly confidential at every stage of the investigation and handling of the situation by all those who have access to information on alert reports.

Electronic documents are stored in a separate, restricted-access information system, open only to the VP, Ethics and Corporate Responsibility (or his/her deputy), the VP, Legal and Contracts (or his/her deputy), and other potential members of the Alert Monitoring Committee, and to persons responsible for processing alerts, provided that they need to access the documents on a "need-to-know" basis for the purpose of verifying or processing an alert.

If necessary, exchanges via email with the individuals concerned by an alert can take place via an encrypted messaging system, the access arrangements for which will be provided once the alert has been declared actionable.

Only the VP, Ethics and Corporate Responsibility, the VP, Legal and Contracts, and other potential members of the Alert Monitoring Committee will, in the first instance, be aware of the identity of the individual who initiated the alert. Disclosure of the identity of the individual who initiated the alert to other persons (with the exception of the judicial authority) is subject to the individual's approval. In addition, information that could identify the person who is the subject of an alert report may only be disclosed (except to the judicial authority) once the actionability of the alert has been determined.

[p.12] Provisions applicable to individuals who are subject of an alert

Individuals who are the subject of an alert report are informed of the existence of such a report as soon as data pertaining to them are recorded, unless precautionary measures are necessary, in particular to prevent the destruction of evidence relating to an alert, or to organise the protection of the individual initiating an alert against any reprisals. In such cases, the information will be provided to the person who is the subject of the alert report at the same time as, or after, such measures are adopted.

In any event, and subject to compliance with the provisions above, individuals who are the subject of an alert report must be informed of the following:

- The entity responsible for processing the alert.
- The substance of the allegations, together with an explanation of the individual's right to respond.
- The persons, departments or entities who will have access to the data concerning the alert report, and are responsible for the investigations.
- How they can exercise their rights, subject to applicable legislation (access to personal data, correction, deletion, objection on legitimate grounds, etc.).

[16] 2018 Registration Document

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.137] Thales created an Ethics & Corporate Responsibility Committee in 2001 composed of representatives from the functional departments and the company's main host countries. This Group Committee's role is organised around three key priorities. The first is to help define Thales's policy on ethics and corporate responsibility; the second is to ensure that internal codes are kept up to date, rolled out throughout the Group

[p.138] and communicated appropriately; and the third is to handle any ethics questions submitted to it and, where necessary, conduct an investigation – as an ad hoc committee – and recommend appropriate action/penalties to management.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
0
Comments
<p>Based on publicly available information, there is no clear evidence that the company assures itself of the quality of its internal investigations. The company states that it establishes Alert Monitoring Committees for issues reported through the company's whistleblowing channels and that these committees are responsible for appointing individuals to conduct investigations; however there is no clear evidence that staff tasked with conducting investigations are properly trained to perform the function, nor that there is a procedure in place to receive and escalate, if necessary, complaints about the investigative procedure.</p>
Evidence
<p>[10] Internal Alert – User Guide to the Internal Alert System Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-03/180231_GuideAlerte-UK-0403-MEP2.pdf [p.9] PROCESSING OF ALERTE</p> <p>If an alert is declared actionable, the VP, Ethics and Corporate Responsibility (or his/her deputy) sets up with the VP, Legal and Contracts (or his/her deputy) an Alert Monitoring Committee, whose composition varies depending on the area concerned.</p> <p>The Alert Monitoring Committee appoints the individuals responsible for handling the alert, and decides whether to have investigations conducted internally or by a third-party body.</p>

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
0
Comments
<p>There is no evidence that the company has an investigative procedure which includes a commitment to report material findings to the board. While the company states that it will cooperate with the authorities, there is no evidence that an appropriate senior individual is responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary.</p>
Evidence
<p>[2] Ethics and risk management (webpage) Accessed 23/09/2019 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-and-risk-management Audits, self-assessments and surveys are central to the Thales risk management organisation. They help us pinpoint any weak links in the system and close potential loopholes. When a problem is discovered, we take immediate action and cooperate with the relevant authorities as a matter of policy.</p> <p>[10] Internal Alert – User Guide to the Internal Alert System Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-03/180231_GuideAlerte-UK-0403-MEP2.pdf <p>[p.9] REVIEWING ALERTS TO DETERMINE ACTIONABILITY</p> <p>Alerts received are the subject of a confidential review, within a maximum of 15 calendar days, by the VP, Ethics and Corporate Responsibility (or his/her deputy) who shall consult the VP, Legal and Contracts (or his/her deputy) to determine whether they are actionable.</p> <p>Following this review, the VP, Ethics and Corporate Responsibility (or his/her deputy) sends an email to the individual who raised the alert to notify them of the outcome of the review (i.e. whether the alert is actionable or not).</p> <p>PROCESSING OF ALERTE If an alert is declared actionable, the VP, Ethics and Corporate Responsibility (or his/her deputy) sets up with the VP, Legal and Contracts (or his/her deputy) an Alert Monitoring Committee, whose composition varies depending on the area concerned.</p> <p>The Alert Monitoring Committee appoints the individuals responsible for handling the alert, and decides whether to have investigations conducted internally or by a third-party body.</p> <p>As far as possible, the VP, Ethics and Corporate Responsibility (or his/her deputy) informs the individual who raised the alert of the follow-up action taken in respect of the alert, provided that such information does not hinder the implementation of precautionary measures and/or the conduct of investigations.</p> <p>If no follow-up action is taken in respect of an alert, the VP, Ethics and Corporate Responsibility (or his/her deputy) informs the individual who raised an alert and, where applicable, the person(s) who are the subject of the alert report, by email, that the alert procedure has been closed.</p> <p>Following closure of an alert procedure, the Alert Monitoring Committee determines the appropriate means for ensuring that the employee is not subject to disciplinary action or discrimination as a result of having made a report in accordance with the internal alert procedure.</p> <p>[p.11] Confidentiality</p> <p>Thales undertakes to implement procedures to guarantee that the identity of the individual raising an alert, the facts of the alert report, and the identity of the person(s) who are the subject of the alert report, are kept confidential, including in the event of disclosure to third parties.</p> </p>

Employees who use the internal alert facility can therefore be sure that every precaution will be taken to ensure that their identity is kept strictly confidential at every stage of the investigation and handling of the situation by all those who have access to information on alert reports.

Electronic documents are stored in a separate, restricted-access information system, open only to the VP, Ethics and Corporate Responsibility (or his/her deputy), the VP, Legal and Contracts (or his/her deputy), and other potential members of the Alert Monitoring Committee, and to persons responsible for processing alerts, provided that they need to access the documents on a “need-to-know” basis for the purpose of verifying or processing an alert.

If necessary, exchanges via email with the individuals concerned by an alert can take place via an encrypted messaging system, the access arrangements for which will be provided once the alert has been declared actionable.

Only the VP, Ethics and Corporate Responsibility, the VP, Legal and Contracts, and other potential members of the Alert Monitoring Committee will, in the first instance, be aware of the identity of the individual who initiated the alert. Disclosure of the identity of the individual who initiated the alert to other persons (with the exception of the judicial authority) is subject to the individual’s approval. In addition, information that could identify the person who is the subject of an alert report may only be disclosed (except to the judicial authority) once the actionability of the alert has been determined.

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
2
Comments
<p>The company publishes high-level data from ethical or bribery and corruption-related incidents and investigations involving company employees. This includes the number of reports received and the number of investigations launched. This data is published on an annual basis covering cases from the past 12 months.</p>
Evidence
<p>[5] 2018 Integrated Report - Corporate Responsibility Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-07/THALES_CRIR_2018_AcDe-V2.pdf?_ga=2.202265873.1898685120.1569238024-1041281346.1568125968 [p.29] In 2018, the Group's whistleblowing systems has received 15 alerts, 11 of them considered admissible. Of those 11 alerts, 8 were related to human resources and 3 to compliance. Of the alerts that triggered a specific follow-up, 8 resulted in additional investigations. No alerts about corruption were sent via this system.</p> <p>[21] Universal Registration Document 2019 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf [p.143] The Group's alert system received 34 workplace alerts in 2019, 26 of which were considered valid. Of these 26 alerts, six involved potential cases of harassment, five involved inappropriate conduct, five were related to suspected fraud, four reported allegations of corruption, three involved potential conflicts of interest, two were related to HSE issues and one involved a potential case of discrimination. In 2019, eight alerts out of the 26 were anonymous. Of the four alerts relating to allegations of potential corruption, all four were dismissed as the internal investigations did not confirm any proven instances of corruption. The increase in the number of alerts can be explained by increased internal communications efforts about the system and about the Group's ethics, integrity and compliance policies in general.</p>

3. Support to Employees

Question
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?
Score
1
Comments
<p>There is evidence that the company provides a training module that outlines the basic principles of its anti-bribery and corruption policy, in French, English and German. There is also evidence that employees receive information during training about the whistleblowing options available. However, the company receives a score of '1' because it is unclear how frequently employees are required to undertake or refresh their training on anti-bribery and corruption.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.5] 3.1 MANAGEMENT BODIES</p> <p>3.1.1 ETHICS AND CORPORATE RESPONSIBILITY COMMITTEE</p> <p>The missions of the Group Ethics and Corporate Responsibility Committee fall into three categories: [...]</p> <ul style="list-style-type: none"> • Training and awareness: ensure the development and deployment of the Code of Ethics within Thales; define training objectives and communication needs; coordinate and monitor Country Ethics Committees and Ethics Officers; <p>[p.7] 3.2.4 ETHICS OFFICERS</p> <p>A total of 18 Ethics Officers are responsible for deploying the Code of Ethics and its principles into Thales units worldwide. They ensure that employees in their respective units receive adequate training and information.</p> <p>[p.13] 6.2 TRAINING</p> <p>Ethics awareness has been incorporated into a range of training programmes delivered by Thales University for more than ten years now, notably in areas such as purchasing, project and bid management, and marketing & sales. Two multilingual trainers, specialising in corruption prevention, conduct ethics awareness training sessions at Thales University campuses around the world, or on-site, with more than 7,000 employees trained since 2008, including 1,600 in 2015. Ethics Officers also conduct awareness sessions around the world or, if necessary, deliver presentations on the Group's ethics and corporate responsibility policy within their GBU or country.</p> <p>[p.14] Corruption risk prevention is also included in many of the training programmes offered to all employees by Thales University.</p> <p>An e-learning programme comprising three 30-minute modules (in French, English and German) is also available for all Group employees. The programme includes real-life scenarios — in the form of “serious games” — to help employees recognise and deal with the kinds of complex situations they may encounter in their day-to-day work.</p> <p>Thales, which had participated in the design process of RESIST training tool led by ICC France, naturally made its contribution to the development of an e-learning version. Based on 10 real-life scenarios illustrating a wide variety of corruption risks most often encountered during commercial relationships or administrative procedures, these e-Resist modules provide practical guidance on how resisting extortion and solicitation in international transactions. e-Resist is accessible to all employees on the Thales University e-learning portal.</p>

[p.15] 7.3 ETHICS ALERT

Thales has put in place a global ethics alert (whistleblowing) facility as laid out in a guide describing the scope of the facility, which was approved by CNIL, the French data protection authority, in 2011. This ethics alert facility allows all Group employees to:

- obtain information and advice in case of questions or doubts about the application or interpretation of the Code of Ethics.
- raise ethics-related concerns that could impact the Group's business or seriously jeopardise its performance as a responsible operator with respect to accounting, financial and banking practices, corruption and fair trade.

The alert may be reported by any means (letter, email, telephone or face-to-face conversation).

It is based on the principles of confidentiality and respect for the rights of each person concerned throughout the procedure. The alert facility must be used in compliance with applicable law and rules in the country in which the employee lives or works.

Some countries also have a national ethics alert facility in addition to the global facility.

The User guide on ethics alert is sent by email to all Group employees. The facility is also presented to employees during training sessions.

[16] 2018 Registration Document

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.106]

Issue/Risk	Policies	Key performance indicator	Outcomes 2017 ⁴¹	Outcomes 2018
5. Compliance with rules of ethical business conduct (particularly the fight against corruption and influence peddling)	Thales's commitment: zero tolerance for corruption <i>"Ethical conduct, integrity and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company."</i>	Number of operational entities that assessed risks of corruption	110	113
		Anti-corruption training ⁴¹	1,035	4,563
		Alerts received via the Group's alert system	16	15
		Including alerts about acts of corruption	None	None

[4] Corruption prevention (webpage)

Accessed 23/09/2019

<https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention>

To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anticorruption and the modernisation of economic activity.

It is based on:

[...]

an employee training programme revised in 2018, providing each employee with a training track tailored to their level of exposure to corruption risk. In 2018, a total of 4,563 individuals had enrolled in the new e- learning training module;

[2] Ethics and risk management (webpage)

Accessed 23/09/2019

<https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-and-risk-management>

Our employees are the people who put our principles into practice, so we make sure everything is in place to help them support the risk prevention effort:

rules and procedures
training
practical guidelines
e-learning modules

[21] Universal Registration Document 2019 (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf>

[p.143] 5.6.1.1 Anti - corruption compliance programme

Thales's compliance programme is based on:

[...]

- an employee training programme reviewed in 2018 to provide innovative training tailored to employees' exposure to corruption risk. It comprises a new mandatory e-learning training module, which was launched in 2018 and has since been taken by 9,760 people, including 5,197 people in 2019, and a new classroom based course rolled out for 4,723 employees in 2019 aimed primarily at roles identified as most at risk; as from 2020, corruption prevention training for 100% of new hires in positions with exposure is a mandatory objective for relevant staff and a large number of managers;

[...]

Performance related to the risk of non - compliance with the rules of ethical business conduct (particularly the fight against corruption and influence peddling) (NFPS):

Number of operational entities that assessed risks of corruption in 2019: 108

Anti - corruption training (e - learning and classroom - based) in 2019: 9,920

Alerts received via the Thales alert system in 2019: 34 including alerts about alleged acts of corruption: 4

All measures implemented under this compliance programme are monitored on a regular basis.

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
<p>The company states that each employee's training on anti-bribery and corruption is tailored according to their level of exposure to corruption risk. However, the company receives a score of '1' because the evidence does not make reference to the three categories of employees in the question. There is also no evidence that employees in high risk positions are required to undertake and refresh their training on at least an annual basis.</p>
Evidence
<p>[4] Corruption prevention (webpage) Accessed 23/09/2019 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anticorruption and the modernisation of economic activity.</p> <p>It is based on:</p> <p>[...]</p> <p>an employee training programme revised in 2018, providing each employee with a training track tailored to their level of exposure to corruption risk. In 2018, a total of 4,563 individuals had enrolled in the new e- learning training module;</p> <p>[21] Universal Registration Document 2019 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%20%208%20April%202020.pdf [p.143] 5.6.1.1 Anti - corruption compliance programme Thales's compliance programme is based on:</p> <p>[...]</p> <ul style="list-style-type: none"> • an employee training programme reviewed in 2018 to provide innovative training tailored to employees' exposure to corruption risk. It comprises a new mandatory e-learning training module, which was launched in 2018 and has since been taken by 9,760 people, including 5,197 people in 2019, and a new classroombased course rolled out for 4,723 employees in 2019 aimed primarily at roles identified as most at risk; as from 2020, corruption prevention training for 100% of new hires in positions with exposure is a mandatory objective for relevant staff and a large number of managers;

Question																			
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?																			
Score																			
1																			
Comments																			
There is some evidence that the company measures the effectiveness of its anti-bribery and corruption communications and personnel training programme, and that the company conducted a full review of its anti-bribery and corruption training within the last three years. Based on publicly available evidence, the company receives a score of '1' because the measures used to review the effectiveness of its training are limited to the number of personnel trained.																			
Evidence																			
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.13] 6.2 TRAINING</p> <p>Ethics awareness has been incorporated into a range of training programmes delivered by Thales University for more than ten years now, notably in areas such as purchasing, project and bid management, and marketing & sales. Two multilingual trainers, specialising in corruption prevention, conduct ethics awareness training sessions at Thales University campuses around the world, or on-site, with more than 7,000 employees trained since 2008, including 1,600 in 2015. Ethics Officers also conduct awareness sessions around the world or, if necessary, deliver presentations on the Group's ethics and corporate responsibility policy within their GBU or country.</p>																			
<p>[16] 2018 Registration Document Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf [p.106]</p> <table><tr><th>Issue/Risk</th><th>Policies</th><th>Key performance indicator</th><th>Outcomes 2017^{el}</th><th>Outcomes 2018</th></tr><tr><td rowspan="4">5. Compliance with rules of ethical business conduct (particularly the fight against corruption and influence peddling)</td><td rowspan="4">Thales's commitment: zero tolerance for corruption <i>"Ethical conduct, integrity and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company."</i></td><td>Number of operational entities that assessed risks of corruption</td><td>110</td><td>113</td></tr><tr><td>Anti-corruption training^{el}</td><td>1,035</td><td>4,563</td></tr><tr><td>Alerts received via the Group's alert system</td><td>16</td><td>15</td></tr><tr><td>Including alerts about acts of corruption</td><td>None</td><td>None</td></tr></table>	Issue/Risk	Policies	Key performance indicator	Outcomes 2017 ^{el}	Outcomes 2018	5. Compliance with rules of ethical business conduct (particularly the fight against corruption and influence peddling)	Thales's commitment: zero tolerance for corruption <i>"Ethical conduct, integrity and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company."</i>	Number of operational entities that assessed risks of corruption	110	113	Anti-corruption training ^{el}	1,035	4,563	Alerts received via the Group's alert system	16	15	Including alerts about acts of corruption	None	None
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<p>[4] Corruption prevention (webpage) Accessed 23/09/2019 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention</p> <p>To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anticorruption and the modernisation of economic activity.</p> <p>It is based on: [...] an employee training programme revised in 2018, providing each employee with a training track tailored to their level of exposure to corruption risk. In 2018, a total of 4,563 individuals had enrolled in the new e- learning training module;</p>																			

[21] Universal Registration Document 2019 (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf>

[p.116]

Issue/Risk	Policies	Key performance indicator	2018 Outcomes ^(a)	2018 Outcomes ^(a)	2019 Outcomes ^(a)
5. Compliance with rules of ethical business conduct (especially the fight against corruption and influence peddling)	Thales's commitment: zero tolerance for corruption <i>"Ethical conduct, integrity and compliance with regulations must be the rule for all Group employees throughout the world and at all levels of the company."</i> (extract from the Code of Ethics)	Number of operational entities that assessed risks of corruption		113	108 ^(a)
		Anti-corruption training ^(a)		4,563	9,920
		Alerts received via the Group's alert system		15	34
		including alerts about possible acts of corruption ^(a)		None	4

[...]

(g) Comprising 5,197 e-learning sessions and 4,723 face-to-face sessions in 2019. The sharp increase in the number of training courses is due to the systematic and fast deployment of a new mandatory anti-corruption training module for the departments that have been identified as the most at risk.

[p.143] 5.6.1.1 Anti - corruption compliance programme

Thales's compliance programme is based on:

[...]

- an employee training programme reviewed in 2018 to provide innovative training tailored to employees' exposure to corruption risk. It comprises a new mandatory e-learning training module, which was launched in 2018 and has since been taken by 9,760 people, including 5,197 people in 2019, and a new classroombased course rolled out for 4,723 employees in 2019 aimed primarily at roles identified as most at risk; as from 2020, corruption prevention training for 100% of new hires in positions with exposure is a mandatory objective for relevant staff and a large number of managers;

[...]

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Number of operational entities that assessed risks of corruption in 2019: 108

Anti - corruption training (e - learning and classroom - based) in 2019: 9,920

Alerts received via the Thales alert system in 2019: 34 including alerts about alleged acts of corruption: 4

All measures implemented under this compliance programme are monitored on a regular basis.

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?																																			
Score																																			
0																																			
Comments																																			
There is no clear evidence that the company's employee incentive schemes incorporate ethical or anti-bribery and corruption principles, or that they are designed to reward behaviour in line with the company's ethical values as identified through performance appraisals or conduct in the workplace.																																			
Evidence																																			
<p>[16] 2018 Registration Document Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf [p.86] The criteria for determining the variable compensation are set at an overall level of 75% financial and 25% non- financial. In order to reward over- performance of the financial criteria, the amount of the payment relative to these criteria may exceed the target up to 150%. This is not the case for the non- financial portion which is capped at 100%. Consequently, annual variable compensation is capped at 137.5% of the target.</p> <p>[...]</p> <p>> FINANCIAL CRITERIA FOR 2018 ANNUAL VARIABLE COMPENSATION</p> <table> <tr> <th>Criteria</th><th>Weighting</th><th>Threshold</th><th>Payment as % of target</th></tr> <tr> <td rowspan="3">EBIT</td><td rowspan="3">35%</td><td>If results \leq 90% of budgeted objective</td><td>0%</td></tr> <tr> <td>If results = 100% of budgeted objective</td><td>35.00%</td></tr> <tr> <td>If results \geq 110% of budgeted objective</td><td>52.50%</td></tr> <tr> <td rowspan="3">Order intake</td><td rowspan="3">20%</td><td>If results \leq 90% of budgeted objective</td><td>0%</td></tr> <tr> <td>If results = 100% of budgeted objective</td><td>20.00%</td></tr> <tr> <td>If results \geq 110% of budgeted objective</td><td>30.00%</td></tr> <tr> <td rowspan="3">Free operating cash flow</td><td rowspan="3">20%</td><td>If results \leq budgeted objective – 2% of budgeted revenues</td><td>0%</td></tr> <tr> <td>If results = 100% of budgeted objective</td><td>20.00%</td></tr> <tr> <td>If results \geq budgeted objective + 2% of budgeted revenues</td><td>30.00%</td></tr> <tr> <td>TOTAL FINANCIAL CRITERIA</td><td>75%</td><td></td><td></td></tr> </table> <p>[...]</p> <p>(ii) Non- financial criteria</p> <p>In accordance with the aforementioned compensation policy of the Chairman and CEO of Thales, he was assessed in 2018 on the achievement of the following four non- financial criteria:</p> <ul style="list-style-type: none"> • Five- year strategic priorities: definition of profitable growth objectives for the coming years and organisation of the next Capital Markets Day; <p>[p.87] • Globalisation: implementation of new initiatives to pursue the Group's global development strategy, focused on selected major countries;</p> <ul style="list-style-type: none"> • Corporate Social Responsibility: continued deployment of actions relating to diversity and inclusion within Thales. Definition of new three- year environmental objectives. Relaunch of a global training programme for the executives and staff most exposed to the risks of corruption and influence peddling; 				Criteria	Weighting	Threshold	Payment as % of target	EBIT	35%	If results \leq 90% of budgeted objective	0%	If results = 100% of budgeted objective	35.00%	If results \geq 110% of budgeted objective	52.50%	Order intake	20%	If results \leq 90% of budgeted objective	0%	If results = 100% of budgeted objective	20.00%	If results \geq 110% of budgeted objective	30.00%	Free operating cash flow	20%	If results \leq budgeted objective – 2% of budgeted revenues	0%	If results = 100% of budgeted objective	20.00%	If results \geq budgeted objective + 2% of budgeted revenues	30.00%	TOTAL FINANCIAL CRITERIA	75%		
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TOTAL FINANCIAL CRITERIA	75%																																		

- Digital strategy/Gemalto: demonstration of the initial impacts of the Digital Factory in "digitalising" Group activities. Execution of the planned takeover of Gemalto

[p.108] Compensation and salary progression

Individual pay rises depend on fulfilment of responsibilities, achievement of annual targets, market positioning and allocated budget. Since 2000, the compensation and benefits policy applied in all Group companies has also included a global variable compensation plan for employees in a position with a level of responsibility of 8 to 12. The plan defines a target rate of variable pay for each level of responsibility based on the achievement of the employees' individual targets and the business results of the Group and the company to which they belong.

[21] Universal Registration Document 2019 (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf>

[p.92] (ii) Non - financial criteria for 2019 annual variable compensation

In accordance with the aforementioned compensation policy of the Chairman and CEO of Thales, he was assessed in 2019 on the achievement of the following five non - financial criteria:

[...]

- several social and environmental responsibility objectives: further deployment of measures relating to diversity and inclusion across the Group; adoption in 2019 of a new carbon policy in line with the Paris agreements, including a reduction in the Group's energy intensity; promotion of a personal safety culture; completion of an external review of the Group's anti - corruption policy.

[p.112] In 2019, Thales started to think about how to involve even more managers in the implementation of its CSR strategy by making CSR objectives a factor in their annual variable compensation. Accordingly, the Group's Executive Committee has defined a list of managerial CSR objectives for 2020 in line with the six components of the Group's CSR strategy (diversity and inclusion, workplace health and safety, climate change, environmental protection, business ethics and duty of care), as set out in its Non-Financial Performance Statement.

Question
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?
Score
0
Comments
There is no evidence that the company commits to support or protect employees who refuse to act unethically.
Evidence
No evidence found.

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
<p>There is evidence that the company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents. There is evidence that this policy applies to all employees across the organisation, including those engaged by the group as third parties. However, the company receives a score of '1' because there is no evidence that it assures itself of its employees' confidence in this commitment through surveys, usage data, or other clearly stated means.</p>
Evidence
<p>[10] Internal Alert – User Guide to the Internal Alert System Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-03/180231_GuideAlerte-UK-0403-MEP2.pdf</p> <p>[p.4] It enables Thales employees, casual employees and external staff to report any acts that fall within the scope of the system. The internal alert system is based on the principles of confidentiality and respect for the rights of each person concerned throughout the procedure. Its use remains optional. No disciplinary action can be taken against any employee solely because they did not utilise the system.</p> <p>[p.7] Thales provides the assurance that no reprisals will be taken against any employee who reports, in good faith and in an impartial manner, acts that fall within the scope of the internal alert system, even if the facts are subsequently shown to be incorrect, or do not give rise to any follow-up action.</p> <p>[p.8] Protection of individuals initiating an alert Thales undertakes not to dismiss, discriminate against or otherwise take disciplinary action against any employee who initiates an alert for the purpose of reporting in good faith and in an impartial manner any acts falling within the scope of the internal alert system as defined above.</p> <p>Depending on the individual country, individuals initiating alerts may be protected under specific legislation.</p> <p>[1] Code of Ethics Accessed 23/09/2019 https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968</p> <p>[p.5] The ethics policy laid out in this Code of Ethics contributes to the trust that all of the Group's entities must maintain as a basis for their relationships with all of their stakeholders. I am personally invested in corporate responsibility and in meeting these goals, because I believe that our collective contribution to Thales's reputation, performance and sustainability hinges on irreproachable conduct by all Group employees.</p> <p>[p.6] ABOUT OUR CODE OF ETHICS</p> <p>In the spirit of Thales's core values, the present Code of Ethics lays down the guidelines of behaviour applicable within the Group, towards employees, customers, suppliers, subcontractors and partners, shareholders, financial markets, as well as towards society as a whole. The rules appearing in this Code are not a substitute for the national and international legislation applicable in each country, with which the Group fully complies. They must be understood and applied by all Group employees.</p> <p>Managers are responsible for the distribution, understanding and application of the Code of Ethics within their entities.</p> <p>The Code of Ethics also reminds Thales's suppliers, subcontractors and partners of our expectations in terms of ethical conduct. More generally, this document is made public, as needed, to all of our external stakeholders, including customers, suppliers, partners, subcontractors, shareholders, administrations, governments, local communities, etc.</p>

The Code of Ethics holds the Group accountable to all of them.

[p.18] How to voice a concern
[...]

However, because it is not always easy to find the specific answer to an ethics-related question, employees are encouraged to communicate openly and express their questions or concerns to their line manager, Human Resources manager, Compliance Officer or the VP, Ethics, Integrity & Corporate Responsibility.

An internal alert system, in addition to other existing reporting systems, is also available to Thales employees, casual employees and external staff to report concerns or incidents relating in particular to violations of the Code of Ethics.

No employee may be sanctioned or subject to a discriminatory measure for having initiated an alert for the purpose of reporting in good faith and in an impartial manner, even if the facts are subsequently shown to be incorrect, or do not give rise to any follow-up action.

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.4] Thales's corruption risk prevention policy applies to all employees and managers of Thales S.A. (parent company of the Group), wholly-owned subsidiaries and companies in which the Group owns a majority stake (joint ventures in which the Group owns at least 50% of shares or voting rights).

For companies in which Thales owns less than 50% of shares (minority-owned joint ventures), the Group works with the other shareholders to ensure that the basic elements of a corruption risk prevention policy are included in the company's compliance policy.

The code of ethics: the backbone of the anti-corruption policy

Corruption risk prevention is part of the Thales Ethics and Corporate Responsibility policy. This policy is built on a foundation of values and principles defined in the Group's Code of Ethics. The basis for the policy is the Code of Ethics, which lays down the rules of behaviour applicable within the Group, with respect to customers, suppliers, employees, shareholders, financial markets, the environment, society at large and the company itself.

[22] Internal Alert – User Guide (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2019-12/AlertGuide%20ENG%20-%20Final_2609.pdf

[p.9] Protection of individuals initiating an alert

Thales undertakes not to dismiss, discriminate against or otherwise take disciplinary action against any employee who initiates an alert for the purpose of reporting in good faith and in an impartial manner any acts falling within the scope of the internal alert system as defined above.

Depending on the individual country, individuals initiating alerts may be protected under specific legislation.

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?
Score
1
Comments
<p>There is evidence that the company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. There is evidence that channels are sufficiently varied to allow employees to raise concerns across the management chain and allow for confidential and, wherever possible, anonymous reporting. There is evidence that these channels are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties and joint venture partners, although employees of suppliers are not specifically mentioned.</p> <p>However, the company receives a score of '1' as the evidence suggests that it only offers internally operated channels, with no evidence of an external channel operated by an independent third party. It is also unclear whether the channels are available in all relevant languages.</p>
Evidence
<p>[1] Code of Ethics Accessed 23/09/2019 https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968 [p.18] How to voice a concern</p> <p>[...]</p> <p>However, because it is not always easy to find the specific answer to an ethics-related question, employees are encouraged to communicate openly and express their questions or concerns to their line manager, Human Resources manager, Compliance Officer or the VP, Ethics, Integrity & Corporate Responsibility.</p> <p>An internal alert system, in addition to other existing reporting systems, is also available to Thales employees, casual employees and external staff to report concerns or incidents relating in particular to violations of the Code of Ethics.</p> <p>[p.19] Internal Warning system Alerts raised via the internal alert system may be reported by any means (by letter, email, telephone or in person) to the VP, Ethics, Integrity and Corporate Responsibility: By email at alert.thales@thalesgroup.com or via the dedicated Intranet page By phone, at +33 1 57 77 87 19 Or by letter, addressed to : Thales VP, Ethics, Integrity and Corporate Responsibility Internal alert system Tour Carpe Diem 31 Place des Corolles CS 20001 92098 Paris La Défense Cedex France</p> <p>[10] Internal Alert – User Guide to the Internal Alert System Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-03/180231_GuideAlerte-UK-0403-MEP2.pdf [p.4] The internal alert system was initially created to strengthen Thales's approach to Ethics & Corporate Responsibility, while giving employees a way to voice their concerns and play an active role in preventing risks. It is an additional mechanism available to employees, and is not intended to replace existing alert channels, namely line management, employee representation bodies, and, where applicable, specific alert mechanisms in certain countries.</p> <p>It enables Thales employees, casual employees and external staff to report any acts that fall within the scope of the system. The internal alert system is based on the principles of confidentiality and respect for the rights of each person concerned throughout the procedure.</p> <p>[p.5] When to use the internal system?</p>

Subject to compatibility with local regulations, the internal alert system is designed to allow employees, casual employees and external staff to report concerns or incidents relating in particular to the following: Conduct or situations contrary to the Thales Code of Ethics, or the Group's Code of Conduct on Prevention of Corruption and Influence Peddling.

[...]

In practice, such reporting may relate in particular to acts of corruption or influence peddling, discrimination, harassment, anti-competitive practices, breaches of stock market regulations, financial and accounting violations, etc.

[p.6] Initiating an alert

For an alert to be actionable, it must meet the following criteria: It must have been initiated by an employee, casual employee or member of external staff. It must fall within the scope of the system (see the different areas defined in the section "When to use the internal alert system"). It must relate to facts of which the individual initiating the alert has personal knowledge. It must have been initiated in good faith and in an impartial manner.

Alerts may be reported by any means (by letter, email, telephone or in person) to the VP, Ethics and Corporate Responsibility. Dedicated contact details are as follows:

Email: alert.thales@thalesgroup.com (or use the dedicated Intranet page)

Phone: +33 1 57 77 87 19

Postal address: Thales VP, Ethics and Corporate Responsibility Internal alert system Tour Carpe Diem 31 place des Corolles CS 20001 92098 Paris La Défense cedex

[p.7] If an employee has doubts about acts or behaviours of which they have personal knowledge, they must alert their (direct or indirect) line manager, or their local ethics and/or compliance officer. The role of line managers is to guide and advise their team members. Line management is therefore the preferred route for raising alerts. However, if informing (direct or indirect) line management would potentially cause difficulties, alerts may be raised via the internal alert system.

[p.9] REVIEWING ALERTS TO DETERMINE ACTIONABILITY

Alerts received are the subject of a confidential review, within a maximum of 15 calendar days, by the VP, Ethics and Corporate Responsibility (or his/her deputy) who shall consult the VP, Legal and Contracts (or his/her deputy) to determine whether they are actionable.

[p.10] Identity of individual raising an alert

Except where local legislation makes provision to the contrary, the individual raising an alert is invited to disclose their identity in order to ensure more effective handling of the alert report by enabling additional details to be requested from them. In addition, if the identity of the individual raising an alert is known, measures can be put in place to ensure their protection.

However, even in the event of an anonymous alert, the reported facts will be examined to verify whether they are supported by evidence. Anonymous alerts can therefore be processed under the following conditions:

- The reported facts have been shown to relate to a sufficiently serious matter (such as harassment, corruption and influence peddling, for example).
- The factual information provided is sufficiently precise to allow verification to be carried out, or, if this is not the case:
- The individual who has raised the alert has provided information which allows discussions to take place with a view to obtaining further information, where applicable.

[p.11] Confidentiality

Thales undertakes to implement procedures to guarantee that the identity of the individual raising an alert, the facts of the alert report, and the identity of the person(s) who are the subject of the alert report, are kept confidential, including in the event of disclosure to third parties.

Employees who use the internal alert facility can therefore be sure that every precaution will be taken to ensure that their identity is kept strictly confidential at every stage of the investigation and handling of the situation by all those who have access to information on alert reports.

Electronic documents are stored in a separate, restricted-access information system, open only to the VP, Ethics and Corporate Responsibility (or his/her deputy), the VP, Legal and Contracts (or his/her deputy), and other potential members of the Alert Monitoring Committee, and to persons responsible for processing alerts, provided that they need to access the documents on a "need-to-know" basis for the purpose of verifying or processing an alert.

If necessary, exchanges via email with the individuals concerned by an alert can take place via an encrypted messaging system, the access arrangements for which will be provided once the alert has been declared actionable.

Only the VP, Ethics and Corporate Responsibility, the VP, Legal and Contracts, and other potential members of the Alert Monitoring Committee will, in the first instance, be aware of the identity of the individual who initiated the alert. Disclosure of the identity of the individual who initiated the alert to other persons (with the exception of the judicial authority) is subject to the individual's approval. In addition, information that could identify the person who is the subject of an alert report may only be disclosed (except to the judicial authority) once the actionability of the alert has been determined.

[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf

[p.12] When in doubt

As a general rule, if you have concerns about a particular situation, you should: refer to Thales policies and procedures in the Group reference system, which can be accessed on the Thales intranet;

seek the advice of your line manager, your local ethics and/or compliance manager, the Group Ethics and Corporate Responsibility Department or the Legal and Contracts Department.

In all circumstances, if you personally become aware that the conduct of a Thales employee or third party may be in breach of this Code, it is vitally important that, acting in good faith and in an impartial manner, you alert your line manager, your local ethics manager, the Country Ethics Committee, if one exists, or the Group Ethics and Corporate Responsibility Department.

Concerns may be reported by letter, e-mail, telephone or in person, and written confirmation will be provided as appropriate: ethics.cr@thalesgroup.com.

Thales provides the assurance that no reprisals will be taken against any employee who raises concerns about conduct or situations in contravention of this Code, and that all concerns will be examined confidentially and in accordance with the rules applicable to the handling of personal data.

Further information

Please contact the Ethics and Corporate Responsibility Department: By email: ethics.cr@thalesgroup.com By telephone: +33 (0) 1 57 77 86 49

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.4] Thales's corruption risk prevention policy applies to all employees and managers of Thales S.A. (parent company of the Group), wholly-owned subsidiaries and companies in which the Group owns a majority stake (joint ventures in which the Group owns at least 50% of shares or voting rights).

For companies in which Thales owns less than 50% of shares (minority-owned joint ventures), the Group works with the other shareholders to ensure that the basic elements of a corruption risk prevention policy are included in the company's compliance policy.

[p.15] 7.3 ETHICS ALERT

Thales has put in place a global ethics alert (whistleblowing) facility as laid out in a guide describing the scope of the facility, which was approved by CNIL, the French data protection authority, in 2011. This ethics alert facility allows all Group employees to:

- obtain information and advice in case of questions or doubts about the application or interpretation of the Code of Ethics.
- raise ethics-related concerns that could impact the Group's business or seriously jeopardise its performance as a responsible operator with respect to accounting, financial and banking practices, corruption and fair trade.

The alert may be reported by any means (letter, email, telephone or face-to-face conversation).

It is based on the principles of confidentiality and respect for the rights of each person concerned throughout the procedure. The alert facility must be used in compliance with applicable law and rules in the country in which the employee lives or works.

Some countries also have a national ethics alert facility in addition to the global facility.

The User guide on ethics alert is sent by email to all Group employees. The facility is also presented to employees during training sessions.

[14] Business Ethics Conduct Guide - Conflict of Interest

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_-_conflict_of_interest_guide_0.pdf?_ga=2.261428877.1898685120.1569238024-1041281346.1568125968

[p. 15] Also, when in doubt, it is advisable to speak up, speak out, share and ask for advice. Do not act in haste, alone or under pressure. Ask for guidance from colleagues, (senior) management, Legal or Human Resources Department or your Ethics Officer. Remember, your first line of contact is your manager and then, the Legal or Human Resources Department (or your Ethics Officer for general discussion or advice).

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
2
Comments
<p>There is evidence that the company formally addresses conflicts of interest as a corruption risk, and has a clear policy that defines potential conflicts, including actual, potential and perceived. The policy explicitly covers all of the categories of possible conflicts listed in the guidance. There is evidence that the company's anti-corruption policies apply to all employees, including those of subsidiaries and other controlled entities. There is evidence that board members are required to declare conflicts of interest, and so it is understood that the policy also applies to them.</p>
Evidence
<p>[14] Business Ethics Conduct Guide - Conflict of Interest Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_-_conflict_of_interest_guide_0.pdf?_ga=2.261428877.1898685120.1569238024-1041281346.1568125968 <p>[p.4] Definition and types of conflicts of interest</p> <p>A "Conflict of Interest" is a situation in which a person has a private or personal interest which is sufficient to appear to influence the objective exercise of his or her official duties as an employee or a professional or public official. Essentially, it is any situation where there is a risk that a personal/private interest of a Thales employee or personnel will interfere or has the appearance of interfering with Thales's legitimate business interests. That is, a conflict of interest exists when an employee's duty to give undivided business loyalty to Thales may be prejudiced by an actual or potential personal benefit from another source.</p> <p>The following is a non-exhaustive list of actual or potential conflict of interest situations:</p> <p>Professional & Organisation conflicts</p> <ul style="list-style-type: none"> • Having a direct or indirect financial interest in, consulting or working for, or receiving any compensation from, a competitor, vendor or customer of Thales; • Engaging in any outside business activity which is in competition with Thales; • Selling or leasing to Thales any property or asset, owned by an employee; • Serving on a board of director of any customer, vendor or competitor of Thales; • Soliciting benefits from a third party to unfairly benefit him/her in his/ her relation with Thales. <p>Personal relationships</p> <ul style="list-style-type: none"> • Acting in the employment (or application for employment) of a spouse or partner, child, or other relative by Thales or a competitor, vendor or customer of Thales; • Purchasing goods or services for Thales from a relative, partner, business associate or a firm in which a relative, partner or business associate has any interest. <p>[p.5] Public office</p> <ul style="list-style-type: none"> • This concerns cases where an employee has an elected mandate (be it local, regional or national) in parallel to his role at Thales. There are risks that such an employee might be faced with conflicts of interest between his duty as an employee and his public service mission. This could take the form of favouritism vis-à-vis his employer in the objective exercise of his official duties as a public official. <p>[p.14] What to do? Use the 4R rule</p> <ul style="list-style-type: none"> • Respect regulations: comply with applicable regulations and legal provisions. In some countries, certain professions or sectors are strictly regulated with regards to dealing with conflicts of interest issues (for example, mergers & acquisitions, financial advisors, auditors, lawyers, etc.). For more information on applicable regulations and legal provisions, consult your business unit (management, Legal Department) or directly contact the (relevant) country corporate organisation. </p>

- Be reasonable: when faced with an actual or potential conflict of interest issue. Always think of the “revelation test”: should your approach for dealing with a conflict of interest be revealed to your manager, your colleagues, Thales or even the client, would you still be comfortable with the decision that you made?

Therefore, being reasonable means:

- Act loyally and responsibly under all circumstances.
- Avoid a conflict of interest whenever it is possible.
- Disclose it to your line manager who is your first line of contact, and then, Legal or Human Resources Department. For general discussion or information on conflicts of interest, you could also consult your Ethics Officer.
- Absent yourself from decision-making/decline an appointment where possible in cases of conflicts of interest implicating your personal interest.

Sometimes, avoiding or absenting yourself from a conflict of interest is impossible and so, disclosure and transparency are essential to dealing with the potential or actual conflict of interest.

[p.15]

- Be responsible: each situation is unique and different

Applicable laws and regulations and/or any guidance given by Thales do not exhaustively cover all conflict of interest situations, actual or potential. Consequently, in addition to being compliant with applicable laws and company guidance, it is often the individual facing a potential or actual conflict of interest situation that must make the final decision. This means being fully aware of the need to act responsibly towards Thales, its customers and suppliers, its shareholders and financial markets, etc. (in accordance with Thales’s core values, listed in its Code of Ethics). It is important to use common sense, experience and professionalism to identify a potential concern. Nevertheless, if in doubt, it is advisable to consult one’s manager first, and then, Legal or Human Resources Department should the case require it.

- Keep records (traceability): being that transparency and disclosure are paramount to dealing with and mitigating a conflict of interest, keeping records is indispensable. You are advised to store and keep record of disclosures of conflicts of interest which could serve as points of reference for a better understanding of these conflicts. Generally speaking, it is best to disclose all potential or actual conflicts of interest to allow for better management and traceability of the issue and the manner in which it has been addressed.

Also, when in doubt, it is advisable to speak up, speak out, share and ask for advice. Do not act in haste, alone or under pressure. Ask for guidance from colleagues, (senior) management, Legal or Human Resources Department or your Ethics Officer. Remember, your first line of contact is your manager and then, the Legal or Human Resources Department (or your Ethics Officer for general discussion or advice).

[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf

[p.10] Conflicts of interest

A conflict of interest is a situation in which the personal interest of a Thales employee may influence, or appear to influence, the way in which this employee performs his/her functions. It may be a private, professional or financial interest of the Thales employee or a member of his/her family or relatives, which could influence the employee’s ability to act impartially and objectively in a professional capacity.

What should you do?

To determine whether you could be in a conflict of interest situation, ask yourself the following questions:

- Is this situation affecting the way I am performing my functions?
- Would my loyalty or impartiality be brought into question if my staff, co-workers or anybody outside the Group knew about my personal interests?
- How would my line manager react if information about my personal interests were widely known?

Report any potential conflict of interest to your line manager as soon as you are aware of it.

For example: your partner is a senior manager at a company that is responding to a Thales request for proposals, and you are on the bid selection Panel. You must report this situation to your line manager and to the panel lead, and declare that there is a risk of a conflict of interest. Somebody else can take your place in the selection process.

Generally speaking, to avoid being in a situation of conflict of interest with Thales, the employee must not acquire an interest in a competitor, supplier or regular customer without prior written notice from his/her management.

[p.11] Penalties

Failure by an employee to adhere to applicable legislation and this Code of Conduct is liable to result in a disciplinary sanction, up to and including dismissal for serious or gross professional misconduct, irrespective of any civil and criminal proceedings that may arise from the offence.

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.4] Thales's corruption risk prevention policy applies to all employees and managers of Thales S.A. (parent company of the Group), wholly-owned subsidiaries and companies in which the Group owns a majority stake (joint ventures in which the Group owns at least 50% of shares or voting rights).

For companies in which Thales owns less than 50% of shares (minority-owned joint ventures), the Group works with the other shareholders to ensure that the basic elements of a corruption risk prevention policy are included in the company's compliance policy.

[p.12] 5.6 CONFLICT OF INTEREST

In the spirit of Thales's core values and its commitment to integrity and exemplary ethical conduct, Thales has put in place a proactive methodology to facilitate the understanding and early detection of conflict of interest situations across the Group.

Practical examples and advice on the adequate behavior are detailed in a dedicated Business ethics conduct guide. The 4R rule: respect Regulations, be Reasonable, be Responsible and keep Records (be transparent and disclose) enables any employee to behave in an appropriate manner.

[1] Code of Ethics

Accessed 23/09/2019

https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968

[p.13] The personal interests of a Group employee must not affect the choice of a partner or any decision concerning a partner, under any circumstances. It may be a private, professional or financial interest of the Thales employee or a member of his/her entourage, which could influence the employee's ability to act impartially and objectively in a professional capacity. Employees must report any potential conflict of interest to their line manager as soon as they become aware of it. Management must be particularly vigilant when notified of a potential conflict of interest between a partner and an employee.

[11] Business Ethics Conduct Guide - Prevention of Corruption

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thg087_guidepreventioncorruption_gb_bd.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968

[p.12] Conflicts of interest

Definition

A conflict of interest is a situation in which your personal interest – whether of a private, professional or financial nature – potentially conflicts with your duty to remain independent as a Thales employee. Your ability to perform your professional duties objectively may be affected as a result. Under such conditions, the existence of a conflict of interest may be considered an act of corruption.

Ask yourself a few key questions to identify a potential conflict of interest:

- Does the situation affect the way I carry out my duties for Thales?
- Would my loyalty and impartiality be called into question if my co-workers knew about my personal interests?
- How would my line manager react if information about my personal interests were widely publicised?

[16] 2018 Registration Document

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.77] The rules of procedure stipulate that:

- the members of the Board of Directors must inform the Chairman of all management or administrative positions that they hold;
- each Company representative must obtain the opinion of the Board before accepting a new corporate office in a listed company;
- directors must inform the Board of any conflicts of interest, even potential, and must, in such cases, refrain from taking part in discussions or voting on the corresponding matter

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
<p>The company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts. Disciplinary measures apply generally if the company's anti-corruption policies, including those regarding conflicts of interest, are breached.</p> <p>However, the company receives a score of '1' because there is no evidence that all employee and board member declarations are held in a dedicated, central register that is accessible to those responsible for oversight of the process. The company's policies also do not mention examples of criteria for recusals.</p>
Evidence
<p>[14] Business Ethics Conduct Guide - Conflict of Interest Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_-_conflict_of_interest_guide_0.pdf?_ga=2.261428877.1898685120.1569238024-1041281346.1568125968 [p.6] How to identify a conflict of interest</p> <p>How do I recognise that I have an actual or a potential conflict of interest and what should I do if I think that I might be faced with such a situation?</p> <p>It is advisable to consult your manager, the Legal Department, or the Human Resources Department on such questions.</p> <p>Relying solely on your own judgement about your own situation is very difficult, especially when it comes to a conflict of interest because you will never know if your assessment or judgement is not already impaired by the situation. The transparency involved in voluntary self-disclosure removes the decision-making burden from your shoulders.</p> <p>In the end, if it is determined that there was no conflict of interest (neither potential nor actual) there will be no consequence, thus avoiding an uncomfortable situation that could have had serious implications for you and Thales.</p> <p>[p.14] What to do? Use the 4R rule</p> <ul style="list-style-type: none"> • Respect regulations: comply with applicable regulations and legal provisions. In some countries, certain professions or sectors are strictly regulated with regards to dealing with conflicts of interest issues (for example, mergers & acquisitions, financial advisors, auditors, lawyers, etc.). For more information on applicable regulations and legal provisions, consult your business unit (management, Legal Department) or directly contact the (relevant) country corporate organisation. • Be reasonable: when faced with an actual or potential conflict of interest issue. Always think of the "revelation test": should your approach for dealing with a conflict of interest be revealed to your manager, your colleagues, Thales or even the client, would you still be comfortable with the decision that you made? <p>Therefore, being reasonable means:</p> <ul style="list-style-type: none"> - Act loyally and responsibly under all circumstances. - Avoid a conflict of interest whenever it is possible. - Disclose it to your line manager who is your first line of contact, and then, Legal or Human Resources Department. For general discussion or information on conflicts of interest, you could also consult your Ethics Officer. - Absent yourself from decision-making/decline an appointment where possible in cases of conflicts of interest implicating your personal interest.

Sometimes, avoiding or absenting yourself from a conflict of interest is impossible and so, disclosure and transparency are essential to dealing with the potential or actual conflict of interest.

[p.15]

- Be responsible: each situation is unique and different

Applicable laws and regulations and/or any guidance given by Thales do not exhaustively cover all conflict of interest situations, actual or potential. Consequently, in addition to being compliant with applicable laws and company guidance, it is often the individual facing a potential or actual conflict of interest situation that must make the final decision. This means being fully aware of the need to act responsibly towards Thales, its customers and suppliers, its shareholders and financial markets, etc. (in accordance with Thales's core values, listed in its Code of Ethics). It is important to use common sense, experience and professionalism to identify a potential concern. Nevertheless, if in doubt, it is advisable to consult one's manager first, and then, Legal or Human Resources Department should the case require it.

- Keep records (traceability): being that transparency and disclosure are paramount to dealing with and mitigating a conflict of interest, keeping records is indispensable. You are advised to store and keep record of disclosures of conflicts of interest which could serve as points of reference for a better understanding of these conflicts. Generally speaking, it is best to disclose all potential or actual conflicts of interest to allow for better management and traceability of the issue and the manner in which it has been addressed.

Also, when in doubt, it is advisable to speak up, speak out, share and ask for advice. Do not act in haste, alone or under pressure. Ask for guidance from colleagues, (senior) management, Legal or Human Resources Department or your Ethics Officer. Remember, your first line of contact is your manager and then, the Legal or Human Resources Department (or your Ethics Officer for general discussion or advice).

[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf

[p.10] Conflicts of interest

[...] What should you do?

To determine whether you could be in a conflict of interest situation, ask yourself the following questions:

- Is this situation affecting the way I am performing my functions?
- Would my loyalty or impartiality be brought into question if my staff, co-workers or anybody outside the Group knew about my personal interests?
- How would my line manager react if information about my personal interests were widely known?

Report any potential conflict of interest to your line manager as soon as you are aware of it.

[p.11] Penalties

Failure by an employee to adhere to applicable legislation and this Code of Conduct is liable to result in a disciplinary sanction, up to and including dismissal for serious or gross professional misconduct, irrespective of any civil and criminal proceedings that may arise from the offence.

[16] 2018 Registration Document

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.77] The rules of procedure stipulate that:

- the members of the Board of Directors must inform the Chairman of all management or administrative positions that they hold;
- each Company representative must obtain the opinion of the Board before accepting a new corporate office in a listed company;
- directors must inform the Board of any conflicts of interest, even potential, and must, in such cases, refrain from taking part in discussions or voting on the corresponding matter

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
0
Comments
There is no evidence that the company has a policy regulating the employment of current or former public officials.
Evidence
No evidence found.

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company reports details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
2
Comments
The company publishes a clear statement that it does not make corporate political contributions.
Evidence
<p>[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf [p.10] Political activities</p> <p>Thales observes strict political, religious and philosophical neutrality. As a result, the Group does not make any financial contribution to political candidates, elected representatives or political parties. Any employee wishing to take part in political activities must do so on a strictly personal basis, without using Thales's corporate image to support their convictions.</p> <p>[1] Code of Ethics Accessed 23/09/2019 https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968 [p.17] As a member of civil society, Thales observes strict political, religious and philosophical neutrality. As a result, the Group will not make any financial contribution to candidates for elective office, elected representatives or political parties.</p> <p>Thales employees may, however, participate in political activities in their own right, off company premises and outside working hours, and without using the Group's corporate image to support their personal convictions.</p>

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?
Score
N/A
Comments
The company publishes a clear statement that it does not make corporate political contributions, and is therefore exempt from scoring on this question.
Evidence
N/A

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
<p>There is evidence that the company has a clear policy covering both charitable donations and sponsorships, whether made directly or through corporate foundations, to ensure that such donations are not used as vehicles for bribery and corruption. There is evidence that these policies include measures to ensure this, for example, by specifying criteria for donations, procedures for approval and verification of the legitimacy of recipients.</p> <p>However, the company receives a score of '1' because while the company provides some examples of its charitable work in its 2018 Registration Document, it does not publish full details of all charitable donations made, including details of the recipient, amount, country of recipient and which corporate entity made the payment.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.11] 5.5 CHARITABLE DONATIONS, SPONSORSHIP, POLITICAL CONTRIBUTIONS AND FOUNDATION</p> <p>The Thales Code of Ethics defines the principles to follow in the areas of charitable donations, sponsorship and political contributions in order to prevent corruption risks.</p> <p>[...] Thales only finances associations or foundations or takes part in sponsorship projects insofar as such activities are legally acceptable and in line with the values and priorities defined by the Group.</p> <p>To prevent any risk of corruption or conflict of interest, charitable donations and sponsorship actions, in line with the requirements specified in Thales's Code of Ethics and legislation in force in the country ...</p> <p>[p.12] ... concerned, must be approved (where applicable in consultation with the Group's corporate management) according to Group rules on the delegation of responsibilities.</p> <p>Such contributions must be made in complete transparency. In addition, payments in cash are not authorised.</p> <p>The activities of the Thales foundation created in 2014, focused on the areas of education and humanitarian crises, are governed by a dedicated Ethics Charter. Such charter sets the rules and principles for the missions devoted to the Foundation and its Board of Trustees, consistently with the Group Code of Ethics.</p> <p>[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf [p.9] Community investment is a form of material support for a non-profit organisation or individual working in the public interest. The Company receives nothing tangible in return for its investment, it acts purely as a responsible corporate citizen.</p> <p>Community investment is distinct from sponsorship in that different types of actions are supported, and with community investment there is typically no contractually agreed return in the form of publicity.</p> <p>Sponsorship involves providing material support for an event, person, product or organisation in return for some form of direct benefit (promotion of the sponsor's brand, name or image).</p> <p>The purpose of sponsorship operations is to promote the image of the sponsor, typically through the visible use of its name or brand.</p>

Group policy on sponsorship is to use the Thales Foundation wherever possible as the vehicle for community investment actions in six key areas:

- healthcare;
- education;
- scientific and technological research;
- culture;
- solidarity;
- environment.

In accordance with the procedures in place, any other material community investment operation not conducted by the Foundation requires the prior approval of Group Corporate Communications.

Sponsorship operations also require the prior approval of Group Corporate Communications, in accordance with the procedures in place.

What should you do?

- Never offer or agree to conduct community investment or sponsorship actions with the aim of obtaining an undue advantage;
- always adhere to Group, and local (if any), guidelines for community investment and sponsorship, and follow the proper approval procedures before any community investment or sponsorship operation is undertaken by a Group company;
- before making any community investment or sponsorship commitment, it is important to:
 - ensure that it complies with local legislation;
 - verify the legitimacy of the intended operation;
 - check that there are no links between the beneficiary and decision-makers working for your customers/suppliers that could change the nature of the operation in the eyes of the law;
- never make or accept any donations or contributions in cash.

[1] Code of Ethics

Accessed 23/09/2019

https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968

[p.17] Thales is committed to engaging in community investment activities that are aligned with the Group's corporate societal responsibility (CSR) priorities and takes steps to prevent any risk of non-compliance with applicable laws and regulations.

[16] 2018 Registration Document

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.144] In 2018, this innovative outreach tool was used by 4,086 employee micro- donors within the Group's French companies, raising over €287,000 for six charities.

The Foundation commits to promoting and monitoring each project to help it achieve its funding objectives. The results obtained in 2018 through this fund- raising were substantial:

- 23,145 school kits, manufactured locally, were distributed to 159 schools by Planète Urgence in Benin, Cameroon, Togo and Madagascar, three times more than in 2015. 434 pieces of equipment and 128 solar lamps were also provided to schools;
- 450 primary and secondary school children, 52% of them girls, benefited from academic support classes at the school in Phnom Penh run by the charity For a Child's Smile, which fights against school drop- out in Cambodia;
- 2,300 teachers and carers in France have been trained in the use of digital tools developed by Le Cartable Fantastique to promote the inclusion in school of children with DCD (developmental coordination disorder);
- 17,000 people and 45 humanitarian organisations were able to communicate and coordinate with one another following the typhoons and earthquakes in the Philippines and Indonesia, thanks to Télécoms Sans Frontières technologies;
- 11,565 pupils and educators received responsible citizenship training in 22 schools in France, Benin, Senegal and Togo, through an interactive platform and international solidarity microprojects developed by Aide et Action;

- 4 "Ideas Boxes" (mobile pop- up multimedia centres) from Libraries Without Borders provided free access to educational and digital content to 6,000 beneficiaries and mediators in priority districts in the Hauts- de- France region.

[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf

[p.4] 2.1.2.2 COMMUNITY INVESTMENT, SPONSORSHIP AND MEMBERSHIPS

Community investment and sponsorship activities must comply with applicable legislation, and must be conducted in order to meet a legitimate charitable or professional objective. They must never be aimed at obtaining or offering an undue advantage or influencing a decision, or give the appearance of such an aim.

The internal instruction on Community Investment, Sponsorship and Memberships defines the approval rules and requirements to be met by Group employees who are planning to undertake community investment and sponsorship activities, or to become a corporate member of a professional association. This Instruction is designed to be used in conjunction with the Community Investment, Sponsorship and Memberships Policy Guidelines, which set out the Group's priorities in terms of social engagement and corporate social responsibility (CSR).

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
2
Comments
<p>There is evidence that the company has a policy that defines lobbying, broad enough to cover the spirit of the term as described in the guidance, and sets out the values and behaviours that constitute 'responsible' lobbying. There is evidence that the company publishes a Lobbying Charter and a Best Practice Guide to Lobbying, which set out certain standards of conduct and clear oversight mechanisms that apply to in-house, external and association lobbyists. There is evidence that the company provides clear guidelines on what behaviours are acceptable and unacceptable and on the corruption risks associated with lobbying (e.g. undue influence, conflicts of interest, etc.). This policy applies to all persons representing the interests of the company, which is understood to include employees, board members and third parties lobbying on the company's behalf.</p>
Evidence
<p>[13] Business Ethics Conduct Guide - Best Practices Guide to Lobbying Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/best_practices_guide_to_lobbying_0.pdf?_ga=2.201200174.1898685120.1569238024-1041281346.1568125968</p> <p>[p.5] Lobbying: a broad definition</p> <p>Thales defines lobbying as the provision, in complete transparency, of relevant information liable to inform a public policy or procurement decision. The purpose of lobbying is therefore to inform public officials about the Group's activities and their value in order to provide decision-makers with technical expertise that will support the company's growth and development.</p> <p>The Thales lobbying policy must be implemented in accordance with the Group's general principles and the directives issued by the Ethics and Corporate Responsibility Department (ECRD).</p> <p>This Best practices Guide to lobbying therefore seeks to enable each employee to measure the risks of any lobbying activity that might involve non-transparent underlying negotiations and, as a result, could be construed as an attempt to exert illegitimate influence on decision-makers.</p> <p>[p.6] Promoting transparency in lobbying operations</p> <p>At international as well as national level, there is a general consensus on the need to achieve a certain level of transparency in lobbying activities. The aim is to protect the public interest while ensuring that the system is fair and that the parties with the greatest influence do not dictate public policy or procurement decisions.</p> <p>All persons representing the interests of Thales must therefore exert any such influence in a transparent manner and promote transparency in all lobbying activities.</p> <p>[p.10] Understanding the boundaries of legitimate lobbying</p> <p>The purpose of influencing public-sector decisionmakers on behalf of Thales is to defend the interests of the Group by providing expertise that informs the decision-making process. Formal efforts to influence this process may be made by professional lobbyists, who may or not be Thales employees, while informal efforts may be made by any employee in direct contact with a public-sector decision-maker. Lobbying is therefore permissible at national and supranational levels, provided that it does not extend beyond its initial purpose and on condition that local regulations and/or codes of ethics are applied.</p> <p>Although lobbying is therefore recognised as a necessary and legitimate activity in and of itself, the limits of that legitimacy can be crossed. For example, if the lobbying activity involves "exerting pressure on [individual or collective] decision-makers with a view to promoting specific economic interests"(2), there is a risk that it could be construed as influence-peddling or even corruption.</p>

[p.11] Lobbying activities must therefore be limited to simple oral or written communications intended to provide expert input, without granting the decision-maker any favour or any undue advantage in return.

Understanding the demand for transparency in lobbying

Lobbying activities conducted on behalf of Thales or to defend the Group's interests must comply with a number of general conditions:

- They must be compliant with national regulations.
- They must be conducted in complete transparency.
- They must not be conducted with the objective of giving or obtaining a favour or any undue advantage in return. They must not lead to a conflict of interests.
- The information provided must be objective and not misleading, and no attempt must be made to dishonestly obtain information or decisions by exerting pressure of any kind.
- They must be conducted solely in a professional capacity and without any personal motive.

[p.12] Apply the 4R rule

Although lobbying is legitimate and legal in and of itself, it can spill over into practices that are neither legitimate nor legal if access to decision-makers is used to defend interests that prevail over the public good and/or if it involves fraudulently exerting excessive influence over public policy or procurement decisions. Such practices fall within the scope of Thales's permanent fight against corruption and related offenses.

First and foremost, in their relations with any party holding decision-making power, employees must refrain from promoting Thales's interests by directly granting any undue advantage.

They must also refrain from knowingly and illegally abusing their influence, real or presumed, with a view to obtaining a favourable decision from the authorities.

[R1] Comply with the regulations

Comply with national and international regulations

Persons representing Thales's interests must comply proactively with the regulations in effect in the country concerned, whether they are binding rules or official recommendations.

[p.14] [R2] Be reasonable

Influence exerted by a Thales representative must not constitute disproportionate access to the public sector decision-making process. If no clear limits to this influence have been defined, representatives should conduct a "newspaper test" by determining whether the lobbying practices involved could be reported in the press without harming the reputation of Thales and/or the other party.

[p.15] The risk of influence-peddling

Thales has undertaken not to empower a third party to act as an intermediary between a person that might be influenced by a Thales representative and a person that might receive an undue advantage if such an arrangement could be construed as illegal or illicit influence-peddling.



Lobbyists must therefore refrain from knowingly abusing their influence to obtain a decision from those with decision-making power that would be favourable to the Group's interests(5). There is a risk of influence-peddling whenever an employee – by virtue of the significant resources at his/her disposal for lobbying activities and/or

because of his/her close relationships with public officials – could have disproportionate access to the decision-making process and thus exert excessive and fraudulent influence over a decision-maker.

[p.17] [R3] Be responsible

Treat each situation as a specific case

No regulation can provide an appropriate response to each situation.

As well as applying Thales rules and principles, therefore, the person representing the Group's interests must take the final decision based on common sense, experience and professionalism. He/she must exert influence without taking risks for the Group; on the contrary, this activity calls for as much transparency and visibility as possible.

[p.18] [R4] Keep records

The principle of full internal transparency must be applied to all communications and other actions undertaken within the scope of an activity intended to influence a public official. It may be appropriate to establish an internal register for this purpose, and in all cases written traces of these contacts must be kept.

Even more importantly than in any other aspect of day-to-day business management, the unit must keep internal records of communications related to lobbying on behalf of Thales. These records should include detailed information on the following:

- name of the unit, names of Thales representatives and public officials accessed,
- type and scope of each communication and any other related material measure,
- purpose of influence activity.

[9] Lobbying Charter

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/lobbying_charter_0.pdf?_ga=2.33559073.1898685120.1569238024-1041281346.1568125968

[p.2] Thales defines lobbying as the provision of relevant information, in complete transparency, to assist public officials in their decision-making processes. In practical terms, this means making public officials aware of Thales's activities so they can have access to reliable and comprehensive information.

[p.3] Scope

The purpose of Thales's efforts to influence public decision-makers is to defend the Group's interests by providing expert input to inform decision-making.

Thales conducts lobbying activities at both national and supranational levels but always in compliance with applicable local regulations.

Thales's responsible lobbying activities involve providing expert input through simple oral or written communication, without offering decision-makers any material benefits or considerations of any kind.

Undertakings on the part of Thales

In all lobbying activities conducted on its behalf or to support its interests, Thales undertakes to:

- comply with national regulations and/or codes of conduct; in the absence of any specific lobbying regulations, Thales strongly encourages its lobbyists to register proactively with any lobbying registries or directories in place;
- behave fairly, responsibly and with respect for all other stakeholders under all circumstances;
- operate transparently and in compliance with applicable legislation and codes of practice, and with the professionalism and diligence expected of all Group employees;
- act without any intention of giving or receiving any undue consideration or advantage;
- refrain from engaging in any form of corruption;
- create no conflict of interest;
- provide reliable and objective information without exerting any kind of pressure in an attempt to obtain information or influence decisions;

- conduct lobbying activities in a strictly professional context and never for personal gain.

Implementation of Lobbying Charter principles

This Charter applies to both Thales as a legal entity and to each of its employees.

[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf

[p.10] Lobbying

Lobbying is defined as the provision, in complete transparency, of relevant information liable to inform a public policy decision.

The role of the lobbyist or “interest representative” is to make public officials aware of Thales’s technical expertise and credentials in ways that support the company’s growth and development.

If carried out by a third party, this activity must be subject to the procedures in place governing the use of consultants and must strictly comply with all applicable local legislation. These procedures are part of the Group reference system, which can be accessed on the Thales intranet.

In particular, lobbying activity in France can only be carried out by an “interest representative” registered with the authority for transparency in public life (HATVP) as stipulated by the Sapin II law.

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.12] 5.7 LOBBYING

The risk of corruption or influence peddling in the lobbying activities carried out by third parties on the Group's behalf is strictly governed by the process related to the use of agents and consultants.

Thales has developed a “Best practices guide to lobbying” for Group employees who have direct contact with a public decision-maker. The guide provides information and recommendations in this area and enables employees to assess the risks associated with any lobbying activities that could involve side negotiations or closed-door discussions, for example, and that could therefore be perceived as an attempt to exert undue influence over decision-makers.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
0
Comments
Although the company states that the purpose of lobbying is to inform public officials about the company's activities, there is no evidence that the company publishes further details on its lobbying aims, topics or activities.
Evidence
<p>[13] Business Ethics Conduct Guide - Best Practices Guide to Lobbying Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/best_practices_guide_to_lobbying_0.pdf?_ga=2.201200174.1898685120.1569238024-1041281346.1568125968 [p.5] Lobbying: a broad definition</p> <p>Thales defines lobbying as the provision, in complete transparency, of relevant information liable to inform a public policy or procurement decision. The purpose of lobbying is therefore to inform public officials about the Group's activities and their value in order to provide decision-makers with technical expertise that will support the company's growth and development.</p>

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company provides any details about its global lobbying expenditure.
Evidence
No evidence found.

5.3 Gifts and Hospitality

Question
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?
Score
1
Comments
<p>There is evidence that the company has a policy on the giving and receipt of gifts and hospitality, with procedures designed to ensure that such promotional expenses are not used as vehicles for bribery and corruption. There is evidence that the policy addresses the risks associated with gifts and hospitality given to and/or received from domestic and foreign public officials and the company provides some proportionate value limits on the types of gifts and hospitality that employees may encounter as part of their employment.</p> <p>However, while the company refers to financial limits and different approval procedures for different types of promotional expenses, the details of this policy is not made publicly available. Furthermore, there is evidence that gifts and hospitality given and received are documented in different countries/units, but there is no evidence of a central depository, nor information which indicates that a designated body or individual has oversight of these registers.</p>
Evidence
<p>[12] Business Ethics Conduct Guide - Gifts and Hospitality Guidelines Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/giftsandhospitalityguidelines18peng_0.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968</p> <p>[p.5] Common courtesies or tokens of appreciation, whether given or received, are generally allowed in the business world as long as they meet certain conditions:</p> <ul style="list-style-type: none"> • they are not made with the objective of giving or obtaining a favour, or any undue advantage, • they do not create a conflict of interest, • they are made in a strictly professional context, • they are made in a transparent way. <p>Gifts and hospitality, if compliant with applicable laws, can take the form of (broad "definition"):</p> <ul style="list-style-type: none"> • gifts, • meals, • invitations to business events, • travel, • entertainment. <p>Cash payments are prohibited by Thales.</p> <p>[p.7] Following the 4R rule</p> <p>R1: Regulations R2: Reasonable R3: Responsible R4: Records</p> <p>[R1] Comply with the Regulations</p> <p>Gifts and hospitality must comply with currently applicable legislation. In each country, laws, court decisions (case law), tax legislation and rules specific to central or local administration bodies can provide additional details (including monetary limits) as to what is acceptable. In some countries gifts and hospitality are unlawful. Specific information on national legal limits (if any) is available from the relevant Thales country corporate organisation. You can obtain this information from your business unit (management, legal affairs, marketing & sales) or by directly contacting the country corporate organisations.</p>

[p.8] [R2] Be Reasonable

Whether it is for given or received gifts or acts of hospitality, and even if it is done within the boundaries set by law always do the “newspaper test”: before acting, ask yourself if this gift or hospitality could be reported in the media without harming the reputation of Thales and/ or the recipient.

Giving Gifts and Hospitality

Gifts and hospitality given must be limited and reasonable in terms of the cultural values and customs of the country involved, and those of the recipient's company or organisation. Circumstances are important to take into account to help you make your decision, e.g.

- Which phase of the contract you are in before after?
- What is the job/role of the people you want to give the gift or the hospitality to?(technician, high ranking military officer)?

If local law does not address the issue, the relevant country, corporate organisation can advise you on what is generally considered reasonable, and in line with the local living standards and culture.

Receiving Gifts and Hospitality

Gifts and hospitality received must also be limited and reasonable. Gifts of a value considered as reasonable can either be shared within Thales (with colleagues, teams), or can be kept by individuals if they are marketing items with the logo of the offering company or organisation.

[p.9] Gifts of a value exceeding what is defined as reasonable should be returned with a polite thank you note and a reminder of Thales' Code of Ethics. Where refusal of a gift exceeding Thales' policy might offend, and only in these rare circumstances, the gift should be accepted on behalf of the company, retained by the company, and reported to the country's ethics officer.

In terms of hospitality, you can accept:

- business meals, as long as their frequency and level are not excessive (similar to what you would be authorised to offer in return). Business meals paid for by companies during a bidding process with Thales should be refused.
- invitations to business events, as long as travel and accommodation expenses are paid by Thales.

You should refuse acts of hospitality, e.g. invitations to sporting or other entertainment events, that are not part of a formal business event. As well as for gifts and hospitality given, the Group corporate organisation can supplement lacking official regulations with specific guidance.

In all cases, gifts and hospitality must be received in complete transparency by informing your direct management.

[p.10] [R3] Be Responsible

Each real-life situation is unique

[...]

Therefore within the limits described in parts [R1] and [R2] of these guidelines, Thales units can, primarily to help less experienced employees, put in place a system of pre or post authorisation of expenses above a certain amount, on the same principle as delegation of authority.

[p.11] [R4] Keep Records

Gifts and hospitality

Should be given transparently and recorded as such. Generally speaking, all transactions should be documented with full transparency. When giving gifts and hospitality the amount spent, the name of the recipient and the description of the item are recorded in the unit's books and records, as it is the case with other expenses for traceability and administration purposes.

The details of the data recorded in the books might vary depending on local tax rules and other local requirements. Local Thales corporate organisations are responsible for providing guidance on these obligations accordingly. In addition, depending on the local culture, the country or unit management may also decide to keep specific registers. To record all, or some, of the details on the gifts or hospitality given. (e.g. above a certain amount).

[p.13] The internal audit department has the right to access the books and records where gifts and hospitality are detailed, together with supporting documents on expenses and any specific registers that may exist (see [R4] on Records).

[1] Code of Ethics

Accessed 23/09/2019

https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968

[p.11] Group employees may only provide benefits, gifts, entertainment or free travel to a customer within reasonable limits, in accordance with generally accepted practices and applicable Group procedures.

Heightened vigilance is required when interacting with public officials or politically exposed persons, particularly during a bid phase.

[p.12] All Group employees, whether in a purchasing or operational role, must act with complete integrity. This entails refusing any personal benefits, gifts or invitations that are of significant value or do not meet applicable Group requirements

[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf

[p.7] Gifts and hospitality can take different forms (items given as presents, meals, invitations to events, travel, etc.).

As a general rule, business courtesies and gestures of friendship are common practice in business relationships, but they are only acceptable if they meet transparency and proportionality criteria. They must in all cases be reasonable and must never be aimed at offering or obtaining an undue advantage or influencing a decision.

Thales employees must never offer or receive cash or cash equivalents.

Before offering or accepting a gift, ask yourself a few key questions in order to assess where you stand in relation to transparency and proportionality criteria:

- Are gifts allowed by applicable legislation in the country concerned and are there limits in terms of their value?
- Could the gift influence my decision on whether to select this supplier, or influence a customer's decision if the beneficiary is a customer?
- Could I talk openly to my colleagues about the gift, whether offered or accepted?
- Would this gift be hard to justify if people outside the Group became aware of it?
- Would my line manager agree with me offering/accepting this gift?

In certain countries, gifts or hospitality, whether offered or accepted, must be recorded in a dedicated log, in accordance with local legal requirements and management decisions. Thales employees should seek the advice of their line manager on the correct path to follow.

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r-ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.11] 5.3 GIFTS AND HOSPITALITY

The rules applicable to gifts and hospitality are laid out in the "Gifts and Hospitality Guidelines" and, where applicable, are supplemented by national and/or entity level documents. These supplemental documents apply the Group-wide policy and tailor it to the local context (legislation, local requirements, etc.).

The “Gifts and Hospitality Guidelines” lays down the guidelines of behaviour applicable to all employees and particularly those who work directly with customers, partners and suppliers. The Guide highlights four key points:

- compliance with all relevant laws and regulations;
- compliance with internal rules on the delegation of responsibilities and the principle of reasonable behaviours and choices;
- accountability for choices and seeking out assistance (from Management, Compliance Officers, Ethics Officers, etc.);
- transparent recording of operations. In addition, Thales formally prohibits the offering or receiving of payments in the form of cash.

[11] Business Ethics Conduct Guide - Prevention of Corruption

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thg087_guidepreventioncorruption_gb_bd.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968

[p.10] Gifts and hospitality

What is meant by “gifts and hospitality”?

“Gifts and hospitality” can take different forms (items given as presents, meals, invitations to events, travel, etc.).

As a general rule, business courtesies and gestures of friendship constitute frequent practice within business relationships, but they are only acceptable if they meet transparency and proportionality criteria. They must never be aimed at obtaining or offering an undue advantage or influencing a decision.

Although normal practices and acceptable limits vary as a result of legal and cultural differences between countries, one principle must always apply: Thales never offers or receives cash.

Ask yourself a few key questions before offering or accepting a gift, in order to assess where you stand in relation to transparency and proportionality criteria:

- Does applicable legislation in the country concerned allow gifts, and does it establish limits in terms of their value?
- Could the gift alter my behaviour towards the person or company concerned? Or could it alter the behaviour of the person concerned towards myself or my company?
- Can I talk to my colleagues about the gift (whether given or received) without embarrassment?
- Would my line manager agree with me giving/receiving this gift?

[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf

[p.4] 2.1.2 INSTRUCTIONS AND GUIDES SUPPLEMENTARY TO THE CODE OF CONDUCT

2.1.2.1 GIFTS AND INVITATIONS

Employees are required to ensure that any gifts and invitations are given or received for a legitimate business purpose, are not aimed at obtaining or offering an undue advantage or influencing a decision, and do not give the appearance of such an aim.

The internal instruction on Gifts and Invitations defines the approval rules and requirements to be met by Group employees before giving or accepting a gift or invitation.

Above the value thresholds specified in internal instructions, prior approval by the line manager of the employee concerned is required before offering or accepting a gift or invitation. Extra scrutiny is required in certain circumstances, particularly in the case of gifts and invitations offered to (or by) public officials or politically exposed persons. Such cases also require prior approval by a Compliance Officer. In addition, the Group does not make any financial contributions to election candidates, elected representatives or political parties.

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
<p>There is evidence that the company's purchasing department is involved, in some capacity, in the establishment and oversight of supplier relationships.</p> <p>However, the company receives a score of '1' because it does not explicitly state that the purchasing department is required for establishing every new suppliers over a certain threshold. There is also no evidence that the company assures itself of the purchasing department's involvement at least every three years.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.10] 5.2 OTHER SUPPLIERS</p> <p>Suppliers who do not belong to one of the categories described above and who have a lower risk profile are still subject to corruption prevention measures. These measures are a part of the purchasing process (the "Manage acquisition" process), which provides for:</p> <ul style="list-style-type: none"> • effective competition between suppliers on the basis of a bid/price benchmark; • segregation of powers based on a dedicated Purchasing organisation independent from the internal customer; • collegial progress reviews at key decision milestones in the process; • the endorsement by the supplier of Thales's Purchasing and Corporate Responsibility Charter. <p>The "Manage acquisition" process is tailored in accordance with the levels of risk associated with the "supplier market". It includes alert mechanisms that require management approval where risk factors have been flagged.</p> <p>These measures, designed to reduce risk, particularly the risk of corruption, ensure that decisions are transparent and traceable.</p> <p>[8] Purchasing and Corporate Responsibility Charter Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/87200123-acq-grp-en-purchasing_and_corporate_responsibility_charter.pdf?_ga=2.29777343.1898685120.1569238024-1041281346.1568125968 [p.4] Measuring compliance</p> <p>Thales purchasing departments monitor suppliers and help to evaluate their overall performance as part of the supplier approval process and to select suppliers in competitive bidding processes. Thales reserves the right to audit suppliers on each of the principles addressed in the Charter.</p> <p>[1] Code of Ethics Accessed 23/09/2019 https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968 [p.12] Suppliers, Sub-Contractors and Partners</p> <ul style="list-style-type: none"> • Acting in good faith towards suppliers is an integral part of the Purchasing process and calls for:

- transparency concerning the rules and strategies by which suppliers are selected, particularly the fair treatment of each company throughout the decision process. To this end, the Purchasing function has published a Group purchasing policy in order to guarantee transparency in selection rules, schedules and protection of confidential information;
- commitment to apply the terms negotiated, particularly payment due dates and intellectual property rights;
- a guarantee of neutrality and independence throughout the duration of Thales's relationships with suppliers: the Purchasing department is committed to changing its purchasers' portfolios regularly as part of its human resources management policy.

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
<p>There is evidence that the company has formal procedures to conduct risk-based due diligence when engaging and re-engaging with suppliers. There is evidence that the due diligence process includes, at minimum, establishing the ultimate beneficial ownership of the supplying company, and that the level of due diligence conducted is based on the level of risk identified for the supplier. There is also evidence to suggest that the company might be willing to review or terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated.</p> <p>The company scores '1' however because the company does not commit to conducting due diligence at least every two years. It is also not made explicit that the company conducts due diligence on all its suppliers.</p>
Evidence
<p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anticorruption and the modernisation of economic activity.</p> <p>It is based on:</p> <p>[...]</p> <p>a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (this process is renewed every three year, unless specific event require to renew it sooner).</p> <p>This process includes various points of attention, including Sanctions check list, Analysis of links with Public Officials / Public Entities, Adverse media (digital press international, national, local), search on direct shareholder(s), search on ultimate beneficiary(ies), search on litigation / dispute resolution...;</p> <p>[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf [p.6] 2.4 SYSTEM FOR ASSESSING THE INTEGRITY OF THIRD PARTIES</p> <p>The Thales Group pays special attention to the integrity of third parties with whom it has a business relationship, in order to avoid becoming implicated, whether directly or indirectly, in acts of corruption or influence peddling.</p> <p>The aim of Thales's system for assessing the integrity of third parties is to enable decisions to be made on whether to enter into, continue, or end a business relationship with a third party.</p> <p>A governance instruction – Third Parties Integrity Assessment defines the risk profiles associated with each category of third party, and sets out the appropriate verification measures. This instruction specifies the governance rules and principles to be observed by all Thales Group companies intending to enter into or continue a business relationship with a third party (in particular a customer, tier one supplier/subcontractor, distributor, intermediary, joint venture partner, acquisition target, etc.).</p> <p>These rules are designed to meet the following objectives: (i) determine the risk profile of a Third Party; (ii) implement preventive measures appropriate to the identified level of risk (such as signing up to an Integrity and</p>

Compliance Charter for Partners and Suppliers, contractual undertakings, or verifications based on an integrity questionnaire or due diligence carried out by a specialist service provider); (iii) define appropriate measures in light of the results of the assessment carried out (entry into or continuation of a business relationship, implementation of an action plan, suspension or termination of a business relationship).

This instruction is supplemented by further instructions dedicated to the process for selecting and managing certain categories of third parties (consultants).

The Group has selected a specialist service provider with the skills and resources to carry out due diligence checks proportionate to the identified risk.

These checks are embedded in business processes (Purchasing, programme reviews, reviews of merger/acquisition projects, etc.).

[21] Universal Registration Document 2019 (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf>

[p.143] 5.6.1.1 Anti - corruption compliance programme

Thales's compliance programme is based on:

[...]

- a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (due diligence, disclosures and commitments, etc.);

Question
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
<p>There is evidence that the company ensures that its suppliers have adequate anti-bribery and corruption policies and procedures in place. There is evidence that the company takes active steps to ensure this, by requiring its suppliers to sign its Purchasing & Corporate Responsibility Charter, and to adhere to the company's Code of Ethics. These documents address corruption, gifts and hospitality, and whistleblowing. The evidence suggests that the company assures itself of this when onboarding new suppliers or when there is a significant change in the business relationship.</p>
Evidence
<p>[6] How to be a responsible supplier Accessed 23/09/2019 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/how-be-responsible-purchaser All our suppliers complete an assessment questionnaire and sign our Purchasing & Corporate Responsibility Charter, which follows the principles of the UN Global Compact in the following areas:</p> <ul style="list-style-type: none"> - labour standards - corporate governance - environmental protection - business ethics <p>[8] Purchasing and Corporate Responsibility Charter Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/87200123-acq-grp-en-purchasing_and_corporate_responsibility_charter.pdf?_ga=2.29777343.1898685120.1569238024-1041281346.1568125968 <p>[p.2] Thales requires suppliers to support its corporate responsibility policies and uphold the principles laid down in the Thales Code of Ethics, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.</p> <p>[p.4] Prevention of corruption</p> <p>When dealing with both public officials and representatives of private-sector organisations, Thales suppliers undertake not to directly or indirectly offer, promise, grant or solicit any undue payment or advantage with a view to obtaining or retaining a contract or other benefit.</p> <p>IMPLEMENTATION OF THE CHARTER</p> <p>Contractual value This Charter and the attached questionnaire form an integral part of the contractual purchasing documents.</p> <p>Scope This Charter is applicable to all Thales suppliers and throughout their own supply chains.</p> <p>Supplier commitment Compliance with national and local regulations is a minimum requirement for Thales suppliers. If the principles laid down by Thales are stricter than these regulations or than the supplier's own code of ethics, the Thales principles are applicable. By signing the Charter, Thales suppliers accept its terms and agree to uphold its principles.</p> <p>When the supplier does not already have policies and procedures in place to ensure compliance with the principles, the supplier agrees to work with Thales as part of a continuous improvement process to meet the criteria laid down in the Charter.</p> <p>Measuring compliance</p> </p>

Thales purchasing departments monitor suppliers and help to evaluate their overall performance as part of the supplier approval process and to select suppliers in competitive bidding processes. Thales reserves the right to audit suppliers on each of the principles addressed in the Charter.

[p.5] Consequences of non-compliance

Should the supplier refuse to implement a mutually agreed improvement programme to address non-compliance, Thales reserves the right to terminate the purchase contract with the supplier, upon prior written notice, without further obligation to that supplier.

The supplier is responsible for all the consequences of non-compliance by the supplier itself or by any of its own suppliers and subcontractors. As a result, the supplier shall indemnify Thales against all costs related to non-compliance with the Charter, including any legal fees incurred by Thales.

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.10] Thales's Purchasing and Corporate Responsibility Charter is an integral part of the general terms and conditions and contains an anti-corruption clause. It states that Thales reserves the right to conduct checks (audit rights) related to corruption risk prevention and any other area covered by the Charter. If the supplier refuses to comply with the principles in the Charter and to engage in a mutually approved continuous improvement process, Thales reserves the right to terminate the contract with the supplier following an unsuccessful notice of warning. The Charter applies to all Thales suppliers, who

[p.11] must in turn apply it to all of their own suppliers and sub-contractors. It also includes a self-assessment questionnaire. In addition, all purchasers are subject to the Group's rules on gifts and hospitality and must comply with the rules and principles laid down in the Code of Ethics (act with complete integrity, avoid all conflicts of interest, regularly change the "supplier" portfolio assigned to a purchaser, etc.)

[5] 2018 Integrated Report - Corporate Responsibility

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-07/THALES_CRIR_2018_AcCeDe-V2.pdf?_ga=2.202265873.1898685120.1569238024-1041281346.1568125968

[p.29] Thales requires its suppliers around the world to adhere to its corporate responsibility approach by signing its Purchasing and Corporate Responsibility Charter. The charter requires them to uphold the principles of its Code of Ethics and those of the United Nations Global Compact and of the OECD, particularly with regard to Human Rights, labour standards, the environment and the prevention of corruption.

Thales suppliers must also complete a self- assessment questionnaire that evaluates their corporate responsibility performance; they are then awarded an overall score which reflects their non- financial performance.

[1] Code of Ethics

Accessed 23/09/2019

https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968

[p.6] Managers are responsible for the distribution, understanding and application of the Code of Ethics within their entities. The Code of Ethics also reminds Thales's suppliers, subcontractors and partners of our expectations in terms of ethical conduct. More generally, this document is made public, as needed, to all of our external stakeholders, including customers, suppliers, partners, subcontractors, shareholders, administrations, governments, local communities, etc.

The Code of Ethics holds the Group accountable to all of them.

[p.11] Thales operates in strict compliance with the rules of fair trading and with applicable legislation and codes of practice. The Group absolutely prohibits any action that could constitute an act of corruption and/or influence peddling in the public or private sectors.

[p.13] In accordance with the commitments made as part of the United Nations Global Compact, Thales requires all its partners to comply with its principles, particularly those relating to human rights, labour standards, protection of the environment and the fight against corruption.

[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf

[p.3] 1.2 Scope

Thales's system for preventing corruption and influence peddling applies (i) to all companies directly or indirectly controlled by Thales, and (ii) to all employees and managers of the Thales Group. Thales has put arrangements in place to enable all of its stakeholders (suppliers, service providers and business partners) to comply with this system, or to implement at least equivalent systems to combat corruption and influence peddling.

[p.6] 2.4 SYSTEM FOR ASSESSING THE INTEGRITY OF THIRD PARTIES

The Thales Group pays special attention to the integrity of third parties with whom it has a business relationship, in order to avoid becoming implicated, whether directly or indirectly, in acts of corruption or influence peddling.

The aim of Thales's system for assessing the integrity of third parties is to enable decisions to be made on whether to enter into, continue, or end a business relationship with a third party.

A governance instruction – Third Parties Integrity Assessment defines the risk profiles associated with each category of third party, and sets out the appropriate verification measures. This instruction specifies the governance rules and principles to be observed by all Thales Group companies intending to enter into or continue a business relationship with a third party (in particular a customer, tier one supplier/subcontractor, distributor, intermediary, joint venture partner, acquisition target, etc.).

These rules are designed to meet the following objectives: (i) determine the risk profile of a Third Party; (ii) implement preventive measures appropriate to the identified level of risk (such as signing up to an Integrity and Compliance Charter for Partners and Suppliers, contractual undertakings, or verifications based on an integrity questionnaire or due diligence carried out by a specialist service provider); (iii) define appropriate measures in light of the results of the assessment carried out (entry into or continuation of a business relationship, implementation of an action plan, suspension or termination of a business relationship).

[21] Universal Registration Document 2019 (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf>

[p.143] 5.6.1.1 Anti - corruption compliance programme

Thales's compliance programme is based on:

[...]

- a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (due diligence, disclosures and commitments, etc.);

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
<p>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 included in sub-contracts throughout the supply chain. This evidence appears in the form of a Purchasing & Corporate Responsibility Charter which sets the minimum standards of ethical behaviour expected throughout the supply chain. The company also states that it reserves the right to conduct checks on its suppliers to ensure compliance with the Charter.</p>
Evidence
<p>[8] Purchasing and Corporate Responsibility Charter Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/87200123-acq-grp-en-purchasing_and_corporate_responsibility_charter.pdf?_ga=2.29777343.1898685120.1569238024-1041281346.1568125968 <p>[p.4] IMPLEMENTATION OF THE CHARTER</p> <p>Contractual value This Charter and the attached questionnaire form an integral part of the contractual purchasing documents.</p> <p>Scope This Charter is applicable to all Thales suppliers and throughout their own supply chains.</p> <p>[p.5] Consequences of non-compliance</p> <p>Should the supplier refuse to implement a mutually agreed improvement programme to address non-compliance, Thales reserves the right to terminate the purchase contract with the supplier, upon prior written notice, without further obligation to that supplier.</p> <p>The supplier is responsible for all the consequences of non-compliance by the supplier itself or by any of its own suppliers and subcontractors. As a result, the supplier shall indemnify Thales against all costs related to non-compliance with the Charter, including any legal fees incurred by Thales.</p> <p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 <p>[p.10] Thales's Purchasing and Corporate Responsibility Charter is an integral part of the general terms and conditions and contains an anti-corruption clause. It states that Thales reserves the right to conduct checks (audit rights) related to corruption risk prevention and any other area covered by the Charter. If the supplier refuses to comply with the principles in the Charter and to engage in a mutually approved continuous improvement process, Thales reserves the right to terminate the contract with the supplier following an unsuccessful notice of warning.</p> <p>[p.11] The Charter applies to all Thales suppliers, who must in turn apply it to all of their own suppliers and sub-contractors.</p> <p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anti-corruption and the modernisation of economic activity. It is based on: [...]</p> </p></p>

a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (this process is renewed every three year, unless specific event require to renew it sooner).

[23] Integrity and Corporate Responsibility Charter – Partners&Suppliers (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2019-12/102019 - Charter_Supplier_Final.pdf

[p.3] For the purpose of the Thales Integrity & Corporate Responsibility Charter, Partners and Suppliers shall encompass suppliers, sub-contractors, distributors, resellers, or any company with which Thales enters into a partnership agreement (such as a member of consortium, a member of an economic interest grouping, a shareholder in a joint venture, a non-profit organization).

[p.10] Partners and Suppliers undertake to exert reasonable due diligence to prevent and detect corruption and influence peddling in all business arrangements, including partnerships, joint ventures, offset agreements, and the hiring of intermediaries such as agents or consultants. They undertake in particular to cascade all their commitments related to Compliance and Corporate Responsibility as specified in the Thales Integrity & Corporate Responsibility Charter to their subcontractors, suppliers or service providers, if any and when applicable.

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
Although the company publishes high-level data on ethical, bribery or corruption-related incidents and investigations, it is not clear from the evidence whether any of this relates to its suppliers.
Evidence
<p>[21] Universal Registration Document 2019 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf [p.143] The Group's alert system received 34 workplace alerts in 2019, 26 of which were considered valid. Of these 26 alerts, six involved potential cases of harassment, five involved inappropriate conduct, five were related to suspected fraud, four reported allegations of corruption, three involved potential conflicts of interest, two were related to HSE issues and one involved a potential case of discrimination. In 2019, eight alerts out of the 26 were anonymous. Of the four alerts relating to allegations of potential corruption, all four were dismissed as the internal investigations did not confirm any proven instances of corruption. The increase in the number of alerts can be explained by increased internal communications efforts about the system and about the Group's ethics, integrity and compliance policies in general.</p>

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
1
Comments
<p>There is evidence that the company has a policy to control the use of agents, which addresses the corruption risks associated with the use of agents and provides detail of specific controls to mitigate these risks. This policy applies to all divisions within the organisation which might employ agents, including subsidiaries and joint ventures.</p> <p>However, the company receives a score of '1' because it does not commit to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function.</p>
Evidence
<p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention Our policy forbids the use of agents except in a limited number of countries, where the local laws strictly impose that a foreign company contracts with an act through a local "agent" for withdrawing tender documents and commercial proposals submissions in the name or on behalf of the said company.</p> <p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.4] Thales's corruption risk prevention policy applies to all employees and managers of Thales S.A. (parent company of the Group), wholly-owned subsidiaries and companies in which the Group owns a majority stake (joint ventures in which the Group owns at least 50% of shares or voting rights).</p> <p>For companies in which Thales owns less than 50% of shares (minority-owned joint ventures), the Group works with the other shareholders to ensure that the basic elements of a corruption risk prevention policy are included in the company's compliance policy.</p> <p>[p.9] The Group's various corruption risk prevention measures and internal standards are based on the following principles:</p> <ul style="list-style-type: none"> • Corruption risk identification, analysis and qualification and prior due diligence checks; <p>[...]</p> <p>5.1 PROCESSES IN DEALINGS WITH THIRD PARTIES</p> <p>The risks inherent in sales are borne in mind in all processes for conducting business. These operational processes anticipate, starting upstream of a bid, the implementation of action plans designed to reduce the sales risk, with specific attention paid to anti-corruption.</p> <p>Thales strictly supervises the use of agents and consultants (Business Advisers) by means of a very detailed procedure including, in particular, in-depth upstream checks and controls (due diligence) – backed up by the analysis of risk factors – as well as appropriate declarations and undertakings on the part of these agents or consultants. Designed by the Group's Ethics & Corporate Responsibility Department, this procedure is regularly revised in conjunction with the Group's Legal Department and the Sales Department.</p>

[...]

A dedicated international organisation, independent from the operational commercial units, performs the necessary verifications – backed up by external studies and analyses conducted by companies specialising in financial monitoring – during the phases of selecting and qualifying agents, consultants, and local industrial partners of Thales.

[11] Business Ethics Conduct Guide - Prevention of Corruption

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thg087_guidepreventioncorruption_gb_bd.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968

[p.5] For several years now, Thales has attached particular importance to the prevention of corruption, and Group management regularly reiterates the zero tolerance policy applied with regard to all forms of corruption.

[...]

Special attention has been paid to relationships with industrial partners, and with partners acting as consultants, experts, lobbyists, sponsors and representatives. Both of these groups are covered by special procedures (the Key Industrial Partners Instruction and the Business Advisers Instruction).

[3] Code of Conduct – Prevention of Corruption and Influence Peddling (2019)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf

[p.6] Note that Thales has strict, detailed procedures in place to supervise the use of consultants and Key Industrial Partners. These procedures are part of the Group reference system, which can be accessed on the Thales intranet.

Thales employees are not authorised to enter into contractual arrangements with consultants or Key Industrial Partners, except in accordance with these Group procedures.

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
1
Comments
<p>There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence prior to engaging with third parties and agents. The evidence suggests that all agents and highest risk intermediaries are subject to enhanced due diligence, and that the company will not engage or terminate its engagement with third parties where risks identified in the due diligence cannot be mitigated.</p> <p>However, the company receives a score of '1' because there is no evidence that due diligence is repeated at least every two years.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf? ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.9] Thales strictly supervises the use of agents and consultants (Business Advisers) by means of a very detailed procedure including, in particular, in-depth upstream checks and controls (due diligence) – backed up by the analysis of risk factors – as well as appropriate declarations and undertakings on the part of these agents or consultants. Designed by the Group's Ethics & Corporate Responsibility Department, this procedure is regularly revised in conjunction with the Group's Legal Department and the Sales Department.</p> <p>[...]</p> <p>A dedicated international organisation, independent from the operational commercial units, performs the necessary verifications – backed up by external studies and analyses conducted by companies specialising in financial monitoring – during the phases of selecting and qualifying agents, consultants, and local industrial partners of Thales.</p> <p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anti- corruption and the modernisation of economic activity. It is based on: [...] a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (this process is renewed every three year, unless specific event require to renew it sooner).</p> <p>This process includes various points of attention, including Sanctions check list, Analysis of links with Public Officials / Public Entities, Adverse media (digital press international, national, local), search on direct shareholder(s), search on ultimate beneficiary(ies), search on litigation / dispute resolution...;</p> <p>[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf [p.6] 2.4 SYSTEM FOR ASSESSING THE INTEGRITY OF THIRD PARTIES</p> <p>The Thales Group pays special attention to the integrity of third parties with whom it has a business relationship, in order to avoid becoming implicated, whether directly or indirectly, in acts of corruption or influence peddling.</p>

The aim of Thales's system for assessing the integrity of third parties is to enable decisions to be made on whether to enter into, continue, or end a business relationship with a third party.

A governance instruction – Third Parties Integrity Assessment defines the risk profiles associated with each category of third party, and sets out the appropriate verification measures. This instruction specifies the governance rules and principles to be observed by all Thales Group companies intending to enter into or continue a business relationship with a third party (in particular a customer, tier one supplier/subcontractor, distributor, intermediary, joint venture partner, acquisition target, etc.).

These rules are designed to meet the following objectives: (i) determine the risk profile of a Third Party; (ii) implement preventive measures appropriate to the identified level of risk (such as signing up to an Integrity and Compliance Charter for Partners and Suppliers, contractual undertakings, or verifications based on an integrity questionnaire or due diligence carried out by a specialist service provider); (iii) define appropriate measures in light of the results of the assessment carried out (entry into or continuation of a business relationship, implementation of an action plan, suspension or termination of a business relationship).

This instruction is supplemented by further instructions dedicated to the process for selecting and managing certain categories of third parties (consultants).

The Group has selected a specialist service provider with the skills and resources to carry out due diligence checks proportionate to the identified risk.

These checks are embedded in business processes (Purchasing, programme reviews, reviews of merger/acquisition projects, etc.).

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
0
Comments
While there is evidence that the company aims to establish the beneficial ownership of third parties with which it engages, it is not explicitly stated that this includes agents. In addition, the company does not specifically commit to not engaging or terminating its engagement with agents or intermediaries if beneficial ownership cannot be established.
Evidence
<p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention</p> <p>To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anti- corruption and the modernisation of economic activity. It is based on:</p> <p>[...]</p> <p>a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (this process is renewed every three year, unless specific event require to renew it sooner).</p> <p>This process includes various points of attention, including Sanctions check list, Analysis of links with Public Officials / Public Entities, Adverse media (digital press international, national, local), search on direct shareholder(s), search on ultimate beneficiary(ies), search on litigation / dispute resolution...;</p>

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
0
Comments
There is evidence that the company's anti-bribery and corruption policy applies to third parties, including intermediaries. However, there is no evidence that the company includes anti-bribery and corruption clauses in its contracts with agents and intermediaries.
Evidence
<p>[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf [p.3] 1.2 Scope</p> <p>Thales's system for preventing corruption and influence peddling applies (i) to all companies directly or indirectly controlled by Thales, and (ii) to all employees and managers of the Thales Group. Thales has put arrangements in place to enable all of its stakeholders (suppliers, service providers and business partners) to comply with this system, or to implement at least equivalent systems to combat corruption and influence peddling.</p> <p>[p.6] 2.4 SYSTEM FOR ASSESSING THE INTEGRITY OF THIRD PARTIES</p> <p>The Thales Group pays special attention to the integrity of third parties with whom it has a business relationship, in order to avoid becoming implicated, whether directly or indirectly, in acts of corruption or influence peddling. The aim of Thales's system for assessing the integrity of third parties is to enable decisions to be made on whether to enter into, continue, or end a business relationship with a third party.</p> <p>A governance instruction – Third Parties Integrity Assessment defines the risk profiles associated with each category of third party, and sets out the appropriate verification measures. This instruction specifies the governance rules and principles to be observed by all Thales Group companies intending to enter into or continue a business relationship with a third party (in particular a customer, tier one supplier/subcontractor, distributor, intermediary, joint venture partner, acquisition target, etc.).</p> <p>These rules are designed to meet the following objectives: (i) determine the risk profile of a Third Party; (ii) implement preventive measures appropriate to the identified level of risk (such as signing up to an Integrity and Compliance Charter for Partners and Suppliers, contractual undertakings, or verifications based on an integrity questionnaire or due diligence carried out by a specialist service provider); (iii) define appropriate measures in light of the results of the assessment carried out (entry into or continuation of a business relationship, implementation of an action plan, suspension or termination of a business relationship).</p>

Question
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?
Score
1
Comments
<p>There is some evidence that the company highlights and addresses incentive structures for agents 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 there is no requirement that remuneration is paid in stage payments or into local bank accounts.</p>
Evidence
<p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention Our policy forbids the use of agents except in a limited number of countries, where the local laws strictly impose that a foreign company contracts with an act through a local "agent" for withdrawing tender documents and commercial proposals submissions in the name or on behalf of the said company.</p> <p>Remuneration policy of business advisors</p> <p>Remuneration of Business Advisors is systematically the subject of an analysis and justification memo. This point is, inter alia, verified twice a year by internal and external auditors. In addition, our policies and processes forbid the recourse to success fees alone.</p>

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for, or on its behalf.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical, bribery or corruption-related investigations or the associated disciplinary actions involving its agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
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?
Score
1
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence on its joint venture partnerships, prior to entering and while operating in a joint venture. The company states that this includes establishing the ultimate beneficial ownership of the partner company.</p> <p>However, the company receives a score of '1' because there is no evidence to suggest that joint ventures operating in high risk markets or with high risk partners are subject to enhanced due diligence, and it is unclear whether this due diligence is repeated at least every two years. Although the company indicates that it has a policy on 'Mergers & Acquisitions Instruction', this is not publicly available.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p. 9] 5.1 PROCESSES IN DEALINGS WITH THIRD PARTIES</p> <p>The risks inherent in sales are borne in mind in all processes for conducting business. These operational processes anticipate, starting upstream of a bid, the implementation of action plans designed to reduce the sales risk, with specific attention paid to anti-corruption.</p> <p>[p. 12] 5.8 MERGERS & ACQUISITIONS</p> <p>The acquisition or sale of any majority or minority stake in a company, any change in the percentage of ownership interest, or the creation of a joint venture must comply with the "Mergers & Acquisitions Instruction".</p> <p>This instruction applies regardless of the size of the operation under consideration. Projects are assessed by a dedicated M&A Committee. The process of analysing operations includes risk analyses and a set of due diligence checks covering legal and compliance risks, among others.</p> <p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anti- corruption and the modernisation of economic activity. It is based on: [...] a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (this process is renewed every three year, unless specific event require to renew it sooner).</p> <p>This process includes various points of attention, including Sanctions check list, Analysis of links with Public Officials / Public Entities, Adverse media (digital press international, national, local), search on direct shareholder(s), search on ultimate beneficiary(ies), search on litigation / dispute resolution...;</p>

[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf**[p.6] 2.4 SYSTEM FOR ASSESSING THE INTEGRITY OF THIRD PARTIES**

The Thales Group pays special attention to the integrity of third parties with whom it has a business relationship, in order to avoid becoming implicated, whether directly or indirectly, in acts of corruption or influence peddling. The aim of Thales's system for assessing the integrity of third parties is to enable decisions to be made on whether to enter into, continue, or end a business relationship with a third party.

A governance instruction – Third Parties Integrity Assessment defines the risk profiles associated with each category of third party, and sets out the appropriate verification measures. This instruction specifies the governance rules and principles to be observed by all Thales Group companies intending to enter into or continue a business relationship with a third party (in particular a customer, tier one supplier/subcontractor, distributor, intermediary, joint venture partner, acquisition target, etc.).

These rules are designed to meet the following objectives: (i) determine the risk profile of a Third Party; (ii) implement preventive measures appropriate to the identified level of risk (such as signing up to an Integrity and Compliance Charter for Partners and Suppliers, contractual undertakings, or verifications based on an integrity questionnaire or due diligence carried out by a specialist service provider); (iii) define appropriate measures in light of the results of the assessment carried out (entry into or continuation of a business relationship, implementation of an action plan, suspension or termination of a business relationship).

This instruction is supplemented by further instructions dedicated to the process for selecting and managing certain categories of third parties (consultants).

The Group has selected a specialist service provider with the skills and resources to carry out due diligence checks proportionate to the identified risk.

These checks are embedded in business processes (Purchasing, programme reviews, reviews of merger/acquisition projects, etc.).

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
0
Comments
<p>The company commits to establishing and implementing anti-bribery and corruption policies in joint ventures in which it owns a majority stake. In ventures where the company holds a minority stake it commits to working with other shareholders to ensure that the basic elements of a corruption risk prevention policy are in place. However, the company does not specify that it requires anti-bribery and corruption clauses in its joint venture contracts and therefore receives a score of '0'.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968</p> <p>[p.4] Thales's corruption risk prevention policy applies to all employees and managers of Thales S.A. (parent company of the Group), wholly-owned subsidiaries and companies in which the Group owns a majority stake (joint ventures in which the Group owns at least 50% of shares or voting rights).</p> <p>For companies in which Thales owns less than 50% of shares (minority-owned joint ventures), the Group works with the other shareholders to ensure that the basic elements of a corruption risk prevention policy are included in the company's compliance policy.</p> <p>[...]</p> <p>Corruption risk prevention is part of the Thales Ethics and Corporate Responsibility policy. This policy is built on a foundation of values and principles defined in the Group's Code of Ethics.</p> <p>The basis for the policy is the Code of Ethics, which lays down the rules of behaviour applicable within the Group, with respect to customers, suppliers, employees, shareholders, financial markets, the environment, society at large and the company itself.</p> <p>With a preface by the Group's Chairman & CEO, the Code of Ethics highlights the principles of integrity, fair trading practices and compliance with applicable legislation and codes of practice.</p> <p>It also states Thales's zero tolerance policy towards corruption. Since the early 2000s, Thales corporate management has consistently reaffirmed the principle of "zero tolerance" for all forms of bribery and corruption.</p> <p>[1] Code of Ethics Accessed 23/09/2019 https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968</p> <p>[p.6] In the spirit of Thales's core values, the present Code of Ethics lays down the guidelines of behaviour applicable within the Group, towards employees, customers, suppliers, subcontractors and partners, shareholders, financial markets, as well as towards society as a whole. The rules appearing in this Code are not a substitute for the national and international legislation applicable in each country, with which the Group fully complies. They must be understood and applied by all Group employees.</p> <p>Managers are responsible for the distribution, understanding and application of the Code of Ethics within their entities. The Code of Ethics also reminds Thales's suppliers, subcontractors and partners of our expectations in terms of ethical conduct. More generally, this document is made public, as needed, to all of our external stakeholders, including customers, suppliers, partners, subcontractors, shareholders, administrations, governments, local communities, etc.</p>

The Code of Ethics holds the Group accountable to all of them.

[p.11] Thales operates in strict compliance with the rules of fair trading and with applicable legislation and codes of practice. The Group absolutely prohibits any action that could constitute an act of corruption and/or influence peddling in the public or private sectors.

[20] Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020 (Document)

Accessed 19/05/2020

https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf

[p.6] 2.4 SYSTEM FOR ASSESSING THE INTEGRITY OF THIRD PARTIES

The Thales Group pays special attention to the integrity of third parties with whom it has a business relationship, in order to avoid becoming implicated, whether directly or indirectly, in acts of corruption or influence peddling. The aim of Thales's system for assessing the integrity of third parties is to enable decisions to be made on whether to enter into, continue, or end a business relationship with a third party.

A governance instruction – Third Parties Integrity Assessment defines the risk profiles associated with each category of third party, and sets out the appropriate verification measures. This instruction specifies the governance rules and principles to be observed by all Thales Group companies intending to enter into or continue a business relationship with a third party (in particular a customer, tier one supplier/subcontractor, distributor, intermediary, joint venture partner, acquisition target, etc.).

These rules are designed to meet the following objectives: (i) determine the risk profile of a Third Party; (ii) implement preventive measures appropriate to the identified level of risk (such as signing up to an Integrity and Compliance Charter for Partners and Suppliers, contractual undertakings, or verifications based on an integrity questionnaire or due diligence carried out by a specialist service provider); (iii) define appropriate measures in light of the results of the assessment carried out (entry into or continuation of a business relationship, implementation of an action plan, suspension or termination of a business relationship).

This instruction is supplemented by further instructions dedicated to the process for selecting and managing certain categories of third parties (consultants).

The Group has selected a specialist service provider with the skills and resources to carry out due diligence checks proportionate to the identified risk.

These checks are embedded in business processes (Purchasing, programme reviews, reviews of merger/acquisition projects, etc.).

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
1
Comments
<p>There is some evidence that the company commits to take an active role in preventing bribery and corruption in its joint ventures. For example the company states that it works with other stakeholders to ensure that anti-corruption is addressed in its minority-owned joint venture compliance policies, as well as there being evidence of auditing joint ventures. However the company does not provide any more information to support this statement further.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.4] Thales's corruption risk prevention policy applies to all employees and managers of Thales S.A. (parent company of the Group), wholly-owned subsidiaries and companies in which the Group owns a majority stake (joint ventures in which the Group owns at least 50% of shares or voting rights).</p> <p>For companies in which Thales owns less than 50% of shares (minority-owned joint ventures), the Group works with the other shareholders to ensure that the basic elements of a corruption risk prevention policy are included in the company's compliance policy.</p> <p>[21] Universal Registration Document 2019 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20%28URD%29%20-%208%20April%202020.pdf [p.65] In 2019, 75 audits or advisory engagements arising from the Group's risk analysis and planned according to the criteria set out and approved by the Audit and Accounts Committee, were conducted by teams from the Audit, Risks & Internal Control Department. These engagements focused on the following themes:</p> <ul style="list-style-type: none"> • Operations: bids and projects, product policy, engineering and industry ; • Compliance: ethics, export control, security of information systems, business continuity plans ; • Governance: organisation, shared services, joint ventures, monitoring of acquisition transactions ; • Internal control: audits on the accuracy of the internal control questionnaires (YAL, ICQ and Welcome Audit).

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
1
Comments
<p>There is evidence that the company has a policy and procedure in place to address the corruption risks associated with offset contracting. The company has a dedicated team – Thales International Offsets (TIO) – that is involved in managing offset activities and monitoring progress throughout the life cycle of the investment.</p> <p>However, the company receives a score of '1' because there is no evidence that the company ensures that any offset partners adhere to its anti-bribery and corruption standards through appropriate contractual clauses. Moreover, although the company states that its offset team is composed of qualified experts, it does not specify that the individuals within this team receive tailored anti-bribery and corruption training based on the potential corruption risks associated with offsets.</p>
Evidence
<p>[18] Charter of Professional Conduct of Thales International Offsets Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/tha_08_02985_charte_tio_eng-hd_0.pdf?_ga=2.203129681.1501089436.1569362643-1041281346.1568125968</p> <p>[p.2] Thales also subscribes to the United Nations Global Compact and its principles in the areas of human rights, labour, the environment and anti-corruption. In addition, the company applies the OECD Guidelines for Multinational Enterprises and its recommended practices on human rights, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation.</p> <p>Accordingly, Thales applies these principles of responsible business conduct in all its operations, including the indirect offsets programmes⁽¹⁾ conducted by Thales International Offsets (TIO).</p> <p>[p.3] Rules of Professional Conduct</p> <p>1 Scope</p> <p>TIO reports to the Group Financial Department and works primarily for Thales entities. Its activities are thus contingent upon the award of an export contract to one of the entities in the Group. TIO's countries of operation are all countries with which Group entities conduct commercial operations.</p> <p>2 Commercial partners</p> <p>TIO's commercial partners may be industrial contractors, commercial intermediaries, introducing brokers, etc.</p> <p>In all cases, before any cooperation begins, TIO's commercial partners undergo a Level II or III evaluation by ADIT (ADIT is France's leading strategic analysis agency. Set up by the French State in 1992, it provides operational support, including due diligence services, to secure companies' international development plans.) They all undertake to comply with international and national laws pertaining to international trade and to abide by the terms of the present Charter.</p> <p>3 Indirect offsets programmes</p> <p>The indirect offsets programmes drawn up by TIO are governed by the rules imposed by client countries; the local authorities of these countries systematically check the eligibility of the offsets operations involved.</p> <p>For reasons of transparency, final approval of these programmes is given by senior national bodies, often inter-ministerial committees with representatives of the ministries for defence, the economy and foreign affairs. The</p>

offsets programmes are therefore implemented in strict compliance with national law and standards of business ethics.

4 Payments

Payments for services rendered under indirect offsets programmes approved by the local authorities in the countries concerned are only made upon presentation of the corresponding invoices and for the amounts specified in advance in a contract. TIO does not pay advances on invoices except when the practice is mandated by local regulations to meet pre-qualification requirements or against receipt of a bank guarantee. Waivers to this rule are only granted in exceptional cases and must be documented in a special report indicating the amounts involved.

[p.4] All these operations are carried out responsibly by duly qualified experts. They are conducted in complete transparency with respect to the Group Financial Department and to the Group Audit and Internal Control Department.

Finally, to make payments for the various services rendered, TIO uses reputable financial institutions that are not domiciled in tax havens.

5 Application of rules of professional conduct

The present Charter is applicable both to the legal entity TIO and to its employees

[7] Corruption Risk Prevention Policy (2016)

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968

[p.10] 5.1.1 OFFSETS

The “Manage offsets” process applies to all types of offsets, whether they are used to directly or indirectly gain access to a market or as part of a bid or project. The process includes the management of risks specific to this type of operation, including compliance risks. It is primarily related to the “Manage bid” process. It initiates the “Manage acquisition” process when new acquisitions are requested in the country of destination.

To better manage risks specific to indirect offsets, Thales has developed an additional qualification procedure to be used prior to the creation of a contract with third parties or indirect offset partners. The Group's indirect offset operations are managed and/or supervised by a dedicated structure, Thales International Offsets.

The “Manage indirect offsets” Group instruction is therefore a procedure for conducting prior due diligence checks to ensure the compliance and integrity of indirect offset partners. It varies depending on the type of third party and the offset operation. The qualification procedure is based on information collected directly by Thales from the candidate partner and an independent report prepared by a company specialising in business intelligence.

A partner must therefore be qualified prior to being used in an indirect offset operation. If necessary, a decision is made by the Board of Directors of Thales International Offsets. In the case of an “Investment”, the “Mergers & Acquisitions Instruction” is used and the investment must be approved by the Mergers & Acquisitions Committee.

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
<p>There is some evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations.</p> <p>However, the company receives a score of '1' because there is no evidence that the due diligence includes checks on conflicts of interest associated with the brokers or beneficiaries, nor that the company seeks to assure itself of the legitimacy of the investment. There is also no evidence that the company refreshes this due diligence at least every two years. While information regarding due diligence for third parties in general states that it includes checks on beneficial ownership, it is not clear whether this applies to all offset brokers or beneficiaries.</p>
Evidence
<p>[18] Charter of Professional Conduct of Thales International Offsets Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/tha_08_02985_charte_tio_eng-hd_0.pdf?_ga=2.203129681.1501089436.1569362643-1041281346.1568125968 [p.3] 2 Commercial partners</p> <p>TIO's commercial partners may be industrial contractors, commercial intermediaries, introducing brokers, etc.</p> <p>In all cases, before any cooperation begins, TIO's commercial partners undergo a Level II or III evaluation by ADIT (ADIT is France's leading strategic analysis agency. Set up by the French State in 1992, it provides operational support, including due diligence services, to secure companies' international development plans.) They all undertake to comply with international and national laws pertaining to international trade and to abide by the terms of the present Charter.</p> <p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968 [p.10] 5.1.1 OFFSETS</p> <p>The "Manage offsets" process applies to all types of offsets, whether they are used to directly or indirectly gain access to a market or as part of a bid or project. The process includes the management of risks specific to this type of operation, including compliance risks. It is primarily related to the "Manage bid" process. It initiates the "Manage acquisition" process when new acquisitions are requested in the country of destination.</p> <p>To better manage risks specific to indirect offsets, Thales has developed an additional qualification procedure to be used prior to the creation of a contract with third parties or indirect offset partners. The Group's indirect offset operations are managed and/or supervised by a dedicated structure, Thales International Offsets.</p> <p>The "Manage indirect offsets" Group instruction is therefore a procedure for conducting prior due diligence checks to ensure the compliance and integrity of indirect offset partners. It varies depending on the type of third party and the offset operation. The qualification procedure is based on information collected directly by Thales from the candidate partner and an independent report prepared by a company specialising in business intelligence.</p> <p>A partner must therefore be qualified prior to being used in an indirect offset operation. If necessary, a decision is made by the Board of Directors of Thales International Offsets. In the case of an "Investment", the "Mergers & Acquisitions Instruction" is used and the investment must be approved by the Mergers & Acquisitions Committee.</p> <p>[4] Corruption prevention (webpage) Accessed 19/05/2020 https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention</p>

To prevent corruption and bribery, which represent a major risk for multinationals, Thales introduced a corruption risk prevention policy at the end of the 1990s that is constantly being improved. This policy is regularly evaluated and has been readjusted to take into account the entry into force in June 2017 of the Sapin II law, which relates to transparency, anti- corruption and the modernisation of economic activity. It is based on:

[...]

a system for evaluating third parties (mainly customers, suppliers, subcontractors and partners), including preventive measures proportionate to the risks (this process is renewed every three year, unless specific event require to renew it sooner).

This process includes various points of attention, including Sanctions check list, Analysis of links with Public Officials / Public Entities, Adverse media (digital press international, national, local), search on direct shareholder(s), search on ultimate beneficiary(ies), search on litigation / dispute resolution...;

Question
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?
Score
0
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company's offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
There is no evidence that the company publishes any details of its indirect offset obligations and/or contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
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?
Score
1
Comments
<p>There is evidence that the company acknowledges the corruption risks associated with operating in different markets and there is evidence that it has a dedicated assessment process in place to assess such risks. There is some evidence that these assessments trigger the implementation of additional controls and risk management procedures.</p> <p>However, the company receives a score of '1' because it is unclear how the results of risk assessments are used to inform the company's operations in high risk markets.</p>
Evidence
<p>[7] Corruption Risk Prevention Policy (2016) Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_r ev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968</p> <p>[p.8] The Risk Advisor (i.e. the Vice President, Ethics and Corporate Responsibility) in coordination with the Risks Department periodically analyses how well corruption prevention measures match the risk and tailors them according to:</p> <ul style="list-style-type: none"> • changes in applicable national and extra-territorial legislation and regulatory requirements; • changes in voluntary standards, internationally recognised best practices (OECD, International Chamber of Commerce, etc.) and stakeholder requirements; • the categories of partners and other third parties, customers and countries of operation, and business strategy; • areas of improvement identified by the Audit, Risks and Internal Control Department, the Legal & Contracts Department and operational structures, reports from the ethics alert facility and any other allegations that may have been made. <p>[p.9] 5. Corruption risk prevention measures</p> <p>The Group develops its corruption risk prevention measures according to its assessment of the levels of corruption risks and impacts.</p> <p>The principle of proportionality of anti-corruption measures to the levels of risks and impacts determines the stringency and sophistication of the measures put in place and the levels of control applied to them.</p> <p>The Group's various corruption risk prevention measures and internal standards are based on the following principles:</p> <ul style="list-style-type: none"> • Corruption risk identification, analysis and qualification and prior due diligence checks; • Referral to higher-level management and/or a Compliance/Ethics Officer; • Escalation procedures when higher-level decisions are needed in the case of significant residual risks; • For high-level risks, use of structures with experience and expertise, and segregation of roles and responsibilities; • Traceability and transparency; • Employee accountability for effective implementation. <p>[p.14] 7.2 SYSTEM FOR ASSESSING RISK MANAGEMENT IN GROUP ENTITIES</p> <p>A Group-wide system is in place for assessing the maturity of risk management in each entity. For each risk, Group's operational unit management formally express their responsibility for a set of requirements — including compliance with corruption risk prevention policy — in a Yearly Attestation Letter.</p>

[p.15] This system assesses each Group operational unit's level of maturity and ability to manage risks, based on a detailed description of each risk (scenarios, objectives and priority actions) as well as an internal control questionnaire. These assessments are reviewed by rotation by the Audit, Risks and Internal Control Department and the Risk Advisors to identify the optimum approach and the most effective way to support action plans.

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

The company publishes a list of its main consolidated holdings and subsidiaries, which includes the percentages owned in each entity. This information appears in its Registration Document, which is published annually.

However, the company receives a score of '1' because it does not clearly list the country of incorporation or operation for each entity; instead it lists a country without explanation.

Evidence
[16] 2018 Registration Document

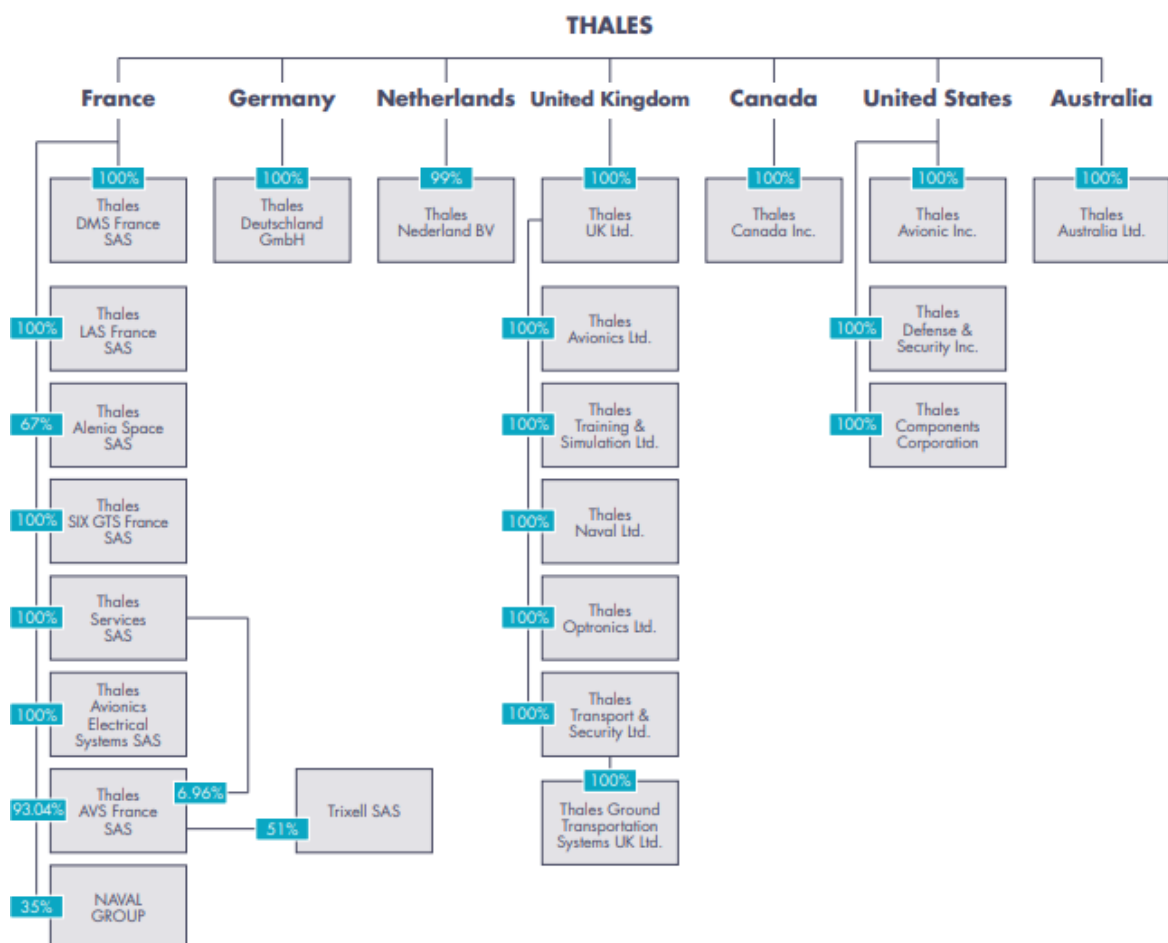
Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.38] 2.6.1.1 Simplified organisational chart at 31 December 2018

This simplified organisational chart includes fully consolidated companies that account for more than 0.5% of consolidated sales, in the main countries in which the Group operates.

The companies consolidated under the equity method are not included in this chart (with the exception of NAVAL GROUP).



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NOTE 15. LIST OF MAIN CONSOLIDATED COMPANIES

(excluding Thales SA, the parent company)

Company name	Country	% interest 31/12/2018	% interest 31/12/2017
1. Consolidated subsidiaries^(a)			
Thales Alenia Space SAS	France	67%	67%
Thales Alenia Space Italia SpA	Italy	67%	67%
Thales Australia Ltd	Australia	100%	100%
Thales Avionics, Inc.	United States	100%	100%
Thales Avionics Electrical Systems SAS	France	100%	100%
Thales AVS France SAS	France	100%	100%
Thales Canada Inc.	Canada	100%	100%
Thales Defense & Security, Inc.	United States	100%	100%
Thales Deutschland GmbH	Germany	100%	100%
Thales DMS France SAS	France	100%	100%
Thales e-Security, Inc.	United States	100%	100%
Thales Espana Grp, S.A.U.	Spain	100%	100%
Thales Ground Transportation Systems UK Ltd	United Kingdom	100%	100%
Thales Italia SpA	Italy	100%	100%
Thales IAS France SAS	France	100%	100%
Thales Nederland B.V.	Netherlands	99%	99%
Thales Services SAS	France	100%	100%
Thales SIX GTS France SAS	France	100%	100%
Thales Solutions Asia Pte Ltd	Singapore	100%	100%
Thales Transport & Security (Hong-Kong) Ltd	Hong-Kong	100%	100%
Thales Transport & Security Ltd	United Kingdom	100%	100%
Thales UK Ltd	United Kingdom	100%	100%
Trixell SAS	France	51%	51%

[p.222]

Company name	Country	% interest 31/12/2018	% interest 31/12/2017
2. Joint ventures (equity method)			
Thales Raytheon Systems Air and Missile Defense Command and Control SAS	France	50%	50%
Naval Group	France	35%	35%
Diehl Aerospace GmbH	Germany	49%	49%
Sofradir SAS	France	50%	50%
3. Associates (equity method)			
Aviation Communications & Surveillance Systems	United States	30%	30%
Airtanker Holdings Ltd	United Kingdom	13%	13%
Electronica SpA	Italy	33%	33%
Telespazio SpA	Italy	33%	33%

(a) Companies with sales representing more than 0.5% of consolidated sales.

German entity Electronic Signalling Services (ESS) GmbH, located at 1 Thalesplatz, 71254 Ditzingen, has requested to be exempted from its obligation to publish statutory financial statements for the year 2017, pursuant to paragraph 3, subparagraph 264, of the German commercial Code.

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NOTE 23. SUBSIDIARIES AND ASSOCIATES

(in millions)		Information related to the entity (local currency)			
		Prior year revenues excluding VAT	Prior year earnings	Share capital	Shareholders' equity other than share capital
A. Detailed information on subsidiaries and associates whose gross value exceeds 1% of the Company's share capital					
1. Subsidiaries					
THALES HOLDING UK PLC	GBP	–	1.1	726.8	402.6
THALES AVS FRANCE SAS	EUR	1,715.6	148.0	213.1	194.7
THALES DMS FRANCE SAS	EUR	1,766.7	202.7	122.2	237.7
THALES IAS FRANCE SAS	EUR	1,953.1	162.1	199.8	443.6
THALES ALENIA SPACE SAS	EUR	–	151.0	918.0	306.8
THALES SIX GTS FRANCE SAS	EUR	1,856.0	136.5	164.0	55.4
THALES MANAGEMENT & SERVICES DEUTSCHLAND GMBH	EUR	–	–4.9	27.1	272.3
THALES USA INC	USD	25.4	–30.8	118.1	378.5
THALES INTERNATIONAL SAS	EUR	–	35.6	313.0	38.7
AWMO GROUP LTD	SGD	–	0.7	22.1	35.7
THALES NETHERLANDS BV	EUR	431.1	39.5	29.5	177.4
THALES CANADA INC	CAD	843.0	–25.2	184.8	–80.9
THALES UNDERWATER SYST NV PAYS BAS	EUR	–	–	4.5	4.1
THALES SERVICES SAS	EUR	462.8	27.9	1.5	202.5
SIFELEC SAS	EUR	–	–	38.3	0.6
THALES AVIONICS ELECTRICAL SYSTEMS SAS	EUR	157.6	3.9	6.9	38.2
THALES HOLDING NORWAY AS	NOK	–	–	419.8	–186.8
THALES CORPORATE VENTURES SAS	EUR	–	–1.7	15.0	13.5
THALES BELGIUM SA (Formerly FZ)	EUR	46.0	–0.6	31.9	–20.6
THALES DIGITAL FACTORY SAS	EUR	6.4	–28.7	48.6	–7.8
THALES EUROPE SAS	EUR	–	–0.1	43.2	–40.5
THALES SESO SAS	EUR	19.9	1.3	0.4	11.1
THALES GLOBAL SERVICES SAS	EUR	543.6	–0.9	0.5	21.3
THALES SUISSE SA	CHF	41.1	17.2	40.0	–0.1
CMT MEDICAL TECHNOLOGIES LTD	USD	20.2	0.7	1.0	28.3
SNC THALES MERIGNAC	EUR	14.9	3.0	20.0	2.5
THALES COMMUNICATIONS LTD	BRL	–	–	19.8	–19.0
SAS CHATELLEAULT BRELANDIERE	EUR	2.4	–0.4	2.0	1.3
Total subsidiaries					
2. Associates					
UNITED MONOLITHIC SEMICONDUCTORS HOLDING	EUR	–	2.0	33.9	14.2
ELETTRONICA SpA	EUR	–	18.5	–	79.3
SOFRADIR	EUR	126.7	16.1	6.0	92.4
TELESPAZIO SpA	EUR	492.5	21.7	50.0	188.7
NAVAL GROUP	EUR	3,608.3	179.1	563.0	–141.9
Total associates					
TOTAL (A)					

[columns continue horizontally on the following page, see below]

[p.251]

Contribution of subsidiaries and associates to Thales' financial statements (EUR)						
Carrying amount of investments (gross)	Carrying amount (net)	% share capital held	Loans and advances made by Thales not yet paid	Receivables	Liabilities	Dividends received by Thales during the year
2,571.7	1,870.1	100%	491.9	1.4	131.7	-
1,016.0	1,016.0	93%	-	28.4	537.4	130.9
802.6	802.6	100%	-	-	2,340.0	110.7
754.9	754.9	100%	-	10.6	1,487.2	130.8
683.1	683.1	67%	-	29.2	-	59.9
590.7	590.7	100%	-	11.8	384.3	88.2
544.9	544.9	100%	-	135.2	-	-
476.6	476.6	100%	-	61.2	4.9	764.3
398.5	398.5	100%	-	90.6	-	6.0
250.7	66.4	100%	-	-	-	-
235.2	235.2	99%	-	0.4	210.5	351.5
168.6	168.6	100%	-	56.1	10.0	78.1
129.2	8.5	100%	-	-	-	-
126.4	126.4	100%	-	0.1	4.8	-
111.8	38.7	100%	-	-	30.1	-
94.6	61.6	100%	-	36.0	1.5	-
77.2	77.2	100%	-	-	-	-
73.3	16.8	100%	-	-	11.3	-
53.2	53.2	100%	-	22.5	1.1	24.0
48.7	13.0	100%	-	39.2	-	-
43.2	43.2	100%	-	161.5	-	-
36.4	6.8	100%	-	0.1	2.3	-
33.3	14.1	100%	-	76.1	-	-
26.4	26.4	100%	-	0.1	0.8	-
21.8	21.8	100%	-	1.2	0.9	-
20.0	20.0	100%	-	96.2	-	-
11.0	-	100%	-	-	-	-
10.0	1.6	100%	-	0.6	-	-
9,410.0	8,136.9		491.9	858.3	5,158.6	2,709.4
						585.8
24.3	22.8	50%	-	-	-	-
26.7	26.7	33%	-	-	-	-
26.4	26.4	50%	-	-	-	-
81.6	81.6	33%	-	-	-	-
833.7	833.7	35%	-	-	-	-
992.7	991.2					
10,402.7	9,128.1		491.9	858.3	5,158.6	2,709.4
						617.1
29.2	17.6		-	19.4	10.3	-
0.7	0.1			-	-	-
29.9	17.8			19.4	10.3	-
						3.6

[24] List of Non-French companies held by Thales (Document)

Accessed 19/05/2020

<https://www.thalesgroup.com/sites/default/files/database/document/2019-09/Liste%20des%20filiales%20et%20participations%20de%20Thales%20hors%20France%202019.06%20-%20EN.pdf>

For the sake of transparency, Thales publishes the list of its non-French participations on its website. These foreign entities aim at the development of the company and they all address operational requirements. Thales complies with applicable tax regulations in the various countries where it operates.

COMPANY NAME	PERCENTAGE OF INTEREST	COUNTRY
BLACKSTONETEK (PTY) LTD	13	SOUTH AFRICA
EVERTRADE MEDICAL	10	SOUTH AFRICA
THALES CORPORATE SOUTH AFRICA (PROPRIETARY) LIMITED	64	SOUTH AFRICA
THALES SOUTH AFRICA (PROPRIETARY) LIMITED	47	SOUTH AFRICA
THALES SOUTH AFRICA SYSTEMS (PROPRIETARY) LIMITED	47	SOUTH AFRICA
GEMALTO SOUTHERN AFRICA PTY LIMITED	97	SOUTH AFRICA
NETSIZE PROPRIETARY LTD	97	SOUTH AFRICA
THALES INTERNATIONAL ALGERIE SARL	100	ALGERIA
COGENT SYSTEMS MAGHREB SARL	48	ALGERIA
AVIONIC EMBEDDED SOFTWARE GmbH i.L.	49	GERMANY
DIEHL AEROSPACE GmbH	49	GERMANY
ELECTRONIC SIGNALLING SERVICES (ESS) GmbH	100	GERMANY
ET MARINESYSTEME GmbH	50	GERMANY
EURO-ART ADVANCED RADAR TECHNOLOGY GmbH	50	GERMANY
EURO-ART INTERNATIONAL EWIV	50	GERMANY
EUROFIGHTER SIMULATION SYSTEMS GmbH	26	GERMANY
EUROPEAN SATELLITE NAVIGATION INDUSTRIES GMBH	25	GERMANY
HELICOPTER TRAINING MEDIA INTERNATIONAL GmbH	50	GERMANY
HELM'ARABIA GmbH & Co KG	38	GERMANY
HFTS HELICOPTER FLIGHT TRAINING SERVICES GmbH	25	GERMANY
IFB INSTITUT FUR BAHNTECHNIK GmbH	7	GERMANY
JUNGHANS MICROTEC GmbH	45	GERMANY
MELA GmbH	9	GERMANY
PROTOSTELLAR GmbH	75	GERMANY
SYSGO GmbH	100	GERMANY
SYSGO-VECTOR JV GmbH	50	GERMANY
THALES ALENIA SPACE DEUTSCHLAND GmbH	67	GERMANY
THALES MANAGEMENT & SERVICES DEUTSCHLAND GmbH	100	GERMANY
THALES DEUTSCHLAND GmbH	100	GERMANY
THALES IMMOBILIEN DEUTSCHLAND GmbH	100	GERMANY
GEMALTO M2M GmbH	97	GERMANY
GEMALTO GmbH	97	GERMANY
SFNT GERMANY GmbH	97	GERMANY
CARDAG DEUTSCHLAND GmbH	97	GERMANY
FAMA THALES TECHNOLOGY AND SERVICES Ltd	40	SAUDI ARABIA
THALES INTERNATIONAL SAUDI ARABIA	100	SAUDI ARABIA
THALES SECURITY SOLUTIONS & SERVICES COMPANY	100	SAUDI ARABIA
THE ADVANCED ARABIAN SIMULATION COMPANY	40	SAUDI ARABIA
GEMALTO ARABIA LTD	97	SAUDI ARABIA
GEMALTO COGENT LLC	97	SAUDI ARABIA
GEMALTO ARGENTINA SA	97	ARGENTINA
ADI GROUP HOLDINGS PTY LIMITED	100	AUSTRALIA
ADI GROUP PTY LIMITED	100	AUSTRALIA
ADI LITHGOW PTY LIMITED	100	AUSTRALIA
ADI MUNITIONS PTY LIMITED	100	AUSTRALIA
AUSTRALIAN DEFENCE INDUSTRIES PTY LTD	100	AUSTRALIA
GUAVUS AUSTRALIA PTY LTD	100	AUSTRALIA
THALES ATM Pty LIMITED	100	AUSTRALIA
THALES AUSTRALIA HOLDINGS PTY LTD	100	AUSTRALIA
THALES AUSTRALIA LIMITED	100	AUSTRALIA
THALES TRAINING & SIMULATION PTY LIMITED	100	AUSTRALIA
THALES UNDERWATER SYSTEMS PTY LTD	100	AUSTRALIA
THOMSON RADAR AUSTRALIA CORPORATION Pty LIMITED	100	AUSTRALIA

[It continues on the next 5 pages]

Question**9.3 Does the company disclose its beneficial ownership and control structure?****Score****2****Comments**

The company has shares listed on a regulated market in the European Economic Area and therefore is automatically required to disclose its beneficial ownership.

Evidence**[19] Financial Times Markets Data (webpage)**

Accessed 03/10/2019

<https://markets.ft.com/data/equities/tearsheet/summary?s=HO:PAR>

Thales SA

HO:PAR ▼

Industrials > Aerospace & Defense

PRICE (EUR)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA
100.10	↓ -1.75 / -1.72%	396.31k	↓ -17.14%	0.6074

Data delayed at least 15 minutes, as of Oct 03 2019 11:43 BST.

[15] Shareholding structure (webpage)

Accessed 23/09/2019

<https://www.thalesgroup.com/en/investor/retail-investors/share-and-shareholding>

Listing

The Thales share is listed on Euronext Paris (Compartment A).

[...]

Shareholding structure

On 30 June 2019	Shares	in %	Voting rights	in %
French State (a)	54,788,714	25.68%	109,577,428	34.92%
Dassault Aviation	52,531,431	24.63%	93,685,780	29.86%
Thales	638,295	0.30%	-	-
Employees	5,438,144	2.55%	10,119,104	3,23 %
Other shareholders	99,911,073	46.84%	100,370,555	31.99%
Total	213,307,483	100.00%	313,752,867	100.00%

Question
9.4 Does the company publish a percentage breakdown of its defence sales by customer?
Score
0
Comments
There is no evidence that the company publishes information about its defence customers.
Evidence
No evidence found.

10. State-Owned Enterprises (SOEs)

Question									
10.1 Does the SOE publish a breakdown of its shareholder voting rights?									
Score									
2									
Comments									
<p>The company publishes information about its shareholder voting rights, broken down by percentage allocated to each shareholder. The company has shares listed on a regulated market in the European Economic Area and is therefore not required to disclose information on its beneficial owners and their associated voting rights in order to score '2'.</p>									
Evidence									
<p>[16] 2018 Registration Document Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf [p.154]</p>									
	31 December 2018			31 December 2017			31 December 2016		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
TSA ^(a)	54,786,654	25.71%	35.68%	54,786,654	25.76%	35.75%	54,786,654	25.82%	35.86%
French State (including 1 golden share)	2,060	–	–	2,060	–	–	2,060	–	–
Public Sector ^(a)	54,788,714	25.71%	35.68%	54,788,714	25.76%	35.75%	54,788,714	25.82%	35.86%
Dassault Aviation ^(a)	52,531,431	24.65%	28.39%	52,531,431	24.70%	28.44%	52,531,431	24.76%	28.53%
Thales	648,295	0.30%	–	568,739	0.27%	–	749,559	0.35%	–
Employees	5,575,167	2.62%	3.37%	6,181,444	2.91%	3.50%	5,743,081	2.71%	3.31%
Other shareholders	99,560,474	46.72%	32.56%	98,588,397	46.36%	32.31%	98,381,981	46.36%	32.30%
TOTAL	213,104,081	100%	100%	212,658,725	100%	100%	212,194,766	100%	100%
<p>(a) Under the terms of the shareholders' agreement with Dassault Aviation (the "Industrial Partner", see AMF 27-11-2008), the "Public Sector" is represented by TSA, excluding the State directly. All Thales shares held directly and indirectly by the French State have been in directly registered form for more than two years and thus have a double voting right on 31 December 2018.</p> <p>(b) As at 31 December 2018, Dassault Aviation held 42,154,349 shares in directly registered form, including 34,654,349 for more than two years, thus granting it double voting rights, and also held 10,377,082 shares in bearer form.</p>									
<p>[p.83] any crossing of the threshold of one- tenth or a multiple of one- tenth of the share capital or voting rights of the Company must first be approved by the Minister for the Economy; in addition, under the conditions set by Decree No. 93- 1296 of 13 December 1993, the Minister responsible for the Economy may oppose decisions on the sale or the allocation as collateral of assets referred to in the appendix of Decree No. 97- 190 of 4 March 1997 (see section 6.2.3.3.5).</p>									
<p>[p.158] Shareholder interests</p> <p>Dassault Aviation must hold at least 15% of the share capital and voting rights in Thales and remain the largest private shareholder in Thales.</p> <p>The Public Sector must take whatever measures are required to enable Dassault Aviation to comply with this undertaking. The Public Sector undertakes to restrict its shareholding to 49.9% of Thales' capital and voting rights.</p>									
[...]									

Option of unilateral termination of the agreement and agreement to sell to the Public Sector

The Public Sector has the option of terminating the agreement and asking Dassault Aviation to suspend the exercise of the voting rights that it holds above a threshold of 10%, or to reduce its shareholding to less than 10% of Thales' capital, in the event of:

- a serious breach by Dassault Aviation of its obligations so as to substantially compromise the protection of the strategic interests of the French State, given that said obligations are subject to an "agreement on the protection of strategic national interests in Thales" (see below);
- a change in control of Dassault Aviation.

In this respect, Dassault Aviation gives the Public Sector an irrevocable and definitive undertaking to sell all shares held by Dassault Aviation upon confirmation that Dassault Aviation's shareholding of Thales has remained above 10% of Thales' capital in the six months following the Public Sector's request to reduce its shareholding.

The Public Sector(1) was bound by an undertaking to hold a stake in Thales granting it at least 10% of the voting rights. This undertaking expired on 31 December 2014(2).

6.2.3.3.2 Agreement on the protection of strategic national interests

Furthermore, on 19 May 2009 Dassault Aviation endorsed the "agreement on the protection of strategic national interests in Thales" signed on 28 December 2006 by Alcatel-Lucent and the French State in the presence of TSA. This endorsement gives rise to the following obligations for Dassault Aviation:

[...] the Public Sector may:

- terminate the rights that Dassault Aviation enjoys under the shareholders' agreement; and, if it sees fit,
- ask Dassault Aviation either to suspend the exercise of any voting rights it holds in excess of 10%, or
- ask it to reduce its shareholding to less than 10% of Thales' capital through the divestment of shares on the market (under conditions consistent with its financial interests and market constraints). At the end of a six-month period from the date on which it was asked to reduce its shareholding, if the shareholding of Dassault Aviation is still in excess of 10% of Thales' capital, the French State may proceed with the aforementioned undertaking to sell.

[p.159] 6.2.3.3.5 Golden share held by the French State and other restrictions related to foreign investments in France

The golden share held by the French State entitles it to the following rights:

- "Any increase in the direct or indirect holding of securities, irrespective of the nature or legal form, beyond a threshold of one tenth, or a multiple thereof, of the capital or voting rights of the Company, by any natural person or legal entity, whether acting alone or in concert, must be approved in advance by the Minister for the Economy (...);"
- "Upon the proposal of the Minister of Defence, a representative of the French State, appointed by decree, sits on the Board of Directors of the Company as a non-voting director";
- "(...) decisions to dispose of or assign by way of guarantee the assets specified in the appendix to this decree may be opposed."

[17] Articles of Association

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-03/Thales_article_of_association_updated-18-01-19.pdf

[p.3] This special share confers on the State the following prerogatives:

- prior approval by the Minister responsible for the Economy for any increase in the direct or indirect holding of shares, irrespective of the nature or legal form of ownership, beyond a threshold of one tenth or a multiple of one tenth of the capital or voting rights of the Company, by a natural person or legal entity, whether acting singly or in concert;
- appointment by decree, at the proposal of the Minister of Defence, of a representative of the State to sit on the board of the Company as a non-voting director;
- the right of the Minister responsible for the Economy to oppose decisions to assign or allocate by way of guarantee the assets specified in the annex to the above-mentioned Decree N° 97-190.

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
2
Comments
<p>The company publishes details of its commercial objectives in its Integrated Report, in the form of a ten-year strategic plan accompanied by financial objectives. There is evidence that the company has reviewed and adjusted its objectives on several occasions within that period to reflect progress.</p>
Evidence
<p>[5] 2018 Integrated Report - Corporate Responsibility Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-07/THALES_CRIR_2018_AcCeDe-V2.pdf?_ga=2.202265873.1898685120.1569238024-1041281346.1568125968 [p.20] Our five strategic priorities between now and 2021</p> <p>Launched in 2013 for 10 years, the “Ambition 10” strategic plan embodies a simple goal: to make Thales a leader in each of its business activities. The strategic plan was updated in June 2018. Over the period 2014- 2017, the plan achieved all its objectives. Thales returned to a growth trajectory, becoming both more global and more profitable. Over the period 2018- 2021, the Group's leadership goal must be reflected in the growth of each activity at a rate that outpaces the market and ensures long- term profitability. With this end in mind, the Group has set itself five strategic priorities to be achieved by 2021.</p> <p>IMPLEMENT POWERFUL OPERATIONAL PERFORMANCE LEVERS</p> <p>1. STRENGTHEN THE GROUP'S CUSTOMERCENTRIC CULTURE</p> <p>The Group will further strengthen its customer- centric culture by introducing new marketing and sales initiatives to bring it closer to its customers, optimise its sales opportunity portfolio, and boost exports from its main host countries.</p> <p>2. RELENTLESSLY OPTIMISE OPERATIONAL PERFORMANCE</p> <p>The Group will continue to focus its competitiveness initiatives on four major domains:</p> <ul style="list-style-type: none"> • procurement performance, driven by a new worldwide integrated organisation and the introduction of powerful new methods; • engineering competitiveness, notably through the further deployment of agile methods, state- of- the- art digital engineering tools and the further reinforcement of skills and capabilities; • support- function efficiency, with the implementation of standard worldwide operating models across every support function, fostering process standardisation, digitisation and further resource platforms; • excellence in project execution, focusing in particular on continually improving operational excellence, specifically in the management of invitations to tender and in project implementation, against a backdrop of sustained business growth. <p>Complemented by the positive impact on product competitiveness arising from increased R&D, these four initiatives are expected to generate a 200 to 240 basis point improvement in EBIT(1) margin by 2021.</p> <p>3. ACCELERATE R&D INVESTMENTS TO DRIVE TECHNOLOGICAL EXCELLENCE</p> <p>To drive technological excellence and lead the digital transformation of its markets, Thales plans to further increase its self- funded R&D investments. These are expected to reach approximately €1 billion per year by 2021 (excluding Gemalto), an increase of between 25% and 30% compared to 2017.</p> <p>4. POSITION THALES AS A LEADER IN THE DIGITAL TRANSFORMATION OF ITS MARKETS</p> <p>Over the next 5 to 10 years, the accelerated pace of digital innovation will transform and upend the activities of Thales's customers.</p>

With its focus on critical decision chains, which are digital by nature, its large integrated network of digital native talents, and its unique portfolio of digital capabilities, notably in the domains of connectivity, big data, artificial intelligence and cybersecurity, Thales is ideally positioned to lead the digital transformation of its markets.

To execute this strategy and form partnerships with its customers through their digital transformations, Thales will capitalise on its recent acquisitions in these domains and the launch of its Digital Factories, while focusing its R&D investments on developing “dream products” incorporating breakthrough digital technology and new digital services.

5. EXECUTE ON THE TRANSFORMATIVE ACQUISITION OF GEMALTO

The acquisition of Gemalto, a major accelerator of Thales’s digital strategy, was completed on 2 April 2019.

By combining the assets of Thales and Gemalto in these domains, this merger creates a major player and a world leader in digital security and cybersecurity, based on a portfolio of solutions including security software, expertise in biometrics, multi- factor authentication and the issue of secure physical and digital certificates. These technologies, which combine a variety of uses which are constantly evolving, are intended to generate plentiful business opportunities and income synergies in the coming years.

By integrating Gemalto’s expertise in identity verification and security of property, Thales is also bolstering its distinctive positioning in its five major markets by becoming the only player in the world able to offer comprehensive solutions for securing critical decision- making chains all the way from data generation by sensors through to real-time decision making.

[p.21]

FINANCIAL OBJECTIVES

THALES WITHOUT GEMALTO

Organic growth in revenues	+3 to +5% on average over the period 2018-2021
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EBIT margin ⁽¹⁾	11 to 11.5% by 2021 while simultaneously increasing R&D expenses significantly
----------------------------	---

ACQUISITION OF GEMALTO

Annual cost synergies	€ 100 to € 150 million by 2021
-----------------------	---------------------------------------

Accretion of adjusted net EPS ⁽¹⁾	15 to 20% as of the first year
--	---------------------------------------

Return on capital employed for the transaction including synergies	Greater than Thales’s capital cost 3 years after implementation of the transaction
--	---

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 company publishes clear information about the nomination process, appointment and composition of its board and provides details of its board members. The company describes the nomination process, including which company representatives are involved in the nomination and who makes the final appointment decision. For each board member, the company discloses whether that person has any connection to the company or the state or if they are an independent director.

Evidence**[16] 2018 Registration Document**

Accessed 23/09/2019

<https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf>

[p.74]

Directors at 31 December 2018	Age	Gender	Nationality	Number of Thales shares	Number of appointments held in other listed companies
Appointed by the Annual General Meeting (14)					
Recommended by the Public Sector^(a) (5)					
Patrice Caine, Chairman & Chief Executive Officer	48	M	French	9,473	1
Laurence Brosela ^(b)	50	F	French	700	1
Bernard Fontana ^(c)	57	M	French	^(d)	–
French state ^(c) , represented by Odile Renaud-Basso ^(b) (appointed by decree – Article 4 of Order No. 2014-948)	53	F	French	2,060	–
Delphine de Sahuguet d'Amazil ^(d)	45	F	French	^(d)	–
Recommended by the Industrial Partner (Dassault Aviation)^(d) (4)					
Charles Edelstenne	80	M	French	509	3
Loïc Segalen	58	M	French	509	1
Éric Trappier	58	M	French	500	1
Marie-Françoise Walbaum	68	F	French	500	3
Representative of employee shareholders (1)					
Philippe Lépinay	65	M	French	2,475	–
External directors (4)					
Yannick d'Escatha Independent director ^(a)	70	M	French	500	–
Armelle de Madre Independent director ^(a)	48	F	French and Dutch	500	–
Anne-Claire Tailfenger Independent director ^(a)	69	F	French	612	–
Ann Taylor Independent director ^(a)	71	F	British	500	–
Appointed by the trade unions (2)					
Anne-Marie Hunot-Schmitt	54	F	French	248	–
Frédérique Saint	60	F	French	30	–

(a) See shareholding and voting rights in section 6.2.1.2 (page 154).

(b) Odile Renaud-Basso, Permanent Representative of the French state and director, holds no Thales shares.

(c) Within the meaning of the Atep-Medef code as amended in June 2018.

(d) Proposed by the French state–Article 6 of Order No. 2014-948.

[5] 2018 Integrated Report - Corporate Responsibility

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-07/THALES_CRIR_2018_AcceDe-V2.pdf?_ga=2.202265873.1898685120.1569238024-1041281346.1568125968

[p.26] The Company is a société anonyme (French public limited company) with a Board of Directors. Under the terms of the shareholders' agreement between the Public Sector and the Industrial Partner (Dassault Aviation), as published by the French financial markets authority (Autorité des marchés financiers – AMF), the Board of Directors is composed of 16 directors, 14 of whom are appointed by the General Meeting and two of whom are appointed by the trade unions, in accordance with the law (Article L. 225- 27 et seq. of the French Commercial Code) and the Articles of Association (Article 10).

Of the 14 directors appointed by the General Meeting, four are “external directors” selected jointly by the Public Sector and Dassault Aviation. One (1) is the representative of employee shareholders, and the others are recommended to the General Meeting by the Public Sector (5) and by Dassault Aviation (4).

Board of Directors at 31 December 2018

Appointed by the Annual General Meeting

Proposed by the Public Sector

- Patrice Caine, Chairman & Chief Executive Officer
- Laurence Broseta
- Bernard Fontana
- The French State, represented by Odile Renaud- Basso
- Delphine de Sahuguet d'Amarzit Proposed by the Industrial Partner (Dassault Aviation)
- Charles Edelstenne
- Loïc Segalen
- Éric Trappier
- Marie- Françoise Walbaum

External directors

- Yannick d'Escatha, independent director
- Armelle de Madre, independent director
- Anne- Claire Taittinger, independent director
- Ann Taylor, independent director

Representing employee shareholders

- Philippe Lépinay Appointed by the trade unions
- Anne- Marie Hunot- Schmidt
- Frédérique Sainc

[17] Articles of Association

Accessed 23/09/2019

https://www.thalesgroup.com/sites/default/files/database/document/2019-03/Thales_article_of_association_updated-18-01-19.pdf

[p.4] 10.1. The Company is administered by a Board of Directors composed of:

10.1.1. nine to eighteen directors appointed by the general meeting of shareholders, subject to the provisions set out in Order No. 2014-948 of 20 August 2014,

10.1.2. two directors representing the employees appointed pursuant to the provisions of Article L.225-27-1 of the French Commercial Code, as well as under the conditions stipulated in these articles of association. Pursuant to the provisions set out in Article L.225-27-1 III, Indent 3, of the French Commercial Code, two directors shall be appointed to represent the employees, by each of the two trade unions that received the highest number of votes in the first round of the elections referred to in L.2122-1 and L.2122-4 of ...

[p.5] ... the French Labour Code, in the company and its (direct or indirect) subsidiaries, whose headquarters are located on French territory.

The term of office of each director representing the employees ends automatically in advance under the conditions stipulated in Articles L.225-28 and L.225-30 of the French Commercial Code.

In the event of any vacancies, for any reason whatsoever, of directors representing the employees, the vacant position will be filled in accordance with the conditions stipulated in Article L.225-34 of the French Commercial Code.

Any directors representing employees who have been appointed shall receive, at their own request, training under the conditions stipulated in Article L.225-30-2 of the French Commercial Code.

The Board of Directors shall determine the number of hours credited each month to directors representing the employees.

10.1.3 one director representing the employee shareholders under those conditions determined by the Commercial Code. This director is appointed by the Ordinary General Meeting by such terms and methods laid down by the Commercial Code and by these Articles of Association.

Prior to the Ordinary General Meeting which is to appoint the director representing the employee shareholders, the chairman of the board of directors shall seize the supervisory boards of the mutual funds which invest in the company's shares and consult the employee shareholders under those conditions laid down in these Articles of Association.

Candidates for appointment are designated under the following conditions:

- Where the voting rights attached to the shares held by the employees is exercised by the supervisory board of a mutual fund investing in the enterprise's shares, this supervisory board may designate a candidate chosen from among its members.
Where there are several Enterprise Mutual Funds, holding the enterprise's securities, with the voting rights attached to shares being exercised by the supervisory board, the supervisory boards of these mutual funds may agree, by identical decisions, to present a common candidate chosen from among all of their members.
- Where the voting rights attached to shares held by the employees is directly exercised by these employees, candidates may be designated at the time of consultations organised by the company.

These consultations, preceded by calls for candidacies, shall be organised by the company by way of secret ballots, using any means suited to the specificities of the method in which said securities are held. To be admissible, a candidacy must be presented by a group of shareholders representing at least 5% of the shares held by the same method.

An ad hoc electoral commission, constituted by the enterprise, may be created to verify that the process is correctly implemented.

Only those two candidacies who are presented either by the supervisory boards of the enterprise mutual funds, or by groups of employee shareholders, which hold the greatest number of shares, shall be submitted to the Ordinary General Meeting.

[p.6] The minutes of the supervisory board(s) and/or ad hoc electoral commission presenting the candidacies must be communicated to the board of directors at the latest 8 days before the date of the meeting which is to determine the resolutions to be presented to the General Meeting concerning the appointment of the director representing the employee shareholders.

To be admissible, each candidacy must present a principal candidate and a substitute. The substitute, who must meet the same eligibility conditions as the principal, is intended to be co-opted by the board of directors in order to succeed to the representative appointed by the General Meeting in the event that said representative can no longer remain in office until the end of the fixed term of office.

In order to ensure continuity in the representation of employee shareholders until the end of the term of office, and in the event that the substitute is also unable to remain in office for the full term, the chairman of the board of directors shall seize the body which initially designated the candidate (mutual fund supervisory board, or group of employee shareholders), for it to designate a new candidate whose cooptation by the board of directors shall be submitted to the next General Meeting for ratification.

The terms and methods for designating candidates which are not defined by law or by these Articles of Association shall be determined by the company's management.

10.2. A representative of the State, appointed in application of Decree N° 97-190 of 4 March 1997 shall sit on the Board of Directors but shall not have the right to vote.

10.3. During his term, each Director must, under the conditions provided by the Commercial Code ("Code de commerce"), own at least 500 (five hundreds) shares of the Company.

10.4. The directors are appointed, designated or elected for a period of four years.

10.5. At the proposal of the Chairman, one or two non-voting directors may be appointed by the Board of Directors for their expertise in one or more areas of relevance to the Company.

Non-voting directors may or may not be shareholders in the Company. Non-voting directors are invited to Board meetings and may attend in a consultative capacity only.

Non-voting directors are appointed for a term of no more than three (3) years. The Board of Directors may renew their terms or end them at any time.

On the decision of the Board of Directors, non-voting directors may receive compensation. Compensation of non-voting directors is covered by the yearly amount of directors' compensation set aside by the General Meeting of Shareholders for attendance of Board meetings.

Question																									
10.4 Is the SOE's audit committee composed of a majority of independent directors?																									
Score																									
0																									
Comments																									
The company publishes information about the composition of its Audit Committee, but it is not composed of a majority of independent directors and so the company receives a score of '0'.																									
Evidence																									
<p>[16] 2018 Registration Document Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf [p.79] Audit and Accounts Committee</p> <p>[p.80] On 31 December 2018, the members of the Committee were:</p> <ul style="list-style-type: none"> • Anne-Claire Taittinger, Chairman and independent director; • Bernard Fontana; • Frédérique Saint, director representing employees; • Loïk Segalen. <p>The composition of the Audit and Accounts Committee is consistent with the provisions of the French Commercial Code: the Committee members are all directors and one director, the Chair of the Committee, in addition to being qualified as an independent director, has the requisite financial, accounting and statutory audit expertise (see biography of Anne- Claire Taittinger on page 69).</p> <p>However, the Committee is not composed of two thirds independent directors, as recommended by the Afep- Medef code, but only one- third (note that employee director Frédérique Saint was not taken into account for this calculation). Under the shareholders' agreement, a representative of each of the two shareholders of the agreement sits on each Committee. In the case of the Audit and Accounts Committee, the representatives are Bernard Fontana, appointed on the recommendation of the Public Sector, and Loïk Segalen, appointed on the recommendation of Dassault Aviation.</p> <p>[21] Universal Registration Document 2019 (Document) Accessed 19/05/2020 https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20-%28URD%29%20-%208%20April%202020.pdf</p> <p>"Comply or explain" rule</p> <p>The Company complies with the recommendations contained in the Afep-Medef code as amended in June 2018, except for those concerning:</p> <table> <thead> <tr> <th>Heading</th><th>Afep-Medef</th><th>Thales at 25/02/2020</th><th>Explanation</th></tr> </thead> <tbody> <tr> <td colspan="4">A. Independent directors (ratios):</td></tr> <tr> <td>• Board of Directors</td><td>1/3 (controlled companies)</td><td>31%</td><td rowspan="3">The terms of the shareholders' agreement do not allow compliance with the ratios of the Afep-Medef code.</td></tr> <tr> <td>• Audit and Accounts Committee</td><td>2/3</td><td>1/3</td></tr> <tr> <td>• Governance and Remuneration Committee</td><td>>50%</td><td>1/3</td></tr> <tr> <td>B. Succession plan for the Company representative (Chairman and CEO of Thales)</td><td>A Board Committee draws up a succession plan for the Chairman and CEO</td><td>No</td><td>Under the terms of the above-mentioned agreement, the appointment of the Chairman and CEO is decided by both shareholders (Public Sector and Dassault Aviation).</td></tr> </tbody> </table>				Heading	Afep-Medef	Thales at 25/02/2020	Explanation	A. Independent directors (ratios):				• Board of Directors	1/3 (controlled companies)	31%	The terms of the shareholders' agreement do not allow compliance with the ratios of the Afep-Medef code.	• Audit and Accounts Committee	2/3	1/3	• Governance and Remuneration Committee	>50%	1/3	B. Succession plan for the Company representative (Chairman and CEO of Thales)	A Board Committee draws up a succession plan for the Chairman and CEO	No	Under the terms of the above-mentioned agreement, the appointment of the Chairman and CEO is decided by both shareholders (Public Sector and Dassault Aviation).
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Question
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?
Score
1
Comments
<p>There is evidence that the company has a system in place to manage asset transactions and financial results from acquisitions. Asset transactions exceeding €150 million are automatically submitted to the board for approval and are analysed by the board-level Strategic and Corporate Social Responsibility Committee.</p> <p>However, while the responsibilities of the Audit Committee include following-up on recent acquisitions, it is unclear whether (or to what extent) all asset transactions are subject to scrutiny by this body. The company publishes financial results from significant assets acquisitions in its annual Registration Document, but it is unclear whether this covers all asset acquisitions.</p>
Evidence
<p>[16] 2018 Registration Document Accessed 23/09/2019 https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf [p.36] Acquisitions in 2018</p> <p>In 2018, the Group's key investments related to:</p> <ul style="list-style-type: none"> the acquisition of Cubris, a leader in Driver Advisory Systems (DAS) for main line trains, a key technology for future autonomous trains; Thales Alenia Space's stake in the US company Spaceflight Industries as part of the "BlackSky" satellite constellation project using big data analytics technology. <p>On 17 December 2017, Thales and Gemalto announced the signing of a merger agreement including an all- cash offer for all issued and outstanding ordinary shares of Gemalto, for a price of €51 per share cum dividend. The equity value was approximately €4.8 billion. This major acquisition was finalised in March 2019. More details can be found in section 2.5.</p> <p>At the same time, to comply with the demands of several competition authorities, Thales announced in February 2019 that it had signed a definitive agreement to sell its global GP HSM (General Purpose Hardware Security Modules) business.</p> <p>The Group continues to seek targeted acquisitions, to complement its digital strategy in particular it targets the strengthening of its expertise in the four digital technologies identified as key in the Group's main business areas – connectivity, artificial intelligence, big data analytics and cybersecurity.</p> <p>[p.57] Lastly, some complex or risky transactions are carried out solely by central departments, which ensure the sharing, consistency and coordination of the Group's practices. A specific internal control mechanism has been put in place to manage the risks associated with these transactions. Accordingly:</p> <ul style="list-style-type: none"> total or partial acquisitions and disposals fall under the exclusive remit of the Group's corporate management. The Global Business Units propose projects at periodic meetings of the Mergers and Acquisitions Committee, made up of the main central departments; all real estate transactions fall under the exclusive remit of the Group's Real Estate Department. It may delegate certain operations, especially outside France, to a national organisation, or to a local company, while ensuring proper supervision. <p>[p.78] II) Powers of the Board of Directors (representation and corporate interests, specific powers and shareholders' agreement)</p>

The annual budget, the strategic plan, the appointment and dismissal of the Chairman and CEO (or the appointment of a Chairman and a Chief Executive Officer in the event of separation or potential separation of these positions), acquisitions or disposals of shareholdings or assets with a value exceeding €150 million (as total commitments or as revenues), as well as strategic alliance agreements and agreements on technological and industrial cooperation, are automatically submitted to the Board for approval, it being understood that the shareholders' agreement stipulates that such decisions must also be approved by the majority of directors representing the Industrial Partner (Dassault Aviation).

Any transactions exceeding €50 million are also submitted to the Board for approval if they involve a change in the Group's strategy as previously approved by the Board.

[p.79] The Board of Directors has three Committees: an Audit and Accounts Committee, a Governance and Remuneration Committee and a Strategic and Corporate Social Responsibility Committee.

Audit and Accounts Committee

[p.80] In addition to the annual and half- year financial statements, in 2018 the Committee also reviewed:
[...]

- the follow- up of recent acquisitions;

[p.81] Strategic and Corporate Social Responsibility Committee

In compliance with the Board's rules of procedure, the Strategic and Corporate Social Responsibility (CSR) Committee's main tasks are to assess the Group's strategy in its key business segments, and in particular:

[...]

to analyse major acquisitions and asset disposal plans (in excess of €150 million), as well as proposed strategic agreements or partnerships.

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Document	Code of Ethics	23/09/2019	https://thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Ethics_June2019_0.pdf?_ga=2.38031907.1898685120.1569238024-1041281346.1568125968
02	Webpage	Ethics and risk management	23/09/2019	https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-and-risk-management
03	Document	Code of Conduct – Prevention of Corruption and Influence Peddling (2019)	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/document/2019-06/Thales_Code_of_Conduct_March2019.pdf
04	Webpage	Corruption prevention	23/09/2019	https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/corruption-prevention
05	Document	2018 Integrated Report - Corporate Responsibility	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/document/2019-07/THALES_CRIR_2018_AccDeV2.pdf?_ga=2.202265873.1898685120.1569238024-1041281346.1568125968
06	Webpage	How to be a responsible supplier	23/09/2019	https://www.thalesgroup.com/en/global/corporate-responsibility/ethics-risks-management/how-be-responsible-purchaser
07	Document	Corruption Risk Prevention Policy (2016)	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_corruption_prevention_policy_rev16052016.pdf?_ga=2.38091171.1898685120.1569238024-1041281346.1568125968
08	Document	Purchasing and Corporate Responsibility Charter	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/87200123-acq-grp-en-purchasing_and_corporate_responsibility_charter.pdf?_ga=2.29777343.1898685120.1569238024-1041281346.1568125968
09	Document	Lobbying Charter	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/lobbying_charter_0.pdf?_ga=2.33559073.1898685120.1569238024-1041281346.1568125968
10	Document	Internal Alert – User Guide to the Internal Alert System	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/document/2019-03/180231_GuideAlerte-UK-0403-MEP2.pdf
11	Document	Business Ethics Conduct Guide - Prevention of Corruption	23/09/2019	https://thalesgroup.com/sites/default/files/database/d7/asset/document/thg087_guidepreventioncorruption_gb_bd.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968
12	Document	Business Ethics Conduct Guide - Gifts and Hospitality Guidelines	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/giftsandhospitalityguidelines18p_eng_0.pdf?_ga=2.29317692.1898685120.1569238024-1041281346.1568125968
13	Document	Business Ethics Conduct Guide - Best Practices Guide to Lobbying	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/best_practices_guide_to_lobbying_0.pdf?_ga=2.201200174.1898685120.1569238024-1041281346.1568125968
14	Document	Business Ethics Conduct Guide - Conflict of Interest	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/thales_-_conflict_of_interest_guide_0.pdf?_ga=2.261428877.1898685120.1569238024-1041281346.1568125968

15	Webpage	Shareholding structure	23/09/2019	https://www.thalesgroup.com/en/investor/retail-investors/share-and-shareholding
16	Document	2018 Registration Document	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/document/2019-04/Thales%202018%20Registration%20Document.pdf
17	Document	Articles of Association	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/document/2019-03/Thales_article_of_association_updated-18-01-19.pdf
18	Document	Charter of Professional Conduct of Thales International Offsets	23/09/2019	https://www.thalesgroup.com/sites/default/files/database/d7/asset/document/tha_08_02985_charte_tio_eng_hd_0.pdf?_ga=2.203129681.1501089436.1569362643-1041281346.1568125968
19	Webpage	Financial Times Markets Data	03/10/2019	https://markets.ft.com/data/equities/tearsheet/summary?s=HO:PAR
20	Document	Policy of Prevention and Detection of the Risk of Corruption and Influence Peddling 2020	19/05/2020	https://www.thalesgroup.com/sites/default/files/database/document/2020-05/Thales_Policy_on_prevention_and_detection_of_the_risk_of_corruption_and_influence_peddling_Update_Jan2020.pdf
21	Document	Universal Registration Document 2019	19/05/2020	https://www.thalesgroup.com/sites/default/files/database/document/2020-04/Thales%20-%20Universal%20Registration%20Document%202019%20-%28URD%29%20-%208%20April%202020.pdf
22	Document	Internal Alert – User Guide (updated)	19/05/2020	https://www.thalesgroup.com/sites/default/files/database/document/2019-12/AlertGuide%20ENG%20-%20Final_2609.pdf
23	Document	Integrity and Corporate Responsibility Charter – Partners&Suppliers	19/05/2020	https://www.thalesgroup.com/sites/default/files/database/document/2019-12/102019_-_Charter_Supplier_Final.pdf
24	Document	List of Non-French companies held by Thales	19/05/2020	https://www.thalesgroup.com/sites/default/files/database/document/2019-09/Liste%20des%20filiales%20et%20participations%20de%20Thales%20hors%20France%202019.06%20-%20EN.pdf