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An increasing number of regulations, national and more recently international, are designed to fight corruption. As their scope becomes broader, they are applied and enforced more strictly than ever before. The best-known examples are the U.S. Foreign Corrupt Practices Act of 1977, the 1997 OECD Convention on Combating Bribery of Foreign Public Officials (subsequently transposed into the national laws of signatory countries), and the 2003 United Nations Convention Against Corruption (the Merida Convention), which has been signed by 140 countries. Together, these laws and conventions make up a comprehensive regulatory arsenal. Civil society is also sensitive to these issues and requests companies to conduct business in an ethical way.
The risks – legal, but also reputational, financial and commercial – are therefore considerable. These risks can seriously compromise a company’s business and lead to criminal prosecution of employees (at all levels of management) and the company itself.

In this context, the issue of “gifts and hospitality” (see definition hereafter) might seem trivial. What is indeed the connection between a lunch invitation and the high profile corruption cases that end up in courts and in the media?

Despite the best of intentions, standard hospitality in one country may be considered illegal or damaging to the reputation in another. Besides, it goes without saying that concealing the real nature of an act of hospitality can lead to serious charges, such as embezzlement.

These guidelines are designed to help Thales employees - no matter what their job family, country or role - decide how to deal with these issues, on a day-to-day basis, both in export and domestic markets. These new guidelines replace all previously published documents issued in the Group in relation to gifts and hospitality and apply to all Thales-controlled entities.
Common courtesies or tokens of appreciation, whether given or received, are generally allowed in the business world as long as they meet certain conditions:

- they are not made with the objective of giving or obtaining a favour, or any undue advantage,
- they do not create a conflict of interest,
- they are made in a strictly professional context,
- they are made in a transparent way.

Gifts and hospitality, if compliant with applicable laws, can take the form of (broad “definition”):

- gifts,
- meals,
- invitations to business events,
- travel,
- entertainment.

Cash payments are prohibited by Thales.
Some rules in these guidelines may or will be supplemented at the local level (whether justified by local regulations, customs or management decisions).

These supplements are indicated by a in the guidelines.
[R 1] Comply with the Regulations

Gifts and hospitality must comply with currently applicable legislation. In each country, laws, court decisions (case law), tax legislation and rules specific to central or local administration bodies can provide additional details (including monetary limits) as to what is acceptable. In some countries gifts and hospitality are unlawful.

Specific information on national legal limits (if any) is available from the relevant Thales country corporate organisation(1).

You can obtain this information from your business unit (management, legal affairs, marketing & sales) or by directly contacting the country corporate organisations.

(1) E.g. Thales USA, Inc. shall be able to inform on the level of gifts and hospitality to American public officials authorised by the law.
[R 2] Be Reasonable

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

Giving Gifts and Hospitality

Gifts and hospitality given must be limited and reasonable in terms of the cultural values and customs of the country involved, and those of the recipient’s company or organisation.

Circumstances are important to take into account to help you make your decision, e.g.:

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

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

Receiving Gifts and Hospitality

Gifts and hospitality received must also be limited and reasonable.

Gifts of a value considered as reasonable can either be shared within Thales (with colleagues, teams), or can be kept by individuals if they are marketing items with the logo of the offering company or organisation.
Gifts of a value exceeding what is defined as reasonable should be **returned with a polite thank you note** and a reminder of Thales’ Code of Ethics. Where refusal of a gift exceeding Thales’ policy might offend, and only in these rare circumstances, the gift should be accepted on behalf of the company, retained by the company, and reported to the country’s ethics officer.

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

You should **refuse** acts of hospitality, e.g. invitations to sporting or other entertainment events, that are **not part of a formal business event**.

As well as for gifts and hospitality given, the Group corporate organisation can supplement lacking official regulations with specific guidance.

In all cases, gifts and hospitality must be received in complete **transparency by informing your direct management**.
[R3] Be Responsible

Each real-life situation is unique.

Neither the framework given by law (if any, see part [R1] of these guidelines) nor the potential guidance given by Thales corporate organisations (see part [R2]) can address all situations.

Indeed, on top of being compliant with existing laws or company guidance, it is often down to individuals to make the final call on the details of a specific and unique situation not covered as such in the law or a broad guidance. Such decisions, and whether individuals are prepared to bear the responsibility and risk to Thales’ reputation, are largely a matter of common sense, but also experience and professionalism.

Therefore, within the limits described in parts [R1] and [R2] of these guidelines, Thales units can, primarily to help less experienced employees, put in place a system of pre or post authorisation of expenses above a certain amount, on the same principle as delegation of authority\(^{(2)}\). Such system is purely a management tool and should be used as such.

\(^{(2)}\) For example, local management could decide that, within the legal/cultural limits specified by Thales corporate organisations, he/she wants to pre-authorize expenses for gifts and hospitality above 100€.
[R 4] Keep Records

Gifts and hospitality should be given transparently and recorded as such.

Generally speaking, all transactions should be documented with full transparency.

When giving gifts and hospitality, the amount spent, the name of the recipient and the description of the item are recorded in the unit’s books and records, as it is the case with other expenses for traceability and administration purposes.

The details of the data recorded in the books might vary depending on local tax rules(3) and other local requirements. Local Thales corporate organisations are responsible for providing guidance on these obligations accordingly.

In addition, depending on the local culture, the country or unit management may also decide to keep specific registers to record all, or some, of the details on the gifts or hospitality given (e.g. above a certain amount).

(3) In France, for example, VAT is recoverable for gifts worth less than €60 per recipient per year, incl. VAT (French general tax code, Appendix 4, Art. 28-DDA).
**[R1] Regulations**
Is your gift or act of hospitality (G&H) allowed by local laws and regulations?

- Yes: **GO**
- No: **STOP**
- Not sure: **ASK**

Follow the legal limits (if any) given by your relevant Thales country corporate organisation.

**[R2] Reasonable**
Does your G&H respect the local culture and customs of the country, company/organisation? Could your G&H be reported in the media with no reputational damage?

- Yes: **GO**
- No: **STOP**
- Not sure: **ASK**

Follow the potential guidance on what is ‘reasonable’ specified by your relevant Thales country corporate organisation.

**[R3] Responsible**
Do you have the experience to decide? Are you allowed to proceed without management pre-approval?

- Yes: **GO**
- No: **STOP**
- Not sure: **ASK**

Follow your potential country or unit management decision to put in place rules on expenses limits with pre or post authorisations.

**[R4] Records**
Proceed and record your transactions transparently.

Follow the legal recording obligations (if any) given by your country corporate organisation, and the decision by your country or unit management to implement specific registers.
When in doubt, do not act alone. Guidance can be found at several levels in the company:

- your direct management and your colleagues,
- the Ethics Officer in your Unit / Country / Division,
- the Legal Director in your Unit / Country / Division,
- the Ethics and Corporate Responsibility Department,
- the Ethics and Corporate Responsibility Committee.

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

Note: You will still be held accountable if you followed an order that you knew was in violation of the law.
No two situations are alike, and these guidelines cannot cover all real-life situations that may unfold.

However, it is always helpful to learn from experienced colleagues. Thales is a major player in an International Chamber of Commerce initiative called RESIST (Resisting Extortion and Solicitations in International Transactions), which is an opportunity for multinational companies from different cultures to share their experience with these types of issues. RESIST has identified and published real-life scenarios. The following examples have been drawn from these scenarios, and should be considered as food for discussion and debate.

How to prevent someone from asking for or giving undue gifts and hospitality

- As early as possible in the relationship with customers or suppliers, highlight the Thales ethics policy by referring to the Thales Code of Ethics when issuing or responding to calls for tender.
In contracts, describe in detail what is included in any *per diem* payment or the equivalent for customer representatives: the number of people covered, for how many days, the amounts involved, transport and accommodation issues, etc. This will avoid any unpleasant surprises. Seek to limit those *per diem* payments to the minimum by having Thales cover most/all the living expenses directly.

Clearly describe in the contract the conditions for acceptance / reception of products and services in order to avoid any pressure, even implicit.

When exporting, use local, well-established freight forwarding companies with a good reputation, who are familiar with local customs and are less likely to be susceptible to any undue pressure.

How to deal with undue gifts and hospitality

Throughout the programme’s execution, remind partners of the strict terms of the contract.

If there are no specific rules in place, politely explain the company’s policy. Refer to the Thales Code of Ethics.

Explain that as individuals, you do not have the authority or the power to honour any request for gifts and hospitality.

Ask your manager for guidance, or ask him or her to handle the issue.

Offer logistical support but refuse to pay for services (for example, help with the appointment for a medical service but do not intervene financially).
If the person insists, ask that the request be made in writing and state that it will be sent to your senior management and of the person making the request for their written approvals.

When exporting, work with other industries in the country to say “no” together – in compliance with antitrust regulations – and exert pressure on local governments and/or professional associations.

Report any incidents to the local customer and to your management if requests for facilitation payments delay service or product delivery.

Refuse politely but firmly a gift outside of Thales’ rules, and remind the supplier of Thales’ Code of Ethics, and justify it by the will to maintain a business relationship free of indebtedness.

When in doubt, do not act alone, in haste or under pressure. Speak out, share, and ask for guidance from colleagues, senior management, legal directors and ethics officers.

All of the RESIST scenarios can be found on the Ethics and Corporate Responsibility Department’s intranet site: □ http://intranet.corp.thales/ethics
> Documents of reference
WHEN IN DOUBT
speak out, share, and ask for advice.

Comply with the REGULATIONS
Comply with limits set by local laws and regulations.

Be REASONABLE
Respect the local culture and customs of each country, company and organisation. Do the “newspaper test”.

Be RESPONSIBLE
Act within the limits of your authority and use common sense.

Keep RECORDS
Record expenses transparently, and keep specific registers when local legal requirements or management decisions require this.

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