

◀THALES NEDERLAND B.V.▶

## 2015 Value Report



## COLOFON

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The 2015 Value Report illustrates Thales Nederland B.V.'s ability to create value as well as commitments and actions in a number of areas of corporate social responsibility, including but not limited to the measures in place to ensure compliance. The Annual Report 2015 of Thales Nederland B.V. has been deposited with the Chamber of Commerce and can be requested via the appropriate channels.

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## VOORWOORD

Voor je ligt het eerste maatschappelijk jaarverslag van Thales Nederland B.V. Dit rapport is onderdeel van onze inspanningen om de transparantie van onze organisatie te verbeteren en heeft als doel inzicht te verschaffen in de wijze waarop wij waarde creëren en een bijdrage leveren aan een veilige samenleving (zie pagina 22 voor ons waardecreatiemodel). Met dit rapport zetten we een volgende stap naar een continue dialoog met onze stakeholders en een duurzame bedrijfsstrategie. Voorop lopen in technologische ontwikkeling is voor een hightech bedrijf als Thales cruciaal. Dat voorop lopen kunnen we niet alleen. Ook om beter samen te kunnen werken met onze partners helpt transparantie en duidelijkheid over onze doelstellingen en ambities.

In het verleden hebben we financiële, sociale en milieurapportages opgesteld. Daarnaast publiceert ons moederbedrijf, de Thales Groep, jaarlijks een corporate responsibility rapport, wat vanzelfsprekend van toepassing is op de wijze waarop we in Nederland ons bedrijf runnen. Desalniettemin achten wij het van groot belang om met onze collega's, klanten, leveranciers, partners en alle andere belanghebbenden te delen wat we doen in Nederland, maar bovenal hoe we dat doen. Wij hebben eerlijk, ethisch en maatschappelijk verantwoord zaken doen zeer hoog in het vaandel staan en willen zo transparant mogelijk zijn over de manier waarop wij waarde creëren, voor onszelf en voor onze omgeving.

Als producent van hightech systemen in de defensie markt spelen wij en onze producten een belangrijke rol in de nationale veiligheid van Nederland en van landen daarbuiten. Dat betekent dat bepaalde onderwerpen worden geclassificeerd als geheim en wij daar niet over rapporteren. Ons uitgangspunt bij al onze communicatie is dan ook transparant waar het kan, geheim waar het moet.

Uiteraard verdient onze strategische relatie met en afhankelijkheid van de Nederlandse krijgsmacht, en in het bijzonder de Koninklijke Marine als launching customer van onze radartechnologie, een vermelding in deze introductie. Door de jaren heen is de samenwerking tussen overheid, kennisinstellingen en de industrie ("de gouden driehoek") de motor voor ons technologisch succes gebleken en vormt daarmee een belangrijke bijdrage aan onze successen op de exportmarkt. Alleen door in de Nederlandse context samen te werken, zijn onze oplossingen op technologie en in prijs/kwaliteit verhouding ongeëvenaard op wereldniveau.

De lange gebruiksduur van onze systemen, exponentiële en disruptieve technologische innovatie en de continue veranderende dreigingen in de wereld om ons heen, maken technologieontwikkeling zeer complex en het risico voor alle betrokkenen groot. Alleen door als overheid, kennisinstellingen en industrie samen dit risico te dragen en samen te werken, kunnen wij onze rol blijven spelen in het waarborgen van de veiligheid van onze open samenleving.

De afgelopen jaren is ons bedrijf enorm veranderd. Onze waardeketen en klantenkring is nog nooit zo nauw onderling verbonden en internationaal geweest. Ons succes is afhankelijk van een veelheid aan grote en kleine partijen in binnen- en buitenland. De meest zichtbare verandering heeft plaatsgevonden op ons hoofdkantoor in Hengelo. In 2014 hebben we ons High Tech Systems Park (HTSP) in gebruik genomen, een open werkomgeving waarin samenwerken met andere partijen en flexibiliteit centraal staan. Met het letterlijk neerhalen van de hekken stellen wij ons open op: een onderneming die met een nieuwsgierige blik naar zijn omgeving kijkt en die de buitenwereld met open armen ontvangt. Het breed vertellen van ons verhaal en inzichtelijk maken van hoe wij waarde creëren is een logische volgende stap, waaraan we de afgelopen anderhalf jaar hebben gewerkt.

Ik weet ook dat we er nog niet zijn. In 2015 zijn we begonnen met het ontwikkelen van een maatschappelijke rapportage gebaseerd op onze bedrijfsdoelstellingen. We hebben een interne materialiteitsanalyse uitgevoerd en aan de hand daarvan kernthema's geïdentificeerd, waarover we binnen dit rapport voor het eerst aan de buitenwereld rapporteren. Uiteraard staan innovatie, samenwerken en veiligheid daarin centraal. Dit rapport biedt zowel een 0-meting als een stip aan de horizon. In de komende maanden zullen we namelijk een aantal kernthema's met bijbehorende doelstellingen nader uitwerken; en op sommige gebieden hebben we nog (grote) stappen te zetten.

We hebben hoge ambities. Net als op onze technologie, willen we ook op het gebied van maatschappelijk verantwoord ondernemen vooroplopen, in Nederland en binnen onze Groep. We willen onze sociaaleconomische impact inzichtelijk maken en vergroten, onze milieu impact zo veel mogelijk inperken en zowel intern (door onze collega's) als extern (door o.a. onze klanten, leveranciers, partners en de maatschappij) gezien worden als de waardevolle speler in het maatschappelijk veld in Nederland die we zijn. Dit jaar doen we voor het eerst mee aan de Transparantiebenchmark van het Ministerie van Economische Zaken. Onze score is op dit moment nog niet bekend, maar ook hier streven we naar de top. Daartoe zullen we allereerst toewerken naar één geïntegreerde rapportage in het volgende jaar en gaan we daarnaast hard aan de slag om onze waardecreatie echt inzichtelijk te maken, bijvoorbeeld door het introduceren van "security+" oplossingen, waarover later meer.

Ik wens u veel leesplezier toe. Bij vragen, opmerkingen of verbeter suggesties bij dit rapport kunt u zich richten tot onze afdeling communicatie: [info@nl.thalesgroup.com](mailto:info@nl.thalesgroup.com).



Gerben Edelijn

**CEO Thales Nederland B.V.**

## PREFACE

It is my pleasure to present the first value report of Thales Nederland B.V. This report is the next step to improve the visibility of our organisation and aims at providing insight into to way we create value and contribute to a safer society (see page 22 for our value creation model). With this report, we have set another step towards a continuous dialogue with our stakeholders and a sustainable business strategy. Being a front runner in technological development is key for a high tech company as Thales. Yet, we cannot stay up front all by ourselves. Transparency and clarity on our goals and ambitions enables better cooperation with our partners.

In the past we reported on financial, social and environmental aspects. The Thales Group also publishes a yearly corporate responsibility report, which obviously applies to how we run our business in the Netherlands. Nevertheless, we find it of utmost importance to share with our colleagues, customers, suppliers, partners and all other stakeholders what kind of business we operate in the Netherlands, but more important, how we manage our business. Doing business fairly, ethically and socially responsible is our highest priority and we want to be as transparent as possible on the way we create value, for ourselves and our community.

As producer of high tech systems in the defense market, we and our solutions play an important role when it comes to national security. This entails that some topics are classified as secret/confidential. The basic principle for all our communication is therefore transparent wherever possible, confidential wherever necessary.

Our strategic relationship with and dependence on the Netherlands armed forces, especially the Royal Netherlands Navy (RNLN) as launching customer for our radar technology, clearly deserves to be mentioned in this introduction. Over the years, the cooperation between government, knowledge institutes and industry ("the golden triangle") has proven to be the driver of our technological success, and hence strongly contributes to our performance on the export market. Only by working together in this context, can our solutions be globally unequalled when it comes to technology and value for money.

The long life cycle of our systems, exponential and disruptive technological innovation and continuously changing security threats make technology development highly complex. Only by sharing the risks between government, knowledge institutes and industry, can we continue to play our part in the safety and security of our open society.

Our company has fundamentally changed. Our value chain and customers have never been more interdependent and international. Our success depends on an array of big and small partners nationally and internationally. The most visible change has taken place at our head office in Hengelo. In 2014 we opened our High Tech Systems Park (HTSP), an open working environment where cooperation and flexibility are at the heart. With literally tearing down the fences we have opened up: an enterprise with a helicopter view on its surroundings that invites the world with open arms. Broadly sharing our story and providing insight into how we create value is a logical next step, a step we have been preparing over the last year and a half.

I know we are not there yet. We started with developing a social report, based on our companies goals, in 2015. We have performed an internal materiality analysis and consequently identified key themes on which to report to the outside world (for the very first time); innovation, cooperation and security are the core thereof. This report both embodies a baseline and a dot on the horizon. Over the coming months, we will further detail a number of key themes and corresponding goals; for some themes, we still have (many) steps to take.

Our ambition is high. Just as with our technology, we want to be a front runner when it comes to corporate social responsibility. In the Netherlands, and within our Group. We want to make visible and improve our socioeconomic impact, limit our environmental footprint as much as possible and be seen internally (by our colleagues) and externally (by our customers, suppliers, partners and society) as the valuable contributor to society we are. This year we are, for the first time, participating in the Transparency Benchmark of the Dutch Ministry of Economic Affairs. Our score is not known yet, but also here we strive for the top. To that end we will work towards one integrated report in the coming year and continue to really make tangible the value we create, for example via introducing "security+" solutions (on which more will be shared later in this report).

I wish you a good read. If you have any questions, remarks or suggestions for improvement in relation to this report, you can contact our communications department: [info@nl.thalesgroup.com](mailto:info@nl.thalesgroup.com)

Gerben Edelijin

**CEO Thales Nederland B.V.**



## STATEMENT OF THE MANAGEMENT TEAM

The management team of Thales Nederland B.V. takes full ownership of and responsibility for the integrity of this report. This report was written by a dedicated team of our employees, representing different disciplines within our company, and abiding by the Integrated Reporting <IR> Standard. The basis of this report lies in our business strategy and the outcomes of the internal materiality analysis (a consultation with numerous internal stakeholders), on the basis of which key themes with corresponding Key Performance Indicators (KPI) were identified, which in their turn provide the backbone of this report. We have endorsed the key themes and KPI's, as such stressing their importance. We realise that publishing this report comes with a responsibility. A responsibility to progress; a responsibility to deliver results; a responsibility to steer our company and our colleagues on more than financial performance. We embrace this responsibility and confirm the importance of sharing with all our stakeholders the value we create in a broader sense.

### Thales Nederland Management Team



**Lukas Roffel (CTO):** Innovation is key in continuously developing our economy and our society. With the security challenges we face today, but also in for example health care, we need better, faster and more secure systems and applications to handle all the data available and support timely decision making. We continuously invest in technologies that will help us to take critical decisions when facing the challenges of the future.



**John Alfrink (Sales Director):** we can never operate on our own. Together with our customers and numerous partners, such as shipyards and other high tech companies, we develop the best solutions for a specific need. We work together closely, thereby sharing our knowledge and using the expertise of others.



**Geke Kooij (HR Director):** our people are at the heart of everything we do. Together with our partners, we develop and create solutions to the world's most complex challenges. These solutions originate from the minds of people, in working together with colleagues as well as partners and that is why we invest in our people and technology education in society at large.



**Saskia Hazebroek (Legal Director):** the majority of the solutions we develop and produce are of strategic value and thus subjected to strict regulations and controls. With a strong management system in place, we train our people to play their role in safeguarding that processes are adhered to and controls are in place.



**Renaud Mesple-Lasalle (Director Operations):** Every year, we buy components and subsystems worth approximately 200M€ euro globally. Sourcing responsibly is thus a huge, yet important, challenge.



**Job van Harmelen (Director Communications):** we need to listen and look outside and respond in an agile manner to the challenges our global market, digitisation, technology & talent development have in store for us. Value reporting will help us better understand our role in the security of societies and sustainable global economic development. We are all connected, and we need to make it work, together.

## HOW WE REPORT ON OUR RESPONSIBILITY

At Thales Nederland B.V., we recognize our responsibility for the societies in which we operate and take it seriously. We do not only aim at generating profit, but specifically at creating value for our stakeholders at large. We were founded in 1922 with the aim of helping to protect the Netherlands against security threats. Our knowledge and solutions were deemed of so much strategic value that we were (briefly) nationalised after the second World War. Although we have been a private company for decades, we continue to work side by side with our government to make the Netherlands safer.

The socioeconomic relevance of our company and our activities is not only reflected in our history. It is an inherent part of today's general ambition too: we want to be the largest contributor to safety and security and the most attractive employer in the high tech sector in the Netherlands. Through our innovations and solutions, we make societies safer and more resilient. A necessity given today's vulnerable security environment wherein everything is connected and nothing is certain. We help our customers in protecting society by providing them with smart solutions that gather the right information, enabling them to take the right decision at the right time, as such preventing security incidents. We make our planet safer.

Especially in the Netherlands, the demand for technical skills is high, yet there is a growing shortage of technically skilled people. This poses a risk, not only for us, but for society as a whole. With our future becoming more digital and more complex, we need people with the knowledge and abilities to invent, understand and work with new and future technologies. By investing in human capital, inside and outside our company, we build (technical) capacities and strengthen (technical) knowledge within our communities. We make people smarter.

Our ambition is supported by our core values. We do business fairly, ethically and responsibly and endorse the principles of the Global Compact by the United Nations in relation to human rights, labour conditions, protection of the environment and combatting corruption.

Given that the socioeconomic aspects of doing business are an inherent part of our overall ambition and strategy, we do not have a separate Corporate Social Responsibility (CSR) policy in place. CSR is part of everything we do and is incorporated into our policies and processes. For example: our Human Resources (HR) department is responsible for human capital development, our Health, Safety and Environment (HSE) organisation continuously tracks and aims to improve our environmental performance and our engineers are continuously looking for new answers to real security challenges.

The purpose of this report is to share with our stakeholders the value we create, as well as our performance on financial, socioeconomic and environmental aspects. For the report to be of interest to our stakeholders, it is crucial to determine and understand what is relevant and significant to them (materiality analysis). Once there is understanding on what is relevant and significant, it also becomes clear on what topics our stakeholders would want information and thus what the building blocks of a report should be, thereby taking into consideration the principles and criteria of the Integrated Reporting <IR> standard of the International Integrated Reporting Council (IIRC), the Transparency Benchmark of the Netherlands Ministry of Economic Affairs, and the OECD guidelines for multinational enterprises.

<sup>1</sup> For more information, see: <http://integratedreporting.org/>

<sup>2</sup> For more information, see: <https://www.transparantiebenchmark.nl/en>

<sup>3</sup> For more information, see: <http://mneguidelines.oecd.org/text/>

To determine what is significant and relevant, we have started with an internal materiality analysis, discussing with different stakeholders within our company (the management team, HR, Sales, the Technical Directorate, Purchasing, Legal and export control, Quality, HSE, Security, the Central Works Council, Communications and representatives of the Group's Corporate Responsibility Department) what the issues are that matter to us most. All stakeholders were involved via face-to-face discussions, either in small groups or on a one-on-one basis. During these discussions, the stakeholders involved were informed of the methodology chosen (materiality analysis, integrated reporting) and were asked what topics/issues were deemed most important to them and our company. Based on the inputs, a draft list of material issues was made and again shared with the different stakeholders for additional input and validation.

A next step is having such conversations with our external stakeholders in order to come to a complete and more detailed materiality analysis. Anyone interested in participating in this stakeholder dialogue after reading this report is invited to our communications department.

Based on our internal materiality analysis, we have identified the following topics as material:

- Creating shared value through innovation & partnerships**
- Talent attraction, retention & development**
- Secure, safe & inclusive organisation**
- Environmental impact & responsible sourcing**
- Compliance & business ethics**

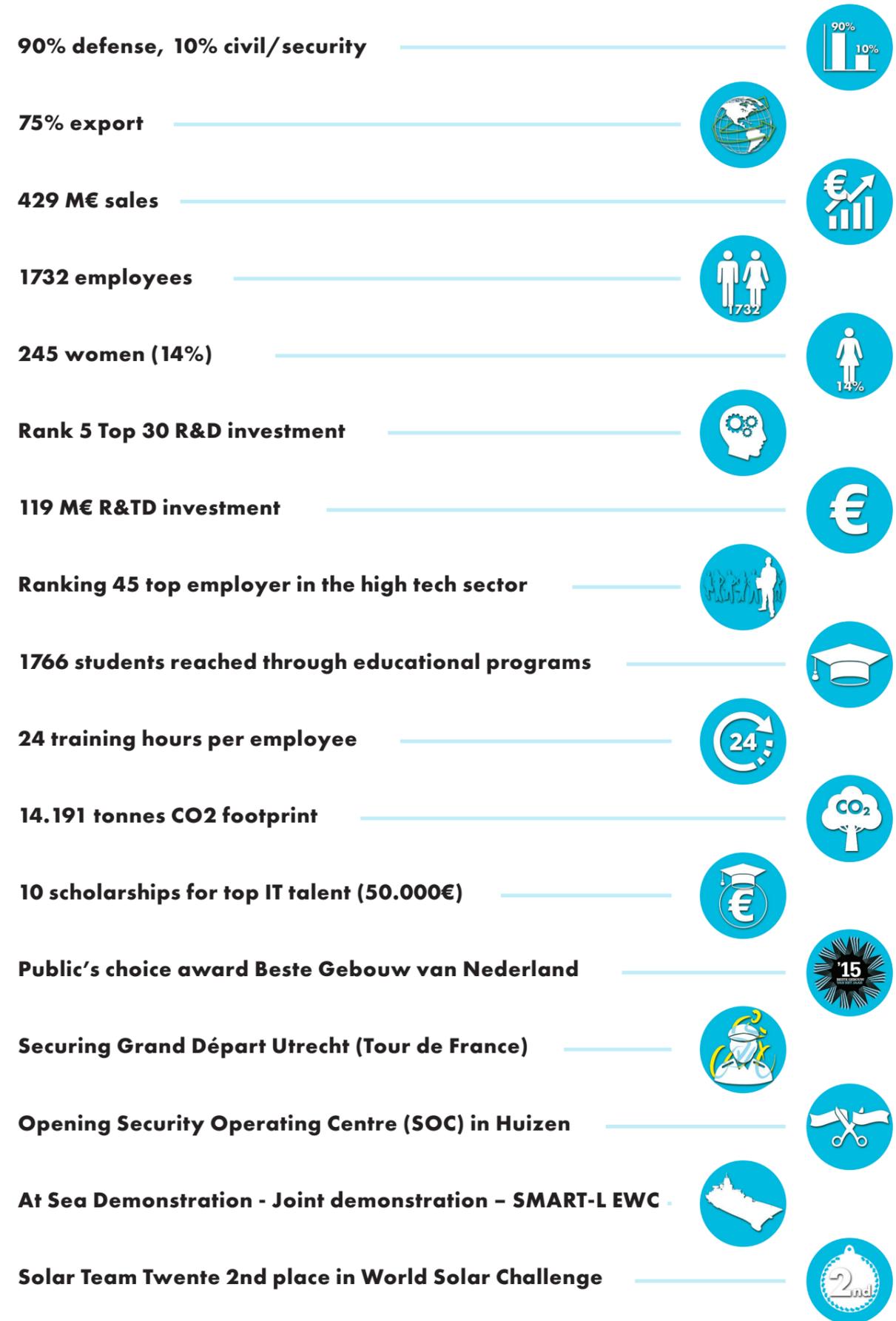
These topics cover the economic, social and environmental aspects of our business activities and provide the basis for this report, which covers the period of 1 January 2015 to 31 December 2015. For the purpose of actually measuring performance on these aspects, each topic is supported by (KPI's). The goals and targets described in this report are valid for Thales Nederland B.V. only and cannot be equally applied to the performance of the Thales Group or other Thales companies. The Corporate Responsibility Report of the Thales Group<sup>4</sup> also applies to Thales Nederland BV.

This is our first report. The aim is to provide a concise and objective view, focussing on the most relevant topics and issues for our company and our stakeholders. The report is by no means meant to be complete. We recognize that it is not perfect and with it we initiate a learning process. Over the coming years, we will improve our reporting methodology and work towards a true "integrated" annual report, as such ending separate reporting on our financial performance and socioeconomic impact. For now, key figures of the Financial Report 2015 of Thales Nederland B.V. are included in this report.

The data in this report has not been verified externally, unless indicated otherwise.

<sup>4</sup> Link to report to be added after publication

## 2015 HIGHLIGHTS



107 internships

61 graduates

90 new recruits



## OUR COMPANY: A HIGH TECH SAFETY AND SECURITY COMPANY

### General information

Thales Nederland B.V. is a hightech electronics company in the Netherlands that delivers solutions wherever safety and security are critical. In the Netherlands we develop, manufacture and integrate radar-, command and control-, communications- and cryogenic solutions and services for the aerospace, space, transportation, defense and (cyber) security markets.

We have 1732 employees (average number in 2015) working at our sites in Hengelo, Huizen (Thales Transportation Systems B.V.), Delft, Enschede and Eindhoven (Thales Cryogenics B.V.). In addition to our own sites, we are present on site with the RNLN at Den Helder, the Royal Netherlands Airforce (RNLAf) at Woensdrecht and the Royal Netherlands Army in Amersfoort.

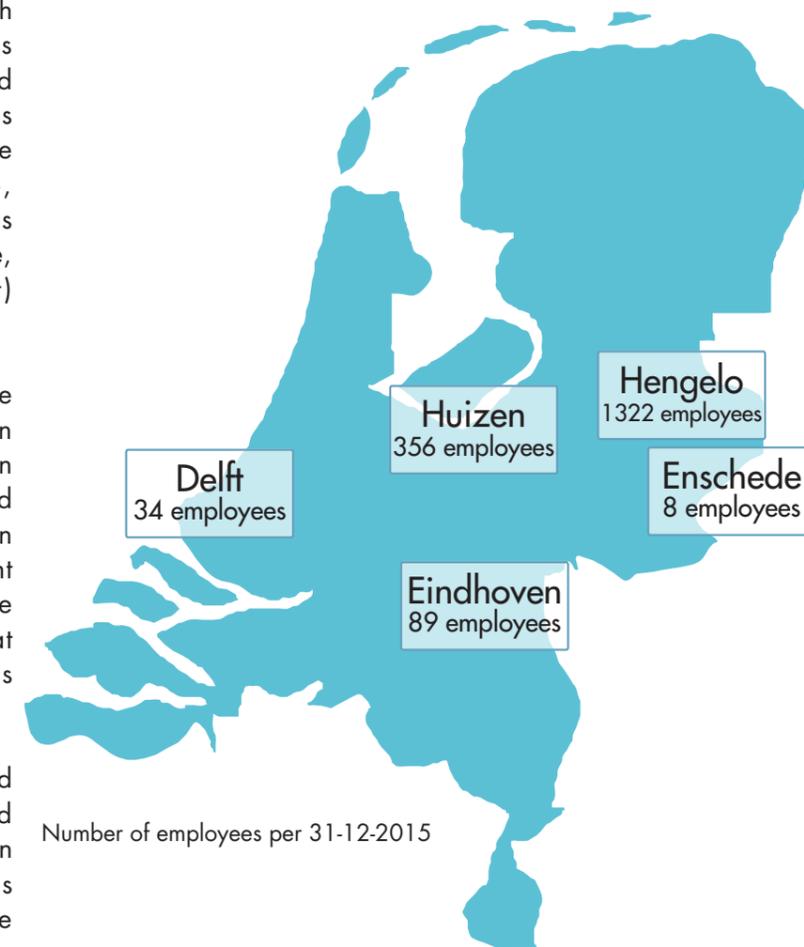
Our Netherlands head office is located in Hengelo. In Hengelo we develop and manufacture radar technology, mission management systems and systems integration for naval ships and life-cycle services. Our Hengelo site also houses a Group Competence Centre for the production of Printed Circuit Boards as well as several test facilities for signal and environmental testing.

In Huizen we focus on integrated communication systems and networks, cyber security, e-ticketing and 24/7 monitoring and control systems. In Eindhoven, we develop and produce cryogenic cooling systems for several applications, such as infrared cameras and satellites, and lithium batteries. The lab in Delft is built near the Technical University of Delft and specialises in the research of radar technology. The lab in Enschede is located at the University of Twente and specialises in 'serious gaming'.

Our 2015 sales was 429 M€, with a defense-security ratio of approximately 90-10% and an export level of 75%. We invested 119 M€ in Research & Technology Development(R&TD).

Thales Nederland B.V. is part of the Thales Group, active in 56 countries with 62.000 employees worldwide, and with an annual sales of 14 billion in 2015. The headquarters of the Group is located in Paris, France.

The Kingdom of the Netherlands holds 1% of the shares of Thales Nederland B.V.



Number of employees per 31-12-2015

## OUR ENVIRONMENT: TRENDS, CHALLENGES AND OPPORTUNITIES

After 30 years of reduction of domestic spending in safety and security in the Netherlands, we see a careful reverse of that trend. Although this is promising for the future, difficult choices will continue to need to be made in the Netherlands. For 2016, decision-making on the replacement of the Walrus Class submarines, M-Frigates and Minehunters are on the agenda of the RNLN.

On the export market, decreasing oil prices, regional instability and cross-border security threats have in general led to postponement of decisions to procure new naval ships (although defense spending in general has risen in certain regions, such as the Middle East, but have been allocated to other activities). Projects on the naval market that have been successful were part of larger government to government (G2G) deals or part of domestic investments in national industries.

The postponement of investments had an effect on our business. At the end of 2015, we announced to temporarily reduce the staff in our Hengelo organisation with 200 FTE. This temporary reduction is to be realised in 2016 and 2017. Our aim is to avoid forced redundancies, amongst others by offering temporary assignments at other companies in the region or within the Thales Group.

The postponement of purchasing of new ships did however slowly increase the demand for after sales and lifecycle services for existing naval ships. We therefore do see opportunities to increase our activities in the services domain.

An increasing demand for local partnership with our export customers will expand our international value chain and at the same time increase our R&TD activities in the Netherlands. Co-development with not only our domestic customer, but also with other customers around the world will provide new opportunities but also challenges when it comes to managing our value chain in a responsible and profitable manner.

Integrated systems require (cyber) security, regardless of the sector. Simultaneous connectivity across all the platforms (i.e. different kinds of ships, vehicles, aircraft etc.) of our customers offer opportunities, such as increased situational awareness and better cooperation, but also increases the need for the (cyber) security of both our systems and our physical premises. Balancing the ability to work together while providing the highest level of security is a challenge for both our customers and our industry.

In general, a number of more mature customers are shifting towards optimising lifecycle performance and cost and are moving away from the more traditional purchasing model of buying an end-product. Increased transversal cooperation with our customers offers significant opportunities in sales, services and maintenance. This trend towards buying operational availability, or a managed service, is seen in both the defense and the security markets, whereas the concepts of operational availability, lifecycle performance and costing are perhaps most mature in the transportation sector.

Across industries, stakeholders including government, NGO's, political parties and the general public, demand businesses to be more transparent on their activities and to report on their performance on specific CSR issues, such as human rights, responsible sourcing, environmental impact and community engagement. Moreover, industries are called upon to take action on these specific issues and to start initiatives for self-regulation. Transparency therein is key; more and more business are developing in-depth reporting mechanisms for giving insight in their performance on financial, socioeconomic and environmental aspects. For our strategic activities within the defense and security sector this demand is no different, yet sometimes very challenging to answer due to the international and confidential nature of our business.

Our industry is driven by having the best talent available in our company and in our domestic educational system. Not only technical skills, but also the ability to work together in a international and culturally diverse context and making the change from a lifetime employer to a more flexible career path requires significant attention across our industry. With an average age of 48, many of our predominantly male colleagues will retire in the next 10 years. We need to attract the best of the best and facilitate a diverse pool of talent them to excel in our environment. Attracting, developing and maintaining the best talent is detrimental to our success.

## OUR AMBITION AND STRATEGY: THE LARGEST CONTRIBUTOR TO SAFETY AND SECURITY

### Our Group's mission

In a world that is increasingly mobile, interconnected and interdependent, the security of people and goods, infrastructure and nations depends on leaders and organisations and their ability to decide and act in a timely fashion and obtain the best outcomes. In the markets that Thales serves - defense, security, space, aerospace and ground transportation - these decisions are often of critical importance. Navy, army and air force commanders, as well as air traffic controllers, policy makers and infrastructure operators, face these critical decisions and need full, relevant and reliable information to understand the situation and make the right choices.

Our role is to assist our customers in making these decisions by providing the tools and technologies they need to gather, process and distribute information, helping them to understand complex situations so they can decide and act in a timely fashion and obtain the best outcomes. This understanding of the critical decision chain underpins our innovation and technological developments in areas such as large scale software-driven systems, secure communications, sensors (radar, sonar, optical), supervision, on board electronics, satellites and systems integration. These technologies and capabilities, and the central role of human factors in critical decision-making, are common to all our activities. The Group's employees constantly need to develop their skills to stay ahead in these areas.

Wherever safety and security are critical, we deliver. Together, we innovate with our customers to build smart solutions. Everywhere. We serve our customers optimally, offering total solutions covering the entire life cycle at a competitive price level. We build long term and continuous relationships based on an end-to-end approach; high customer satisfaction during every phase of the customer cycle is our top priority.

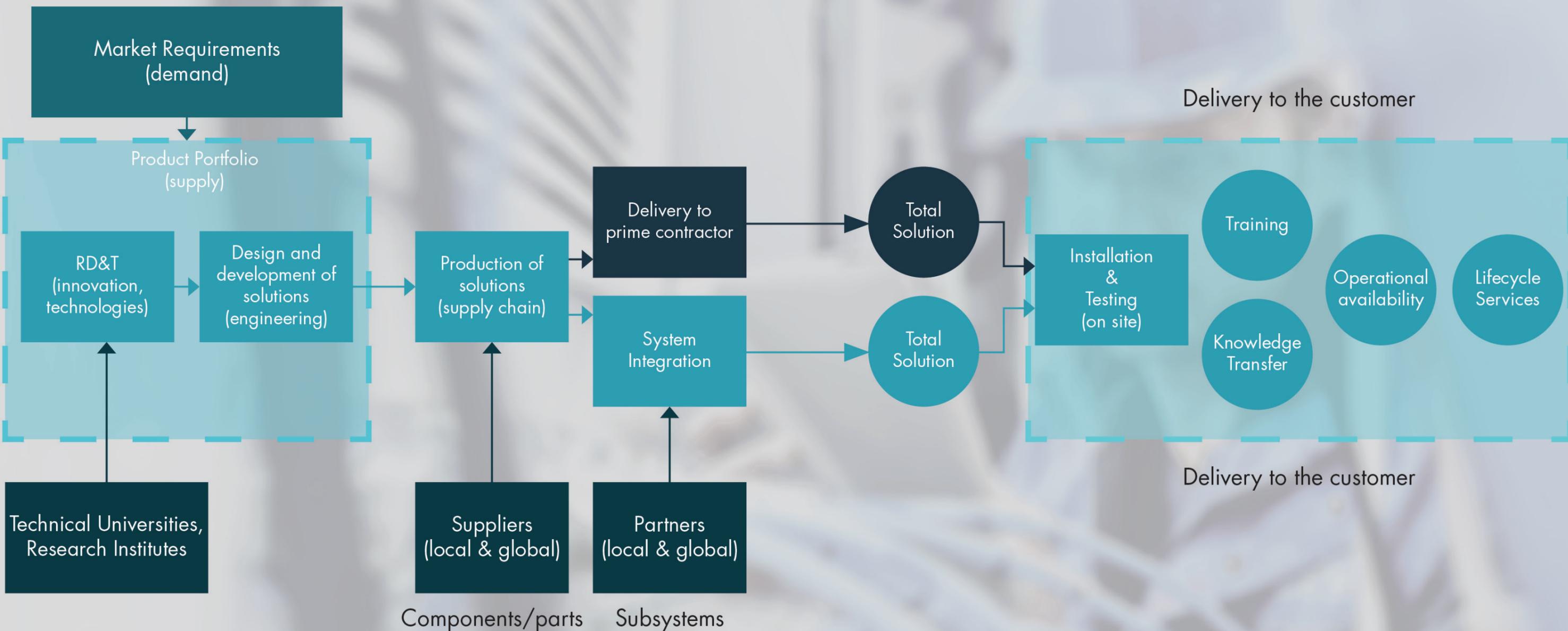
We are the largest safety and security company in the Netherlands with a leading role in the defense market. Our aim is to grow this leading role, when it comes to safety and security in the Netherlands, to the civil domain, hereby focusing on critical infrastructures in energy, transport and (smart) city environments.

Globally, we contribute to international safety and security by delivering integrated solutions to our international partners and customers. We want to strengthen our position as market leader worldwide in our domains, and consolidate our reputation as centre of excellence amongst our customers and competitors. Within the Thales Group, we want to continue to be recognised for our leading position in naval systems integration, naval sensors and communications systems.

Our strategy is to work together within the different ecosystems to develop leading integrated mission solutions that enable our customers to maintain their lead when it comes to innovative high quality and economically affordable secure systems that increase sustainability, flexibility and configurability over time.

As systems are becoming more and more integrated and connected and vulnerable to cyber security threats, our aim is to sustain our Group's leading role in cyber security as an integrated part of all our solutions, ensuring they are impermeable and thus protecting their integrity. Given the increasing demand for secure, integrated and complex systems for managing and protecting critical infrastructures in (semi) public environments, such as energy, health and smart cities, we build on our existing capabilities, continue to innovate and develop new security solutions for meeting this demand in the civil domain. We want to be the largest contributor to safety and security in the Netherlands.

For innovation to flourish, we continuously invest in our people and environment. We need the brightest technical talents and offer them an open and inspiring environment to enhance creativity and foster new ideas. In order to support our growth ambition, we want to be the most attractive high tech company in the safety and security sector. Diversity is key: teams consisting of professionals with different characteristics, backgrounds, competencies and experience will be more able to challenge the status quo. Although diversity entails much more than gender, we specifically work at a better gender balance within our entire organisation.



**OUR INTERNATIONAL VALUE CHAIN:  
GLOBAL PRESENCE, GLOBAL PARTNERSHIPS**

The model above globally describes our business model; for specific market segments, solutions or customers it may look different, but for the purpose of this report we have carved out the biggest common denominators resulting in a model that is about right for more than 80% of our business activities. In the coming year, we will further refine this model.

From left to right, it starts by defining our product portfolio based on the requirements of our markets, the customer and technologies (soon to be) available. In R&TD, we work together closely with technical universities and research institutes, usually in the field of radar development. In the production phase, we source many of the components and parts from a large array of suppliers, locally and globally, such as Benchmark, Norma, Kontron, Aselsan and Sanmina. On a yearly basis, our purchasing volume covers 200-250 M€. See the world chart on page 20 for an overview of our purchasing volume in 2015 per region.

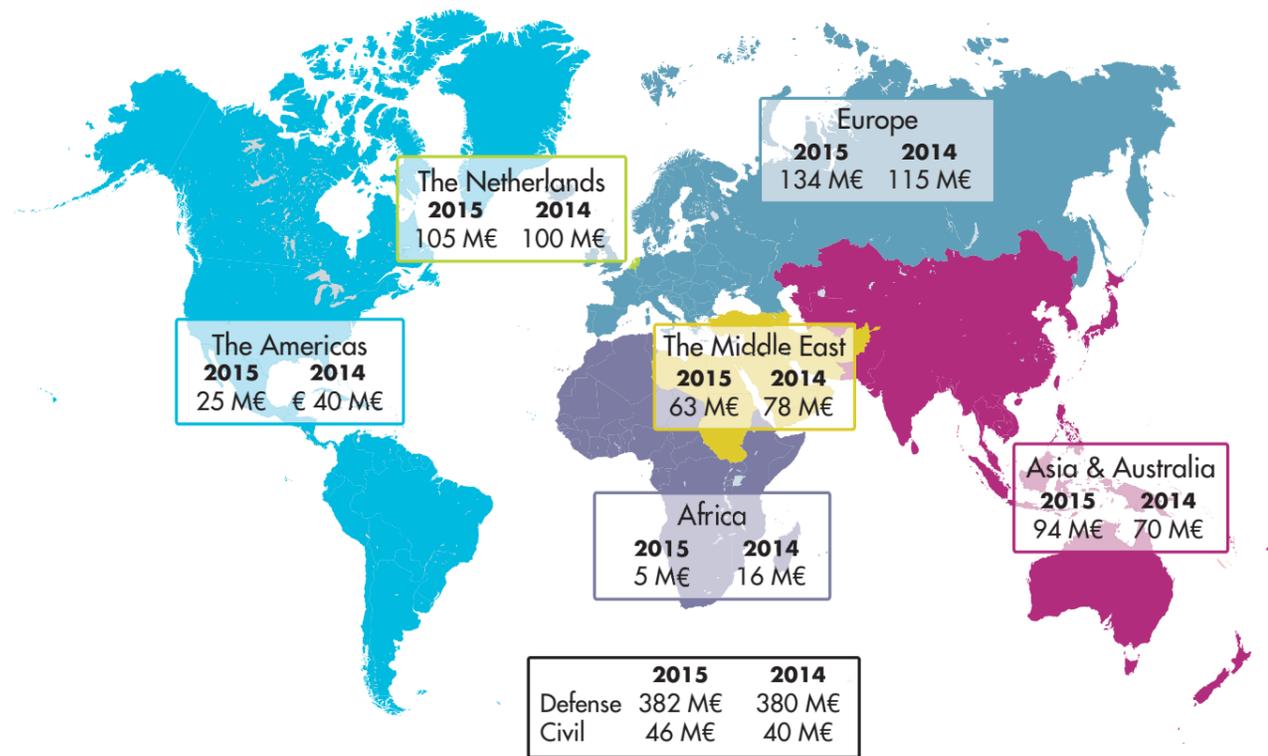
Depending on our own position within a certain customer program, we either deliver our solution to the prime contractor, for example another Thales company or a shipyard such as the Damen Shipyards Group, or we integrate subsystems (such as a camera system or an effector) into our solution, building a total solution for the customer together with partners such as Unica and Otomelara. When the total solution is complete, it is to be installed and tested on the platform

(a ship, rail network, aircraft etc.) of the customer. Usually we do this on site, meaning that our engineers travel around the globe (from the Americas to Asia, from the Nordics to Africa), work with many different cultures (European, American, Latin, Asian, Arab etc.) and under many different circumstances (at sea, in cities, on a shipyard, in the desert etc.). See the world chart on page 20 for an overview of our sales in 2015 per region.

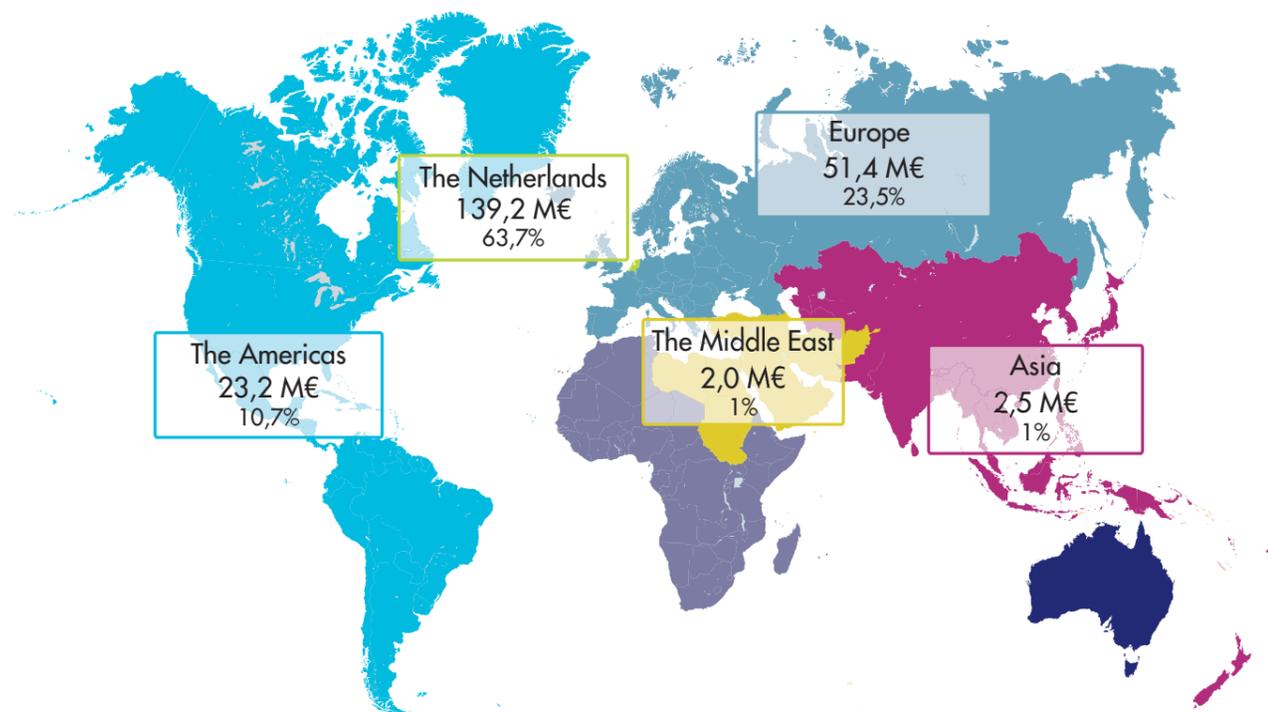
Given the complex nature of our solutions, it requires specific knowledge and expertise to operate them. Therefore, we include training and knowledge transfer in our contracts and help our customers build their own capabilities.

Once the system is up and running, we guarantee operational availability and offer life cycle services, such as repair and (predictive) maintenance but also (software) updates in order to maintain the technical superiority of our solutions, in line with rapid technological developments.

### Sales per region



### Purchasing volume per region



### OUR VALUE CREATION MODEL: TOGETHER WE INNOVATE

For the purpose of this report and based on the model embodied in the <IR> standard, we have developed the value creation model on the next page. This model will help decision makers in our organisation balance different kinds of capital and, as such, create value for the short, medium and long term.

We distinct six forms of capital that serve as input and outcome of our business activities; the capitals can increase, decrease or transform due to how we use them. In line with the <IR> standard, we define the capitals as follows:

**Financial:** the pool of funds that is available to an organisation for use in the production of goods or the provision of services, obtained through financing, such as debt, equity or grants, or generated through operations or investments.

**Manufactured:** manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including buildings, equipment and infrastructure (such as roads, ports, bridges, and waste and water treatment plants).

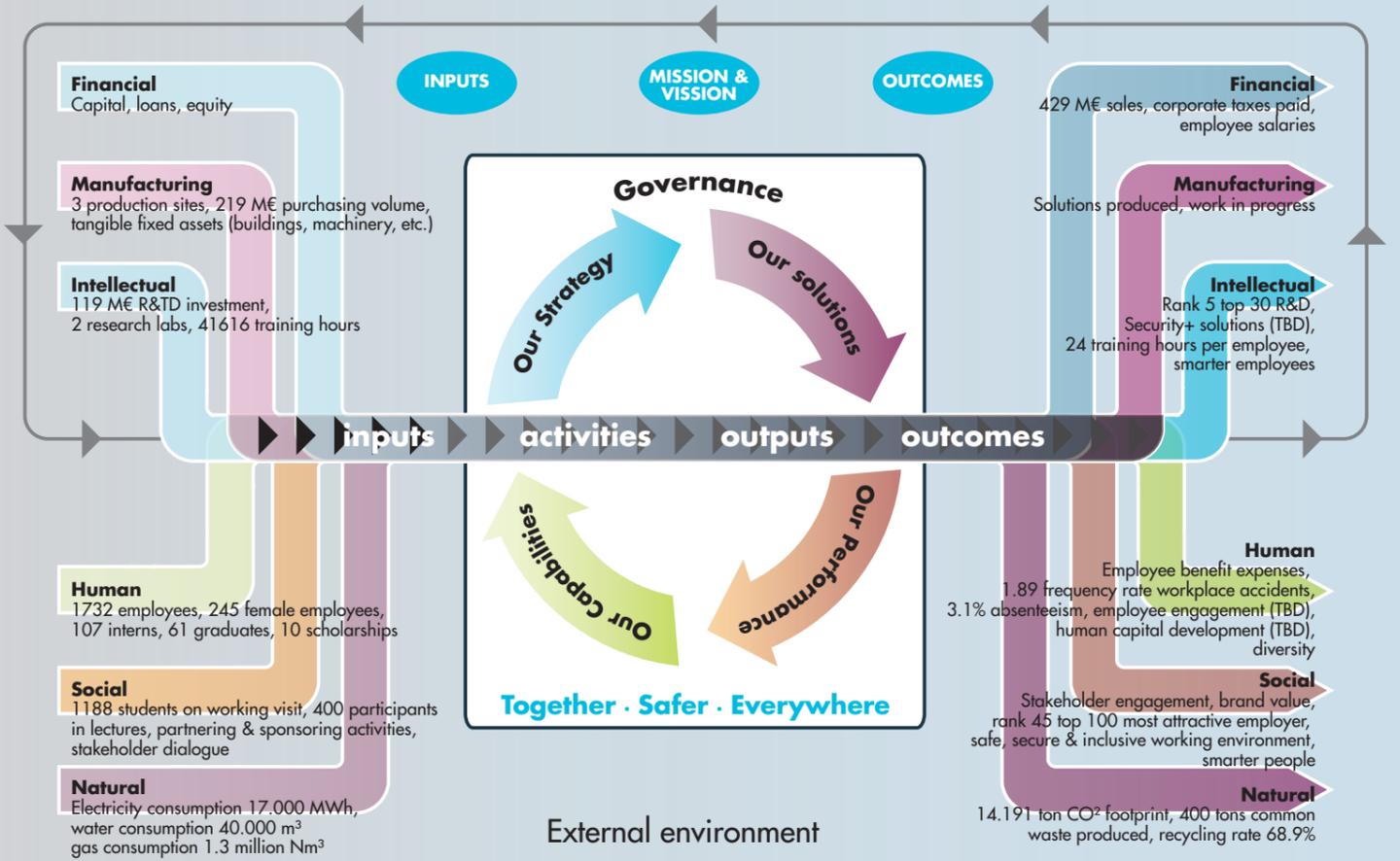
**Intellectual:** organisational, knowledge-based intangibles, including intellectual property, such as patents, copyrights, software, rights and licences, "organisational capital" such as tacit knowledge, systems, procedures and protocols.

**Human:** people's competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for an organisation's governance framework, risk management approach, and ethical values, ability to understand, develop and implement an organisation's strategy, loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.

**Social:** the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes: shared norms, and common values and behaviours, key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders, intangibles associated with the brand and reputation that an organisation has developed, and an organisation's social licence to operate.

**Natural:** all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. It includes: air, water, land, minerals and forests and biodiversity and eco-system health.

The inputs and outcomes as shown in the model above correspond to the material issues as embodied in this report and our performance in 2015 per material issue (to be described in the next chapter). Since several of the methodologies for measuring the value we create are still under development, the model on the next page is not complete yet. In the coming year, we will further refine and substantiate what the different capitals concretely mean to us and how and to what extent the capitals are decreased, increased or transformed via our business activities.



### SMART-L EWC

The SMART-L EWC continues to build upon the success of the SMART-L and S1850 radar which is currently operational with the Dutch, Danish, German, French, British, Italian and South Korean Navies.

2015 marks the year of the 2015 At Sea Demonstration<sup>1</sup> of the SMART-L demonstrator with Early Warning Capability. The ability of the SMART-L to act as long range air surveillance radar as well as to demonstrate its capability to detect and track a ballistic missile at a distance of up to 2000 kilometres, make the SMART-L EWC radar unique in the world.

The early warning capability provides for added security in ballistic missile defence scenarios. The ability to track the launch of a missile at an early stage of its flight allows for minutes of additional time to respond. The modular technology improves the serviceability of the system and internal redundancy. The two SMART-L EWC radars for the RNLAf come with a performance based logistics contract through which we will be responsible for the services and operational availability of the system for the RNLAf for the next 15 years. Standardisation and interchange ability of components provide for better efficiency, redundancy and improved serviceability of the systems. Within the North Atlantic Treaty Organisation (NATO), the SMART-L EWC allows Europe to contribute to the niche capability of Ballistic Missile Defense (BMD) and is an integrated part of international joint ballistic defense operations within international coalitions. Its architecture allows for regular updates and modifications throughout the lifecycle to stay ahead of evolving developments in long distance missile threats.

<sup>1</sup> <https://www.defensie.nl/actueel/nieuws/2015/10/26/zeven-provincien-schrijft-geschiedenis>

### Value creation (preservation, diminution) over time

In order to provide more insight in the value we create for our customers and society (regardless the different forms of capital), four of our solutions and their unique features are briefly described below.

#### SOTAS SMARTSWITCH

Under the brand name SmartSwitch, thousands of SOTAS network nodes are providing a robust and reliable network for mission critical systems in the civilian transportation sector. This SOTAS network provides voice, data and video services. The same technology is deployed in the defense sector, under the brand name SOTAS. The redundancy in the SOTAS network architecture guarantees the connectivity between the customer's mission critical systems and also the availability of the network services, which is vital for the safe operations of the users of the network. Over the years, the SOTAS network has proven to be extremely reliable. SOTAS networks are very flexible, both with respect to network topology as well as connectivity for an endless range of peripheral devices. The continuity of the customer's mission critical operations contributes to the safety of the travellers in the transportation sector. The integration of command and control systems and the noise-free voice communication contribute to the effectiveness of the vehicle crews, at the meantime lowering battle-fatigue and stress. This enables vehicle crew to operate a safely as possible when they are on a mission.



Photograph with courtesy of the RNLN



**The man-portable unit enables our customers to provide security at military compounds and border control.**

## **SQUIRE RADAR**

The latest version of the low-powered, man-portable SQUIRE<sup>2</sup> ground based radar contains our latest drone and UAV classification algorithm to detect and classify small remotely operated aerial vehicles. Its classification ability allows the SQUIRE to distinguish drones from birds and other small radar reflections and inform the user accordingly. Before the SQUIRE update, radars were not able to classify small drones based on their radar appearance. The man-portable unit enables our customers to provide security at military compounds and border control. The SQUIRE system can easily be deployed by two people and training operators to work with the system can be done in two days. The SQUIRE is constructed in such a way that it can continuously operate for months in a row without maintenance in the most electronics-unfriendly environments. Incoming and outgoing airline traffic at airports can now easily be protected from this new emerging threat, increasing the security of air travel. Also specific events, VIP public appearances, large sports events and critical infrastructural facilities such as (nuclear) energy plants can now at least detect and identify incoming potential threats at an early stage. The low energy emissions of the system allows operations in electronic sensitive or dense urban environments.

<sup>2</sup><https://www.thalesgroup.com/en/squire-ground-surveillance-radar>

## **E-TICKETING**

We are the integrator of the Netherlands OV-chipkaart system enabling nationwide public transport across all modalities (bus, tram, metro and train) with one card for all nine providers of public transport in the Netherlands. In addition we monitor, maintain and supply the gates at Dutch train stations and a number of the ticketing sensors for the majority of public transport providers. In the Netherlands, approximately 2 billion transactions per year are being dealt with by our system. Both the traveller and our customer benefit from a solid, secure and operational transaction system.

A 24/7 monitoring centre and services organisation is in place to immediately identify and solve issues whenever and wherever they occur. With growing insight into the availability and status of the entire system, even predictive maintenance is currently being deployed to prevent downtime and system malfunction. Downtime immediately impacts the revenue of our customers.

A global premiere of our 3D gate will be installed on the Noord-Zuidlijn in Amsterdam. It contains sensors that analyse the passenger and adapts the speed of the gates to the characteristics and mobility of the traveller, as such allowing people with children in trolleys or elderly travellers to pass through the gates at their own time and pace while at the same time preventing two people from squeezing through simultaneously.

A study by the RET<sup>3</sup> has proven that with the implementation of speed gates at its stations, both the number of non-paying customers as well as the number of violent incidents has significantly decreased in public transport. The system therefore adds to the security of both customer personnel as well as fellow travellers. In addition, thorough insight into passenger flows helps our customers to optimise public transport schedules, limit energy use and efficiently deploy their resources in line with their customers needs.

<sup>3</sup><http://www.ovpro.nl/management/2015/01/06/ret-directeur-ns-moet-doorpakken-met-sluiten-poortjes/>

## OUR PERFORMANCE: MATERIAL ISSUES AND VALUE CREATED IN 2015

We aim to create as much value as possible, for our customers and their employees, our employees, our suppliers, our partners, and the societies we operate in. Creating value for our stakeholders demands a careful consideration of interests and balancing these with our own whilst taking business decisions in order to come to shared value. It also requires recognition of and balance in different forms of capital, like financial, manufactured, intellectual, human, social and relationship and natural resources.

In the paragraphs below, our five material issues, our KPI's and our performance per issue in 2015 are described.

### 1. Creating shared value through innovation & partnerships

Innovation is at the core of our company. We have to continuously improve in order to remain ahead of the competition. Together with our customers we invest approximately 20% of our revenues in R&TD every year. We make our solutions better, faster and more efficient through new technologies and we continuously explore new opportunities for existing solutions and new applications of existing technologies.

We can not do this alone. We work together side by side with research institutes, universities, our customers and our suppliers to develop new solutions, to improve existing solutions and to create shared value. Cooperation is in our DNA and we value our partnerships deeply. Most of our partnerships go back years, sometimes even decades. As a system integrator, we bring together companies, technologies and customers from all over the world and unite the best solutions. Together, we innovate and build mutual beneficial partnerships; the sharing of knowledge and working together therein is key.

For the purpose of measuring and reporting on the shared value we create through innovation and partnerships, we use the following KPI's:

#### I. Remain top-10 position in the Dutch R&D top-30

The R&D top-30<sup>1</sup> is assembled by the Technisch Weekblad and measures the absolute R&D expenditure per year in million euros of companies in the Netherlands.

2015 performance: We took the fifth place in the R&D top-30 with an absolute investment in R&TD of 119M€. For comparison: in 2014 we took the eleventh place with an absolute investment in R&TD of 115M€.

<sup>1</sup><https://www.technischweekblad.nl/upload/documents/tinyMCE/RD-Top-30-2015.pdf>

#### II. Thales Security+ solutions

We make society safer through recognizing threats and preventing security incidents, thereby driving socioeconomic progress. In order to make the impact of our solutions on society tangible, we aim at developing a "Security+" methodology that gives insight into the socioeconomic benefits of our solutions. It will help to pinpoint the additional added value in the safety and security domain to the customer, the environment and society at large. Through this methodology we will be able to label certain solutions as "Security+" and stimulate our business units to develop and deliver solutions with additional added value, hence enlarging our socioeconomic impact. We will focus on those solutions that are developed, produced and/or marketed by the Thales Nederland B.V. entity and that have been sold or delivered in the respective year. Over the period of 2016-2017 we will further define the "Security+" concept by formulating simple, transparent and qualitative criteria,

evaluating our solution portfolio and building KPI's for measuring the performance of "Security+" solutions.

2015 performance: as the "Security+" methodology is still under development, the performance in 2015 cannot be measured and reported.

### 2. Talent attraction, retention & development

We need the best engineers and offer them great colleagues and an open and inspiring environment to enhance creativity and foster new ideas. To that end, we have implemented Smart Working at Thales (SW@T), a philosophy on the way our buildings are organised (bricks), a paperless environment with access to our secured network anytime, anyplace (bites) and the way we work together (behaviour). We steer on output and result, not on presence, and our leadership facilitates instead of controls. We thereby focus on customer centricity, team work, and continuous improvement.

We are continuously looking for new talent to strengthen our organisation. Given the shortage of technically skilled personnel on the labour market in the Netherlands, this is a huge challenge. We take our responsibility to that end seriously and actively stimulate students of all ages to choose for a technical education and thereafter a career in the high tech sector. In doing so, we specifically aim at girls and young women, since diversity (not limited to gender) is key for a successful company. We do not only aim to attract talent, but also to develop and retain talent and grow human capital. Inside and outside the company.

For the purpose of measuring and reporting on the talent we attract and develop, we use the following KPI's:

#### I. The most attractive employer in the high tech sector – top 25 Universum ranking list in 2020

##### Case: Most attractive employer

In 2015 our facilities in Hengelo received the "BNA Beste Gebouw van het Jaar" public's choice award. The masterplan of Leijh Kappelhoff Seckel van den Dobbelen, Reitsema & partners and MTD Landscape Architects transformed our outdated factory complex into an open and green campus. The jury appreciated the huge step we have set. "The concept for a business park with a university campus atmosphere is a bold choice for an organisation that works with (strictly confidential) technologies. The way the façade of the office building is designed as a security shell is very inventive, just as the idea of locating the restaurant and auditorium outside the office building for easy access by other parties."

The high tech sector employer ranking list is established by Universum (a research institute) and focusses on young professionals. In addition to the position on this specific list, the attractiveness of our company can be measured by other means, for example the number of open application letters or the employee engagement score (see below under paragraph 3). In 2016-2017 a broader methodology for measuring the attractiveness of our company will be developed by our HR department and thereafter reported upon.

Currently, there is a specific policy in place to boost our ranking by strengthening our employer brand. By means of several activities, like career events, employer branding campaigns, projects focussed on attracting young professionals, organising in-house days, and sponsoring of and cooperation with student associations we aim to increase our brand awareness and attractiveness within our target group (young professional with a (semi) technical education).

2015 performance: We moved from the 60th to the 45th place in the Universum top-100 employers for young professionals.

## II. Human Capital Development

### Case: Our leadership program

Our Leadership Model provides a common framework for the entire Group, enabling us to grow and evolve towards the same objectives. The following competencies are considered essential in responding to our business challenges: shape solutions out of complexity, be ambitious and accountable, perform through cooperation, influence key stake holders, engage and develop teams and manage self. In the Netherlands, we actively support both teams and individuals in assessing and improving their performance in relation to the Leadership Model and shape their development to that end. In the yearly Personal Development Discussion (PDD) between manager and employee, the competencies of the Leadership Model are specifically addressed.

On December 11, one of our trainers, Dolinda Buijnsters, received the Trainer Award for the Netherlands by Patrice Caine, CEO of the Thales Group, for her important contribution to leadership development within the company. Through New Leadership Integration (NLI) sessions, she gives direction to our employees in building their teams on the basis of mutual trust. A wonderful accomplishment!

We are redesigning our learning and development policy to shift the focus from classroom training to learning on the job. We believe that using the daily tasks and responsibilities as a starting point, supported by the right interventions, results in a more sustainable and faster development of the employee compared to educational programs. Currently, we solely measure formal education hours. In 2016-2017 we aim to investigate how we can measure learning and development in a more general way, thereby making our employees responsible for investing time and effort in their professional and personal development.

We also invest in talent outside our company in order to secure the right skills and knowledge in the future. We provide sponsorships and educational programs to schools, internships, graduation assignments and scholarships to (technical) students and work together closely with technical universities, like the University of Twente. We continuously investigate new opportunities to contribute to the (technical) education of the next generation, thereby explicitly exposing and stimulating talent. Together with other companies, schools and universities we aim to secure the right technical skills and expertise in the regions we are active.

### Case: 10 Scholarships to support top ICT students

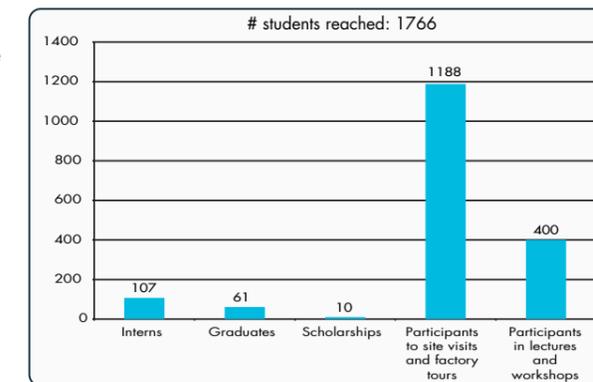
Following the success of our scholarship programme in 2014 to support female top students in engineering, we continued the scholarship programme in 2015. For the second successive year, we have awarded 10 scholarships to highly motivated and talented students. Each scholarship has a value of 5000 €, which is more than enough to cover tuition fees and study material expenses. With the scholarships we aim to tap into human resources available and introduce the ten students to our company, obviously with the aim of launching a career with us. However, the students will receive the scholarship without any obligation. In the end, it is our aim to stimulate and invest in talent, in and outside our company. Following an intensive selection procedure, the scholarships were awarded to the students by the Minister of Education, Culture and Science, Jet Bussemaker, during the National Technology Pact event in Enschede.

In 2016-2017, we will develop a methodology for measuring the value we create through human capital development, inside and outside our company.

2015 performance: since the Human Capital Development methodology is still under development, the performance in 2015 cannot be measured and reported to the full extend. The 2015 performance is therefore limited to the number of training hours (as registered via our Thales Group University portal and our two partners in learning and development, Schouten & Nelissen and Ten Kate en Stoker)

and the number of students reached through our different educational programs (see table on the right).

#training hours per employee per year: 41616 hours / 1732 (average # employees in 2015) = 24 hours per employee per year in 2015.



## 3. Secure, safe & inclusive organisation

Our credibility first and foremost relies on the performance of our solutions. Yet equally important is the safety and security within our company, physically, digitally and with regards to our behaviour. It is about feeling safe and secure, while exchanging information within our organisation or with our customers, while being present on one of our premises, and while working with us. For our company, safety and security are key in everything we do.

For the purpose of measuring and reporting on the security, safety and inclusiveness of our organisation, we use the following KPI's:

### I. Zero data theft incidents

#### Case: Opening of Security Operating Centre in The Netherlands

We launched our Security Operating Centre (SOC) in October 2015. In an open event hosted at the Hague Security Delta, Gerben Edelijn (CEO), Rene van Buuren (Director Cybersecurity), Rob de Wijk (General Director The Hague Security Delta) and John Hermans (partner Risk Consulting / Cyber Security at KPMG) addressed a number of cyber security challenges. Our Cybersecurity Director stressed the importance of solid cooperation and exchange of information between organisations. Our CEO explained that we are our first customer: "Practice what you preach. We are an interesting target and are subjected to many attacks. But with 40 years of experience, of which 15 with SOCs, we are up for the task. Our 1500 cyber experts globally continuously work together to address the security and connectivity challenges of today and tomorrow.

In addition to monitoring the physical security of our premises, our Security Operating Centre (SOC) provides us with 24/7 monitoring of our own network, thereby distinguishing anomalies in all our data traffic and responding to actual threats. As such, we prevent unauthorized access to our information. In addition to guarding our network, we raise the security awareness of our employees and instruct them on how to deal with classified information and how to protect themselves within the digital environment.

We measure and report on the average number of security reports provided by our SOC per month and, in line with the Personal Data Protection Act (Wet bescherming persoonsgegevens) when applicable<sup>2</sup>, we disclose data theft if it occurs.

2015 performance: the average number of security reports of our SOC per month was 400.000 in 2015. There were 0 data theft incidents in 2015.

<sup>2</sup>The obligation to notify the Data Protection Agency (DPA) does not apply for personal data of Thales Nederland employees and temporary personnel as our company is subject to specific regulations and notification procedures under Dutch intelligence and security regulations.

## II. Zero workplace accidents

The safety and wellbeing of our people is a top priority. We aim to limit as much as possible the risk of injury of our people, personnel of our partners and visitors during activities on our premises or in the field or as a direct result of using our solutions. To that end, we have integrated ISO 9001, OHSAS 18001 and ISO 14001 requirements into our management system. Thales' reference system Chorus process 9.2 Manage HSE Impacts provides a fully integrated approach to meeting these requirements. Our HSE organisation is responsible for implementing and maintaining the management system.

We measure and report on the number of accidents via a frequency rate<sup>3</sup> and aim to eliminate all workplace accidents. We distinct accidents with lost days (the person(s) involved is unable to work as a direct result of the accident), accidents without lost days (the person(s) involved is able to work despite the accident) and environmental accidents (incidents that have a potential impact on the environment, such as spills of certain fluids).

2015 performance: the frequency rate in 2015 was 1,89. In comparison, the frequency rate in 2014 was 1,44. The frequency rate increased in 2015 due to a slight increase of the number of accidents with lost days and a decrease of the annual working hours (3.469.000 hours in 2014 versus 3.171.000 hours in 2015). Further details can be found in the table below.

	2014	2015
Workplace accidents with lost days	5	6
Other workplace accidents (without lost days)	12	14
Environmental accident	2	3
Frequency rate of workplace accidents with lost days	1,44	1,89

<sup>3</sup>#accidents x 1.000.000 / #worked hours in the reported year (#FTE x #workdays x 8)

## IV. Employee engagement at 75% in 2020

We create the right conditions for our people to fully develop and make use of their potential, strengthening their sense of the value they bring to their team(s) and the organisation and making sure they go home each day looking back at a satisfactory working day.

We believe a diverse and inclusive organisation is key for strengthening employee engagement. Therefore, we have formulated several KPI's to come to a healthier balance within our organisation on gender, age and nationality:

Female / male employee ratio minimum 20% (organisation) in 2020

Female / male employee ratio minimum 30% (management) in 2020

25% of new recruits is female in 2020

50% of new recruits is below the age of 35 in 2020

In the light of the Participation Act (Participatiewet), we are currently developing a policy on how to include people with a "distance to the labour market" into our organisation. In 2016-2017, we will develop a specific strategy on diversity and inclusion covering all the above aspects.

The earlier introduced SW@T philosophy is aimed at strengthening employee engagement, where behaviour and our organisational culture are key. With SW@T, we have accelerated the journey towards a more open, cooperative and result driven organisation where our employees are encouraged to take ownership. Instead of addressing the abstract organisational culture, which is the mere product of collectively adopted behaviour, we aim to positively influence behaviour (of individuals) thereby focussing on performance through cooperation, giving and taking responsibility, ownership, steering on output and result, facilitating leadership and customer focus.

As of next year, we will measure and report on the outcomes by means of an on-going employee dialogue with regards to the working conditions and the environment, a methodology launched in 2016. The methodology encompasses the following KPI's:

1. Pressure to perform
2. Work-life balance
3. Engagement and joy at work
4. Motivation and commitment
5. Health and vitality
6. Skills and competencies: career development
7. Skills and competencies: professional development

The last time we measured employee engagement was in 2011 and our score was 75%: 75% of our employees indicated that they were engaged with our objectives.

2015 performance: this is limited to the scores on the KPI's on diversity and inclusion. Since absenteeism is an indicator of employee engagement (the higher the employee engagement, the lower the absenteeism), our performance on this aspect is also taken into consideration.

The female/male employee ratio throughout the organisation was 14,1% in 2015 (245 female employees out of 1732 employees (average number in 2015), indicating a small decline compared to 2014 (14,3%). The female/male manager ratio in top management was 20% in the Supervisory Board (1 out of five members is female, as of the appointment of Ms. Raadgever-Kopp in December 2015), 18% in the Management Team (2 out of 11 managers are female), and 8% in the business unit management teams (4 out of 48 managers are female). In 2015, 90 people were newly recruited, of which 13,5% are female, indicating a small decline compared to 2014 (16,8%), and 47% is below the age of 35.

The age pyramid of our organisation in 2015 was as follows: 13,5% of the total population is below the age of 35, compared to 13,4% in 2014.

Absenteeism in 2015 was measured at 3,1%, indicating a small increase compared to 2014 (2,8%).

#### 4. Environmental impact & responsible sourcing

We are committed to preserving the environment by limiting our footprint as much as possible. To that end, we have designed our new head office building in such a way to drastically limit our use of water, electricity and gas. Also, we are working with several local partners in installing a smart cold / heat net ("bronnet") at our premises as to make optimal use of the heat generated by the companies on our HTSP as a result of their business activities. Our responsibility is bigger than that. With our purchasing volume, we can have a huge impact on the environment and societies across our supply chain. For the purpose of measuring and reporting on our environmental impact and responsible sourcing, we use the following KPI's:

##### I. Reduce carbon footprint by 70% in 2020 (in comparison with 2012)

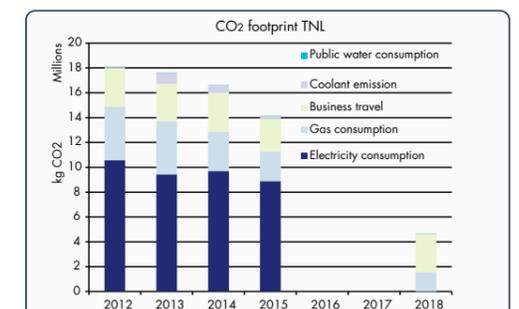
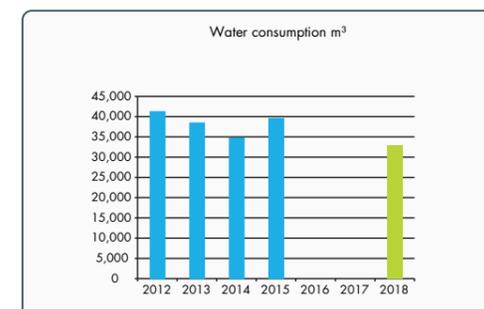
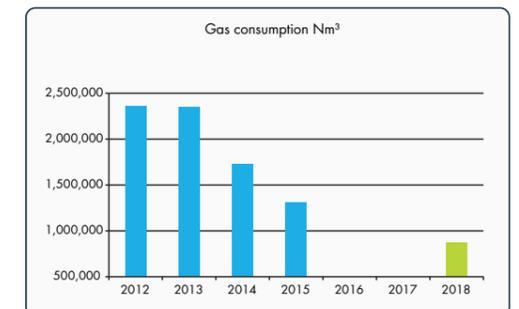
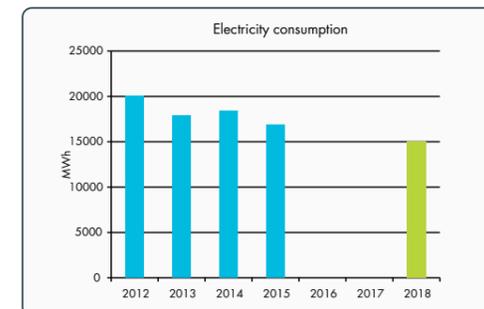
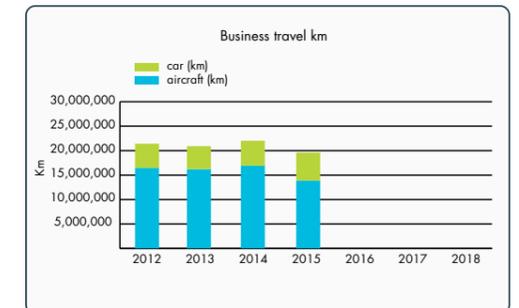
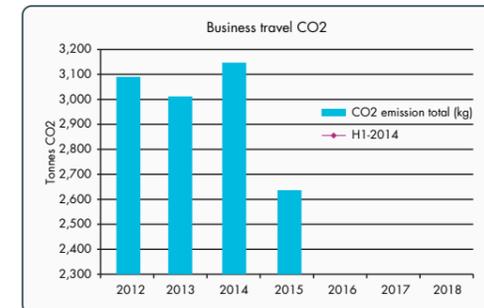
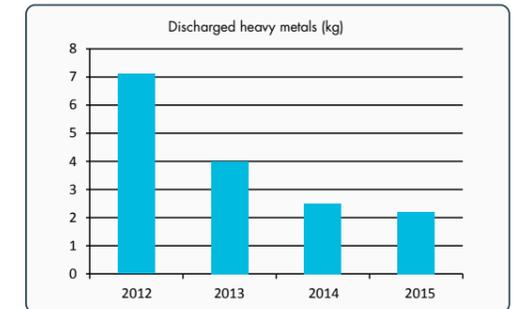
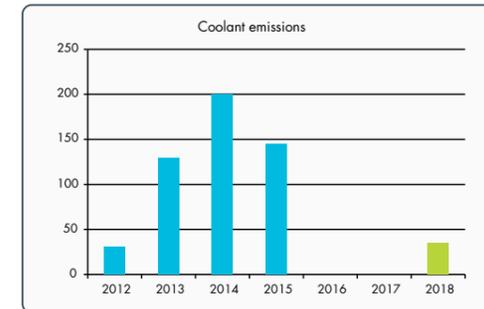
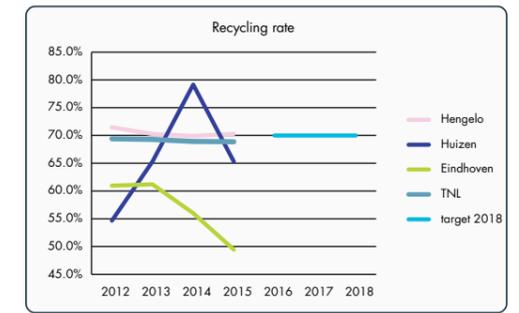
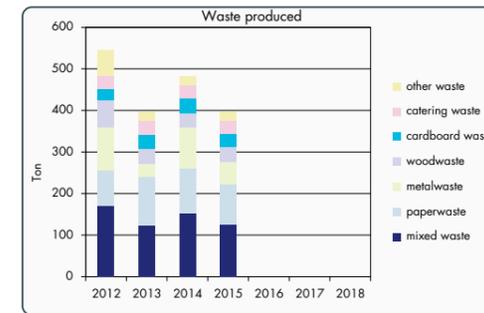
In calculating our footprint, scope 1 and scope 2 emissions and business travel are included.

Our reduction policy is mainly focussed on our facilities. With the opening of our new office building and the rebuilding of our production facilities in Hengelo, our use of electricity (-18% compared to 2012) and gas (-47% compared to 2012) has declined significantly as the (re)new(ed) buildings are energy smart and climate controlled. Also, rain water is being used for flushing toilets, as such reducing our drinking water consumption. Waste is collected at central locations in our buildings by means of waste bins with separate compartments (paper, food waste, plastic, coffee cups and other waste). Through this our recycling rate has increased substantially. Due to significant investments in IT and presentation equipment we have moved to a paperless digital environment, drastically reducing our use of paper. In the coming years, we will make the transfer from "grey" energy to 100% "green" energy, thereby reducing our environmental footprint even further. We will continue to investigate other possibilities for reducing our footprint in order to meet our target in 2020.

2015 performance: Our environmental footprint in 2015, measured in tonnes CO2, was 14.191. This is approximately 15% less compared to our footprint in 2014. For more information, please see the table below and graphs on the next page.

Thales Transportation Systems (Huizen) started in 2015 to implement the "CO2 prestatieladder" requirements. The "CO2 prestatieladder" is a maturity model in the Netherlands, which helps organisations to reduce their CO2 emission. The model distinguishes 5 levels (level 1 low maturity – level 5 high maturity). It is the aim of Thales Transportation Systems to acquire level 5 within one year. The "CO2 prestatieladder" encourages organisations to cooperate with each other in their CO2 emission reduction. Therefor Thales Transportation Systems in Huizen joined the "Stichting NL CO2 neutraal" foundation in 2015.

	2012	2013	2014	2015
Electricity consumption	10.572.074	9.428.550	9.702.596	8.893.353
Gas consumption	4.305.919	4.279.058	3.151.011	2.384.582
Business travel	3.089.999	3.011.643	3.146.947	2.636.712
Coolant emissions	99.967	925.466	640.570	264.935
Public water consumption	12.372	11.537	10.431	11.859
tonnes CO2	18.080	17.656	16.652	14.191



## II. Implement risk-based approach on conflict minerals in line with OECD due diligence guidance by 2020

In line with the Dodd-Frank Act Section 1502 on conflict minerals, we understand the following under the term “conflict minerals”: cassiterite (tin), columbite-tantalite (coltan, from which tantalum is derived), gold and wolframite (tungsten) coming from the Democratic Republic of Congo (DRC), the Republic of Congo, Central African Republic, South Sudan, Zambia, Angola, Tanzania, Burundi, Rwanda and Uganda (“the Covered Countries”).

We feel compelled to address the concerns relating to conflict minerals, although we are strictly speaking not subjected to the Dodd-Frank Act as we are not listed on any American stock exchanges, do not directly source minerals from mines or smelters as these companies are usually several tiers removed from our direct suppliers nor use these minerals as raw materials in our business operations. We do source numerous electronic components and parts, that may potentially contain small quantities of conflict minerals. Our direct suppliers are manufacturers, transformers, integrators and distributors who are themselves located on different levels with regard to mines and smelters, making it extremely difficult to know the origin of materials used in the components and parts we source. Nevertheless, we are committed to responsible sourcing and will implement a risk-based approach to conflict minerals based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas.

Over the next years, we will take the following steps to implement a risk-based approach:

1. Establish a strong company management system
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risks
4. Carry out independent third-party audit of supply chain due diligence
5. Report annually on supply chain due diligence

Whilst implementing this risk-based approach, we will work together closely with our direct suppliers and our industry’s association and will connect to existing initiatives as much as possible.

Since the revenues generated with mineral mining and mineral trade play an important role in the economic development of the countries concerned, we do not aim to exclude all cassiterite (tin), columbite-tantalite (coltan), gold and wolframite (tungsten) from the Covered Countries per definition. We aim for a responsible conflict-free sourcing policy, excluding those suppliers that do not operate responsibly and including those suppliers that carefully select their minerals from responsible sources.

Performance 2015: the initiative to put the issue of conflict minerals high on the agenda was initiated in 2016. Thus there is nothing to report for the year 2015.

## 5. Compliance & business ethics

As a key player in assuring the security of citizens, infrastructures and societies, we have a particular responsibility towards our stakeholders. Their expectations of our performance, but more important, the way we operate our business, are extremely high especially since we operate in a strongly regulated environment. To that end, it is of utmost importance to be as transparent as possible about what we do and how we do it. Doing business fairly, ethically, and responsibly is key; compliance is an important part thereof. We have an excellent reputation nationally and internationally, built upon the way we run our business. Our reputation is something we value deeply and we realise that sustaining an excellent reputation requires continuous focus and a proactive policy.

For the purpose of measuring and reporting on our compliance and business ethics performance, we use the following KPI’s:

### I. Maintain strong management system on ethical business conduct and export control Business Ethics

#### Case: Business ethics training

To develop a responsible and ethical culture, it is crucial to train employees in moral judgment and decision-making. The purpose is to make the Thales Ethics Behaviour Guide work for the employees outside the classroom. For that reason we have developed a serious game where employees can safely experience their judgement and decision-making strategies regarding ethical dilemma’s in actual business settings, and receive feedback on their moral compass. The game provides an engaging, realistic and effective learning environment using state of the art gaming technology (developed by our lab at the University of Twente, Enschede). During the training, the participants receive a short introduction and then play the game in pairs. Seven realistic moral dilemma’s are presented in which the participants have to take a decision. They can ask different virtual characters for advice and can indicate on the basis of which insights they took their final decision. At completion of the game, the participants receive an instant report on their score in the form of a newspaper article, describing the consequences of their decisions.

We uphold the highest standards on ethics and integrity whilst performing our business activities. We are very demanding when it comes to the behaviour we expect of our employees and the way we want to see our business to be conducted. We have put in place a stringent and proactive policy regarding ethical business practices. The standard for the behaviour we expect of our employees can be found in the Thales Ethics Behaviour Guide, which has been distributed to all employees and is offered to new employees. Our employees are our ambassadors and everyone is responsible for embodying our values and protecting our reputation. Worldwide. We yield a zero tolerance policy; any form of corruption, bribery or other unethical behaviour by our employees, customers, suppliers or any other person or entity acting on behalf of or engaging with our company is unacceptable.

We have developed several mechanisms to ensure that all our employees act in line with our professional standards. Employees receive a compulsory “Business Ethics” training in order to familiarise themselves with our regulations and guidelines on ethics and integrity and to recognise situations in which ethics play a role. Every year, our CEO issues a statement on business ethics to all employees. We have appointed an Ethical Officer, our HR director, to uphold our ethics regulations and guidelines, and who is also available for counselling. Additionally, we have several confidential advisors/persons of confidentiality who are available for advice. We find it of utmost importance that our employees can ask questions and raise issues whenever they come across one. Our employees must feel the liberty to speak up in order to prevent mistakes.

### Case: Statement by Gerben Edelij, CEO

"A healthy enterprise acts with integrity and takes its (social) responsibility. As Thales Nederland B.V. we uphold the highest standards on ethics and integrity whilst performing our business activities. Every employee is responsible for protecting our name and reputation, in the Netherlands and abroad. Everyone must act fairly, professionally and with due regard for the law whilst performing their activities."

For a more elaborate description of the policy and mechanisms (including risk management) in place to ensure ethical business practices, please refer to the Corporate Responsibility Report 2015 of the Thales Group (reference to be added after publication).

### Export Control

Given the nature of our business, many of our technologies and solutions are of strategic importance and therefore subjected to export control regulations. Our activities are dependent on strict compliance with export regulations in various countries. Failure to comply with these regulations may have large consequences for our company. Consequently we have put into place a robust management system to ensure strict compliance with Dutch as well as foreign export control regimes. The management system comprises aspects like procedures (e.g., license preparation/implementation/maintenance, product classification, handling and delivery of goods), training, security/screening and management commitment.

Within the Legal Department the Export Control Cluster is responsible for accurate application of export licences with the relevant authorities, ensuring that all export control regulations are implemented and complied with, identifying and mitigating risks, maintaining the right level of knowledge on export control, sharing its knowledge throughout the organisation and raising awareness. In support of the Export Control Cluster and in order to ensure a wide spread of export control expertise, we have set up the Export Control Coordinator (ECC) Network, consisting of 30-35 employees from various departments and teams that have been trained in applying export control regulations. By embedding export control knowledge in all phases of our business activities and throughout the company we ensure compliance with all export control regimes.

We audit our processes every year and are committed to follow up any actions within 6 months.

For a more elaborate description of the policy and mechanisms in place to ensure compliance with export control regulations, please refer to the Corporate Responsibility Report 2015 of the Thales Group (reference to be added after publication).

Performance 2015: in 2015, 185 employees participated in the renewed and compulsory "Business Ethics" training. On export control, we performed an audit in 2015 that resulted in 1 action, which was followed up within 4 months. We are very proud to report that in 2015 we received the Intra Community Transfer (ICT) Certificate, which enables our supplier to deliver supplies to our company under local general licenses. Not only this certificate increases efficiency for TNL, it also reflects the confidence the Dutch authorities have in the Export Compliance system of TNL.

## II. Elimination Chrome 6 and Cadmium from all supplies in 2017

Although the employees involved receive regular training in dealing with hazardous materials in the workplace, we have taken additional measures with regard to Chrome 6 and Cadmium. To protect our employees, customers, suppliers and partners against exposure to the hazardous substances chromates and cadmium during assembly, maintenance and overhaul of our solutions and fully compliant with REACH and additional demands by the Netherlands MoD, we have put the following policy in place in the Netherlands:

1. Alternatives for chromate containing surface treatment processes as applied in the Netherlands are available and qualified per 31 December 2016.
2. Alternatives for cadmium plated parts in the Netherlands will be available per 1 September 2017.
3. All parts, components and assemblies bought by and delivered to our company are chromate and cadmium free per 1 September 2017. This implicates that all new systems delivered to our customers will be chromate and cadmium free in due time.

Our HSE department is responsible for ensuring the elimination of chromates and cadmium and has put a detailed action plan into place.

### 6. Community engagement

Our community engagement activities are as much as possible related to the themes as embodied within our strategy, with a strong focus on stimulating students to choose for an education and career in technology, our position as one of the largest employers in the Twente region and health. Together with many of our colleagues we have contributed in cash and in kind to a wide variety of initiatives in 2015.

### Case: Grand Départ in the city of Utrecht

A new Thales solution provided help to emergency services and volunteers at the Grand Départ of the Tour de France in the Netherlands. For the visit of the Tour de France, the city of Utrecht leveraged our new software to improve cooperation between the various support organisations and volunteers. Local authorities estimated that the Tour de France in Utrecht drew close to one million visitors to the city. Nearly 2,000 volunteers (known as "Tour makers") used an app developed by us to safely and easily share information with the emergency and support services.

"Closing off the route, and at the same time supporting the festive atmosphere in the city was a major challenge, especially for the Tour makers, who had to accompany enthusiastic supporters around the track. These volunteers played a key role in providing information," declared Mike Balm, Operations Commander of the Utrecht organisation. "Using a special app on the Tour makers' phones, we gathered continuous information on the crowds and the atmosphere at various points along the route. By visually combining all of that data, we were better equipped to control our people in the streets and to respond where needed," added Mike Balm. "In addition, the software enables us to disclose the data to certain parties who would normally have no access to it, but who need to consult it in a security scenario. The market scope for this type of software is broad, including companies that handle hazardous materials, hospitals, municipalities, the police, the justice department and Government waterways."

## Regional

Grand Depart in the city of Utrecht (Tour de France)

Celebration of 200 years Kingdom of the Netherlands

FBK Games in Hengelo

Samen voor de voedselbank

Maatschappelijk Diner Huizen

Wolfskamerloop

## Case: Community engagement

In 2015 the National Children's Book Week gave extra attention for science and engineering. This was the motivation for a team of our colleagues to create an ebook for children with the title 'Have you seen my phone?' The book tells the story of a boy named Daan. At his primary school many smart phones disappear and children start to accuse each other for thievery. Daan's father, who works at Thales Nederland B.V., has an idea how to solve the mystery using the latest technologies and together they create a very clever plan. The target group of the book was children in the age of 9-12 years. We have created this book to show how exiting engineering is and that it is possible to make a difference. You can download the ebook for free at [www.thalesgroup.com/kinderboekenweek](http://www.thalesgroup.com/kinderboekenweek)

## Youth and technology

NIOC conference 2015

10 Scholarships for ICT students

Solar Team Twente

Red engineers LEGO challenge

Create tomorrow

Techniekmuseum het Heim

Shirt sponsoring diverse children sports teams throughout the Netherlands

Film project IM

Jet-Net

App je mijn telefoon gezien – publication for Children's Book Week 2015

Festa Robotica

Techbase

## OUR FUTURE: WORKING TOGETHER IN AN INTERNATIONAL ECOSYSTEM

The world around us is rapidly changing and is full of contradictions. Due to globalization, the world is becoming smaller, but our playing ground ever bigger (with more customers and competitors). Next to our physical world, an entire new digital world is emerging, making many things easier and quicker, but also making us vulnerable to system failure and cyber threats. It used to take 10 years to become a professional engineer, today software engineers outperform their professors after two years of study. In the years to come, the demand for engineers will be higher than ever.

The demand for safety and security is on the rise. For us, this provides an opportunity but also poses us with challenges. Not only the world is changing; countries, societies and businesses are changing with it. Organisations have to deal with a new reality, we have to open up and so do our markets. In the Netherlands, we have first grown from a marine business (blue) to a defense business (purple). Then our focus has shifted from defense to security as to also encompass the civil domain.

Serving the customer optimally and at a competitive price level will continue to gain importance. To achieve that, we will need to work together with other partners, both up- and downstream in the value chain. We can no longer (nor want to) do everything ourselves. This provides us with an opportunity to continue the development of our organisation and people and to do things more agile and different than before.

With Smart Working @ Thales (SW@T) we have set the first steps towards a more open, cooperative, output driven and cost efficient organisation. We have created an IT infrastructure (BITS) that better enables people to work anytime, anywhere, and that boosts cooperation. We have created buildings (BRICKS) that stimulate interaction and working together and we are improving to work as one team (BEHAVIOUR) in a more open and transparent atmosphere, aimed at achieving our common goals (growth, competitiveness and people) together.

We have decided to re-organise (BUILD) ourselves in order to stimulate cooperation internally and externally, thereby unleashing the potential of our people and our organisation. In 2015 we have started to work together with representatives from across the organisation including the Works Council on a new organisational structure for our activities in Hengelo. This new structure will be implemented in the first part of 2016.

## ANNEX 1: GLOSSARY

### **BMD**

Ballistic Missile Defense

### **Bribery**

Bribery is the giving or receiving of a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith; bribery does not have to involve cash or an actual payment exchanging hands and can take many forms such as a gift, lavish treatment during a business trip or tickets to an event (UK Bribery Act 2010).

### **Bronnet**

A smart heat / cold net installed at our premises as to make optimal use of the heat generated by the companies on our HTSP site during their business activities.

### **Cadmium**

Cadmium is a metal often electrodeposited on steel or aluminium also for its good corrosion protection of the basis metal.

### **Chorus**

The Thales Group reference system.

### **Chromates**

Chromates are hexavalent chromium compounds, often used in surface treatment processes for their corrosion-repellent features. Examples are chromate treatment and chromic acid anodizing of aluminium and chromate containing primers and paints.

### **CO2 Prestatieladder**

Maturity model used in the Netherlands for reduction of CO2 emissions.

### **Conflict Minerals**

Cassiterite (tin), columbite-tantalite (coltan, from which tantalum is derived), gold and wolframite (tungsten) coming from the Democratic Republic of Congo (DRC), the Republic of Congo, Central African Republic, South Sudan, Zambia, Angola, Tanzania, Burundi, Rwanda and Uganda ("the Covered Countries") (according to the Dodd-Frank Act Section 1502).

### **Corruption**

Corruption is the abuse of entrusted power for private gain (Transparency International).

### **CSR**

Corporate Social Responsibility

### **Diversity**

Diversity means to include in your organisation people with different (physical) characteristics, backgrounds, competencies and experience.

### **ECC Network**

A network within Thales Nederland of Export Control Coordinators.

### **Environmental footprint**

CO2 emissions in tons, scope 1, 2 and business travel included

### **Frequency rate**

$\#accidents \times 1.000.000 / \#worked\ hours\ in\ the\ reported\ year\ (\#FTE \times \#workdays \times 8)$

### **G2G**

government to government, in the context of a business deal.

### **HR**

Our Human Resources department

### **HSE**

Our Health, Safety and Environment organisation, responsible for implementing the HSE management system and process, analysis and implementation of regulations, analysis and implementation of specific customer demands on HSE, analysis and control of risks related to activities on site and in the field, analysis and control of risks related to our solutions delivered to our customers, maintaining a track record of all HSE incidents, complaints and claims, composition of HSE management reports and continuously improving our HSE performance.

### **HTSP**

High Tech Systems Park, our premises in Hengelo

### **Human Capital Development**

Methodology (under development by Thales Nederland B.V.) for measuring the value created via impact on human capital inside and outside our organisation

### **ICT Certificate**

Intra Community Transfer certificate, enabling suppliers to deliver supplies to our organisation under local general licenses.

### **IR**

Integrated reporting standard

### **IIRC**

International Integrated Reporting Council

### **KPI**

Key performance indicator

### **MoD**

Ministry of Defense

### **NATO**

North Atlantic Treaty Organisation

### **NGO**

Non-Governmental Organisation, non-profit organisation

### **OECD**

Organisation for Economic Co-operation and Development

**OV Chipcard**

A card enabling travellers to use nationwide public transport across all modalities. Thales Nederland operates and maintains the system the OV Chipcard runs on.

**Participation Act**

Participatiewet

**Personal Data Protection Act**

Wet bescherming persoonsgegevens

**R&D**

Research and Development

**R&D Top 30**

Top 30 by Technisch Weekblad (Dutch Magazine) ranking companies in the Netherlands by their absolute R&D expenditure in million euros per year.

**REACH**

Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is a regulation of the European Union, entered into force on 1 June 2007 and adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry.

**RET**

Public transport company in the region Rotterdam (NL)

**RNLAF**

Royal Netherlands Air Force

**RNLN**

Royal Netherlands Navy

**R&TD**

Research and Technology Development

**Security+**

A methodology (under development by Thales Nederland) for providing insight in the socioeconomic benefits of our solutions.

**SMART-L EWC**

Our largest radar with an early warning capability for detecting and tracking ballistic missiles.

**SOC**

Security Operating Centre in Huizen for the purpose of 24/7 monitoring and protection of our network.

**SOTAS**

A network node for reliable communication.

**SQUIRE**

Our smallest, low-powered and man-portable radar containing drone detection and classification features.

**SW@T**

Smart Working at Thales, working environment philosophy.

**Thales Ethics Behaviour Guide**

A guide of the Thales Group explaining the standard of behaviour we expect from our employees.

**Training hours**

total #training hours / average # of employees

**Universum Top 100**

Top 100 ranking list by research institute Universum listing the most attractive employers in the Netherlands.

## ANNEX 2: REFERENCE TABLE REPORTING CRITERIA

### Criteria Transparency Benchmark (in Dutch)

No.	Criteria	Page
1	Algemene informatie aard en omvang onderneming	13
2	Overzicht (internationale) waardeketen	18 - 20
3	Toelichting onderwerpen van materieel belang in de waardeketen	10, 18
4	Beschrijving bedrijfsmodel waarmee waarde wordt gecreëerd	22
5	Toelichting omgeving waarin onderneming opereert	14 - 15
6	Toelichting risico's die onderneming beïnvloeden	14 - 15
7	Toelichting bedrijfsstrategie	16 - 17
8	Toelichting beleid maatschappelijke aspecten ondernemen	10, 26 e.v.
9	Toelichting doelstellingen maatschappelijke aspecten ondernemen	26 e.v.
10	Inzicht resultaten economische aspecten	11 - 12, 26
11	Inzicht resultaten milieuaspecten	32 - 33
12	Inzicht resultaten sociale aspecten	27 - 31
13	Inzicht organisatiestructuur	48
14	Toelichting samenstelling bestuur en toezicht	48
15	Beschrijving taken verantwoordelijkheden m.b.t. materiële maatschappelijke aspecten	26 e.v.
16	Beschrijving beleid remuneratie bestuurders	X
17	Algemene beschrijving proces sturing en beheersing m.b.t. maatschappelijke aspecten	26 e.v.
18	Specifieke toelichting wijze waarop management sturing geeft aan materiële onderwerpen	8
19	Toekomstverwachting en trends	39
20	Toelichting verslaggevingsbeleid en proces	9 - 10
21	Toelichting reikwijdte en afbakening verslag	9 - 10
22	Maatschappelijke onderwerpen zijn van materieel belang en toelichting proces bepalen materiële onderwerpen	9 - 10
23	Verslag komt tegemoet aan informatiebehoefte belanghebbenden	*
24	Verslag wordt tijdig naar buiten gebracht	*
25	Verklarende begrippenlijst of index, referentielijst	40 - 47

No.	Criteria	Page
26	Samenvatting resultaten economisch, milieu en sociaal gebied	11 - 12
27	Mogelijkheid resultaten over tijd te beoordelen	*
28	Kwantitatieve informatie is inzichtelijk weergegeven (grafieken)	*
29	Verslaggeving is toegankelijk en eenvoudig te vinden	*
30	Ondertekende verklaring onafhankelijke partij	X
31	Mening externe belanghebbenden of materiedeskundigen	X
32	Toelichting op onzekerheden in data i.r.t. definities etc.	X
33	Toelichting op hoe belanghebbenden worden betrokken bij onderneming en hoe rekening wordt gehouden met hun belangen	9 - 10
34	Onderneming heeft zich laten leiden door informatiebehoefte belanghebbenden	*
35	Onderneming draagt bij aan bewustzijn begrip t.a.v. maatschappelijke thema's	*
36	Onderneming stelt zich kwetsbaar op door kwesties en / of dilemma's publiekelijk te delen	14 - 15
37	MVO beleid verhoudt zich tot bedrijfsstrategie	*
38	MVO beleid wordt in bredere maatschappelijke context geplaatst	*
39	Er is een goede samenhang van informatie	*
40	Verslag is zo opgesteld dat gebruikers deze kunnen gebruiken om positie, ontwikkeling en resultaten onderneming te vergelijken met andere ondernemingen	*

\* Qualitative criterion, no reference possible.

X not included in the report

## Criteria Integrated Reporting Standard

No.	Criteria	Page
Guiding principles		
1	Strategic focus and future orientation: insight in organisation's strategy and how it relates to the organisation's ability to create value over time and to its use of and effects on the capitals.	16 - 17, 22
2	Connectivity of information: holistic picture of the combination, interrelatedness and dependencies between the factors that affect organization's ability to create value.	*
3	Stakeholder relationships: provide insight into nature and quality of relationships with key stakeholders, incl. how their needs/ interests are taken into consideration.	9 - 10
4	Materiality: matters that substantively affect the organisation's ability to create value.	9 - 10, 26 and further
5	Conciseness : an integrated report should be concise.	*
6	Reliability and completeness: includes all material matters, positive and negative, in a balanced way.	*
7	Consistency and comparability: information should be presented on a basis that is consistent over time, and in a way that enables comparison with other organizations.	*
Content elements		
8	Organizational overview and external environment: what does the organisation do and what are the circumstances under which it operates?	13 - 17
9	Governance: how does the governance structure support the ability to create value?	22, 48
10	Business model: what is the business model?	18 - 19
11	R&O: what are specific risks and opportunities that affect ability to create value and how are they dealt with?	14 - 15
12	Strategy and resource allocation: where does the organisation want to go and how does it intend to get there?	16 - 17, 39
13	Performance: that what extent are the strategic objectives achieved and what are the outcomes in terms of the capitals?	26 and further

No.	Criteria	Page
14	Outlook: challenges and uncertainties are likely to be encountered while pursuing the strategy, what are the potential implications for the business model and future performance?	39
15	Basis of presentation: how is determined what matters to include in the report and how are such matters quantified/evaluated?	9 - 10
16	Statement by top management including acknowledgement of responsibility to ensure integrity of the report, acknowledgement that they have applied collective mind, opinion/conclusion about whether report is in accordance with <IR> framework.	8

\*Qualitative criterion, no reference possible.

## ANNEX 3: GOVERNANCE STRUCTURE THALES NEDERLAND B.V.

Thales Nederland B.V. is a public limited liability company (Besloten Vennootschap) established under the laws of the Netherlands and is not registered at the stock exchange.

The company's management and supervision is organised under Dutch law in a so-called two-tier system, comprising a Board of Management and a Supervisory Board. The board of management consists of one executive member, being our Chief Executive Officer (CEO) ir. G.J. (Gerben) Edelijn. He is also the chairman of our management team, consisting of 10 members.



The supervisory board consists of five members: three members from within the Thales Group with an executive position in one of the 'Global Business Units' (GBU) also active in The Netherlands (executive members) and two members that do not hold a position within the Thales Group (external members). The members of the supervisory board are ms. M.J. Kopp-Raadgever (external), mr. D.L. Berlijn (external), mr. P.E.D.A. Pommellet (VP Defense Missions Systems), mr. A.C.K. Cresswell (VP Land and Air Systems) and mr. M.M.G. Darmon (VP Secure Communications and Information Systems).

Our corporate governance framework is based on our Articles of Association, the requirements of the Dutch Civil Code and all other applicable laws and regulations. Although not subjected thereto, we adhere to the Dutch Corporate Governance Code as much as possible (the Code is only mandatory for companies with listed shares).

### (Central) Works Council

In line with the Works Councils Act (Wet op de ondernemingsraden), we have four Works Councils representing the employees of our main sites: Hengelo, Huizen (one council for TTS, one council for SIX) and Eindhoven. The Works Council deliberates with the site's general manager concerning the operation and employee interests. Any important financial, economical or organisational decision can only be taken after the Works Council has given an advise thereto. For certain decisions agreement by the Works Council is required.

We also have a Central Works Council, uniting all four Works Councils. The Central Works Council is responsible for deliberating with the CEO on issues that have an impact on the company as whole.

 [facebook.com/thalesgroup](https://facebook.com/thalesgroup)

 [twitter.com/thalesgroup](https://twitter.com/thalesgroup)

 [linkedin.com/company/thales](https://linkedin.com/company/thales)

 [youtube.com/thethalesgroup](https://youtube.com/thethalesgroup)

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