

Further information

The codes, policies and instructions relating to the prevention of Antitrust risks can be consulted in the Group reference system and on Thales intranet in the Legal, Contracts & Compliance Department / Antitrust section.

On the intranet Antitrust section you will also find additional guides and brochures which further detail the Risk Situations described in this Code, as well as the list of Antitrust Correspondents.

In case of doubt, or to know more about specific local rules, please seek legal advice and contact your Antitrust Correspondent within Legal, Contracts & Compliance.

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Code of **conduct** antitrust

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Commitment by the Executive Committee

Compliance with antitrust laws contributes to the fairness of relationships with all our stakeholders - customers, suppliers and partners. It prevents heavy sanctions and potential damages to the company's brand image.

The Executive Committee and the Board of Directors have a zero-tolerance policy on the violation of antitrust laws and prohibit any action or behavior that could constitute a breach of such rules.

In line with the Antitrust Risk Mapping, this Code of Conduct focuses on the **main and most common antitrust risk areas** within Thales' businesses and illustrates the types of conduct that could constitute a violation of antitrust law while providing practical tips to best tackle those risks.

Antitrust regulations are applicable to all employees. Failure to comply with this Code of Conduct or to apply the procedures it refers to may result in disciplinary actions, in addition to any civil and criminal proceedings that may arise as a result of the violations.

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Rules

This Antitrust Code of Conduct provides to Thales employees a brief and simple description of the key principles of antitrust laws, followed by guidance on how day-to-day business must be conducted in order to prevent the violation of such rules in the most common situations of risks.

This Antitrust Code of Conduct is designed to be used in conjunction with more detailed documents and specific tools that can be useful in providing additional support available on Thales intranet (Legal, Contracts & Compliance section) and in the Group reference system.

This Code of Conduct applies to **all Thales Entities* worldwide**, and to **all sectors of activity**, including defense.

This Code of Conduct is applicable to **all Thales employees** including temporary employees and external staff working on Thales sites.

All employees must embrace and comply with the Code of Conduct, and comply with applicable national and international laws.

** Thales Entities designates Thales SA, its wholly-owned subsidiaries and entities under its control.*



Prohibited conducts

Antitrust laws are built around the essential premise that competition between companies is the most efficient way to protect customers' interests by bringing lower prices, improved quality, greater choices and more innovation to the market.

Hence, antitrust rules promote free competition between market operators and aim at fostering innovation and competition on the merits and creating a level-playing field.

As a result, two main categories of conduct, anticompetitive coordination (and in particular "cartels") and abuses of dominant position, are prohibited.

Thales commits to operate in strict compliance with antitrust laws. As stated in the Code of Ethics, the Group absolutely prohibits any action or behavior that could constitute a violation of such rules.

What is a cartel?

"Cartel" refers to a situation where competitors agree, expressly or tacitly, to fix prices, limit production or share markets or customers between them, as well as other restrictions of competition that result in similar effects. Instead of competing with each other independently and freely determining their commercial strategy, cartel members rely on one another's agreed course of action, leading companies to behave in a coordinated manner to obtain benefits at the expense of customers.

In addition to cartels among competitors, some agreements between non-competitors may also have restrictive effects on the market, such as certain restrictions concerning pricing or sales between a supplier and its distributors that distort the conditions of competition and may foreclose market access to customers or suppliers.



What is an abuse of dominant position?

An abuse of dominant position occurs when a company that has the ability to behave independently of its competitors, customers, suppliers and ultimately final users (in which case it is so called "dominant"), operates in a way that would lead to excluding effective competitors, preventing new ones from entering the market or imposing unfair terms and conditions by exploiting its market power.

It is not illegal to hold a dominant position or a leading position on the market as this is generally the result of competition on the merits. However, market power comes along with additional responsibilities, so that practices and conducts that would otherwise be perfectly legal absent a dominant position become illegal when a company is dominant. The identification of a dominant position requires a complex legal assessment to define the market at stake and assess the existence of market power based on several criteria (market share, barriers to entry, number and market shares of competitors, control of IP or other essential inputs, etc.). Holding a market share above 40% will often be considered as dominance, however a case by case assessment, with the support of LC&C department, is required.



How to prevent a breach of antitrust laws?

What should you do?

- ✓ Exercise discernment, vigilance and common sense in all circumstances.
- ✓ Always act in strict compliance with Group procedures.
- ✓ In case of doubt, refrain from conduct that may raise some risks.
- ✓ Be able to recognize risk situations, clarify whether initiatives, solicitations or proposals could be illegal, and take appropriate measures to avoid being involved in anticompetitive behavior.
- ✓ Assess, with the support of LC&C department, if you hold a dominant position in any of your market segments.
- ✓ Question any complex and/or unusual situation and/or arrangement that would be hard to justify.
- ✓ Seek the advice of your Antitrust Correspondent or Compliance Officer in case of doubt.
- ✓ Raise an alert via the internal alert system, your reporting line manager, or your Compliance Officer if you become aware of any action that could be in breach of Thales' policy on antitrust laws.



Risks **situations**

This Code of conduct focuses on the main Antitrust risks identified in the Group antitrust Risk Mapping.

The goal of this section of the Code of conduct is to present the most common risks **that you can encounter in your day-to-day activities** by providing specific examples and providing practical guidance on what to do and not to do in a given instance.

However, it is not possible here to tackle all situations which may present antitrust risks. For example, the Group may also be confronted to other Antitrust risks, such as being the beneficiary of illegal state-aids (i.e. subsidies granted without a proper authorization and/or causing a distortion on the market) or being exposed to the risks of “gun jumping” in the context of merger & acquisition projects (i.e. early implementation of the transaction ahead of having received regulatory clearances).

This Code of Conduct is designed to be used in conjunction with **more detailed documents and specific tools** that can be useful in providing additional support **available on Thales intranet (Legal, Contracts & Compliance section) and in the Group reference system.**

Employees are therefore invited to familiarize themselves with the documents intended to be used in conjunction with this Code of Conduct, and to contact their Antitrust Correspondent or Compliance Officer if they have any doubts with regard to a specific case.



Relationships with **competitors, partners, suppliers and customers**

Exchanges of information **with competitors**

Background

Thales employees may interact with competitors through formal or informal meetings, as part of trade association or industry gatherings or, indirectly, through third parties like common suppliers or customers.

On these occasions, information is exchanged and such interactions may be needed, justified and bring efficiencies.

However, special attention should be paid to certain categories of information (i.e. those that are considered "competitively sensitive").

Stakes

Antitrust laws prohibit exchanges among competitors of information that is commercially sensitive, meaning information that -once exchanged- can influence the recipient's behavior on the market because such exchanges artificially reduce or eliminate the uncertainty about the competitor's strategy. This includes notably, but not exclusively, information on prices, margins, the identity of customers and suppliers, participation to a future tender, strategy, R&D projects, etc.

Exchanges of competitively sensitive information among competitors are illegal, whether direct or indirect and irrespective of the way the information is shared. Even one instance passive attendance to a meeting during which competitive sensitive information is disclosed constitutes an antitrust breach.



What you must not do

- > Exchange or discuss with competitors competitively sensitive information which goes beyond what is strictly necessary, even if they are Thales partners, customers or suppliers.
- > Act as a vehicle for exchanges of information among competitors.
- > Do benchmarking with your competitors.



What you should do

- > Prepare carefully meetings with competitors in advance, including a written agenda.
- > Stick to the agenda during the meeting and voice your concerns if participants do not do so.
- > Object immediately to the exchange of competitively sensitive information, leave the discussion and make sure this objection and departure are recorded.
- > Ensure that the meeting is minuted, review the minutes and share your objections in writing.
- > Report promptly any incident to your managers and to Legal, Contracts & Compliance.
- > Be particularly vigilant in trade association meetings / business fairs.
- > Remain very cautious even in non-formal settings (e.g. dinners / drinks).



Relationships with **competitors, partners, suppliers and customers**

Participation in **tenders**

Background

It is Thales' day-to-day activity to participate in competitive tendering processes.

Those procedures are used by customers (either public or private) to put companies in competition, with the aim of obtaining offers and select the best (in terms of quality and price) for the procurement of certain goods or services.

Stakes

Participants to a bidding procedure shall not coordinate the content of their bids or their bidding strategy in order to influence the outcome of the tender, predetermine a winner amongst themselves and ultimately share the market (so called "bid rigging").

As such, bid rigging creates for the customer the impression that the tender is genuinely competitive when in reality, the outcome is manipulated by the participants.

Bid rigging is strictly illegal and heavily sanctioned as a cartel.



What you must not do

- > Discuss your bidding strategy with a competitor.
- > Mislead customers as to the independence of your offer.
- > Agree with competitors on who will win the tenders.
- > Agree to submit an offer at an artificially higher price than competitors or with technical specifications not meeting customer's expectations to create the appearance of competition.
- > Agree not to tender or remove an earlier offer so as to prompt customer to award tender to remaining competitors.
- > Accept compensation through subcontracting by the competitor who won the bid when agreeing not to bid or to bid at artificial conditions.



What you should do

- > Autonomously determine your strategy towards the bid (including whether participate or not).
- > Keep records of decisions taken during the bid process and their rationale (bid/no bid, bidding strategy, terms and conditions of the offer, etc.).
- > Avoid any situation that could be seen (even wrongly) as a form of coordination or alleged coordination with a competitor.



Relationships with **competitors, partners, suppliers and customers**

Cooperation **with partners**

Background

Thales regularly works with partners in order to better serve customers' demands.

Cooperation with partners, or "joint bidding", cover a wide variety of situations and agreements, which have in common the goal of joining forces to submit an offer in a tender.

Generally, joint bidding allows Thales to participate in projects that we would not be able to undertake individually (ex. complementary products / services, size or complexity issues).

Stakes

Joint bidding can bring antitrust risks when the cooperation lacks genuine technical or economical justifications, or is not necessary nor proportionate compared to the scope of the project.

Indeed, such situations may lead to an unjustified reduction of competition, especially if the partner(s) could have bid on its/their own, and ultimately to a market sharing among the partners.

Therefore, ensuring that this type of arrangements is properly justified and its rationale is pro-competitive is a key focus for the Group.



What you must not do

- > Use joint bidding as a mean to share the market or competitively sensitive information with competitors.
- > Engage into joint bidding which would result in the elimination of residual competition.
- > Align with the joint bidding partner on elements beyond the scope of the bid, such as on future pricing strategies or markets/customers allocations.
- > Predefine a percentage of work allocation and/or a compensation mechanism to stick to such percentage.



What you should do

- > Have strong economic or technical reasons to engage into a joint bidding.
- > Justify the choice of the partner as the best fit for Thales and clearly identify complementarities between Thales and the contemplated partner.
- > Ensure that the work share allocation is properly justified and aligned with the complementarities.
- > Ensure that the joint bidding will benefit the customer.
- > Assess if sufficient alternative credible offers would still be available for the customers.
- > Only share information that is strictly necessary for the joint bid and at the right time (once the principle of the joint bid has been properly validated).
- > Consult with LC&C on the feasibility of the cooperation.



Relationships with **competitors, partners, suppliers and customers**

Management of **distributors/resellers**

Background

Certain Thales businesses rely on a large network of distributors and resellers to conduct their activities and reach customers with an improved level of proximity and services.

Special attention shall be paid in managing these relationships and avoid undue restrictions to distributors/resellers.

Stakes

Distributors and resellers independence to determine their pricing policy towards their customers is a key concern of antitrust laws: they must remain free to set the price of the products or services they sell on the market, so that effective competition remains within the network to offer the best prices and services to customer.

Hence, fixing or imposing a minimum resale price to distributors/resellers is generally forbidden because it constrains their own commercial strategy, sets a limit to competition and removes the pressure on prices.

By contrast, maximum resale prices can be authorized in certain cases and provided they do not amount to the imposition of a minimum or fixed sale price as a result of pressure or incentives imposed by Thales or by acting as a focal point for resellers to follow.



What you must not do

- > Set fixed or minimum resale price/margin.
- > Be involved in pricing policy decisions of any distributor/reseller (e.g. level of discount to customers).
- > Refuse to supply (or delay or limit) distributors/resellers if they sell below a fixed or minimum price/margin.
- > Offer distributor/reseller a discount/bonus/rebate if they sell at or above a minimum price/margin.
- > Exert pressure, threaten, or sanction distributors/resellers to force adoption of a recommended price.



What you should do

- > Freely determine your price and conditions towards your direct distributors/resellers.
- > Let the distributor/reseller determine autonomously its resale price.
- > If Thales does not sell the product directly, redirect any end customer/indirect reseller queries on pricing policy to the relevant distributor/reseller.
- > Recommend resale prices to the extent you make clear that the indicated price is only a recommendation and that there is no obligation to comply with it.



Relationships with **competitors, partners, suppliers and customers**

Exclusive contractual arrangements with customers/suppliers

Background

To recoup prior investments, protect its know-how, or share risks, Thales may, in certain contractual arrangements with suppliers or customers, wish to impose exclusivity provisions and comparable restrictions (non-compete obligations, quotas).

Those restrictions aim at limiting partners from dealing with competing suppliers, customers or addressing certain market segments.

Stakes

Exclusivities or non-compete provisions, because they consist in reducing market access and choices for the party which is bound by such commitment, restrict by nature competition in a given market.

Such provisions need to be carefully analyzed on a case-by-case basis, to assess whether the benefits they bring to the parties compensate restrictions on the market. Their scope and duration are key factors in such assessment.



What you must not do

- > Impose an unlimited or tacitly renewable exclusivity/non-compete provision.
- > Impose an exclusivity/non-compete clause which duration extends beyond the contract term.
- > Impose an exclusivity/non-compete clause where the beneficiary has significant market power.
- > Impose an exclusivity / non-compete clause with the sole objective to limit greater choice to the customer.



What you should do

- > Justify objectively the exclusivity/non-compete clause with pro-competitive rationale.
- > Evaluate the nature of the product, the maturity of the market, and the parties' market strength when considering exclusivity/non-compete clause.
- > Limit the scope and duration of exclusivity/non-compete provision to what is strictly necessary and proportionate to its justification.



Market power position

Price determination

Background

Companies are generally free to fix their commercial conditions and in particular prices they wish to apply to their customers, including different prices to different customers.

While this approach generally does not raise antitrust risks, companies having a dominant position may need to abide by certain rules.

It is therefore essential to conduct an assessment, with the support of LC&C department, to understand if your entity might be subject to such constraints.

Stakes

When a dominant company imposes different terms (price or other conditions) to equivalent transactions without any legitimate commercial rationale, this may be considered illegal discrimination.

This is because, as a result of such different treatment, competition between customers of the dominant company may be distorted.



What you must not do

If Thales is found to be dominant on one market segment:

- > Charge different prices to customers that are in the same situation.
- > Apply equivalent conditions to dissimilar transactions.



What you should do

If Thales is dominant on one market segment:

- > Be able to justify the different prices applied to customers through strong objective factors and economic rationale.



Market power position

Choice of customers

Background

In the normal course of business, companies are free to choose the products they want to sell, the prices at which they want to sell them, and the customers to whom they want to sell them.

However, companies having a dominant position do not enjoy such freedom and must comply with additional constraints.

It is therefore essential to conduct an assessment, with the support of LC&C department, to understand if your entity might be subject to such rules.

Stakes

A refusal to sell may constitute an abuse of dominant position when it comes from a company in a dominant position with the aim of restricting competition or preventing the entry of new competitors into the market.

This is the case for instance when the dominant company possesses an essential input on which other competitors rely.

This behaviour is illegal because it is considered an improper means to protect market power by preventing access to the market and limiting innovation.



What you must not do

If Thales is found to be dominant on one market segment:

- > Refuse to competitors access to essential inputs or technologies or services or assets that are necessary to compete, where no alternatives are available.



What you should do

If Thales is dominant on one market segment:

- > Consider whether credible alternatives exist to Thales solution.
- > Identify objective justification for refusal to deal and assess its market impact.
- > Offer access to essential inputs or key technologies under fair economic terms and in a non-discriminatory manner.

Market power position

Customers retention

Background

Thales' goal is to build strong relationships with its customers, by continuously delivering value, trust and satisfaction so as to improve customers' loyalty and retention.

Customer loyalty programs, notably rebate scheme that rewards customers who procure all or a substantial part of their needs from Thales, incentivize customers and contribute to retention.

However, special rules apply to companies having a dominant position on their market segment.

It is therefore essential to conduct an assessment, with the support of LC&C department, to understand if your entity might be subject to such constraints.

Stakes

Rebates granted by a dominant company can be illegal as they may artificially increase the customer's stickiness and reduce their incentive to seek alternative suppliers, hence reducing market opportunities for competitors. Ultimately this may lead to rivals exiting the market and hence effective competition being lost.

Therefore, prior to granting such rebates, the situation must be carefully analyzed on a case-by-case basis, understanding the objective rationale beyond the rebate and assessing the impact on the market.



What you must not do

If Thales is found to be dominant on one market segment:

- > Grant rebates to customers subject to exclusively purchasing from Thales.
- > Grant rebates with the objective of preventing the entry or expansion of competitors.
- > Grant rebates that do not correspond to efficiencies (e.g. economies of scale).



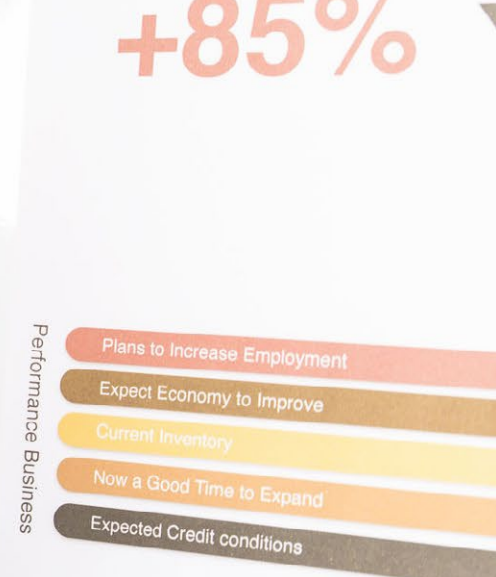
What you should do

If Thales is dominant on one market segment:

- > Objectively justify any rebates (e.g. economies of scale, specific investments).
- > Grant rebates for short duration.
- > Carefully assess the thresholds triggering the rebate.
- > Consider the impact on the market and whether competitors could grant equivalent rebates.

Market power position

Sales expansion



Background

To expand their business, companies may implement tying or bundling strategies aimed at incentivizing existing customers to purchase additional products or solutions.

Such commercial practices generally generate efficiencies both for Thales and its customers, but they deserve special attention if you are dominant on your market segment.

It is therefore essential to conduct an assessment, with the support of LC&C department, to understand if your entity might be subject to such constraints.

Stakes

Tying (selling two solutions together) or bundling (offering the package at a lower price the individual solutions) are illegal when they are used by a dominant company to leverage its market power and extend it to another market segment where it is not dominant.

This is because it would make it harder for competitors who do not offer both solutions to attract customers and ultimately it would limit the customers' choice as to the possibility to diversify their sources.

This behavior may reduce market access for competitors to the non-dominant product market and finally reduce customers' choice.



What you must not do

If Thales is found to be dominant on one market segment:

- > Force customers to purchase a "package" including a separate solution.
- > Condition the supply of a solution to the purchase of a different one.
- > Sanction or threaten to sanction customers that pursue a multi-source strategy for separate needs.
- > Offer rebates on a second solution, or offer a price for a "package" which is less than the sum of the parts.
- > Make it technologically impossible to operate two different solutions separately.



What you should do

If Thales is dominant on one market segment:

- > Leave the possibility to customers to opt to buy the solutions separately.
- > Avoid technologically tying two different solutions unless such tying is justified for technical reasons. In such case offer the possibility to buy each solution on its own.
- > Be able to justify objectively with efficiencies any package rebate.



Sanctions

Antitrust laws are strongly enforced globally and violations can result in serious consequences for the Group and for the individuals involved.

As highlighted above, Thales has a **zero-tolerance policy on violations of antitrust laws and prohibits any action or behavior that could constitute a breach of such rules.**

Even if an employee believes that s/he is acting in Thales' interest, this shall under no circumstances be taken as justification, in whole or in part, for any action that may contravene applicable laws or this Code of Conduct.

Failure by an employee to adhere to applicable antitrust laws or to this Code of Conduct may result in **disciplinary action**, up to and including dismissal for serious or gross professional misconduct, irrespective of any civil and criminal proceedings that may arise from the violation.

Sanctions may include:

For the employees:

- > Fines.
- > Imprisonment.
- > Ineligibility for a director's position.
- > Disciplinary actions in accordance with local law, where applicable.

For Thales:

- > Fines (up to 10% of Group annual and worldwide turnover).
- > Disqualification from public contracts.
- > Private damage actions by victims.
- > Long-term damage to Thales' image and reputation.
- > Nullity of the illegal agreements.



Internal alert system

Thales promotes a culture of trust, integrity and compliance, and encourages employees to share their doubts and concerns about any situation or behavior that could contravene this Code of Conduct and/or the Code of Ethics, one of the related Group policies and/or instructions, or any applicable laws or regulations.

To **protect the Group** and the interests of its stakeholders, it is important for employees to report any potential violation.

As a general rule, **if you have concerns about a particular situation, you should:**

- > Refer to the Thales codes, policies and instructions in the Group reference system, which can be accessed on the Thales intranet.
- > **Seek the advice of your Chief Compliance Officer/Compliance Officer and/or your Antitrust Correspondent within Legal, Contracts & Compliance Department.**

In all circumstances, **if you have serious doubts about whether the conduct of a Thales employee or third party is in breach of this**

Code of Conduct and/or the Code of Ethics, it is important that, you alert your manager, and/or Chief Compliance Officer/Compliance Officer and/or your Antitrust Correspondent within Legal, Contracts & Compliance Department.

Thales provides the assurance that no reprisal will be taken against any employee who, acting in good faith, raises concerns about conduct or situations in contravention of this Code of Conduct and/or the Code of Ethics, **and that all concerns reported will be examined confidentially and in accordance with the rules applicable to the handling of personal data.**

The instruction on the **Internal Alert System** specifies the arrangements for managing and

processing alerts received via the system.

A **User Guide to the Internal Alert System** summarizes the terms and conditions for using the internal alert system.

Several reporting channels can be used:

- > Reporting via hierarchical channel or to a **contact person within the Legal, Contracts & Compliance Department:**
In the case of reporting via hierarchical channel or to a contact person, alerts may be reported by any means of communication (email, letter, telephone or in person).

- > Reporting via the **dedicated internal alert procedure (Thales Alert Lines):**

This procedure is managed on a **web platform operated by a third-party provider** selected by Thales.

Reports can be filed **24/7** in any of several languages. Measures are in place to ensure maximum **confidentiality, security and personal data protection.**

All communications and all the information provided via this platform, are encrypted and can only be viewed by authorized users.

The **Thales Alert Lines platform** is accessible via a link on the Group intranet (Group Ethics & Integrity Department section) and on Thales website (Corporate Responsibility section).



Find out more on this subject

- > You can consult the following documents:
 - Instruction for **"Managing the internal alert system"**;
 - **"User Guide to the Internal Alert System"**.
- > In case of doubt, employees must contact their Compliance Officer and/or Antitrust Correspondent.