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THALES

Building a future we can all trust

**Delivering social value
to the UK**



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Thales contributes to the security
and stability of the UK and generates

£1.6bn
in economic value
each year



Foreword from Alex Cresswell

For more than a century, Thales has exploited technology for the nation's benefit, developing world-leading capabilities that help our customers think smarter and act faster.

We're a global business with over 7,000 people in the UK, working across every country of the Union. For many years, Thales has contributed to the security and stability of this nation by providing extraordinary technology to our customers in Government and industry. Operating across aerospace, defence, digital security, transport and space, we help keep the nation safe and secure while contributing £1.6bn in economic value each year.

But with such scale comes responsibility. To achieve sustainable growth we must take a holistic approach to our business and create value beyond our bottom line; we need to consider the wider impact of our activities for our customers, employees and communities.

Social value is not a new concept to Thales, we've been committed to helping our local communities and the environment for many years - as illustrated by some of the case studies within this report. But now, we've created a framework and a set of targets against it, pushing us to achieve even more.

In this report we have documented our approach, which is centred around four pillars of living net zero; making a contribution across the UK; supporting cohesion and inclusivity in our local communities; and promoting digital citizenship.

These are the areas where I believe we have the power to deliver lasting benefits to our communities and stakeholders thanks to our unique capabilities, inspirational employees and wide-reaching geographic footprint.

We're doing it not because we have to but because it's the right thing to do as a responsible business. As world leaders came together at COP 26 to address the greatest challenge facing humankind, we took the UK's climate change targets a step further and committed to achieve net zero in our UK operations by 2030.

We're holding ourselves to account through external accreditation and we'll be measuring our progress against the targets outlined in this report to keep us on track with our social value journey.

I am proud to be a part of Thales, a company that's helping the UK become a safer, greener, more inclusive and prosperous society.

I hope you will enjoy reading more about our approach in this report.

“To create value for the UK, we need to consider the wider impact of our activities for our customers, employees and communities.”



Alex Cresswell

Chief Executive and Chairman,
Thales UK

Introduction

The UK Government spends significant amounts with industry every year, including £27.2bn by the Ministry of Defence in 2020/2021 alone. As a recognised strategic supplier to the UK Government, we take seriously our responsibility to provide social value when delivering on these contracts, beyond the contribution to security and national resilience that our existing activities already provide.

Delivering social value is not a new concept to Thales, we have been committed to it for many years. So, when the Government released its policy notice in September 2020¹, we took the opportunity to review our approach to ensure our programmes are set up to add the greatest value to our communities and stakeholders today, while delivering an enduring benefit for years to come.

We've been working with the Social Value Portal to get an in-depth understanding of the social needs in our local communities. We have also benefited from working with, and learning from, partner organisations in adjacent sectors of infrastructure, recruitment and facilities management, where social value delivery has been commonplace for decades.

Large infrastructure projects are often constructed and delivered in communities themselves, making their impact stark and providing clear opportunities to generate local social benefit. This is quite different to a technology company such as Thales. Not all ideas for social value delivery are immediately transferrable to the sectors in which we operate so we must focus on the areas where we can make the biggest contribution.

Ultimately, our aim with this report is to share our approach and encourage dialogue with our stakeholders and partners so that we can work together to maximise the social and environmental benefits we deliver as a responsible business, along with the economic value that we create.

Access to
160,000hrs
of volunteering per year



supporting
further education
institutions and
STEM activities

New apprentice
& graduates

10%



of all hires
by 2025



Access to

33,000
days

of upskilling per year
including personal and
professional development



Employees from
under-represented groups

13%

of all hires
by 2025

Total jobs supported

25,400

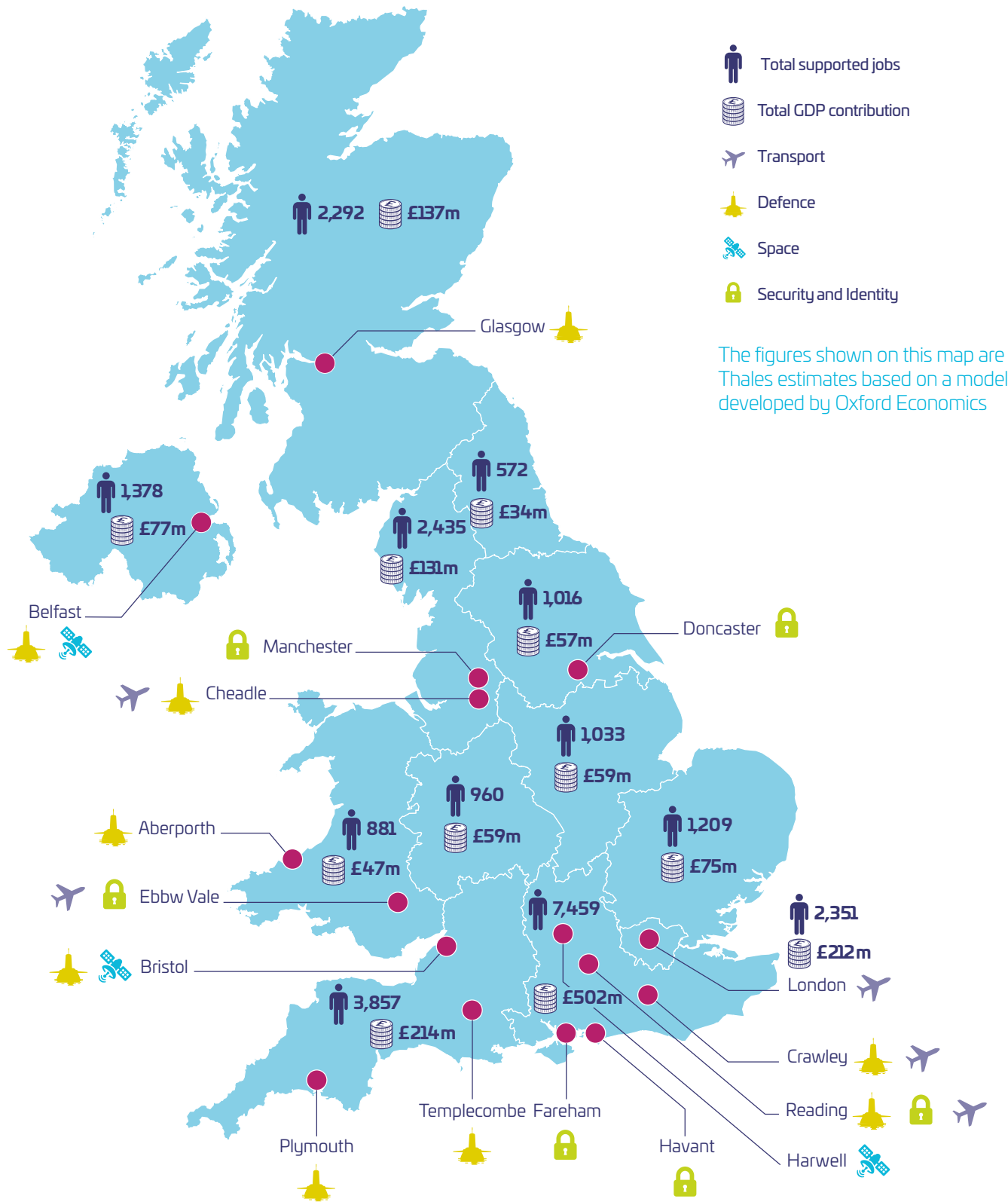


£100m

Thales Group
spend from
Europe with
UK suppliers



¹ UK Cabinet Office and Department for Digital, Culture, Media & Sport (2020), Procurement Policy Note 06/20 – taking account of social value in the award of central government contracts. Available at: <https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>



Net Zero



in our operations
(Scope 1 and 2)
by 2030

Increasing SME
spending as a % total to



25%



Total Gross Value
Added (GVA)

£1.6bn

Delivering social value to the UK

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

This is our Group purpose and it encapsulates our core values and capabilities, which contribute to a safer, greener, more inclusive and prosperous society.

Our social value strategy is underpinned by four pillars. Together these guide our activities towards the areas where we are positioned to make the biggest material difference to our communities through a variety of programmes, commitments and initiatives.



Our four pillar approach



Living net zero

We've set ourselves ambitious targets to minimise our environmental impact. We are committed to achieving net zero in our UK operations by 2030, incorporating eco-design principles into all new products by 2023 and identifying new ways to apply our technologies for broader environmental and societal benefit.

10-12



Making a contribution across the UK

We will harness our geographic reach to support the needs of our local communities and add economic value across all four nations of the United Kingdom. Our supply chain partners play an important role here too and as a leading sponsor of the SC21 programme, we are working with our suppliers to help them on their journey of continuous improvement. For small and medium sized enterprises (SMEs), we have implemented policies which are designed to increase external expenditure across tier 1 and 2 suppliers to 25%.

13-22



Supporting cohesion and inclusivity in our local communities

This pillar outlines our employee-led activity and is underpinned by our volunteering policy. Through this, we have access to over 160,000 hours of employee-delivered volunteering each year. We will work with partners, including the Prince's Trust, to establish programmes that support people from disadvantaged backgrounds and we target 13% of all hires each year to be from under-represented groups. We also provide our employees with access to 33,000 days of upskilling, including personal and professional development, digital learning, formal training and knowledge transfer programmes.

23-25



Promoting digital citizenship

Digital citizenship is essential in today's society. Put simply, it's the ability to access digital technology safely and responsibly. We are working hard to increase awareness and to support vulnerable groups in society, with a particular focus on STEM activity to encourage people into careers in Cyber Security and Space. Each year we target 10% of all hires to be apprentices and graduates. The number of STEM classes delivered, and the support provided to further education institutions is increasing, thanks to our volunteering policy. We are also equipping our customers with technology that will help increase digital resilience for society in an increasingly interconnected world.

26-29

In developing our 'four pillar' approach, we've carefully considered the UK Government's social value themes and associated policy outcomes, namely COVID-19 recovery; the creation of new businesses, skills and jobs; increasing supply chain resilience; effective stewardship of the environment; tackling workforce inequality; reducing disability employment gap; and improving community health, wellbeing and integration.



Living net zero

At Thales we are proud to play our part in tackling the greatest challenge of humankind – climate change.



100%
of our electricity
supply comes from
renewable sources

On course to fulfil our objectives

We have committed to achieve carbon net zero in our UK operations (scope 1 and 2) by 2030 and to deliver a 15% reduction of scope 3 emissions in the same period. We are already well on our way to achieving these ambitious targets. Since 2018, our electricity supply has come from 100% renewable sources and in just three years, from 2018 to 2021, our carbon emissions have reduced by 74%.

We've made similar strides in waste reduction. Thales operates a "zero waste to landfill" policy for common waste from its sites. 79% of this waste is recycled and the remaining 21% is sent to incineration with energy recovery. We've also achieved a total waste reduction of 39% from 1,734 tonnes in 2018 to 1,053 tonnes in 2021.

Our UK Digital Identity business has already achieved net zero emissions (scope 1 and 2) in its operations and is now focused on delivering innovative, sustainable product lines to further reduce its environmental impact – including a world's first in the production of SIM cards.

This case study is a great example of our eco-design initiative which will see us employing eco-design principles in every new Thales product by 2023.



Case study

Eco-design principles

More and more of our B2B customers are choosing to adopt environmentally-friendly bank cards and SIM cards in support their own sustainability ambitions.

Every year, 4.5 billion SIM cards are produced globally. This is equivalent to 20,000 tons of plastic, or the weight of almost two Eiffel Towers. Most of them will end up as waste.

Our Digital Identity business is leading the change with its pioneering Eco-Sim product, developed in partnership with Veolia. It's the world's first CarbonNeutral® certified SIM card, made from 100% recycled polystyrene recovered from discarded refrigerators. It will soon be a part of our everyday lives as the majority of UK mobile and virtual network operators plan to introduce it to their supply chains in 2022.

For our banking customers, we have a range of options available to minimise plastic waste, from the use of bio-sourced materials as an alternative to plastic to reclaimed ocean plastic and recycled PVC. The potential impact here is huge when you consider that every year, the volume of plastic used to produce banking cards globally weighs the same as 150 Boeing 747s and has a carbon footprint equivalent to flying 500,000 passengers from New York to Sydney.

Harnessing technology to reduce environmental impact

We're using our technological expertise to find new ways to deliver our products and services to customers while reducing their environmental impact. Our synthetic training solutions are helping the RAF achieve its ambition to reduce live flying hours and associated emissions without compromising on safety.

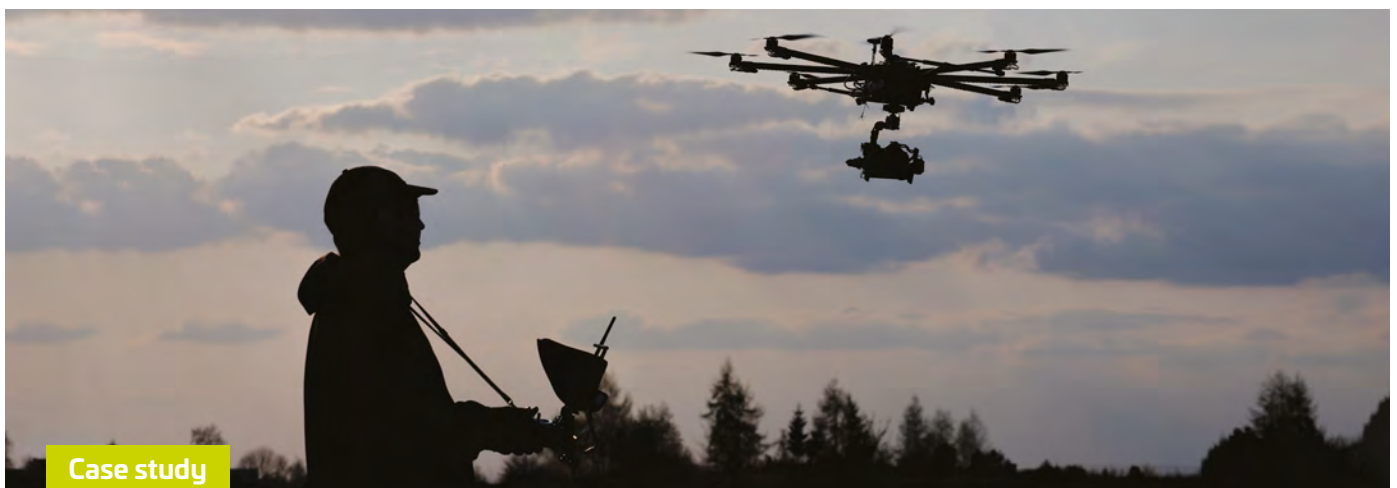
The A400M training service at Brize Norton is a prime example, where we have simulators housed in an energy self-sufficient building, certified as "Excellent" by the Defence-Related Environmental Assessment Method. Building on our 80 years' experience in high-tech simulation solutions, we have continued to evolve with the emergence of digital twins. These offer through-life environmental benefits by optimising systems in a way that could never be achieved with physical prototypes while cutting emissions from live test and evaluation.

Our technology will help the UK Government to achieve its ambitious targets in renewable energy. Thales' radar mitigates the disruptive effect that wind turbine blades can have on critical modern day systems such as air traffic control radars. By doing this, it will be possible to deploy wind turbines in previously restricted locations, supporting the expansion of windfarms across the UK.

We are also able to inspect blades of offshore turbines using the unmanned surface vessel we originally developed for autonomous mine countermeasures. This allows inspection without having to shut down the turbine and avoids putting technicians at risk by exposing them to extreme conditions.

Our supply chain has a critical role to play, particularly when it comes to our scope 3 emissions. As part of our sustainable procurement strategy, we are working together with our suppliers to improve climate resilience and reduce carbon emissions. Through a series of collaborative workshops we are developing carbon action plans, leaving no stone unturned when it comes to lowering our carbon footprint through better management of logistics and inventory as well as the increasing use of electric vehicles.

The final component of our living net zero pillar complements the commitments we have outlined so far in this section of the report. We are establishing partnerships to support the reforestation and management of our woodlands by planting trees. It's a great way to protect and enhance the environment for our local communities and those of our customers and suppliers.



Case study

Developing the future of aviation

We're working alongside partner organisations on the UK Government's Future of Flight Challenge to help ensure routine, operational drone services can be carried out safely while minimising environmental impact. It's not just the transport infrastructure that needs to be considered but the supporting ground infrastructure as well as regulation and control systems too.

Using digital twin technology, we can simulate the airspace to test the drone infrastructure, bringing together the diverse technological, operational and regulatory elements to create a safe, coherent and complete aviation ecosystem that's fit for the future.



Making a contribution across the UK

To maximise the value we create for our local communities, we've been working with social value experts, the Social Value Portal. They've helped us to better understand what matters most in the areas we operate so we can tailor our social value activities to support the needs of our local stakeholders today, while leaving a positive legacy for future generations.

Ebbw Vale, Gwent. Home of the National Digital Exploitation Centre: Our partnership with Welsh Government is a commitment to support regeneration of South-East Wales and develop the Foundational Economy to deliver economic success and long term prosperity in the area.

Supporting communities, where it matters



The Social Value Portal carried out a comprehensive review at each of our geographic locations.

This involved a deprivation analysis (using quantitative and qualitative data on economic, social and environmental factors) together with a review of policy from local authorities.

Figure 1 shows two examples of the deprivation analysis, highlighting areas of deprivation across the regions surrounding two of our major UK sites: Glasgow and Crawley. In Glasgow, there is an overall “high” deprivation level of 57% and it’s especially acute in Govan, where our site is located. The Crawley example is more subtle, but with strong links to the aviation and tourism industry given its proximity to Gatwick airport, the findings confirmed that the downturn caused by the COVID-19 pandemic has had an impact.

While there were differences across each geographic area, the Social Value Portal did identify three main challenges that were common to all of our key regions:

- Health and living environment
- Education, skills and training
- Crime and disorder

Armed with this insight, we reviewed and reinforced our existing social value programmes to ensure they would be able to stand up to these challenges while the Social Value Portal identified community partners we could work with to have an even greater impact.

It means we are now well positioned with our programme of activities and partners to provide localised support to our communities. From our STEM programmes to engage and inspire young people from disadvantaged backgrounds, to our local employee volunteering, we are working hard to make a positive difference to communities across all regions of the UK.

Our economic contribution

Thales provides a range of capabilities across defence and civil markets, which contribute to the security and stability of the UK’s people and infrastructure. Through these activities, we generate a significant economic contribution that benefits all four nations of the Union, thanks to our unique geographic footprint and sales to both domestic and international customers.

In 2020, we employed just over 7,000 people in the UK, while supporting an additional 10,000 jobs across our supply chain.

The figure rises to 25,400 in total, once wider employee spending in the economy by Thales and our suppliers is factored in, with these jobs distributed across all four nations of the UK (see map on page 7).

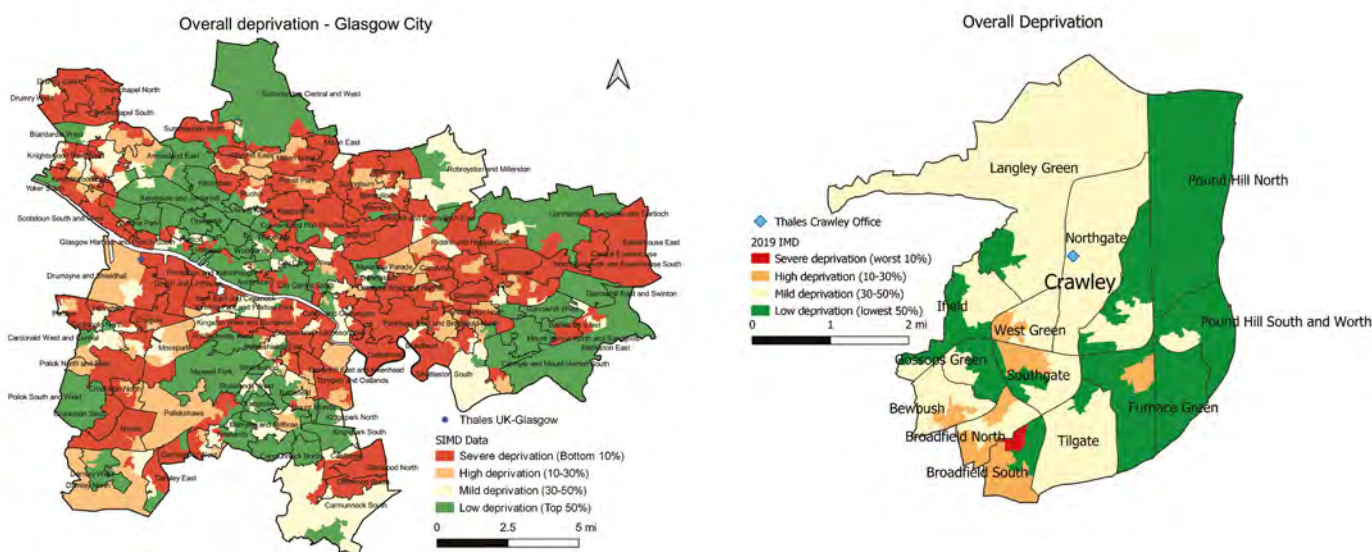


Figure 1: Map of Overall Deprivation for Glasgow and Crawley. These maps contain public sector information licensed under the Open Government License v3.0.



Gold Award winner - UK MoD Employer Recognition Scheme

We are honoured to have received a Gold Award in the UK MoD's Employer Recognition Scheme. With defence as one of our core activities, Thales has a natural affiliation to both current and former service personnel. In fact, of the 7,000 people we employ at Thales, around 9% are either ex-service personnel or reservists with representation across the British Army, Royal Navy, Royal Air Force and Strategic Command. We were an early signatory to the Armed Forces Corporate Covenant and have made a public commitment to supporting defence not just as a customer, but the wider Armed Forces community in society.

We recognise the benefit we receive from the training, knowledge and experience that these employees bring – and sometimes this experience was hard won. That is why as a supplier of capability to the UK Armed Forces we are proud to help share their burden by supporting Combat Stress, a charity which has been assisting former UK servicemen and women to deal with issues like post-traumatic stress disorder, anxiety and depression.



**ARMED FORCES
COVENANT**

**EMPLOYER
RECOGNITION
SCHEME**

GOLD AWARD

A UK-wide footprint

In 2020, we contributed £1.68bn to the UK's GDP, along with just under £400m in tax receipts for the exchequer. This was achieved despite the impact COVID-19 had on some of our key customers in civil markets.

Our employees' productivity levels were 35% higher than the UK average in 2020, contributing £77,000 to the UK economy per worker. The defence industry is renowned for its high skilled science and technology jobs and this is reflected in average wages, which in turn generates additional value. The average wage of a Thales employee in the UK is £48,200. This is above the UK defence industry average of £45,594¹ and significantly higher than the UK average of £31,461².

England

Thales has a dozen sites and customer locations across England, sustaining nearly 21,000 jobs from direct employment and indirectly through our supply chain partners. Together these sites represent a significant portion of our diverse UK portfolio, particularly in defence.

We deliver leading edge capabilities for defence and civil applications on land, at sea and in the air from Crawley, Reading, Templecombe, Turnchapel and Cheadle.

England is also host to Thales Alenia Space in Bristol and Harwell, where we design and engineer satellite payloads and propulsion systems in partnership with our Belfast propulsion integration centre.

Thales sustains 21,000 jobs in England either directly or through its supply chain

More recently, with the acquisition of Gemalto in 2019, we now have a significant digital identity business based in Fareham, with additional sites in Havant and Manchester, providing UK passports, driving licences and bank cards.

This complements our existing cyber security capabilities in Reading to create a comprehensive offering across digital security, critical national infrastructure protection and secure communications.

The South East is an important region for Thales, with two key sites in Crawley and Reading.



Crawley

Crawley is our largest site in the UK, from which we have delivered equipment and services to the Ministry of Defence since 1964. It's home to a range of capabilities spanning civil aerospace and military markets, from the latest naval combat management system for the UK's new Type 31 Frigates to the British Army's Watchkeeper unmanned aircraft system and high speed air to ground communications delivering in-flight broadband speeds to airline passengers.

Crawley will soon feature a new digital laboratory under the COREF initiative (Connected Reconfigurable Factory), including a digital twin of our Belfast site, detailed later in this report. These activities and the economic contribution they generate play an important role in the local economy, particularly given the impact it suffered from the downturn in aviation during the COVID-19 pandemic.

Reading

Our HQ in Reading is not only home to our Digital Security business and Land and Air Systems defence business, it's also one of Thales Group's global Research, Technology and Innovation Centres. Here we develop cutting-edge solutions for a wide range of customers, with a specific research focus on sensing, data fusion and analysis; advanced networking and communications; autonomy; and complex systems. It's not just customers who benefit from our innovation hub at Reading, we regularly welcome local stakeholders on site, from STEM outreach for local schools to partners in Teach First and Women in Science and Engineering to name just a few.

¹ Make UK (2021), Defence: Opportunity, Resilience and Prosperity. Available at: <https://bit.ly/3soCzEI>

² Office for National Statistics (2021), Employee Earnings in the UK: 2020 Statistical Bulletin. Available at: <https://bit.ly/3PajS1m>

South West

In the South West, for every Thales job in the region, nearly four are created as a result of our activities and wider Group procurement from local suppliers. This economic contribution is achieved across three sites: Templecombe, Bristol and Turnchapel.

We're proud to be founding members of the Aircraft Carrier Alliance and it's in Bristol that we designed the largest and most powerful ships ever constructed for the Royal Navy – the Queen Elizabeth class carriers.

Turning to Templecombe, established in the late 1960s, the site is now home to our Maritime and Air Operations businesses. This is where we produce world-leading sonar systems and our Multi-Domain Mission Support System, to provide critical situational awareness to UK and international defence customers. Reinforced by recent investment, the site is a global centre of excellence in anti-submarine warfare, mine warfare and submarine technology.

We recently expanded our South West operations into Plymouth, extending our commitment to the region with the launch of our new facility at Turnchapel Wharf.

Case study



Turnchapel, Plymouth, Devon

Thales has invested over £2m to create a state-of-the-art innovation centre at Turnchapel in Plymouth. The Royal Navy and Thales UK have come together at the waterfront facility to transform maritime autonomy.

Critical to its success and achieving technology firsts is the trusted ecosystem of over 30 suppliers and universities, bringing diversity of thought and skills. In the local area, we have created new jobs and skills with a team of 20 people and we plan to create a further 30 roles by 2023, including apprenticeships.

“From the heart of Britain’s Ocean City, we are building on our proud maritime heritage and looking to the next generation of maritime technology. Thales’ Turnchapel centre will change the way autonomous capability is developed over the next decade with a focus on emerging and disruptive technologies, such as artificial intelligence and digital security, which are critical enablers of autonomy.” Sir Gary Streeter, Member of Parliament for South West Devon.

Midlands and North

In the Midlands and North of England, there’s a sizeable Thales footprint. Over 500 employees are based at our Cheadle site, on the outskirts of Manchester, where we specialise in advanced naval sonar and communications systems. Together with our supply chain, we sustain over 7,200 jobs across the Midlands and North of England and in 2020 Thales spent over £170m with the large ecosystem of suppliers that support our operations in this region.

Beyond our main locations, Thales employees can be found at key customer sites including RAF Cranwell and RAF Brize Norton where we deliver synthetic training solutions for the Royal Air Force. As a founding member of the Digital Aviation Research and Technology Centre (DARTeC), we also have a presence at Cranfield University where the centre is based. DARTeC allows companies big and small from across the aerospace industry to come together to develop digital solutions for airlines, airports, aircraft and air traffic management.





Scotland

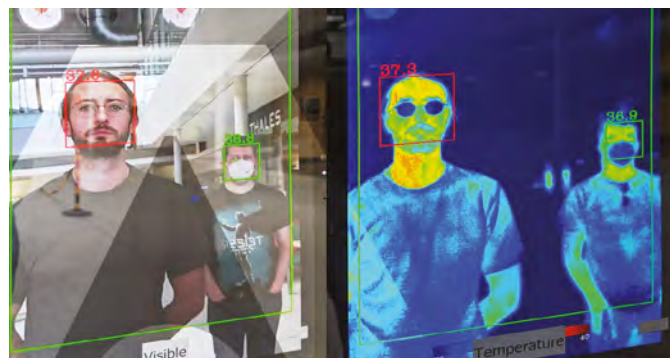
With links dating back to 1888, our Glasgow site is the oldest part of our UK operations and since 1917 it has been the sole supplier of submarine periscopes to the Royal Navy. Today, over 700 Thales employees work in Glasgow developing a range of optronics capabilities for land, sea and air platforms; the site itself supports nearly 2,300 jobs in total.

We've put our technology and expertise to good use for the benefit of communities in Scotland

We have established an armoured vehicle centre of excellence in Glasgow, building on decades of experience in complex military vehicle integration by highly skilled engineers and manufacturing employees. Thales helps to equip almost every major land platform in service or in development with the UK armed forces.

Our recently awarded contracts for the UK MoD's Boxer and Challenger 3 programmes will support further economic growth in Scotland. We're helping to sustain key manufacturing skills in the UK, including 30 apprentices currently receiving training, as we work to provide a range of systems from remote weapons stations to optronics for these state-of-the-art armoured vehicles.

We've also put our technology and expertise to good use for the benefit of communities in Scotland. It's great to see our Sophie UF2 thermal imaging cameras helping to save lives following a donation to the Scottish Mountain Rescue team and, during the COVID-19 pandemic, our Glasgow employees used their skills in imagery processing software to support the nearby Queen Elizabeth University Hospital by detecting visitors and staff with higher than normal body temperatures. The team was recognised for its efforts and innovation at the 2021 IdeasUK awards, winning the Health and Safety category.



Our Glasgow employees used their skills in imagery processing software to support the nearby Queen Elizabeth University Hospital during the COVID-19 pandemic



Sophie UF2 thermal imaging cameras helped to save lives following a donation to the Scottish Mountain Rescue team



National Digital Exploitation Centre established in Ebbw Vale

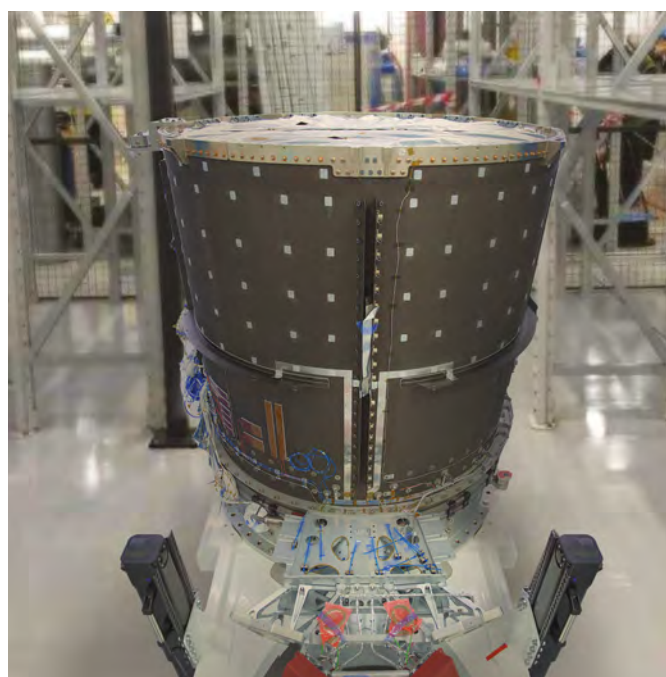
Wales

Wales has seen significant investment from Thales over the last two decades. We currently sustain over 800 jobs in the country and this is expected to grow in the future.

We've invested £10m in our Aberporth facility, which specialises in Unmanned Aerial Vehicles (UAVs). Aberporth plays a critical role in delivering the UK Army's Watchkeeper programme and is located in the largest area of segregated airspace for UAV operations in the UK.

We sustain over 800 jobs in Wales and this is expected to grow

More recently, in partnership with Blaenau Gwent Council, the Welsh Assembly and the University of South Wales, Thales established a £20m National Digital Exploitation Centre in Ebbw Vale. It's generating new jobs in high-demand and high-skill areas for a region that has historically suffered from economic inequality. The centre itself is used for digital and cyber security training and also provides a research facility for SMEs as well as multi-nationals to develop and test new concepts. The site has now expanded to include the Resilient Works facility, which will make a significant contribution to national resilience by developing secure systems for the transport and energy sectors. You can read more about it in the **Promoting Digital Citizenship** section of this report.



The pioneering Spacebus Neo Xenon Propulsion System was built in Belfast

Northern Ireland

We have a long history of world-class manufacturing in Northern Ireland, spanning over 60 years. Today we employ 560 people in Belfast and support nearly 1,400 jobs across the supply chain and beyond.

Our Northern Ireland operation plays a major role both in the UK's defence sector and for international customers as a centre for advanced air defence and surface attack weapons systems on land, sea and in the air. It also plays an important part in the UK's dynamic and growing space sector. The site is now home to our Space Electric Propulsion Integration Centre, thanks to a £6m investment by Thales Alenia Space. Here we built the UK's first all-electric propulsion module - Spacebus Neo Xenon Propulsion System (XPS).

We are privileged to work alongside Northern Ireland's leading academic institutions, including Queens University Belfast and Ulster University, where we support research on a range of topics from cyber security to aerodynamics and advanced networking and communications.

Over 60% of our local suppliers in Northern Ireland are SMEs. In a region where they employ a greater proportion of workers and generate a larger share of turnover relative to the rest of the UK, we are proud to be a part of this ecosystem and the benefits it brings to the local economy.

1,400 jobs supported across the supply chain in Northern Ireland

Looking to the future, we are excited to be creating a state-of-the-art manufacturing innovation hub in Belfast under the COREF initiative, detailed on page 20. We will work with SMEs and academia to maximise the value of COREF, supporting UK competitiveness and economic growth while revolutionising smart manufacturing through the application of cutting edge technology and tools to boost productivity.



Case study

Connecting between regions - COREF

We're using our extensive industrial footprint across all four nations of the UK to enhance regional connections for greater social and economic benefit. COREF, the COnnected REconfigurable Factory, is a great example of how we are doing just that. Funded through the UK Government's Aerospace Technology Institute programme, it consists of two digitally linked innovation hubs in Belfast and Crawley.

COREF promotes growth and productivity in the aerospace manufacturing sector and its supply chains by harnessing and exploiting new technologies, trends and methods for low volume, high-complexity production lines.

This in turn stimulates growth opportunities for businesses and boosts the demand for developing and upskilling a workforce that's trained in new technologies such as smart tools, robots, cobots and the Internet of Things (IoT).



Belfast

Our Belfast site will host a physical, state-of-the-art manufacturing innovation hub where we can work alongside partners in academia and SMEs to innovate product design and assembly, taking manufacturing R&D projects to prototype stage (Technology Readiness Level 5).



Crawley

COREF's Crawley site is a digital laboratory, equipped to develop technical expertise to exploit tools for data manipulation, visualisation and scenario modelling. The capacity for real-time scenario updates and simulations, which even includes a "pseudo" supply chain, makes Crawley a virtual digital twin to Belfast, giving students and employees anywhere in the UK remote access to work and train with both innovation hubs.

Investing for the future

Together with our COREF partners, we are investing over £10 million over the next three years into these sites. The hope is to stimulate the formation of manufacturing innovation ecosystems around Crawley and Belfast and, in turn, generate jobs in new fields for local and remote collaborators. With future growth, COREF will deliver wider regional social benefits by indirectly benefitting community cohesion as more employees support local amenities, shops and their supply chains.

"The ATI is pleased to support the Connected Reconfigurable Factory (COREF) project which is a further extension to the innovation and technology ecosystem that Thales is creating across the UK, and represents a real partnership between the Thales Belfast and Crawley sites, academia and SMEs in order to accelerate the adoption of industry 4.0 practices into the advanced manufacturing processes of complex avionics and Systems." Gary Elliot, Chief Executive, Aerospace Technology Institute.



Maritime business in our Cheadle Heath facility in Manchester

Exports

Thales is one of the UK's leading exporters of defence systems, with approximately one third of our UK orders coming from overseas in 2020. This is a great prosperity driver, generating and sustaining local jobs, providing economies of scale for our UK supply chains and even feeding back into national budgets through the levy system, yielding direct financial returns for the Government.

The benefit is spread across all four nations of the UK, from defence systems exported out of Belfast to mine countermeasures systems that keep global shipping lanes safe originating from Templecombe, world-leading optronics from Glasgow and mission systems from Crawley.

So far we've created 40 jobs in Crawley to support our combat management system for the Royal Navy's new T31 Frigate and future export opportunities

Thales Group has a global footprint that spans 68 countries. With this geographic reach, we have great insights into the needs of export customers. We can develop long-term relationships in overseas markets and with these relationships comes the opportunity to collaborate and co-develop the next generation of capabilities together with international partners.

Thales Group has a global footprint that spans

68 countries

This approach supports HM Government's ambition to create a virtuous circle that leverages intellectual property developed in the UK, enhancing and upgrading it with international partners, then aligning it with future domestic requirements to deliver a sustainable long-term prosperity dividend for the nation's benefit.

Our UK defence customer, the MoD, is also considering exportability when setting its requirements. The Type 31 Frigate is a prime example, where Thales provides the integrated combat management system which enables the ship to fight. To deliver on this contract, we have transferred the capability to the UK from elsewhere in Thales Group. So far it has created 40 jobs in Crawley and this figure will rise to 75 by the end of 2022, including apprentices to build skills for the next generation.

Export opportunities are now coming to the fore, with Thales selected as the preferred technology partner for the Polish Navy's MIECZNIK frigate programme. Working together with Babcock and the UK Government, along with the PGZ-MIECZNIK consortium and local Polish industry partners, we are incorporating key learnings from the Type 31 programme to deliver this integrated combat system capability from the UK.

R&D and digital transformation

The pace of change in the digital age is exponential. To stay ahead, we need to innovate at a much faster rate and this is only possible by leveraging world-leading research and development.

Fundamentally, we need to better understand and predict our customers' needs to pull through cutting-edge research into products and services that support economic growth.

This is only sustainable if we continue to attract and develop the strongest talent for Thales and our external partners. Creating a diverse and inclusive workforce is at the heart of this success, which is why we are supporting inclusivity in our communities and promoting digital citizenship in our social value approach.

Thales spends £70m per annum on research and development in the UK, with over half of this being self-funded activity, which compares favourably to our peers, particularly in the defence industry.

We are a strategic partner of the Engineering and Physical Sciences Research Council, in recognition of the work we do with universities and academia, including sponsoring over 50 PhD students each year. And, through our volunteering policy, we're doing even more with further education institutions, working with schools, colleges and universities across the UK.

Our supply chain partners

We recognise the critical role that SMEs can play through their natural agility and innovation and we are committed to supporting the development of this ecosystem in the UK. It is a key component of the economic value we generate. The policies we have implemented are designed to increase our external spending with tier 1 and 2 SMEs to 25%.

Thales is actively involved in industry groups such as Make UK, techUK and the Federation of Small Businesses. We also seek to nurture the development of SMEs directly, recognising that together we can deliver the step change in capabilities that our customers seek. You can find out how we do this in the COREF and Turnchapel case studies in this report.

Thales works to promote diversity and equality of opportunity for SMEs, Voluntary Community and Social Enterprises (VCSEs) and local businesses. Being part of a larger multinational group creates an even greater opportunity for the UK supply chain, with Thales Group procuring over £100m in goods and services from UK companies each year.

As a leading sponsor of the SC21 programme, we are working with our suppliers to help them on their journey of continuous improvement. Participating companies have seen real increases in performance, capability and competitiveness.



Merlin Flex (Hartlepool) SC21

Merlin Flex is a leading global supplier of flexible interconnection systems to a number of markets spanning defence, aerospace, medical, instrumentation, robotics and telecoms.

Located in Hartlepool in the North East of England, with 58 employees, here's what Mark Merifield, Managing Director of Merlin Flex had to say about working with Thales and the SC21 programme:

"Over the past four years, Thales has helped us immensely as part of our SC21 journey. Through this collaboration, we have improved our systems and working practices to enable us to perform consistently at a much higher level.

"It's been an educational and rewarding experience, which we have embraced throughout our entire organisation and has seen us realise both incremental and radical change in our processes as well as the skills of our people. We look forward to continuing our relationship with Thales and further growing our footprint in the North East."



Supporting cohesion and inclusivity in our local communities

Thales is committed to making a positive contribution to local communities. In this section, we focus on our programmes which are delivering a lasting social benefit to the regions where we operate.

Our employee-led activity is underpinned by our volunteering policy, which gives us access to 160,000 hours of employee-delivered volunteering each year. Our communities also benefit from the Thales Solidarity Programme, a global initiative to fund and support community engagement projects.





Thales employee wins 'Manchester Community Hero' award

Everyone needs a hero and we are lucky to have our very own! Rob Jones, an engineer based at our Cheadle office, was recognised in the 2022 Made in Manchester awards for the incredible amount of charity work he has been doing in his hometown.

Growing up in a deprived area of North Manchester, Rob knows only too well how important it is to give young people from all walks of life exposure to the possibilities a career like engineering can open up.

Rob has worked as a STEM ambassador since 2011. Through Thales' volunteering programme, he visits local schools, bringing STEM subjects to life by providing hands on experiences to teach young people the basics of systems engineering.

One of the many programmes Rob has been involved in is the Robotics Challenge which aims to introduce students to real world engineering, technology and computing challenges. He has been taken aback by the level of interest in engineering as a profession: "just giving kids exposure to a qualified engineer is a big deal as there aren't many of us in North Manchester. Hopefully meeting people like me helps give them aspirations as they see that it's not just a white, middle class profession, but something that's open to anyone who likes fixing things." Rob also volunteers with the Science and Industry Museum in Manchester and acts as a mentor to support members of the Institute of Engineering and Technology.

Rob's passion for what he does outside of his day job is absolutely clear and he hopes to inspire other people to get involved: "I challenge anyone... look out of your window, see who needs your help and you'll be amazed at the difference you could make. It's easy to take for granted the skills we develop through our careers and the value they could bring to our communities."

Just like Rob Jones in Manchester, we want our employees to feel empowered to make a difference by generating ideas and implementing them and we're working with expert organisations to help achieve this.

Through our partnership with the Prince's Trust, we are working hard to help people from disadvantaged backgrounds find work placements. We're pleased to say that many of the people involved in this programme have gone on to find a full time role at Thales. Building on this success, we target 13% of hires each year to be from disadvantaged backgrounds by 2025.

Thales has also been encouraging more young people into STEM careers as part of the Glasgow Science Centre STEM Futures project. This scheme targets schools in the highest areas of deprivation, as well as young people on the fringe of education who are considered NEET (not in education, employment or training). As part of this activity, we have participated in the Game Changers programme to provide mentoring support and industry skills and contacts to young people who have been badly affected by COVID-19, currently numbering over 40 in total.

13%
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As an engineering company, we want to fuel this passion in the next generation. We've been working in partnership with the Smallpeice Trust on STEM projects tailored to local needs across primary and secondary schools around all of our major sites.

It's great to be able to inspire the nation's future engineers by highlighting the cutting edge work we do and showing them what it's like to work in a leading technology company.

As an engineering company, we want to fuel this passion in the next generation

We're proud to be a part of the UK Government's Disability Confident scheme, recognising that when it comes to inclusivity, we must start by looking at our own business. Today, almost 200 Thales UK employees have a declared disability and in November 2021 we achieved level 3 certification as a disability confident "leader". We've demonstrated that we have the policies and procedures in place to support inclusivity for current and future employees, as well as promoting these values beyond our own organisation.

Neurodiversity is a topic that's very close to our hearts and we are particularly proud of the work we are doing in this area. Through the Thales Neurodiversity Network, we've learnt that our engineering and manufacturing activities can be more attractive to neurodivergent people than many other career options. Recognising the opportunity, we launched neurodiverse training sessions across our business in 2021, in partnership with Genius Within to help us support employees through coaching and increase inclusivity for future employees.

We've also arranged for two Special Education Needs schools in the South East to visit Thales and meet engineers who identify as neurodiverse, as well as offering work experience placements and access to talks. Ultimately, we recognise that neurodiverse individuals have a wealth of skills and knowledge that should be nurtured and respected.

The Disability Confident scheme and our approach on neurodiversity are two specific examples of our commitment to equity, diversity and inclusion. It's an important area of focus for Thales as we work hard to build a workforce that is reflective of society. Currently, just over 10% of our employees are from ethnic minority backgrounds, which is slightly lower than the national average, and 21% are female.

At Thales, we want individuality to be understood and appreciated and this can only be achieved if barriers to inclusion are removed. To achieve our aspiration of becoming a fully inclusive employer, we have established the "Be You, With Us" network, bringing together employee groups to collaborate, challenge and inform. This enables us to share ideas, agree priorities and improve continuously to deliver a better employee experience for everyone.





Promoting digital citizenship

Our world is becoming increasingly interconnected and with this progress comes many benefits. Products across defence and civil markets are seeing greater commonality of components and there's been a step change increase in capabilities through IoT (Internet of Things) enabled devices linking systems across a variety of domains.

However, this brings a new threat from hostile actors seeking to exploit these connections. Malware respects no national or sectoral boundary and the threats and associated solutions to counter them are common.

Our resilient cyber security products and services play a crucial role in the defence sector, where sovereignty is critical and operational outcomes are literally a matter of life and death. They also have equal applicability in Critical National Infrastructure and the wider civil sector.





Taking cyber forward

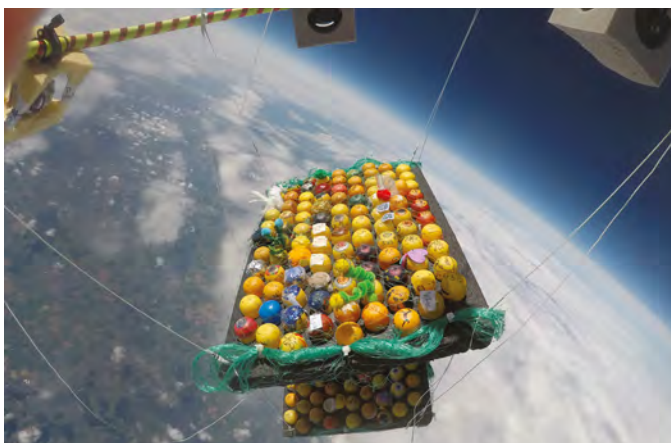
Thales is developing the Ebbw Vale Resilient Works site into a living laboratory campus for cyber security and resilience in energy and autonomous and electrified transportation as part of the Welsh Government's Tech Valley's programme. Located in

an area of South Wales that has a history of economic inequality, our facility will create social value as it generates new jobs in high demand and high skill areas such as security and resilience.

It will also help to address important social and economic responsibilities as the UK's transport and infrastructure evolves towards carbon neutrality with greater interconnectivity. Working alongside industry and academic partners from Wales and beyond, we are undertaking research and development into advanced technology that will turn these aspirations into reality. In turn, this will create further opportunities for new business start-ups and SME growth in the region and attract UK wide investment through collaboration with existing and emergent UK and global initiatives.

Thales also plays a major role in the access to and protection of digital identity, which is becoming ever more important in today's society. We're helping keep the nation safe with our latest anti-fraud technology, which is in use for key documents such as UK driving licences and the world's first carbon neutral-certified passports that were recently introduced in the UK.

Building on the foundation of these activities, Thales is an advocate of digital citizenship - the ability to access digital technology safely and responsibly. It's one of the key themes in our Solidarity Programme and we are working hard to help vulnerable groups of all ages who are most removed from digital technology increase their basic skills in this area.



Cyber and Space STEM focus

In the UK, we have a particular focus on Cyber and Space STEM activities. The MARSBalloon Project is a great example where Thales Alenia Space is delivering interactive workshops to school students and science clubs. Participants carry out science experiments with over 150 balloons operating up to 30km in altitude at twice the height of commercial airliners and above 99% of the Earth's atmosphere. Conditions in this region are very similar to those on the surface of Mars and allow students to test the response of electronics, materials, plants and even food in this strange and hostile environment.

Cyber skills and education

Turning to cyber security skills, here we are focused on increasing awareness and capability today while developing a talent pipeline to address the cyber security challenges of the future. The National Digital Exploitation Centre (NDEC) is a joint project between the Welsh Government, Thales, and the University of South Wales. It aims to catalyse economic regeneration and digital growth across the region through technology and cyber security support.



**National Digital
Exploitation Centre**
Canolfan Ecsbloetio
Ddigidol Genedlaethol



Case study

NDEC education project

We're working with schools (over 97 to date) and communities as part of the NDEC education project, to develop outreach and resources to help people find future employment in cyber security and wider digital industries.

We also deliver free cyber security training to SMEs across South East Wales, to support their digital growth. As a founding member of the Defence Cyber Protection Partnership in 2015, we supported the formation and promotion of the CyberFirst programme. Led by the National Cyber Security Centre, and in partnership with industry and academia, CyberFirst identifies and nurtures a diverse range of talented young people from all backgrounds. One example is the promotion of the Cyber Girls competition to encourage females into cyber careers. Thales champions CyberFirst talks in the region, alongside other industry partners, with the result that 24% of all CyberFirst Recognised schools and colleges across the UK are within Wales.

"Our trip to Ebbw Vale was invaluable to our learners! They left in awe of all the exciting, modern and inspiring technology available so close to home. Every effort was made by the team to ensure our learners maintained engagement throughout the day and no question was deemed too silly or unanswerable! We were thrilled that they considered our specific class topics and carefully tailored our experience to further the children's learning. We all left feeling more knowledgeable and hugely inspired! Thank you Thales for a wonderful day." Chris Owen, Deighton Primary School.



Cyber security

Alex Tarter works tirelessly to help address the global skills shortage in cyber security; a problem that has been exacerbated in the wake of COVID-19 as companies have increasingly moved online, creating worldwide competition for specialist skills.

Cyber security can be a lucrative career, with a growing number of opportunities that can command high salaries, but many young people just don't know where to start.

This is where the idea of cyber as a 'profession' comes in, as Alex explains: "Historically your cyber career developed experientially, allowing you to learn and understand a broad range of areas over time. Now we have formal academic and chartered routes into the profession and it is the companies that are lagging behind. We don't yet have a wide range of defined career paths into cyber security so it's really important to reach out to people in any way we can."

Working in partnership with the National Cyber Security Centre's CyberFirst programme, Alex talks to students about what it's like to work in the cyber security industry, he works as a mentor to support women working in cyber; and is a mentor and judge on the Atlantic Council's Cyber 9/12 Strategy Challenge – an annual competition which aims to give students a deeper understanding of the strategic challenges associated with cyber security and conflict.

Alex believes that diversity of thought in cyber security is paramount: "Cyber security is about innovative problem solving which involves and requires all types of people, not just technology, to succeed. My job is to help people who are passionate find a way to contribute and it's encouraging to see more women playing a leading role – it's not just a geeky guy's club anymore!"

Investing in apprentices

For those leaving school, Thales is proud to offer an apprentice scheme with over 120 places available in the current year. This includes our new Cyber Degree apprenticeship programme, reflecting the evolving skills requirements away from more traditional apprenticeships. The four-year programme culminates in a Cyber Security Technical Professional Degree awarded by Northumbria University.

Once in employment, the challenge doesn't end there. Navigating a career path in cyber security isn't easy as one of our employee volunteers, our Chief Cyber Consultant, Alex Tarter explains in the case study above.

120
apprentice
opportunities
available
in 2022

Synopsis of UK activities

We've used this report to share the programmes we introduced to deliver social value in the UK and to highlight specific commitments, targets and policies against which we will measure our success.

The hard work doesn't stop here, it's only just begun. We've learnt from social value leaders in other sectors that to deliver lasting benefit takes time; we'll continue to build on our social value programmes over many years, learning alongside our stakeholders and delivery partners to create a positive legacy for the future.

In summary

As a responsible business, we're committed to achieving the best not only for our business, but for our communities and our planet.

We've been delivering social value for many years but our new framework has given us even greater focus on what matters most to the communities in which we operate, allowing us to target the areas where we can make the biggest material difference.

Centred around the four pillars of living net zero, making a contribution across the UK, supporting cohesion and inclusivity in our local communities, and promoting digital citizenship, we are building momentum around a series of initiatives and targets that will keep pushing us forward on our social value journey.

In this report, you've seen a snapshot of how we are working with partners and empowering our employees to deliver social value, benefitting from their expertise and passion to make a lasting difference.

This is something that we will continue to do across all four nations of the UK, near our sites, our customer locations and with our supply chain and we look forward to sharing our progress with you.



Now

- ✓ We have implemented policies to increase our external spending with tier 1 and 2 SMEs to 25%
- ✓ Our volunteering policy provides us with access to 160,000 hours of employee-led volunteering per year
- ✓ Our employees have access to 33,000 days for upskilling (including professional development, training and knowledge transfer programmes)

By 2023

- ✓ We will employ eco-design principles to every new Thales product

By 2025

- ✓ We are targeting 13% of all new hires to be from under-represented groups
- ✓ In the same timeframe we are targeting 10% of all hires to be graduates and apprentices
- ✓ And for ex-service personnel and reservists to comprise 10% of all employees

By 2030

- ✓ We commit to achieve net zero in our UK operations (Scopes 1 and 2) and to deliver a 15% reduction of Scope 3 emissions





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