



Integrated report

Corporate responsibility

2021-2022



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FOREWORD

A YEAR OF ACCELERATION

PATRICE CAINE, CHAIRMAN AND CEO

After the ongoing global crisis triggered by the Covid-19 pandemic, 2022 has opened with the eruption of a large-scale armed conflict in Ukraine, bringing devastating humanitarian impacts along with the risk of serious food and energy shortages. On a different note, the release of the sixth IPCC report once again detailed the daunting impacts of global warming.

Though quite different in nature, both events shine a light on the massive transformations currently underway in our world. These changes have led in turn to a widespread commitment on the part of all stakeholders, including an increasingly engaged business sector.

Thales did not wait for this turning point to come before making commitments in favour of the climate and the major issues of its time. I am proud that our Group signed the United Nations Global Compact in 2003 and, for over 10 years now, has maintained an “advanced” rating for the actions it has taken and the quality of its extra-financial reporting. More than ever, we at Thales are determined to align our growth with the sustainable development goals defined by the UN.

In this regard, 2021 was a year of strong acceleration for the Group: increasing our commitments in terms of lower operational carbon emissions, setting a new “net zero” target for 2040 and reaffirming our goals in terms of gender equality, ethics and workplace health and safety.

We also decided to strengthen our CSR organisation and give even greater prominence to these issues within our governance bodies. As another sign of how important we feel these issues are, the Group organised its first investors day dedicated entirely to ESG in 2021.

We are determined that our contribution to sustainable development will constitute a fundamental element of our corporate strategy. To this end, we are relying on our key assets: cutting-edge scientific research and engineering. Our current and future expertise and technologies have the extraordinary potential to improve our understanding of climate phenomena, reduce our use of resources and curtail the environmental impact of certain human activities, especially in transport and data processing.



They also help improve people's access to learning, as well as to basic civil and social rights.

Lastly, at a moment when Europe has seen war on its doorstep, **Thales intends more than ever to contribute to the stability and security of sovereign states.** In today's turbulent times, our societies need to be able to count on the most high-tech physical and cyber defence resources in order to envision a peaceful future.

Making the world safer, greener and more inclusive: these are the three pillars of our CSR strategy. They are the culmination of our purpose of "building a future we can all trust", which for two years has guided our efforts in favour of building a sustainable future for the whole world.

"MAKING THE WORLD SAFER, GREENER AND MORE INCLUSIVE: THESE ARE THE THREE PILLARS OF OUR CSR STRATEGY."

PART 1

TRUST: CENTRAL TO THE CHALLENGES OF OUR TIME



3 DECEMBER 2021

CYBERSECURITY: AN ESSENTIAL CONCERN

The 2021 Thales Data Threat Report shows yet another increase in businesses' perception of cybersecurity risks in 2021.

47% of companies surveyed reported a rise in the scope and seriousness of attacks.

This perception was confirmed by the UK's National Cyber Security Centre, which reported that there were 3 times more ransomware attacks in 2021 than in 2019. According to a study by Gartner, the ability to withstand a cyberattack is now an essential criterion in selecting a commercial partner for 60% of companies.

6 OCTOBER 2021



A STRATEGIC AGREEMENT FOR DIGITAL SOVEREIGNTY

Thales and Google Cloud announce the signing of a strategic agreement for the joint development, within a new company, of a sovereign cloud offer that meets the criteria of the French "Trustworthy Cloud" label. French public institutions and businesses can benefit from the power, security, flexibility, agility and sovereignty made possible by the technologies of two experts in their fields.

3 DECEMBER 2021

The United Arab Emirates places a historic order for 80 of the latest-generation Rafale from Dassault Aviation. Thales is the top equipment supplier for this aircraft, 90% of whose 300,000 parts are manufactured in Europe. Thanks to ultra-high-performance sensors – radars, cameras, antennas – whose data is combined in real time to give the pilot the clearest tactical view, the Rafale is positioned as an essential asset for military operation theatres.

3 MARCH 2021

A MAJOR CONTRACT WITH THE ESA

Thales Alenia Space signs a contract valued at €772 million with the European Space Agency, for the supply of six satellites connected to the 2nd generation of the geo-positioning constellation Galileo. This is a crucial programme for ensuring the competitiveness of the European space industry and the sovereignty of the European Union.



30,000

organisations worldwide trust Thales to verify identities and secure their connected objects.

€2.5bn

is dedicated by Thales to R&D in the defence industry, making it the leading European player in this sector.

-50%

The International Air Transport Association (IATA) committed to reducing the CO₂ emissions of the aviation industry by 50% between now and 2030.

HOW CAN WE GUARANTEE THE **SOVEREIGNTY OF STATES IN AN INTERCONNECTED WORLD?**

The world is more interconnected and economies more intertwined than ever before. However, despite this essential openness, each state must protect its technological independence in strategic areas, as well as for security and critical infrastructure. This is essential for the safeguarding of sovereignty and economic development. —

States must be able to monitor and defend their physical or digital territory through perfect mastery of technology.

Regardless of the context, Thales helps its customers master ever more complex environments to make faster and more efficient decisions at every moment.

The pandemic reminded us that digital is the backbone of our societies. However, this virtual space generates major new cyber risks. That is why we need to protect "national digital territories" from hostile attacks, and avoid public and private players being dependent on foreign digital infrastructure.

In Canada in 2021, Thales's technology was central to a new project around the Internet of Things (IoT): instant, secure and scalable connectivity of objects connected to the cloud. The solution, developed by Thales in collaboration with Canadian wireless network operator TELUS and the Canadian Internet Registration Authority (CIRA), provides mutual authentication between devices and a secure IoT cloud platform, ensuring data confidentiality and integrity. This innovative system simplifies the remote management of connected devices in various sectors including energy, healthcare and critical infrastructure.

30,000

people work in the Group's technical activities
(from research to engineering).

THALES DEDICATES CONSIDERABLE HUMAN AND FINANCIAL RESOURCES TO R&D. SOVEREIGNTY IS AN OVERRIDING CONCERN AT EVERY LINK IN THE VALUE CHAIN, AND IS MAINTAINED BY ESTABLISHING PARTNERSHIPS WITH ACADEMIC INSTITUTES AND DEVELOPING INNOVATIVE PROJECTS WITH THE GROUP'S ECOSYSTEM OF SUPPLIERS.

IS DEFENCE A MAJOR PLAYER IN SUSTAINABLE DEVELOPMENT?

The goal of sustainable development is first and foremost to protect humanity: protecting us from climate disasters, environmental degradation, poverty and war. Protection, of course, is the main role of state defence. —

“DEFENCE SECURES THE STABILITY
OF NATIONS TO CREATE
PROSPEROUS ECONOMIES FOR
THEIR CITIZENS, WHICH PROVIDE
A FOUNDATION FOR CREATING
A SUSTAINABLE WORLD.”

ALEX CRESSWELL,
CEO OF THALES UK

Ensuring the freedom and security of citizens is one of the key missions of states. Indeed, no sustainable political, economic or social activity can exist without ensuring a safe and trusted environment for all stakeholders.

Today, states have a fundamental need to control their space, in order to guarantee that no foreign interference or criminal network can unlawfully appropriate their resources or destabilise their political or economic life.

As a global player in defence and security, Thales provides governments with solutions enabling them to fulfil this mission while following all the rules and regulations pertaining to export control.

Developing a sustainable defence policy also means adopting a responsible stance with regard to the urgent climate challenges. Today, the defence industry represents about 2% of global greenhouse gas emissions. This sector, like all others, must work to reduce its environmental footprint, while taking into account its fundamental attributes.

At Thales, many different systems have seen their size and energy use drop sharply in recent years thanks to the efforts of the Group's R&D teams and its systematic use of eco-design principles. This approach enables Thales to commit firmly to achieving carbon neutrality for all its operational emissions by 2040.

As underlined by the UN's Sustainable Development Goals, building a sustainable world requires action on every front at once: preventing attacks against natural resources or the climate and discouraging armed conflict through an efficient defence of legitimate institutions.



ARE ARTIFICIAL INTELLIGENCE AND ETHICS COMPATIBLE?

An essential technology in digital transformation, artificial intelligence (AI) has no sustainable future without a framework of trust. This involves a responsible approach, based on transparency, understandability and ethics. —

Designing reliable and responsible AI solutions is one of the major challenges of the industrial world, even more so when this technology is integrated into critical systems. For that reason, Thales has developed a demanding and unique vision of artificial intelligence, “Thales TrUE AI,” which is based on four pillars:

- The **transparency of an AI system** must be proven before use. It must do only what is expected of it, nothing more, nothing less. This strict compliance with defined specifications guarantees its safety.
- An **understandable AI system**, that can explain its choices and results. Its calculations and decisions must be easy to understand, in real time and after the fact, through permanent and intelligible interaction with human users.
- The **security of AI systems** is essential, in order to guarantee their robustness and resilience to malicious behaviour, notably cyberattacks. Thales relies on its expertise in cybersecurity to ensure the highest possible level of security.
- An **ethical AI system** respects all standard protocols, laws and human rights. This compliance involves both the design of systems (identifying biases, data privacy) and their operational use (management of algorithms).

This demanding approach is part of the “Digital Ethics” Charter, which Thales adopted in 2021. It outlines Thales's commitments with respect to three major issues: humanity, safety/security and the environment.

Thales believes that its products must enable a dialogue with human users at every moment, while remaining resilient, secure and preserving the environment. Building on this position, Thales is accelerating the integration of AI across all of its offers, notably via its initiative “Ai ramp-up to business”. Through the “Confiance.ai” programme, the Group is working with its partners to develop methods and tools for designing, developing and validating AI, such as certification, with a focus on its application within industrial environments.

Lastly, Thales is pursuing several research avenues to improve the environmental footprint of its AI solutions by creating efficient technologies that use less energy and data.

“IN OUR CRITICAL ACTIVITY SECTORS, WHERE EVERY DECISION MAY BE OF VITAL IMPORTANCE, RELYING ON TRUSTWORTHY AI IS ESSENTIAL. THAT MEANS HIGHLY RELIABLE AI, WHICH CAN JUSTIFY ITS RECOMMENDATIONS AND CHOICES WHILE RESPECTING A STRICT ETHICAL FRAMEWORK; ITS RESULTS AND DECISIONS MUST BE EASY TO EXPLAIN AND UNDERSTAND.”

DAVID SADEK,
VICE-PRESIDENT, RESEARCH,
TECHNOLOGY & INNOVATION, IN CHARGE
OF ARTIFICIAL INTELLIGENCE



HOW CAN WE PROTECT THE IDENTITIES OF CITIZENS **IN A WORLD WHERE EVERYTHING IS “DATA”?**

Guaranteeing identity and data protection means strengthening trust within exchanges between individuals, businesses and governments in an increasingly digital world. —

To exercise their rights, every citizen must prove their identity in the physical world and the digital world, and authorities need reliable means to verify those identities.

Thales sets itself apart with its expertise in three key components of digital security: biometrics and digital identity, secure connectivity and data protection through encryption. These unique skillsets enable the Group to position itself today as a major player in the emerging field of digital identity, which consists in the ability to verify a person's identity, even remotely and with no “physical” document.

In 2021, in this area, Thales supplied the Florida Department of Highway Safety and Motor Vehicles with an innovative solution for mobile phone driver's licenses that comply with national and international standards. The high level of security means this new approach may spread to other players, such as online banks and e-commerce sites. Beyond this, securing digital identity is not simply a question of technology; it also depends on the ability of all players in the sector to work together. A precursor to the European initiative for a digital identity wallet, the Belgian Mobile ID consortium, of which Thales is part of, led to the creation of the **itsme®** application. This solution offers centralised digital access to over a hundred services (telephone, power, administration), in order to boost trust in the digital world.

1 billion

people around the world cannot prove their identity, according to a study by the World Bank (2017).

30,000

organisations worldwide trust Thales to verify identities and secure their connected objects.

CAN WE DEVELOP **MOBILITY SOLUTIONS** WHILE **REVERSING CLIMATE TRAJECTORIES?**

The International Air Transport Association (IATA) has decided to halve the commercial aviation industry's CO₂ emissions by 2030, with the aim of achieving net zero carbon emissions by 2050. Airlines will need to align with this target while managing the return to typical levels of air traffic. —

In order to achieve its decarbonisation targets, the IATA has several levers for action at its disposal: renovating airline fleets with less energy-intensive aircraft, using less polluting biofuels and synthetic fuels and, finally, optimising flights by implementing more direct and better synchronised trajectories, as well as more linear take-off and landing paths.

In terms of this third lever, Thales offers solutions that can generate substantial energy gains. For example, a solution like TopSky-ATC One improves air traffic control, while the flight management system (FMS) PureFlyt optimises aircraft flight paths in real time. Expanding the use of these systems

would reduce the airline industry's total carbon footprint by 10% and significantly lower its operating costs. Cybersecurity, especially the encryption of communications and controls between ground and pilot, is included as an intrinsic part of these solutions.

These technological advances will still need to be accompanied by major improvements in international air traffic control, as well as massive investments in innovation, supported by public and private organisations alike, so that the industry may achieve all the targets set by the IATA.

"THE AERONAUTICS INDUSTRY HAS THE CAPACITY TO MEET ITS ENVIRONMENTAL CHALLENGES, BUT IT WILL TAKE TIME TO CARRY OUT THE NECESSARY TECHNOLOGICAL ADVANCES IN TERMS OF WEIGHT, MOTORISATION AND AERODYNAMICS. HOWEVER, BENEFITS FROM THE WIDESPREAD USE OF BIOFUELS AND SYNTHETIC FUELS, AS WELL AS FLIGHT PATH OPTIMISATION, WILL ARRIVE WITHIN THE NEXT DECADE."

YANNICK ASSOUD,
EXECUTIVE VICE-PRESIDENT, AVIONICS



HOW CAN WE DIVERSIFY RECRUITMENT FOR INCREASINGLY SPECIALISED PROFESSIONS?

In a constantly changing economic and technological landscape, Thales is focused on recruiting the best talent. The Group intends to attract candidates with rare and highly sought-after skills, while hiring more women to improve the gender equality of its teams. —

Thales enjoys a positive image among engineers, notably with younger generations, who are attracted by the diversity of the Group's activities and the chance to work on the most recent technology.

With the internet now the top source of information and job postings, the Group has continued to develop its social media presence in order to boost its reach and appeal. At the end of 2021, over 896,000 people were following the Group's news on LinkedIn and 25% of applications came from social media. Thales also relies on its network of "ambassadors", who participated in nearly 200 in-person and virtual sessions at schools and universities this year.

In an effort to introduce engineering and digital professions to young women, Thales is continuing its partnership with the *Elles Bougent* association. The 420 sponsors from Thales have contributed to the organisation's initiatives in order to transmit their passion for technical professions.

Because future engineers are being trained today, Thales invests heavily through its Thales Solidarity fund to educate young children in sciences and technologies. As an example, the *Savanturiers-Ecole de la Recherche* programme gives elementary schoolchildren the chance to conduct a research project with a science expert.

The efficiency of this talent attraction policy also relies on the Group's ability to respond to the major challenges facing society today. Whether in terms of environmental issues, human rights or social challenges, Thales deploys proactive policies to meet the high demands of its major stakeholders.

10,338

employees hired in 2021, of whom 33% were women

3rd

most preferred company by French graduate engineers (Universum 2021)

4th

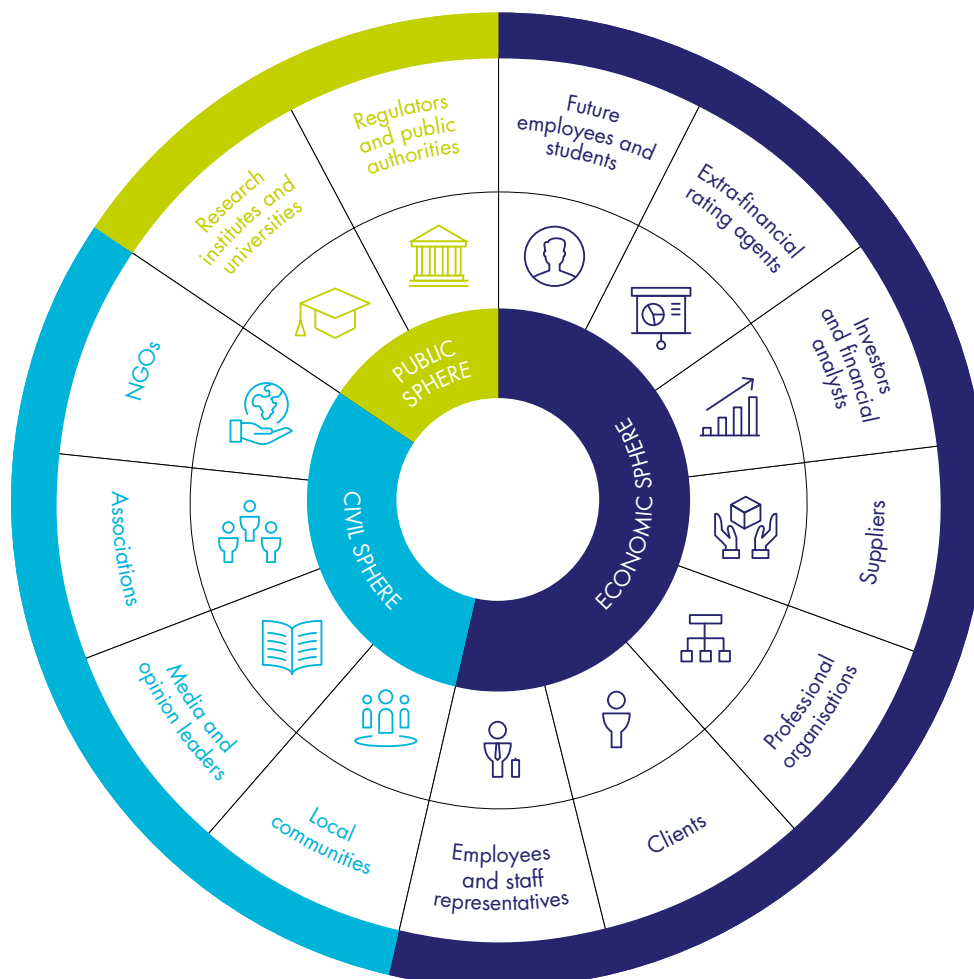
in LinkedIn's "**Top companies 2021**" ranking

ENGAGING WITH STAKEHOLDERS TO BUILD TRUST

Aware that a wide range of viewpoints enriches the decision-making process, Thales develops a policy of ongoing dialogue with all its stakeholders. —

A VARIED AND REPRESENTATIVE NETWORK OF STAKEHOLDERS

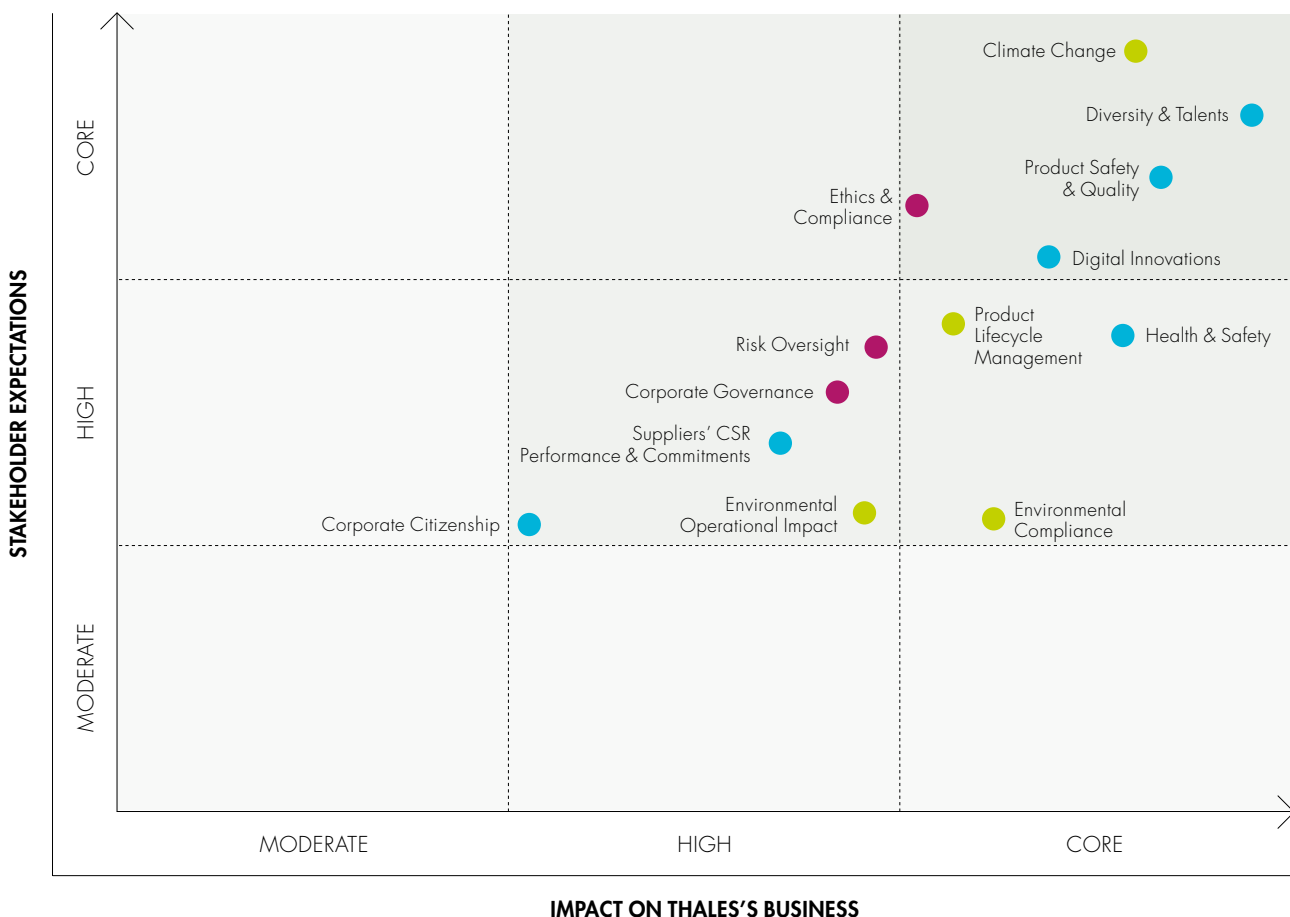
Due to the international and diverse nature of its activities, Thales interacts with a wide range of stakeholders. The Group has identified the key players in its economic, administrative and political spheres, as well as throughout civil society, who are likely to impact — or be impacted — by the Group's activities. For each of these stakeholders, Thales develops an appropriate and structured dialogue policy based on their expectations and challenges, thus putting into practice its purpose: “Building a future we can all trust”.



MATERIALITY MATRIX

In order to build a pertinent and effective CSR strategy, Thales maintains an ongoing dialogue with its stakeholders. This dialogue makes it possible to establish a double materiality matrix that classifies the Group's environmental, social and economic challenges. These challenges are classified based on the level of stakeholder expectations and their impact on the Group's activities.

In 2021, Thales set out to fully revise this materiality matrix. This process was carried out over several steps, with the help of a specialised partner. By analysing industry reports and compiling benchmarks, the process identified 18 main challenges in the industries in which Thales is present. Next, panels that were representative of the stakeholders were assembled with the help of our partner. We were thus able to survey 90 people and their responses made it possible to classify 18 challenges, divided into 13 themes. These themes are positioned on the matrix based on their importance for stakeholders (vertical axis) and the impact they may have on the Group's activity and performance (horizontal axis).



ENVIRONMENTAL CHALLENGES

Thales's ability to respond and adapt to the challenges of climate change, manage the life cycle of its products, control the impact of its products on the environment and respond to stricter environmental legislation.

SOCIAL CHALLENGES

Thales's ability to master the safety and quality of its products, offer digital innovations that benefit society, implement a rigorous health and safety policy, work with responsible suppliers and develop a coherent sponsorship policy.

GOVERNANCE CHALLENGES

Thales's ability to ensure the implementation of a rigorous ethics, compliance and integrity policy, responsibly manage its risks and ensure governance in line with current standards and requirements.

PART 2

THALES A TRUSTED PARTNER



25 FEBRUARY 2021

THALES AMONG THE WORLD'S TOP 100 INNOVATORS

Thales is once again among the world's Top 100 most innovative companies and research institutes, according to the ranking published by Clarivate Analytics. This is the ninth time the Group has appeared in the ranking since its creation ten years ago.



24 MARCH 2021



THALES LAUNCHES THE FIRST 100% RECYCLED PLASTIC ECO-SIM CARD WITH VEOLIA

To respond to growing ecological awareness, Thales and Veolia developed the eco-SIM, a card made from recycled refrigerators. The programme will save nearly 5,000 tonnes of virgin plastic every year.

24 OCTOBER 2021

At 11:10 AM, an Ariane 5 space launch vehicle lifts off from French Guiana. On board, two high-tech communications satellites: Syracuse 4A, designed to connect French armed forces deployed to operations around the world, and SES-17, designed to offer high-speed connectivity to passengers on planes and ships across North and South America. The two satellites were manufactured by Thales.

27 MAY 2021

ATHEA, EUROPEAN CHAMPION IN BIG DATA FOR DEFENCE

Atos and Thales announce the creation of Athea, a joint venture aimed at developing a sovereign platform that combines big data processing and artificial intelligence for public and private players in the defence, intelligence and national security industries.



22,000

active patents and 400 patent applications in 2021.

250

doctoral students supported around the world.

17,000

suppliers worldwide, including 73% in Europe.

OUR BUSINESSES



AEROSPACE

Offer environmentally-responsible, connected and safer flights, and design satellites to communicate and observe the planet.

AERONAUTICS

- Avionics
- Electrical systems
- Passenger experience
- Training and simulation

SPACE

- Telecommunications
- Earth observation
- Orbital infrastructures and transport systems
- Satellite navigation solutions
- Exploration

GROWTH DRIVERS

- Progressive upturn in air traffic following the Covid-19 epidemic.
- Despite great uncertainty about the path the upturn will take, long-term growth of global air traffic is not in doubt.
- Strong demand for connectivity and increased operational and environmental efficiency.
- Unique positioning of space systems to meet new communications and observation needs.
- The domain of military space systems has become a priority for many countries.

NO.3 WORLDWIDE

Commercial flight avionics

NO.2 WORLDWIDE

Civil satellites



28%
of Group revenue*

€4,463m
+6.1% vs. 2020

EBIT margin: **4.5%**



DEFENCE & SECURITY

Help states, armed forces and organisations protect themselves and ensure the security of citizens and infrastructures.

- Radar, sonar and optronic systems
- Secure communication networks, at the heart of collaborative combat solutions
- Network and infrastructure systems
- Cyberdefence solutions and critical information systems
- Air traffic management

GROWTH DRIVERS

- A new geopolitical context is driving armed forces to reconsider their medium and long-term needs.
- Rapid digitisation of the armed forces.
- Growing demand for cybersecurity solutions.
- Smart systems take a prominent role in platforms.

NO.2 WORLDWIDE

Military communications

NO.1 IN EUROPE

Defence electronics



54%
of Group revenue*

€8,633m
+5.7% vs. 2020

EBIT margin: **12.9%**

* Following the August 4, 2021 announcement that Thales was entering into exclusive negotiations with Hitachi Rail to sell its Ground Transportation System Business Unit, the transport segment has been classified under "discontinued operations" as per the IFRS 5 and is not taken into account in this figure.



DIGITAL IDENTITY AND SECURITY

Build trust in a connected world.

- Banking and payment services
- Cloud protection and software licenses management
- Identity and biometric solutions
- User and device authentication solutions on mobile networks
- IoT and data analytics solutions

GROWTH DRIVERS

- Strong market growth (data protection, connected objects, biometrics, etc.).
- Over a trillion connected devices expected by 2035.
- Shift to the cloud: increased authentication and data protection needs.
- An offer that complements other Group businesses.
- Acceleration of digital growth driven by the pandemic and increasing need for connectivity and contactless applications.

NO.1 WORLDWIDE

Data protection

NO.1 WORLDWIDE

Payment and SIM cards



19%
of Group revenue*

€2,995m
+2% vs. 2020

EBIT margin: **11.9%**

GROUND TRANSPORTATION

Business unit in divestment

Oversee and monitor transportation networks efficiently.

- Rail signalling and supervision
- Communication systems
- Ticketing
- Cybersecurity

GROWTH DRIVERS

- 60% of the world's population will live in cities and urban centres by 2030 (Source: UN-Habitat).
- Strong trend towards increased automation of transport solutions, including the move towards fully autonomous vehicles.
- National post-pandemic recovery plans that are increasingly geared towards green mobility.

NO.2 WORLDWIDE

Rail signalling and supervision



€1,665m
+2.4% vs. 2020*

EBIT margin: **7.5%**

RESPONSIBLE INNOVATION FOR A SUSTAINABLE WORLD

As an essential part of the company's success and longevity, Thales's R&D supports the Group's ability to ensure a competitive advantage with reliable and sustainable technologies. It strengthens trust with our customers, who are seeking efficient and secure solutions. —

Because our customers manage operations, services and infrastructure vital to society, trust is an essential part of our relationships. To continue improving the performance, security and sustainability of its products and services, Thales dedicates a substantial portion of its revenue to R&D.

This innovation policy enables us to stay competitive in our markets, notably through cleantech solutions and eco-design, which covered 84% of the Group's new products in 2021. This percentage is expected to reach 100% in 2023.

A UNIQUE CAPACITY FOR INNOVATION

In 2021, the amount of Thales's self-funded R&D investments totalled €1,027 million.

This exceptional capacity for innovation relies on more than 30,000 R&D engineers and 3,000 researchers working directly on technical, research and technology activities, as well as a network of Thales Research & Technology (TRT) laboratories and skill centres around the world.

Fundamental to the Group's success, this dynamic has now endowed Thales with an active portfolio of more than 22,000 patents, enlarged by almost 400 new patent applications in 2021. This large number of patent applications reflects the attention paid by Thales to innovation and to turning the fruits of research into competitive advantages.

This capacity for innovation has achieved widespread international recognition with the Group being included in the prestigious publication *Nature*, in the corporate category of institutions making the biggest impact and contribution to science. Thales is recognised as the 11th global player in physics, and the number one in Europe.

SOLUTIONS BUILT WITH CUSTOMERS AND PARTNERS

In all the countries where it is located, Thales seeks to form partnerships within innovation ecosystems, with academic partners, innovative companies and industrial companies to co-innovate uses, business models and technologies. In most of its major countries, the Group has developed strong relationships with prestigious research organisations (Nanyang Technological University in Singapore, the CNRS in France, the Alan Turing Institute in the United Kingdom, the University of Toronto in Canada, the Indraprastha Institute of Information Technology Delhi in India, etc).

Thales also takes part in co-innovation projects with SMEs, MSBs and start-ups that combine agility and creativity. More than 1,700 start-ups have been referenced by the Group, leading to nearly 200 proof of concept projects in the past seven years. The next generation surveillance and reconnaissance drone Spy'Ranger was notably developed in partnership with the start-ups Meriot and Aviation Design.



Thales is also a cybersecurity expert at the Station F start-ups campus in Paris and a founding member of Software Republic, a French industry alliance focused on future mobility solutions.

IMAGINING THE TECHNOLOGIES OF THE FUTURE, TODAY

Our R&D investments ensure the future of our existing products and services, while also aiming to develop breakthrough innovations.

For several years, Thales has invested heavily in artificial intelligence, not only to boost its efficiency but also to make it more understandable. That is why we designed the TrUE AI approach (cf. p 10). Today, this technology fuels a growing number of solutions, including some of the most critical.

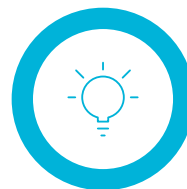
Another revolutionary field explored by Thales is quantum technologies. Thales carries out significant research into the development of quantum sensors. Based on the exceptional properties of quantum physics, these sensors will offer performance levels that cannot be achieved today, while minimising energy use and size.

“OUR MISSION IS NOT SIMPLY TO INNOVATE, BUT TO CREATE USEFUL AND ENLIGHTENED INNOVATION. THROUGH OUR PRODUCTS AND SOLUTIONS, WE AIM TO RESTORE TRUST IN TECHNOLOGY, NOT AS AN END IN ITSELF, BUT AS A SOURCE OF PROGRESS FOR SOCIETY.”

BERNHARD QUENDT,
SVP, GROUP CHIEF TECHNICAL OFFICER



€1,027m
in self-funded
R&D



400
new patent
applications
in 2021



20%
of Group revenue
dedicated to R&D

PRODUCT SAFETY AND SECURITY: A CORNERSTONE OF CUSTOMER TRUST

Thales's distinction lies in its ability to offer solutions and services of high human and technological value in each of its markets. The Group's success is rooted in its ability to guarantee its customers the highest possible level of safety and security in their critical activities. —



Thales designs and implements solutions that guarantee the protection of people, goods and the environment at every stage in their life cycles, from design to disposal. To do so, Thales has rolled out, within its operational activities, organisations dedicated to product quality and safety, which remain independent of engineering services. The primary mission of these bodies is to ensure the highest standards in terms of quality and safety, at every step in the value chain.

AVIATION SAFETY: AN APPROACH INVOLVING THE ENTIRE VALUE CHAIN

Thales contributes to aviation safety through avionics and air traffic management. The products designed by Thales are certified either in the context of certification according to the type of aircraft (which is the responsibility of the aircraft manufacturer) by the country authority, or through the certification of equipment under the responsibility of Thales (Technical Standard Order or TSD) and led by the EASA⁽¹⁾ or DGA2⁽²⁾. In terms of air traffic management products, these comply with standards defined by civil and military air navigation service providers, as well as the terms of European interoperability regulations (EU rule 2018/1139).

To ensure compliance of electronic equipment and software with EASA standards, a Design Assurance Level (DAL) is applied according to their level of critical importance. These DALs are adapted to each piece of equipment based on the ED80/DO254 standards for electronic equipment and ED12/DO178 standards for software.

Moreover, in order to foster a culture of safety at every level and to make aviation safety the top concern for all employees, the Group's aeronautics entities have set up a global safety management system. This means that, a Safety Review Board chaired by the CEO of the Avionics global business line periodically reviews the key security indicators for products and selects actions for improvement.

Finally, as a major player in the industry, Thales, alongside other aeronautics companies, is regularly involved in regulatory activities carried out by the civil and military aviation authorities (EASA in Europe, FAA⁽³⁾ in the United States, DGAC⁽⁴⁾ and DGA in France), as well as standardisation activities within organisations such as EUROCAE⁽⁵⁾, RTCA⁽⁶⁾ or SAE⁽⁷⁾.

ENSURING THE CYBERSECURITY OF CRITICAL INFORMATION SYSTEMS

To meet the growing cybersecurity needs of its customers, the Group has set up a "Cyber-secured in Thales" project aiming to regularly improve the cybersecurity of existing and future systems. Today, Thales is one of the few industry players recognised by the ANSSI⁽⁸⁾ for assisting businesses, administrations, Operators of Vital Importance (OVI) and Operators of Essential Services (OES) with the operational management of cyberattacks.

Employee awareness is therefore essential, across every level of the company. For this same reason, non-salaried staff at Thales are informed of their duties with regards to using information systems, notably in terms of security requirements and protecting their authentication information. Finally, mindful of the major cybersecurity challenges faced by its customers, Thales applies security guidelines in every country where the Group is present, such as the ANSSI authorisation in France.

⁽¹⁾ EASA: European Union Aviation Safety Agency

⁽²⁾ DGA: Direction Générale de l'Armement – Défense Procurement Agency of France

⁽³⁾ FAA: Federal Aviation Administration (United States)

⁽⁴⁾ DGAC: Direction Générale de l'Aviation Civile – French Civil Aviation Authority

⁽⁵⁾ EUROCAE: European Organisation for Civil Aviation Equipment

⁽⁶⁾ RTCA: Radio Technical Commission for Aeronautics

⁽⁷⁾ SAE: Society of Automotive Engineers

⁽⁸⁾ Agence Nationale de Sécurité des Systèmes d'Information – National Cybersecurity Agency of France



1 MILLION

units of Thales equipment are in service in civil and military aircraft fleets worldwide.



100,000

units of equipment are delivered and assembled on aircraft every year.



2

Airworthiness Directives

In 2021, EASA⁽¹⁾ put out two Airworthiness Directives concerning Thales products. As requested by the regulator, these were modified as required on all platforms within the stipulated deadlines.



6

security audits of information systems were performed in 2021.



6

technical security tests of information systems (or "intrusion tests") were carried out on the Group's key IT infrastructure.



28

sites are ISO 27001 certified (for Management System and Information Security).

OUR BUSINESS MODEL

MEGA TRENDS



OUR RESOURCES

- Intellectual Capital

€1,027m in self-funded R&D.
A portfolio of **more than 22,000 patents**.
The Group's technical activities, from research to engineering, involve **more than 30,000 people**.
- Human Capital

80,995 employees.
More than **31,000** employee and ex-employees are shareholders.
€7,747m in payroll.
An average of **12 hours** of training per employee per year.
94% full-time contracts.
98% permanent contracts.
- Environmental Capital

Deployment of the **strategy for a low-carbon future** aligned with the 1.5°C climate target of the Paris Agreement for operational greenhouse gas emissions.
Signatory of the principles and recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD).
Undergoing assessment for SBTi certification.
- Societal Capital

A strong ethics policy: **ISO 37001** certification obtained in 2021 (anti-bribery management system).
Purchases accounting for **46%** of revenue.
Renewal of the "Responsible Supplier and Purchase Relations" label in 2021.
14 sponsorship actions funded by the Thales Solidarity programme across **8 countries**.
- Financial Capital

Low level of debt: **€795m** at 31 December 2021.
Long-term generation of free operating cash-flow.
Solid investment grade credit profile, S&P rating: BBB; Moody's rating: A2.

* Following the August 4, 2021 announcement that Thales was entering into exclusive negotiations with Hitachi Rail to sell its Ground Transportation System Business Unit, the transport segment has been classified under "discontinued operations" as per the IFRS 5 and is not taken into account in this figure.



VALUE CREATED

- Intellectual Value

Almost **400 new patent** applications in 2021, of which 25% in key digital technologies.
6.3%* of revenue invested in self-funded R&D.
Thales ranked **no.1** in Europe for physics research, by the scientific journal Nature.
- Human Value

10,338 new recruits, of which **33%** were women.
3% absenteeism rate worldwide.
50% women on the Board of Directors.
Ranked **3rd preferred company** by engineers (Universum France 2021).
- Environmental Value

Decrease of **36%** in operational CO₂ emissions, compared to 2018 (scopes 1 & 2 and scope 3 business travel).
32% of electricity from renewable sources, an increase of 5 points compared to 2020.
84% of new product developments incorporate partial or full ecodesign approach (target of 100% by 2023).
70% of non-hazardous waste recycled, an increase of 15 points compared to 2018.
- Societal Value

73% of purchases made from European suppliers, of which **37%** from suppliers in France.
€244m* income tax (average tax rate: 17.3%).
Nearly €30m invested in solidarity funds by more than 20,000 employees through Thales savings schemes (no.2 in France).
100% of employees exposed to the risk of corruption have been trained against corruption.
More than €1.7m raised through the MicroDON initiative initiative over the last 5 years.
- Financial Value

21* large orders with a unit value over €100m.
Strong increase of global revenue.
Over €2.5bn of free operating cash-flow in 2021.
A double-digit EBIT margin.

SHARED VALUE CREATION WITH OUR STAKEHOLDERS

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

HIGHLIGHTS FROM 2021

REVENUE IN 2021
€16,192m*

- Thales's 2021 annual results indicate a sharp rebound, continuing to demonstrate the resilience of our business model and the relevance of the strategic choices – both technological and industrial – that were made.

**EMPLOYEES
COMPENSATION PAID IN 2021**
€7,747m

- In November 2021, the Group launched its 11th employee shareholding plan. As many as 600,000 shares were offered to employees in 36 countries, with a 20% discount on the purchase price and a matching offer of one free share for every four shares purchased (up to a maximum of 10 free shares). It was once again a great success with more than 21,300 employees choosing to take advantage of the offer.

**SUPPLIERS
PURCHASES IN 2021**
€8,171m

- With more than 17,000 suppliers across the globe, Thales contributes to the economic growth of every country in which it operates, with a large proportion of small, medium, and medium-large businesses. In 2021, Thales bought more than €2 billion of products and services from 4,000 small, medium, and medium-large businesses in France.

**GOVERNMENTS
INCOME TAX 2021**
€244m*

- As an international group, Thales pays its fair share of taxes and duties in many countries. The Group rigorously applies tax rules and ensures that it complies with local regulations, international treaties, and the directives of international organisations. The effective income tax rate is 17.3%. The rate incorporates changes in tax rules in Italy and the UK that resulted in significant tax rebates. Adjusted for these extraordinary gains, the effective tax would have been 20.6%.

**SHAREHOLDERS
DIVIDENDS PAID IN 2021**
€417m

- On March 2, 2022, Thales's Board of Directors decided to propose to shareholders, who will convene at the Annual General Meeting on May 11, 2022, a dividend of €2.56 per share for the fiscal year 2021.


**SELF-FUNDED R&D
IN 2021**
€1,027m*

- The Group's technical activities, from research to engineering, involve more than 30,000 people. Within the limited scope of R&D, an important element in competitiveness, Thales spent €1,027m on self-financed R&D in 2021, or 6.3% of its sales revenues.

* Following the August 4, 2021 announcement that Thales was entering into exclusive negotiations with Hitachi Rail to sell its Ground Transportation System Business Unit, the transport segment has been classified under "discontinued operations" as per the IFRS 5 and is not taken into account in this figure.

OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

4 PRIORITY SUSTAINABLE DEVELOPMENT GOALS

SDG	BUSINESS PRIORITIES	DEVELOPMENTS
	<ul style="list-style-type: none"> ➤ Increase our R&D investments and our private and public partnerships. ➤ Contribute to sustainable and responsible industry. ➤ Develop the know-how and innovation capabilities of our partners and members of the civil society. 	<ul style="list-style-type: none"> ➤ More than 40% of the Group's employees work in R&D-related roles. ➤ In 2021, Thales spent €1,027 million on self-funded R&D. ➤ 87% of employees work at an ISO 14001 (environmental management) certified site and 82% work at an ISO 45001 (workplace health and safety management) certified site.
	<ul style="list-style-type: none"> ➤ Reduce our environmental footprint and that of our clients. ➤ Accelerate our actions and set more ambitious objectives for the climate. ➤ Participate in the effort to limit global warming to 1.5°C in line with the objective set by the Paris Agreement. ➤ Analyse to better anticipate the impact of global warming on our markets. 	<ul style="list-style-type: none"> ➤ Earth observation satellites, conceived by Thales Alenia Space, provide scientists and decision-makers with essential data for monitoring the environment. ➤ In 2021, the Group reinforced its engagement concerning its operational CO₂ emissions. The Group is aiming for a reduction of 50% by 2030, and to reach net zero by 2040. ➤ In 2021, Thales was ranked A-, "Leadership" level, by the CDP (formerly known as Carbon Disclosure Project).
	<ul style="list-style-type: none"> ➤ Promote diversity and inclusion across the Group. ➤ Develop best practices in terms of female recruitment and careers. ➤ Fight against gender bias, gender stereotypes and sexism. 	<ul style="list-style-type: none"> ➤ In 2021, women accounted for 33% of recruitment worldwide and 27% of the global headcount. ➤ 50% of the members of the Board of Directors and 20% of members of the Executive committee are women, which places Thales among the leaders of its industry when it comes to women's representation in senior positions. ➤ In 2021, Thales extended its gender equality index to a worldwide level, to assess the situation of women when compared to men, in the Group's companies with at least 250 employees. ➤ In 2021, women represented 18.9% of positions of responsibility (target of 20% for 2023).
	<ul style="list-style-type: none"> ➤ Fight corruption, placing human rights at the centre of our value chain. ➤ Support the creation of resilient and transparent institutions. ➤ Ensure that everyone has a legal identity, a key element that allows the full exercise of one's citizenship. 	<ul style="list-style-type: none"> ➤ Thales's defence and security activities contribute to the development of institutions. Peace is an indispensable prerequisite to achieve any sustainable development goal. ➤ Through over 200 identity programs worldwide, Thales helps governments provide their citizens with secure and easy-to-deploy identity proofs, a key element that enables everyone to exercise their civic rights.

CUSTOMER TRUST

AT THE HEART OF THALES'S COMMITMENT

For many years, Thales has supported its customers with their most critical challenges in sensitive areas like defence, aeronautics, space and digital identity. The Group positions itself as a strategic partner to its customers, by building a relationship of trust through a permanent commitment over time. —



Faced with increasingly complex geopolitical, cybersecurity and sustainable development challenges, Thales's customers in the defence, aeronautics, space and digital identity industries need efficient solutions integrating the latest technological advances.

A STRUCTURED ORGANISATION TO SERVE OUR CUSTOMERS

The Group's policy of having a local presence, based around proximity, listening and supporting customers over the long term, enables Thales to be recognised as a major industrial player in the countries where it maintains longstanding commercial relationships and to expand its presence in high-growth countries.

Present in over 65 countries around the world, Thales relies on a global network, ensuring a local presence, both on a commercial level and in terms of operational capacities. This geographic proximity serves as an essential component of success for many projects focusing on issues of national sovereignty.

The Group's commercial organisation is based on more than 250 Key Account Managers (KAM) dedicated to managing customer relationships. The strength of this KAM network relies on its cross-cutting nature with respect to the Group's different organisations and activities, which allows it to offer

customers a comprehensive view of Thales's products and services. Lastly, a Quality and Customer Satisfaction organisation, which supports our teams, oversees customer interests and operational performance and evaluates their satisfaction through regular surveys.

IMPLEMENTING REGULAR MEASUREMENT OF CUSTOMER SATISFACTION

For Thales, evaluating customer satisfaction and trust is an essential indicator of its operational performance and a constant source of progress.

For this reason, Thales has set up a global system for listening and managing the quality of customer relationships. It is based on a set of satisfaction surveys, conducted every 18 months to two years, as well as a network of independent consultants covering about 100 countries, grouped into four regions, to meet with customers and evaluate customer relationships. The latest survey conducted in 2021 revealed that 72% of the Group's customers were satisfied or highly satisfied with their relationship with Thales. This interaction also showed that customers appreciated Thales's performance during the pandemic, when the company dedicated its resilience capacity and commitment to continue serving them, even during the peak of the Covid-19 crisis.

NURTURING A FRUITFUL RELATIONSHIP

Beyond the numbers, Thales's culture in terms of customer relationships is guided by an intention to provide the best solutions to users, maintain a long-term relationship, share challenges and strategic alignment and cooperate to prepare solutions for the future. These interactions help to develop value for customers, across the entire chain (from buyer to end user) and to strengthen the commitment of Thales employees to the customer experience.



"THALES'S STRENGTH LIES IN THE TRUST THE GROUP HAS DEVELOPED WITH ITS CUSTOMERS. THEY KNOW THEY CAN COUNT ON US TO DESIGN AND IMPLEMENT THEIR MOST CRITICAL APPLICATIONS."

PASCALE SOURISSE,
SENIOR EXECUTIVE VICE-PRESIDENT,
INTERNATIONAL DEVELOPMENT

DEVELOPING RELATIONSHIPS OF TRUST WITH OUR SUPPLIERS

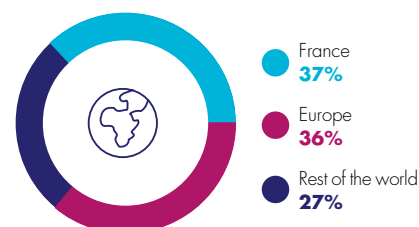
The Purchasing function sits at the heart of the Group's strategic challenges. It aims to equip Thales with a sustainable competitive advantage at the global level, focused on value creation, innovation, operational excellence and the application of an even more demanding corporate responsibility policy. Purchasing accounts for almost half of Thales's revenue. —

The global organisation of the Purchasing function is based on six major segments, which interact with the different Global Activities and Regions in order to pool the acquisition of goods and services needed for the activity of the various operational entities.

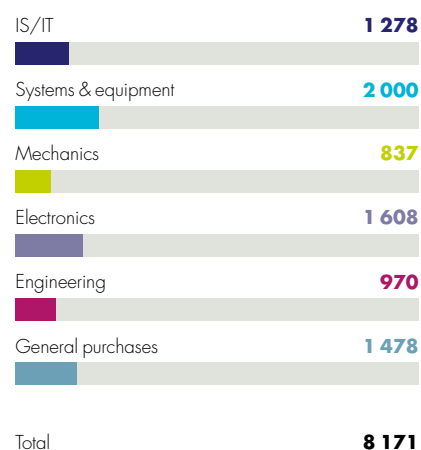
This organisation makes it possible to boost the Group's resilience. For example, with respect to the current supply tensions in the field of electronic components, Thales rapidly diversified its supply sources, provided its suppliers with greater visibility on upcoming orders and anticipated negotiations to secure prices and deliveries for 2022.

The resilience of Thales's supply chain also depends on its supplier risk management processes, which were fully revised in 2021. The application of a rigorous and proactive cybersecurity policy is a central part of this process. On this topic, in 2021, Thales implemented a specific programme among thousands of suppliers. The Group also created a single global point of contact dedicated specifically to cybersecurity.

Geographic area (%)



Purchasing segments (in M€)



DUTY OF RESPONSIBILITY

The Thales Responsible Purchasing policy is based on six strong commitments outlined in 2020. Through this policy, Thales asks its suppliers and subcontractors to adhere to its Corporate Integrity and Responsibility Charter, which reflects the main principles of the United Nations Global Compact and its Code of Ethics⁽¹⁾.

In 2021, 97% of the Group's new suppliers committed to these principles, with the target of reaching 100% by 2023.

Finally, in 2021, Thales's "Supplier Relations and Sustainable Purchasing" label was renewed for three years; this label is based on the ISO 20400 international standard for sustainable purchasing.

Concerning minerals originating from conflict areas (Conflict Minerals), Thales carries out its due diligence and updated its position in early 2022 to integrate into its processes the obligations required by European regulations in force as of 1 January 2021.

REDUCING OUR ENVIRONMENTAL FOOTPRINT

Enlisting suppliers to work alongside Thales in the fight against climate change is another key commitment of the Responsible Purchasing policy. As part of its strategy for a low-carbon future, the Group set a target of reducing its direct operational CO₂ emissions by 50% by 2030 and has enlisted its suppliers to follow this same ambition.

This year, a "low-carbon" questionnaire was sent to 150 major suppliers to evaluate their carbon footprint and emissions reduction strategies. The survey revealed that more than 70% of suppliers who responded to the questionnaire are committed to respecting the Paris Agreement or developing an emissions reductions strategy.



"THE PURCHASING FUNCTION AIMS TO EQUIP THALES WITH A SUSTAINABLE COMPETITIVE ADVANTAGE AT THE GLOBAL LEVEL, FOCUSED ON VALUE CREATION, INNOVATION, OPERATIONAL EXCELLENCE AND THE APPLICATION OF AN EVEN MORE DEMANDING CORPORATE RESPONSIBILITY POLICY."

ROQUE CARMONA,
CHIEF PROCUREMENT OFFICER

SUPPORT FOR SMEs AND SMALLER COMPANIES

One of the commitments of the Thales Responsible Purchasing policy is developing relationships of quality with its suppliers, particularly with SMEs and smaller companies. In 2021, the Group carried out specific actions in connection with the recovery plans and the aeronautics industry through the GIFAS group of French aerospace industries (Groupement des Industries Françaises Aéronautiques et Spatiales) and the ACE AéroPartenaires investment fund, which works to promote industry champions.

In 2021, Thales also proposed a new reverse factoring system to its suppliers. Promoted by the French Ministry of the Economy and Business Relations Mediation as a best practice, it helps to reduce payment timeframes and ensure cashflow, notably for SMEs and MSBs.

Thales is a founding member of the Pacte PME association for SMEs and a signatory of the Action PME Convention with the Ministry of the Armed Forces. In 2021, the Group entrusted nearly €2.1 billion of purchases to over 4,000 SMEs and MSBs in France.

⁽¹⁾ The Corporate Integrity and Responsibility Charter for Partners and Suppliers covers the following topics: compliance with laws, human rights, fighting discrimination, anti-corruption, conflicts of interest, audits, data protection, Work Environment, Workplace Health and Safety, export control, compliance and ethics, etc.

PART 3

CSR ACTION PLAN, ACTING FOR TRUST



21 DECEMBER 2021

THALES RECOGNISED BY THE CDP

In 2021, Thales earned an A- rating from the CDP (formerly the "Carbon Disclosure Project") for its practices in the fight against climate change.



2 APRIL 2021



ANTICORRUPTION: THALES OBTAINS ISO 37001 CERTIFICATION

Thales obtains ISO 37001 certification for "Anti-bribery management systems" delivered by AFNOR, for a perimeter covering Thales SA and the companies it controls in France, as well as certain international subsidiaries. This standard is awarded to companies that can demonstrate the organisation and effectiveness of their anticorruption management system, supported by a strong commitment from directors and including a rigorous system for identifying, preventing, controlling and treating corruption risks.

ISABELLE SIMON, GROUP SECRETARY & GENERAL COUNSEL



"The recent strengthening of our CSR organisation and governance reflects our intention to weave corporate responsibility and sustainable growth even more tightly together."

5 OCTOBER 2021

THALES ACCELERATES ITS CSR ACTION PLAN

During its first investors day dedicated to ESG, Thales announces a new roadmap for a safer, more environmentally friendly and more inclusive future.



DECEMBER 2021

To take action on its future CSR challenges, the Group decided in late 2021 to create an integrated CSR Department, placed under the responsibility of a Chief Sustainability Officer, reporting to the Group Secretary.

84%

of new products integrate eco-design.
This share is expected to reach 100% by 2023.

NET ZERO

Thales is committed to achieving carbon neutrality by 2040 for its operational emissions (scopes 1, 2 and scope 3 "business travel" emissions).

20%

of top positions at the company held by women
by 2023.

A POSITIVE IMPACT ON THE ENVIRONMENT AND SOCIETY

Through its actions, Thales aims to help make the world safer, more environmentally friendly and more inclusive. In 2021, Thales reinforced its CSR organisation and governance to better serve the strengthened targets of its commitment to a sustainable future. —

CSR ACTION PLAN

	2023 TARGET	2020 PERFORMANCE	2021 PERFORMANCE
ENVIRONMENT			
Reduce CO ₂ emissions (scope 1, 2 and 3 business travel) to reach net zero by 2040	-35%⁽¹⁾	-35% ⁽¹⁾	-36%⁽¹⁾
Development of new eco-designed products and services	100%	44%	84%
DIVERSITY			
Percentage of Management Committees with at least three women	75%	68%	71%
Percentage of women in top positions	20%	18%	18,9%
ETHICS AND COMPLIANCE			
Percentage of new suppliers committing to the principles to the new Purchasing Charter	100%	91%	97%
Percentage of exposed employees trained in ethics and compliance principles	100%⁽²⁾	—	100%
WORKPLACE HEALTH AND SAFETY			
Frequency of workplace accidents (with stoppage)	1,55	1,66	1,47

⁽¹⁾ Compared with 2018 emissions

⁽²⁾ Multi-year objective

⁽³⁾ Scope 1, Scope 2 and Scope 3 "business travel"

⁽⁴⁾ Sustainable Development Goal 16.9 sets out the following target: "By 2030, provide a legal identity for all, notably through birth registration"

T

hales's excellent CSR performance in recent years has led the Group to accelerate its roadmap and raise its targets. CSR is rooted firmly within Thales's strategy and operations.

BUILDING A MORE ENVIRONMENTALLY FRIENDLY WORLD

Thales's direct operational CO₂ emissions^[3], already among the lowest in the aeronautics and defence industry, fell by 36% between 2018 and 2021, within a context marked by the Covid-19 health crisis. In addition to Thales's emissions, the Group's strong innovation capacity allows it to design solutions and products that help to limit the environmental impact of its customers, such as new air traffic control systems that optimise flight paths.

However, considering the critical nature of climate challenges, the Group decided to boost its commitments even further. This effort came to fruition during the ESG investor day in October 2021, with the publication of a new, more ambitious roadmap: the Group thus set a target of reducing its direct operational emissions by 35% by 2023 (compared with an initial target of 20%), then 50% by 2030 (compared with 40%), to reach "net zero" by 2040 (scope 1 and 2, scope 3 for business travel). The Group's roadmap will be submitted in 2022 for certification from the Science Based Targets initiative (SBTi), whose methodology is globally recognised.

These targets are attainable thanks to the Group's strong innovation capacity and the growing share of eco-designed products within its portfolio. Today, 84% of new products are at least partially eco-designed, which ensures that environmental challenges are taken into account at every stage in their life cycles.

BUILDING A MORE INCLUSIVE WORLD

Thales has made diversity and inclusion a top priority. Since 2020, the percentage of women on the Board of Directors has reached 50%. By 2023, the Group aims to have at least three women on 75% of its management committees and four women by the end of 2026. At the end of 2021, women held 18.9% of top positions within the Group, while Thales aims to bring that number to 20% by 2023, then to 22.5% by the end of 2026.

The Thales inclusion policy also includes a commitment to develop a trustworthy digital environment for all. The Group's digital and biometric identity solutions are enabling an increasing number of people to exercise their civic rights around the world, an essential challenge for sustainable development according to the UN^[4]. Thales's spatial activities connect remote areas and enable essential institutions (hospitals, schools, administrations, etc.) to receive reliable and permanent internet access. For example, Thales Alenia Space works with Satelit Nusantara Tiga to cover 17,500 islands of the Indonesian archipelago.

BUILDING A SAFER WORLD

Defence and security play a major role in building a safer world. A central part of the legitimacy of states and the security of populations, infrastructure and networks, defence and security activities are a prerequisite for carrying out sustainable political, economic and civic activities. A safer world is also one where ethics and integrity are primary concerns of major players, including States and businesses.

The Group's zero tolerance policy with respect to corruption and influence peddling enabled it to obtain ISO 37001 certification for "Anti-bribery management systems", awarded by AFNOR, in March 2021. Thales thus became one of the first international companies in its industry to obtain this certification. Our "Digital Ethics" charter, published in October 2021, notably outlines our commitments for the responsible use and development of technologies like artificial intelligence, with enormous potential for our society.

A NEW INTEGRATED CSR DEPARTMENT

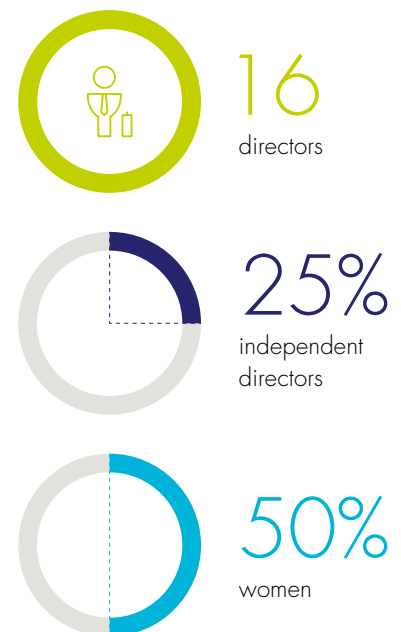
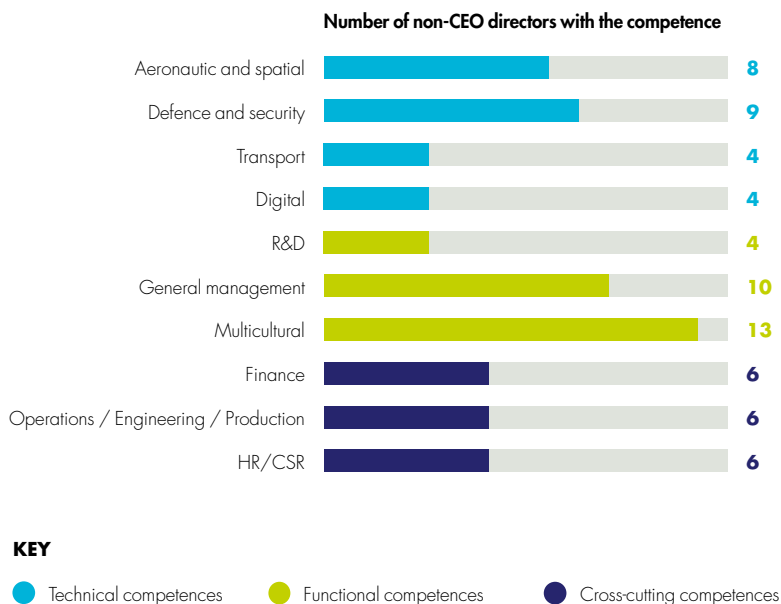
To ensure the sustainability of our CSR actions, in 2021, the Group announced the creation of an integrated CSR department, attached to the Group Secretary, to oversee Thales's roadmap and actions more efficiently. This department, placed under the responsibility of a Chief Sustainability Officer (CSO), comprises some 15 employees. It relies on a network of CSR correspondents made up of Strategy and Marketing officers from the Global Business Units and Major Countries, as well as designated employees in the Management Committees of the main cross-functional departments. This organisation aims to further integrate CSR culture into strategic decisions.

GOVERNANCE

ADAPTED TO THE CHALLENGES OF THE GROUP

Thales is a public limited company with a Board of Directors. The composition of the Board is governed by the shareholders' agreement between its two principal shareholders: the Public Sector and the Industrial Partner (Dassault Aviation). This stipulates that the Chairman & CEO must be selected by mutual agreement and that the Board must have four "external personalities" who have been declared independent by the Board of Directors as outlined by the Afep-Medef Code. —

AN EXPERIENCED AND REPRESENTATIVE BOARD OF DIRECTORS ⁽¹⁾



⁽¹⁾ Updated on 2 March 2022.

⁽²⁾ Compensation of Patrice Caine/median salaries at Thales in France.

⁽³⁾ No amount is due when profit is less than 2% of target revenue.

⁽⁴⁾ No amount is due when profit is less than or equal to 90% of the target.

⁽⁵⁾ Airbus, Atos, BAE Systems, Capgemini, Dassault Aviation, Leonardo, RollsRoyce, Safran.

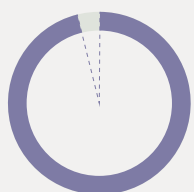
⁽⁶⁾ Amount due for the fiscal year; amount paid for the fiscal year.

A DYNAMIC AND COMMITTED BOARD OF DIRECTORS



9

meetings in 2021



96%

attendance rate



3

Board committees

- Audit and Accounts Committee
- Governance and Compensation Committee
- Strategic and Corporate Social Responsibility Committee. Composed of 5 board members and chaired by the Chairman & CEO, this committee is tasked with examining the Group's CSR strategy and monitoring its results. Since 2022, it has expanded to include 2 women board members on CSR issues.

WORK OF THE BOARD OF DIRECTORS IN 2021

In addition to its recurring topics, the Board addressed the following topics:

- monitoring the main strategic challenges in the Group's various business areas and its market position;
- the gender equality targets of the Group's governing bodies;
- the cost synergies of the Digital Identity and Security (DIS) business, defined after the acquisition of Gemalto;
- the proposed disposal of the Transport business;
- overseeing human capital, renewal dynamics and restoring the Group engagement survey;
- strengthening the Group's anti-corruption and influence peddling programme;
- preparing the ESG Investor Day on 5 October 2021.

A DIVERSE EXECUTIVE COMMITTEE

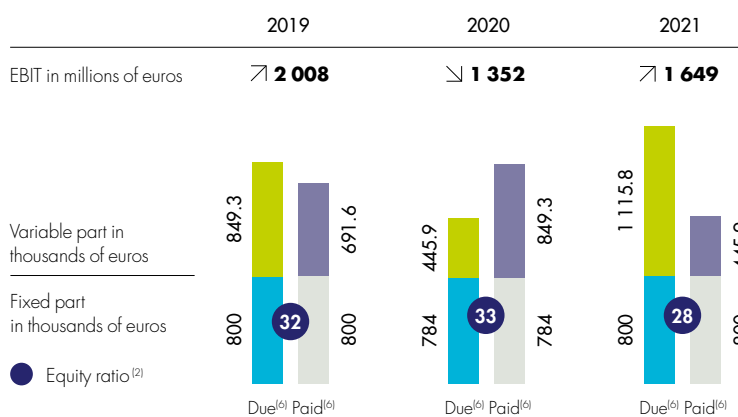
15

members including

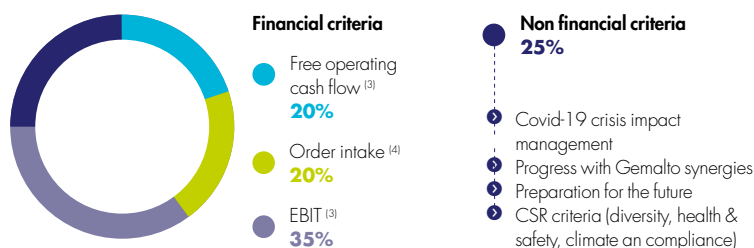
- 12 men, 3 women
- 7 executive vice presidents responsible for activity sectors
- 2 non-French members
- 1 Chairman and CEO

PRINCIPLES OF COMPENSATION

Compensation of the chairman and Chief Executive Officer, group EBIT and equity ratio over the last 3 years



Stringent criteria for variable annual compensation in 2021



Performance criteria for long-term compensation expiring in 2022

40%

Cumulative free operating cash flow 2019-2021

10%

Stock market performance of Thales compared to an equally weighted index of european companies⁽⁵⁾

40%

Average order intake 2019-2021

10%

Stock market performance of Thales compared to the Euro Stoxx index

RISK CONTROL: A KEY TO PERFORMANCE

Thales supplies high-tech products, solutions and services around the world for civil, security and military applications that are often critical in nature. This activity exposes the Group to operational, strategic, regulatory and financial risks that must be controlled in order to ensure its performance. —

A PROACTIVE APPROACH BASED ON CLEAR AND STRUCTURED GOVERNANCE

The Group works to detect risks as early as possible to optimise their control and mitigate their impacts. In this effort, it relies on a risk identification and management system integrated into its decision-making and operational processes, which is deployed at every level of responsibility and overseen by top management.

The Audit and Accounts Committee of the Board of Directors examines the resources put in place and actions undertaken for risk identification and management and internal control; it approves the associated internal audit plan on a yearly basis.

The Risk Management Committee, chaired by the Chairman & CEO, is tasked with defining the Group's acceptable risk level, approving the Group's risk map and, on a general level, ensuring that the risk assessment and management system is fully comprehensive with the aim of controlling risk.

The Risk Assessment Committee, chaired by the Executive Vice-President, Audit, Risks and Internal Control, analyses risks and evolving threats. It issues recommendations to the Risk Management Committee. It updates and prioritises risk scenarios and ensures their understanding throughout the Group, by relying on a network of Risk Advisors

who characterise risks, while identifying the major risk factors and monitoring major incidents. The Group's risk environment is organised around a chart of 19 risk factors broken down into 56 independent, measurable risk scenarios, each attributed to a single line of responsibility. The probability and financial impact of these risks are measured on a standard rating scale.

AN EFFICIENT RISK CONTROL SYSTEM

In addition to the risks identified and managed by operational management, the Audit, Risks and Internal Control Department, reporting to the Group Secretary, prepares a risk map twice a year for each Global Business Unit and Major Country, along with dedicated and regularly updated risk maps for certain cross-cutting themes (corruption, cybersecurity). Based on these maps and taking into account the conclusions of its audit missions, the Department presents the Risk Management Committee and the Audit and Accounts Committee with a summary of the main net risks to which the Group is exposed.

AUDIT IN THE SERVICE OF RISK CONTROL

Internally, the Audit, Risks and Internal Control Department leads audit and consulting missions throughout the Group and the subsidiaries it oversees. Since 2006, the Department has been

continually certified by the French Institute for Audits and Internal Control (IFACI), a body that ensures the compliance of audit practices with international standards. The Department's teams undertook 62 audit missions in 2021. External audits of the Group's companies are carried out by a group of statutory auditors; in conjunction with the Group Finance Department, the depth of their audit diligence is based on the size of the entities and contracts, as well as the incurred risks.

CYBER RISKS TO OUR INFORMATION SYSTEMS

The Group maintains an organisation dedicated to the security of its information systems, which defines and implements multi-year plans to update the measures and means in place to counter evolving cyber-threats (viruses, malware, ransomware). In 2021, six security audits of the information systems were carried out, including four led jointly by the Audit, Risks and Internal Control Department and the Information Systems Security Department. Intrusion tests are performed regularly on the Group's key IT infrastructure. In November 2021, Thales obtained PRIS qualification as a Service Provider for Security Incident Response. This benchmark created by the French Information Systems Security Agency (ANSSI) recognises skills and expertise in responding to cybersecurity incidents.

3 MAIN STRANDS OF RISK GOVERNANCE



Risks related to execution: law compliance, regulations and internal processes (Chorus 2.0)

ETHICS AND INTEGRITY, CORNERSTONES OF SOCIAL RESPONSIBILITY

For almost twenty years, Thales has implemented proactive and rigorous processes for integrity and compliance, based on a “zero tolerance” policy. This approach towards increasingly demanding business ethics has led to the integration of performance criteria in the annual variable compensation of Group employees. —

Thales’s social responsibility governance is based on a policy of preventing and detecting any risk of corruption or influence peddling, which is the focus of a continuous improvement process. It also relies on a “Compliance” organisation, its network of 18 Chief Compliance Officers and over 100 Compliance Officers throughout the Group. The Group’s “Integrity and Compliance” Programme comprises the four pillars detailed below.

A ROBUST ANTICORRUPTION COMPLIANCE SYSTEM

In March 2021, Thales became one of the first companies in its industry to obtain ISO 37001:2016 certification for “Anti-Bribery Management Systems”, delivered by AFNOR, for a scope covering Thales SA, the companies it controls in France and certain international subsidiaries of Thales International SAS. In 2022, the Group intends to expand this certification process to two major countries within its international organisation: the United Kingdom and the Netherlands. This certification confirms that the Group possesses an efficient and structured anticorruption management system, supported by a strong commitment from its directors and complying with the strictest international standards.

Following the establishment of a new risk map for corruption and influence peddling in November 2020, the Group strengthened its audit and internal

control system which comprises three levels of control. The first level includes preventive controls ensuring compliance with the Group’s processes. The second level includes detection controls to ensure that the first level controls were properly carried out. Lastly, the third level controls ensure that the system is efficient and complies with the requirements set by the Group.

Training employees is another cornerstone of the anticorruption compliance programme. The training programme was revised in 2021 to offer courses adapted to Group employees in situations that may expose them to risks of corruption or influence peddling (low, moderate, high exposure). The Group also set targets for training all new employees who may be exposed to risks of corruption or influence peddling within six months of assuming their position or internal mobility transfer, while renewing training for exposed employees every two years at minimum. The programme thus trained 6,774 employees, or 100% of employees concerned by the 2021 campaign.

Lastly, the Group’s system for evaluating the integrity of third parties (customers, suppliers, subcontractors and partners) is based on the definition of risk profiles by third party category and the implementation of prevention measures proportional to the identified risks, which every Group entity must follow. This system governs all decisions on whether or not to do business with a third party, continue the business relationship or terminate the relationship.

Thales also put in place a Group-wide alert system

open to internal, external and temporary employees, as well as third party individuals. To protect the identity of the person submitting the alert and ensure the traceability and monitoring of alerts within a secure space, Thales created a new platform in 2021 for receiving and processing alerts: the Thales Alert Line. In 2021, the Group's alert system received 44 professional alerts, with only one pertaining to allegations of corruption. This case was closed after the internal investigation revealed no evidence of corruption.

STRICT EXPORT CONTROL POLICY

The vast majority of the Group's activities take place within an especially strict regulatory framework. The countries in which Thales manufactures military systems or dual-use assets exercise strict control over manufacturing and commercial processes. They are signatories of international laws and conventions, such as the United Nations Arms Trade Treaty, which was strongly supported by Thales during the drafting process in 2014. Thales operates its industrial and commercial activities in strict compliance with all export control requirements, embargo programmes and international economic sanctions pertaining to its activity. To this end, the Group Trade Compliance Department defines a global strategy implemented by the Trade Compliance Officers and Trade Compliance Managers in each of its exporting entities.

PROTECTION OF PERSONAL DATA

Thales continues to deploy its network of "Personal Data" Officers to ensure adequate coverage and consistent application of personal data protection requirements across all Group functions and entities.

RIGOROUS ANTITRUST PROCESSES

A team of experts performs a competitive analysis of agreements and sensitive projects and issues all required notifications to the competent regulatory authorities in Europe or abroad. The Group has also implemented rigorous internal processes and developed specific training tools intended for the most exposed employees. A network of lawyers supports the operational units on a daily basis, monitoring cases that present potential risks and leading awareness sessions.

STRONG GOVERNANCE

The Group's "Integrity and Compliance" Programme is overseen by the Group Integrity and Compliance Committee. It meets at least once a month with the main task of leading the development of the Programme, its deployment and implementation, as well as its evaluation and updating. It is chaired by the Group Secretary and is composed of top managers from the Ethics Department, Integrity and Corporate Responsibility Department, Legal and Contracts Department and the Audit, Risks and Internal Control Department.



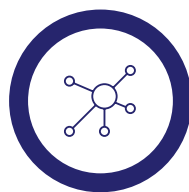
6,774

employees trained in the fight against corruption and influence peddling in 2021.



100%

of employees concerned by the anticorruption campaign trained in 2021.



153

operational entities performed a corruption risk assessment.



44

alerts received through the Group's alert system.

ISO 37001:2016

In March 2021, the Group obtained a first certification for a scope covering Thales SA, the companies it controls in France and certain international subsidiaries of Thales International SAS.

REDUCING THE ENVIRONMENTAL FOOTPRINT OF OUR GROUP AND OUR CUSTOMERS

For more than twenty years, the Group has enacted a voluntary and responsible approach to reducing its CO₂ emissions and those of its customers. —



Controlling our environmental footprint is a strategic challenge that involves every level and business at Thales. In 2021, the Group enhanced its targets for reducing its operational CO₂ emissions and accelerated its action plan for a more sustainable world. These strong commitments have not gone unnoticed, since in late 2021, Thales received an A- grade from the CDP (formerly the Carbon Disclosure Project).

CUTTING OUR OPERATIONAL CO₂ EMISSIONS

As part of its Corporate Social Responsibility policy, Thales adopted a strategy in 2019 to reduce its environmental footprint across its entire value chain. This began with its operational CO₂ emissions, which the Group has lowered by 36%* since 2018 by increasing its energy efficiency, its supply of renewable energies and its promotion of responsible means of transport for employee travel. By 2030, the Group has set a target of cutting its operational emissions by 50%*, with an intermediary target of 35% by 2023, in line with the 1.5°C trajectory set by the Paris Agreement (including scope 1 and 2 emissions and scope 3 “business travel” emissions). Thales’s ambition is to achieve net zero by 2040, through an approach certified by the SBTi. The Group’s other emissions constitute another priority area for action: 80% of the Group’s carbon footprint comes from the goods and services it procures

or the products and solutions used by its customers. Between 2018 and 2021, these emissions were reduced by over 33%, following the impact of the Covid-19 crisis and through the implementation of action plans by our 150 highest-emitting suppliers.

CONTROLLING THE IMPACT OF OUR PRODUCTS AND SERVICES

Eco-design, which limits the impact of a product during the use phase and ensures its recyclability at the end of its lifespan, is entering a growing share of our portfolio. For example, 84% of our new developments already take this requirement into account and our target is to reach 100% by 2023. To this end, more than 1,500 employees will be trained in eco-design principles by 2023. They will receive reference guidelines for developing products and dedicated tools like Cloé (Check-list for Orienting Ecodesign) or Peter (Product Evaluation Tool for Ecodesign and Reporting). The Group has now generalised the process of seeking to reduce the volume, mass and resource use of equipment during their design phase.

LOWERING THE EMISSIONS OF OUR CUSTOMERS

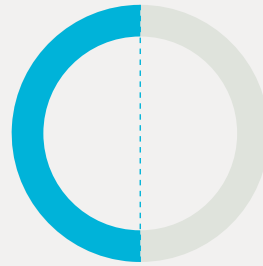
In the use phase, products and services must help to reduce the emissions of the Group's customers. In aeronautics, the operational solutions for air traffic control developed by Thales may enable a 10% reduction in the CO₂ emissions generated by commercial aviation.

UNDERSTANDING CLIMATE PHENOMENA

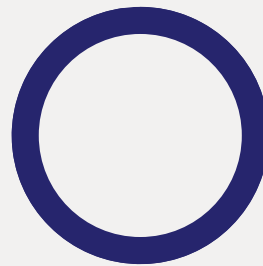
Through its space systems, Thales takes part in several Earth observation programmes (Copernicus, Meteosat, Black Sky, SWOT).

In 2020, Thales Alenia Space was selected by the ESA for five of the six missions in the new phase of Copernicus, the European Commission and ESA's flagship programme for observing the Earth by satellite.

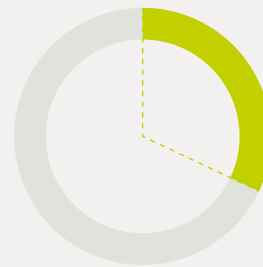
The images collected by these different observation methods provide invaluable information to the scientific community, as well as organisations and authorities intervening during natural disasters. This data also makes it possible to produce digital models that help to further our understanding and modelling of climate phenomena.



-50%
in operational emissions by 2030



100%
of new products eco-designed by 2023



32%
of the Group's electric supply comes from renewable sources

A SAFE AND INCLUSIVE WORK ENVIRONMENT

Thales is creating safe, stimulating and fair workplaces, where everyone's unique contributions are valued to ensure individual well-being and collective success. —



“WE SUPPORT SKILL DEVELOPMENT BY SEEKING TO STRIKE THE RIGHT BALANCE BETWEEN EMPLOYEE DEMANDS AND BUSINESS NEEDS.”

ANNE SHERWOOD,
VICE-PRESIDENT CULTURE, TRAINING,
DIVERSITY AND INCLUSION

MAKING DIVERSITY A KEY STRENGTH

Thales sees diversity and inclusion as springboards allowing everyone to give their best in the service of our overall performance. Women make up 27% of the Group's workforce, while 33% of new hires in 2021 were women.

Throughout 2021, the Group continued its efforts to promote women to the highest levels of the organisation. Women now hold 18.9% of top positions. To help women advance their careers, the Group's top executives now lead an international mentoring programme dedicated to women. Thales operates 46 international “WiTh” (We In Thales) networks that bring together more than 3,500 men and women. These networks aim to promote workplace gender parity and are coordinated by a Group-wide governance body.

For the first time, Thales also published a Global Gender Equality Index that assesses the gender equality situation of each Group entity.

DEVELOPING EACH PERSON'S SKILLS

Thales considers that training is a key part of the career advancement of our employees. The LearningAndCulture@Thales department supports career advancement by helping employees pursue their individual aspirations in terms of career, mobility and acquiring new skills. It works to spread a shared culture throughout the Group, notably in

80,995

employees, of whom **27%** are women

terms of diversity and inclusion, leadership, digital transformation and employee engagement.

In the major countries where it operates, Thales has 12 corporate university campuses called Thales Learning Hubs, which host seminars, training sessions and workshops. In 2021, Thales accelerated the digitisation of its training offer and relied more heavily on remote sessions.

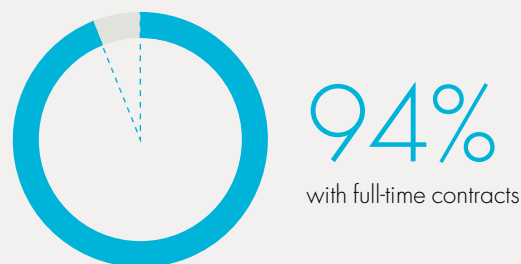
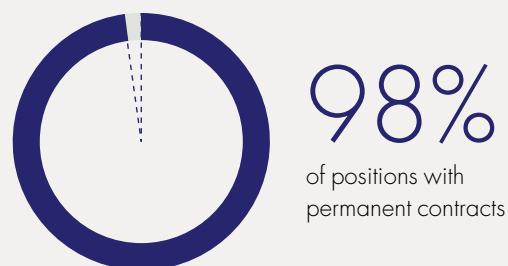
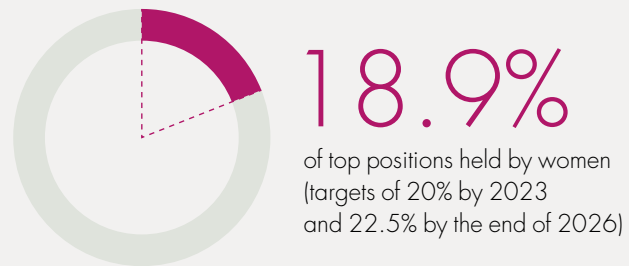
In 2021, the Group launched the uLearn digital training platform. Available to all employees, it allows them to identify the most relevant training sessions for advancing their careers and adapting their skills.

In this way, the Group dispensed 982,707 hours of training in 2021 (or an average of 12 hours of classes per employee), including 135,694 hours of virtual classes (an increase of +54% in one year).

PROMOTING WELL-BEING AT WORK

In June 2021, Thales launched its first Group-wide employee engagement survey and received responses from 61% of employees. Across the 14 sections of the survey, 11 were viewed positively by employees, while the Well-being, Collaboration and Listening and Considering Ideas themes received favourable response rates of over 70%.

Throughout the year, management teams continued their efforts tied to the health crisis, notably by implementing a vaccination service for interested and eligible employees as early as April 2021.



TECHNOLOGY AS A LEVER FOR CORPORATE CITIZENSHIP

Aligned with its purpose of “Building a future we can all trust”, Thales pursues its commitment to society by funding inclusive programmes for education, training and awareness surrounding the challenges of the future. —

The Thales Solidarity programme aims to use technology as a lever to serve three priority challenges: education and professional integration, digital citizenship and environmental protection. It is based on a dedicated Solidarity Fund and the commitment of Group employees. Several Thales entities around the world also participate in the programme by rolling out local solidarity initiatives.

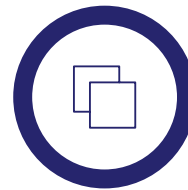
THE SOLIDARITY FUND, A PILLAR OF OUR COMMITMENT TO SOCIETY

The Thales Solidarity Fund was created in 2019 to support the Thales Foundation. It finances programmes with a high social impact, as well as initiatives proposed by employees through the annual call for projects. In 2021, the Solidarity Fund financed 14 projects across eight countries. Through these commitments, the Group intends to highlight the impact of technology as a lever for the wider good.

A GROWING COMMITMENT FROM EMPLOYEES

Our employees contribute actively to Thales's corporate citizenship initiatives, through volunteer missions to assist supported projects, to mentor disadvantaged young people and jobseekers, as well as to promote the responsible use of technology. In France, for example, the Latitudes organisation invites employees to take part in awareness campaigns dedicated to the impact of technology on inclusion and the environment. In Brazil, about 60 employees participated in two professional training projects, including the Laboratoria Bootcamp which aims to combat gender inequality in technology.

In France, employees can also get involved through the MicroDON salary rounding programme, which allows them to donate a few cents or euros every month to one of 10 beneficiary organisations. Since 2016, the programme has raised over €1.7 million, with 50% coming from donation matching by Thales.



14

projects in 8 countries
financed by the Solidarity
Fund in 2021



7,600

employees activated their
accounts on the Thales
Solidarity digital platform



€1.7m

raised in France to support
10 organisations.

+300

employees in France, the United Kingdom and
Brazil took part in volunteer initiatives in 2021.

PRINCIPLES OF RESPONSIBILITY



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Launched in 2000, the United Nations Global Compact (UNGC) is both a policy platform and a practical framework for companies that are committed to sustainable business practices. It seeks to align business operations and strategies everywhere with 10 universally accepted principles. Over 12,600 companies in 159 countries have joined the Global Compact. Thales has been a signatory since 2003 and has adopted the 10 principles of the Global Compact.

Through its commitment to the ten principles of the United Nations Global Compact, the Group ensures that it implements policies and standards that meet the requirements of the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

In 2012, through its annual Communication on Progress (COP), Thales reached the Global Compact Advanced level under the United Nations Global Compact Differentiation Programme, which evaluates companies on the basis of 21 specific criteria and represents the highest standard of sustainability performance and reporting. Thales is one of 663 companies in the world which are classified as Global Compact Advanced (5% of total companies adhering to the Global Compact).

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed Human Rights within their sphere of influence. **Pages 4, 11, 26-27, 30-31, 40-41**

Principle 2 Businesses should make sure they are not complicit in Human Rights abuses. **Pages 4, 11, 30-31, 40-41**

LABOUR

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. **Pages 26-27, 44-45**

Principle 4 The elimination of all forms of forced and compulsory labour. **Pages 26-27, 30-31, 44-45**

Principle 5 Businesses should uphold the effective abolition of child labour. **Pages 26-27, 30-31, 44-45**

Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation. **Pages 13, 26-27, 36-37, 44-45, 46**

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges. **Pages 4-5, 9, 12, 26-27, 30-31, 34-35, 42-43**

Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility. **Pages 4-5, 9, 12, 26-27, 30-31, 34-35, 42-43**

Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies. **Pages 4-5, 9, 12, 20-21, 26-27, 30-31, 34-35, 42-43**

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery. **Pages 4-5, 38-39, 40-41**

FINANCIAL AND EXTRA-FINANCIAL PERFORMANCE

2021 RESULTS

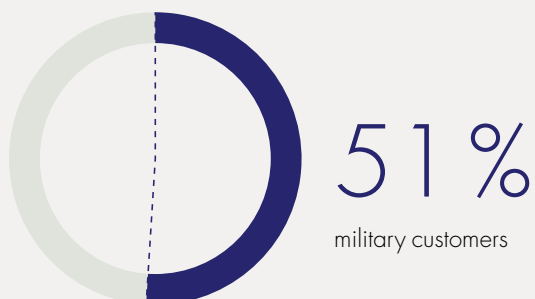
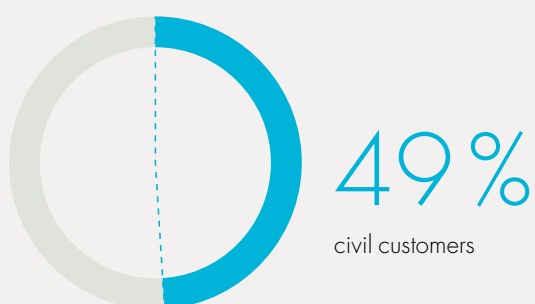
REVENUE

€16.2bn

+5.3% organic growth



SHARE OF REVENUE



EBIT

€1,649m

+32.1% (2020 data adjusted to reflect the sale of the Ground Transportation Systems business)



ORDER INTAKE

€19.9bn

+18% organic growth



DIVIDEND

+45%

change



Thales wrapped up 2021 with a remarkable performance. The Group achieved the best year of sales in its history, notably thanks to order intake in the fourth quarter. Similarly, Thales's strong CSR performance led the Group to accelerate its roadmap and enhance its targets. —

ECO-DESIGNED PRODUCTS

84%

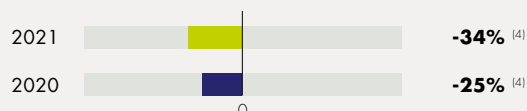
of new products fully or partly adopt an eco-design approach.



HEALTH AND SAFETY

-34% ⁽⁴⁾

Workplace accident frequency rate.
2023 target of 30% surpassed in 2021.



GENDER PARITY

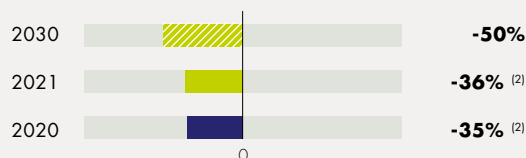
18.9%

of management positions held by women ⁽³⁾.

OPERATIONAL CO₂ EMISSIONS ⁽¹⁾

-36% ⁽²⁾

Compared with 2018. Net zero by 2040.



ETHICS AND INTEGRITY

100%

of concerned employees trained in the fight against corruption.

DIVERSITY AND INCLUSION

71%

of management committees include at least 3 women.



⁽¹⁾ Scopes 1 and 2 and scope 3 business travel. Target based on 2018, including Gemalto activities.

⁽²⁾ Overperformance in 2020 and 2021 due to the low level of travel induced by the pandemic.

⁽³⁾ Levels 10 to 12, top 13% of global staff. The percentage of women in the total workforce is 27%.

⁽⁴⁾ Overperformance in 2020 and 2021 due to the high rate of remote work induced by the pandemic.

AN EVALUATED AND RECOGNISED APPROACH

Thales's voluntary commitment to corporate responsibility has once again been recognised by extra-financial rating agencies.



SASB CROSS-REFERENCE TABLE

	2021 DATA	UNITS	SASB REF.
ENERGY MANAGEMENT			
Total energy consumption	7 325	GJ	RT-AE-130a.1
Share of renewable electricity	32	% (electricity)	RT-AE-130a.2
Share of energy from the grid	86,3	%	RT-AE-130a.3
MANAGEMENT OF HAZARDOUS WASTE			
Share of hazardous waste recycled	29	%	RT-AE-150a.1
Number and total quantity of reportable spills — of which quantity recovered	0 0		RT-AE-150a.2
DATA SECURITY			
Number of data breaches — of which involving confidential information	Not reported		RT-AE-230a.1
Description of the approach to identifying and responding to data security risks in the company's (1) operations and (2) products	See paragraph 3.1.6 ⁽¹⁾		RT-AE-230a.2
PRODUCT SECURITY			
Number of recalls issued — of which total number of units recalled	Not reported		RT-AE-250a.1
Number of counterfeit parts detected — of which percentage avoided	Not reported		RT-AE-250a.2
Number of airworthiness notices received — total units affected	2 Several hundred		RT-AE-250a.3
FUEL ECONOMY AND EMISSIONS IN USE PHASE			
Total financial losses resulting from legal proceedings related to product safety	Not reported		RT-AE-250a.4
Revenue from products/services that contribute to the reduction of CO ₂ emissions	20%	In % of total sales 2021	RT-AE-410a.1
Description of the strategy to reduce fuel consumption and greenhouse gas (GHG) emissions from products.	See paragraph 5.5.2 ⁽¹⁾		RT-AE-410a.2
SUPPLY OF MATERIALS			
Description of risk management for the use of critical materials	See paragraph 5.7.5 & 5.5.2.1.1 ⁽¹⁾		RT-AE-440a.1
BUSINESS ETHICS			
Total financial losses as a result of legal proceedings associated with incidents of corruption and/or illicit international trafficking	Not reported		RT-AE-510a.1
Defense revenues from countries classified as "E" or "F" on the Transparency International Corruption Perceptions Index (Defense 2020)	Band "E": 1.6% Band "F": 4.4%	In % of total sales 2021	RT-AE-510a.2
Discussion of business ethics risk management processes across the value chain	See paragraph 5.6.1 ⁽¹⁾		RT-AE-510a.3

ABOUT THIS REPORT

In a group as global and diversified as Thales, corporate responsibility is inseparable from the concepts of security and performance. Beyond its obligation to comply with laws and standards of ethical conduct, it is a key strategic advantage for the business. Resulting from the implementation of the best professional practices and the maturity acquired in this domain, this integrated report details the strategy, governance and financial and non-financial performance of the Group with a view to creating value. Thales believes this document will contribute to a better understanding of its business activities, the complexity of its working environments. It is also a testament to the company's commitment to all its stakeholders.

METHODOLOGY

This report was produced following the Integrated Reporting Framework, defined by the Value Reporting Foundation. The aim has been to focus the integrated report on Thales's strategy and to select only the most relevant information regarding this strategy, rather than producing an exhaustive list; it supplements the 2021 Universal Registration Document and refers to it whenever necessary. The purpose of this report is to detail the way in which Thales interacts with its ecosystem and uses capital to create short, medium and long-term value.

FOR MORE INFORMATION

thaligroup.com/en/global/corporate-responsibility
or contact the Group's Corporate and Social Responsibility department

Thales would like to thank Group employees for their contributions.

April 2022



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