

# THALES

## 2016 Social Report



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## Introduction

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Aware that its success depends on innovation, expertise, and its employees' capacity for teamwork, Thales has chosen to invest in sustainable and responsible relations with its employees.

The Group's long-term strategic vision "Ambition 10", the principles of which were defined in 2013, places employees at the heart of the Group's long-term growth plans. It is underpinned by a Human Resources policy that is both adapted to the challenges faced by the Group and supported by high-quality employee relations.

In 2016, this strategic vision led the Group to strengthen its candidate attraction policy for recruiting and retaining new talent, and to implement a number of initiatives as part of its digital transformation plan. These notably helped to increase awareness of the Group on social media and among young graduates by deploying interactive interfaces and applications.

In terms of professional development, the digital transformation is an integral part of Thales University's strategy and has enabled the creation and implementation of many multimodal training programmes. It has also helped to develop employees' skills and to support performance improvement projects within the Group's companies.

At the same time, the Group has continued to promote its leadership model through a variety of initiatives, such as the implementation of a global platform to encourage best practices to be shared, and the deployment of a development programme to increase teams' collective efficiency.

Convinced that innovation is the product of an interdisciplinary approach and a variety of backgrounds, the Group also carried out a particularly proactive diversity and inclusion strategy during the year.

This notably resulted in the dissemination of commitments to ambitious objectives to improve gender equality and female representation at all levels of responsibility and to increase the number of international employees on teams. Action was also taken to encourage collaboration across all age groups and the integration of people with disabilities.

The Group's commitment to diversity informs its approach to corporate social responsibility (CSR) and is part of a greater move to develop a culture of inclusion, which addresses both employee aspirations and customer expectations in all host countries.

Since 2014, corporate management's desire to realise its corporate social responsibility commitments more fully has resulted in the inclusion of a specific CSR criterion in the objectives set for the most senior managers in France, which is taken into account when determining variable compensation.

This CSR criterion was exclusively dedicated to diversity and inclusion in 2016, after being focused on employees' professional development and quality of life at work in previous years.

Thanks to more than 15 years of initiatives as part of its corporate responsibility policy, in 2015 the Group was included in the Europe and World versions of the Dow Jones Sustainability Index (DJSI), which lists top-performing companies according to economic, environmental and social criteria.

Thales remained listed on both indices in 2016, conserving its leadership position in the Aerospace and Defence segments for "social" and "environmental" criteria.

Thales signed the United Nations Global Compact in 2003 and adheres to its ten principles relating to Human Rights and labour rights, which were inspired by the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Implemented on the basis of the agreements and best practices that guarantee the Group's responsible business conduct, these commitments enabled Thales to achieve the Global Compact Advanced level in the differentiation programme of the United Nations Global Compact beginning in 2012.

With recognised technological expertise, a broad international presence, a wealth of talents and skills and a long tradition of innovation in all its areas of operation, the

Group has been able to rise to the challenges of a fast-changing world. The data for 2016 demonstrate the stability of the Group's HR dimension.

## 1.1. Employment in the Group

The breakdown of the Thales group's 64,071 employees<sup>(1)</sup> by geographic area and level of responsibility demonstrates:

- its international footprint, with 29,608 employees, or 46.2% of the total workforce, working outside France at the end of 2016;
- its highly qualified workforce, 76.9% of whom hold a position equivalent to engineer, specialist or manager;
- the presence of women, who make up 22.6% of the global workforce;
- the proportion of long-term jobs, i.e., open-ended contracts (97.8%); and
- the volume of full-time jobs (93.4%).

In comparison to the previous year, employees under Group management increased in 2016 (64,071 versus 62,194 in 2015), with 306 of the new employees resulting from changes in the scope of consolidation, mainly following the acquisition of Vometric. In addition, Thales recruited 4,844<sup>(2)</sup> employees during the year on open-ended employment contracts, demonstrating the Group's hiring momentum and attractiveness.

### BREAKDOWN OF EMPLOYEES WORLDWIDE

The international footprint of the Group is one of the pillars of Thales' strategy, in line with its long-term development model. While the diversity of its geographical footprint exemplifies the Group's international character, Europe remains its principal employment zone, representing 52,122 active employees, or 81.3% of the total workforce. Workforce growth is strongest in France, the United States, the United Kingdom, the Middle Eastern countries, Switzerland and Belgium.

<sup>(1)</sup> In this chapter, Thales uses the term "employee" to designate all active employees.

<sup>(2)</sup> This figure does not include the 1,407 work-study contracts concluded in 2016. Nor does it include the conversion of short-term employment agreements or apprenticeship agreements into open-ended employment contracts. In 2015, 4,296 employees were recruited on open-ended employment contracts.

## Breakdown of active employees by country

		2015	2016
<b>Major industrial countries</b>	Germany	3152	3142
	Australia	3317	3341
	Canada	1438	1471
	United States	2721	3017
	Netherlands	1792	1683
	United Kingdom	6298	6483
<b>Rest of Europe</b>	Austria	320	315
	Belgium	813	879
	Denmark	103	112
	Spain	1017	1029
	Greece	27	31
	Hungary	35	30
	Italy	2653	2639
	Latvia	16	16
	Norway	222	217
	Poland	249	268
	Portugal	258	260
	Romania	235	234
	Switzerland	225	298
	Others (1)	23	23
<b>Emerging markets</b>	Algeria	19	31
	South Africa	146	143
	Saudi Arabia	601	596
	Brazil	188	178
	Chile	31	42
	China-Hong Kong	485	523
	South Korea	24	29
	India	280	263
	Israel	86	87
	Indonesia	14	21
	Japan	53	52
	Malaysia	65	71
	Morocco	27	38
	Mexico	330	328
	Middle East (Excl. Saudi Arabia) (2) (3)	563	696
	Russia	27	24
	Singapore	661	695
	Taiwan	27	26
	Turkey	90	105
	Others (1)	108	172
<b>France</b>	France (4)	33 455	34 463
<b>World</b>		<b>62 194</b>	<b>64 071</b>

(1) Other countries with fewer than twenty employees and permanent establishments: Argentina, Colombia, Dominican Republic, Egypt, India, Israel, Kazakhstan, Kenya, Panama, Czech Republic, Russia, Sweden, Thailand, Venezuela.

(2) Thales' workforce in these countries also includes those with a permanent establishment belonging to Thales Communications & Security in Qatar and in Egypt.

(3) The Middle East includes: Egypt, Lebanon, Oman, Pakistan, Qatar and UAE.

(4) Headcount in France as of 31 December 2016: 37,627

In 2016, the Group's scope of consolidation changed slightly on account of the purchases and sales carried out.

Note that no sales were made during the year within the scope of consolidation of the Social Report.

Operations	Workforce entering or exiting the Group perimeter
<b>Acquisitions</b>	
USA : Acquisition of the society Vormetric	Entry of 210 employees
Belgium : Acquisition of the society Aviovision	Entry of 24 employees
Switzerland : Acquisition of the activity Electronic of RUAG	Entry of 72 employees

## BREAKDOWN OF ACTIVE EMPLOYEES BY OPERATING SEGMENT

The breakdown of employees among Thales' three operating segments remained broadly unchanged in 2016.

### Breakdown of active employees by operating segment

	Defense & Security	Aerospace	Transport	Others	Total
<b>2016</b>	<b>33 282</b>	<b>18 741</b>	<b>6 812</b>	<b>5 236</b>	<b>64 071</b>
2015	32 207	17 960	6 289	5 738	62 194

## BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT

The majority of the Group's employees has open-ended employment contracts and work full-time. This trend is a major characteristic of Thales' workforce and applies to all of the countries where it does business. Fully 97.8% of Group employees have open-ended employment contracts

and 93.4% work full-time. Lastly, the use of temporary workers has remained relatively limited; in 2016, the Group used only 2,972 temporary workers worldwide. In France, the Group's companies used 786 temporary workers (837 in 2015).

### Employees on open-ended contracts / fixed-term contracts

		% of open-ended contracts	% of fixed-term contracts	Headcount covered by the answer	% of headcount covered by the answer
<b>Major industrial countries</b>	Germany	98,2%	1,8%	3142	100%
	Australia - New Zealand	91,6%	8,4%	3341	100%
	Canada	99%	1%	1471	100%
	United States	99,9%	0,1%	3017	100%
	Netherlands	97,6%	2,4%	1663	98,8%
	United Kingdom	99,1%	0,9%	6483	100%
<b>Rest of Europe</b>	Austria	99,7%	0,3%	315	100%
	Belgium	98%	2%	855	97%
	Spain	96,3%	3,7%	1029	100%
	Italy	99,7%	0,3%	2639	100%
	Norway	96,3%	3,7%	217	100%
	Poland	91%	9%	268	100%
	Portugal	96,1%	3,9%	256	98%
	Romania	95,7%	4,3%	234	100%
	Switzerland	100%	0%	298	100%
	Denmark	90,2%	9,8%	112	100%
	<b>Emerging markets</b>	South Africa	95,1%	4,9%	143
Saudi Arabia		100%	0%	596	100%
Brazil		100%	0%	178	100%
China - Hong Kong		94,3%	5,7%	523	100%
India		96,6%	3,4%	263	100%
Mexico		51,5%	48,5%	328	100%
Middle East (exl. Saudi Arabia)		100%	0%	696	100%
Singapore		92,8%	7,2%	695	100%
France		98,4%	1,6%	34 440	100%
<b>World</b>	<b>97,8%</b>	<b>2,2%</b>	<b>63 202</b>	<b>98,64%</b>	

## Employees on full-time contracts / part-time contracts

	Full-time contracts	Part-time contracts	% of headcount covered by the answer
Percentages	93,4%	6,6%	98,64%
Group total	59 054	4 148	98,64%

## BREAKDOWN OF EMPLOYEES BY LEVEL OF RESPONSIBILITY

Thales classifies all of its jobs throughout the world according to 12 levels of responsibility (LRs), reflecting the skills and experience required, the complexity and importance of the objectives and the difficulties associated with the working environment. Levels 1 to 6 of the classification correspond to positions for operators,

administrative staff, supervisors and technicians. Levels 7 to 12 include positions at levels equivalent to engineers, specialists or managers. At 31 December 2016, a total of 76.9% of Thales employees held a position equivalent to engineer, specialist or manager level (LR 7 to 12).

## Employees broken down into the two groups of levels of responsibility

	% of LR 1 to 6	% of LR 7 to 12	Headcount covered by the answer	% of headcount covered by the answer
<b>Major industrial countries</b>				
Germany	35,7%	64,3%	3142	100%
Australia - New Zealand	45,4%	54,6%	3341	100%
Canada	7,7%	92,3%	1471	100%
United States	27,5%	72,5%	3017	100%
Netherlands	23%	77%	1663	99%
United Kingdom	22,8%	77,2%	6483	100%
<b>Rest of Europe</b>				
Austria	3,5%	96,5%	314	100%
Belgium	47%	53%	855	97%
Spain	26,7%	73,3%	1029	100%
Italy	11,8%	88,2%	2639	100%
Norway	1,8%	98,2%	217	100%
Poland	25%	75%	268	100%
Portugal	10,2%	89,8%	256	99%
Romania	4,3%	95,7%	234	100%
Switzerland	11,4%	88,6%	298	100%
Denmark	36,6%	63,4%	112	100%
<b>Emerging markets</b>				
South Africa	49,7%	50,3%	143	100%
Saudi Arabia	42,8%	57,2%	596	100%
Brazil	34,8%	65,2%	178	100%
China - Hong Kong	39,8%	60,2%	523	100%
India	18,6%	81,4%	263	100%
Mexico	36,6%	63,4%	328	100%
Middle East (exl. Saudi Arabia)	33,2%	66,8%	696	100%
Singapore	47,7%	52,3%	688	99%
<b>France</b>				
France	19,2%	80,8%	34 440	100%
<b>World</b>	<b>23,1%</b>	<b>76,9%</b>	<b>63 194</b>	<b>98,63%</b>

## Breakdown of employees by occupational category in France

	Thales SA		Groupe France	
	2015	2016	2015	2016
Engineers and Executives	717	724	24592	25564
Administrative staff, Technicians, Supervisors	94	89	7040	7003
Workers	-	-	1803	1873
<b>Total</b>	<b>811</b>	<b>813</b>	<b>33 435</b>	<b>34 440</b>

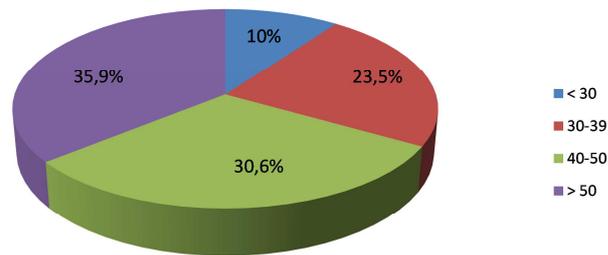
## BREAKDOWN OF EMPLOYEES BY AGE BRACKET

Thales, in common with peer groups in the sector, reports data related to length of service with the Company and average age, which are relatively high but stable. Many employees remain with Thales throughout their career.

Thales favours both the employment of over-fifties (36.2% of employees are aged 50 and over) and the integration of

young people (33.6% of employees are under the age of 40).

In France, 36.3% of employees are aged 50 and over and 32.7% are under 40. The average age of employees was 44 at 31 December 2016 (versus 45 at end-2015), while the average seniority was 16 years.



## 1.2. Recruitment

Thanks to an employment policy appropriate to its needs, and despite the slowdown in certain employment markets and necessary efforts to adapt in certain countries, the Group recruited 7,206 employees in 2016: 4,844 on open-ended employment contracts, 955 on short-term employment contracts and 1,407 on work-study contracts. Recruitment therefore increased compared to 2015 (6,445). France, the United Kingdom, the United States, Australia and Canada saw the most hires. A large majority of new recruits were offered long-term employment.

Between 1 January and 31 December 2016, the Group signed 1,407 work-study contracts, mainly in France, Canada, the United States and the United Kingdom. This increase (from 1,194 contracts signed in 2015) illustrates the Group's commitment to integrating young people into the workforce.

In France, of the 3,834 employees recruited in 2016, a total of 2,279 were hired on open-ended employment contracts, 1,062 on work-study contracts (732 apprenticeship contracts and 330 vocational training contracts) and 493 on short-term employment contracts.

## Recruitment on open-ended / fixed-term / apprenticeship contracts\*

		Permanent contracts	Fixed-term contracts	Apprenticeships	Total recruitments	% of headcount covered by the answer
<b>Major industrial countries</b>	Germany	107	35	36	178	100%
	Australia - New Zealand	280	161	5	446	100%
	Canada	157	11	95	263	100%
	United States	494	2	82	578	100%
	Netherlands	35	28	0	63	100%
	United Kingdom	666	43	77	786	100%
<b>Rest of Europe</b>	Austria	17	0	0	17	100%
	Belgium	97	9	0	106	100%
	Spain	34	30	0	64	100%
	Italy	91	7	0	98	100%
	Norway	18	4	3	25	100%
	Poland	32	19	0	51	100%
	Portugal	13	4	0	17	100%
	Romania	23	12	0	35	100%
	Switzerland	25	0	1	26	76%
	Denmark	22	9	1	32	100%
	<b>Emerging markets</b>	South Africa	13	0	0	13
Saudi Arabia		47	0	0	47	100%
Brazil		31	0	4	35	100%
China - Hong Kong		99	10	36	145	100%
India		30	0	5	35	100%
Mexico		10	52	0	62	100%
Middle East (exl. Saudi Arabia)		150	0	0	150	100%
Singapore		74	26	0	100	100%
<b>France</b>	France	2 279	493	1 062	3 834	100%
<b>World</b>		<b>4 844</b>	<b>955</b>	<b>1 407</b>	<b>7 206</b>	<b>97,24%</b>

\* This figure concerns new hires in 2016 only and does not include internships, international business volunteering or CIFRE industrial agreements for training through research and apprenticeships ongoing in 2016 from 2015.

## 1.3. Departures

During 2016, a total of 4,616 employees left the Group. These departures mainly comprised resignations (1,960), retirements (1,064), dismissals (829 across the board) and the expiry of short-term employment contracts (533). Excluding expired short-term contracts, the number of departures was 4,083 (versus 3,863 in 2015).

The proportion of redundancies for economic reasons (528) remained stable compared to 2015, despite difficulties faced in some countries. Redundancies in 2016 related primarily to a decline in business in some fields and the completion of a number of projects (mainly in the

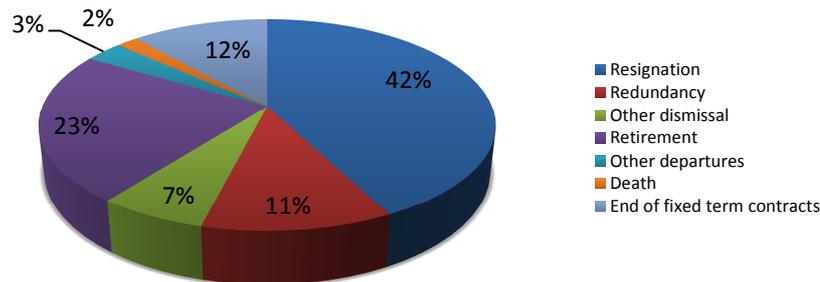
Netherlands, the United States, the United Kingdom and Italy). Countries that had to resort to economic redundancy adopted a series of measures (such as transfers, support and outplacement) to limit the effect on employment. Some temporary external redeployment measures (temporary external mobility) were implemented to limit the number of employees made redundant for economic reasons.

In France, the total number of departures, including expired short-term employment contracts, stood at 1,878, resulting mainly from retirements (831), resignations (486) and expired short-term contracts (289).

## Departures by type

		Resignation	Redundancy	Other dismissal	Retirement	Death	Other departures	End of fixed-term contracts	Total departures	% of headcount covered
<b>Major industrial countries</b>	Germany	71	24	11	39	4	0	72	221	100%
	Australia - New Zealand	258	32	7	34	6	37	55	429	100%
	Canada	85	30	17	8	1	6	1	148	100%
	United States	232	93	37	10	2	4	4	382	100%
	Netherlands	40	93	1	7	1	2	6	150	100%
	United Kingdom	310	87	19	88	9	15	16	544	100%
<b>Rest of Europe</b>	Austria	12	1	0	4	0	3	2	22	100%
	Belgium	11	3	5	8	2	0	13	42	100%
	Spain	12	14	0	6	0	2	0	34	100%
	Italy	43	57	10	6	1	0	0	117	100%
	Norway	16	0	1	3	0	0	1	21	100%
	Poland	15	3	0	3	0	8	1	30	100%
	Portugal	21	0	0	0	0	1	0	22	100%
	Romania	25	0	0	0	0	0	7	32	100%
	Switzerland	21	2	0	9	0	0	0	32	76%
	Denmark	11	1	4	0	0	1	4	21	100%
	<b>Emerging markets</b>	South Africa	17	3	1	1	0	1	8	31
Saudi Arabia		26	19	4	0	1	0	0	50	100%
Brazil		10	30	2	0	0	0	0	42	100%
China - Hong Kong		62	4	10	2	0	0	2	80	100%
India		35	0	3	4	1	0	9	52	100%
Mexico		19	0	14	0	0	0	29	62	100%
Middle East (excl. Saudi Arabia)		27	31	0	1	0	0	0	59	100%
Singapore		95	1	5	0	0	0	14	115	100%
France		486	0	150	831	54	68	289	1 878	100%
<b>World</b>		<b>1 960</b>	<b>528</b>	<b>301</b>	<b>1 064</b>	<b>82</b>	<b>148</b>	<b>533</b>	<b>4 616</b>	<b>97.1%</b>

## Departures by type



## 1.4. Attractiveness policy

To support its growth worldwide, the Group is continuing and stepping up its search for new talent through global recruitment campaigns, with the aim of hiring employees of both genders from a wide range of backgrounds in terms of training, experience and culture. Thales' success and performance effectively depend on its ability to attract top talent from a variety of labour markets (both in France and abroad) and on the commitment of its employees.

### Regeneration of the Group's employer brand

Unveiled in 2014, the Group's employer brand plays a key role in attracting new talent around the world and increasing

diversity within teams. The Global Resourcing function is responsible for enhancing the Group's attractiveness and recruiting the talent needed to deploy the "Ambition 10" strategy. This function strengthens the Group's ability to diversify its skills and helps to boost growth in its businesses by implementing strategies that improve awareness of Thales on social media and university campuses.

All throughout 2016, Thales carried out a variety of strategic campaigns to supply its growing businesses with the specific skills that they require, in areas such as cyber security and major programmes in key markets.

To coincide with the roll-out of its employer brand, the Group updated its brochures, booths, posters, web visuals and all other communication materials to include images of Thales employees. These materials have been used at recruitment events worldwide and on Thales' social media pages.

## DIGITAL AND SOCIAL MEDIA ATTRACTIVENESS

The internet is today the leading source of information and employment searches.

For this reason, Thales continued to enhance its presence on social media (LinkedIn, Twitter, Viadeo and Facebook) throughout 2016. The Group had more than 230,000 followers on LinkedIn by the end of the year. Thales has also become more visible on sites specifically for young graduates (Jobteaser, l'Étudiant, Studyrama, Yupeek and Wizbii) and generic job posting sites (including Monster, RegionJob and Indeed). The Group has also expanded further into new communication channels and job search sites, such as Snapchat and SoNetJob.

Thales renewed partnerships with several recruitment sites in late 2016 and, through the use of the Multiposting and eQuest solutions, now multicasts job vacancies to some 50 recruitment and social media sites. This approach, which is based on channels used the most by candidates, makes it easy for them to access information about the Group, to read its latest news, to search for jobs and to apply online. A significant number of applications are now received via social media, online recruitment sites and the Thales website. In France, these channels account for nearly 70% of applications (or more than 135,000).

Thales has also developed innovative interactive interfaces to encourage people to learn about the Group. Available since mid-2015, the new Thales mobile app allows users to find job vacancies and recruitment events within the Group, as well as offering the opportunity to apply via smartphone. Available in all countries in which Thales operates, the app helps to reinforce the Group's employer brand and presence on social media. Thales also provides the first virtual reality recruitment experience. This unique solution, which uses Oculus Rift technology, gives users the opportunity to find out about the Group's activities in an interactive way. Since September 2015, potential candidates and students have been able to try it out at the forums and recruitment events in which the Group participates. More than 20 such forums offered the experience in 2016.

### Contests to boost attractiveness:

Thales is taking innovative measures to attract experts with skills in electronics and cyber security, who are scarce on the job market. In 2016, the Group jointly organised a cyber

security challenge as part of European Cyber Week, and the *Projet Arduino* student contest. Now in its fourth consecutive year, *Projet Arduino* invites engineering students from around the world to put their skills to the test by developing an innovative project linked to Thales and its areas of business using an Arduino kit<sup>(1)</sup>. The aim of the initiative is to increase awareness of the Thales employer brand and boost the Group's appeal with a view to attracting new talent.

Working in teams, students are given two weeks to complete their project and submit a video presentation.

In 2016, the contest was open to students at 47 university campuses in seven countries: the United States, the United Kingdom, Singapore, France, the Netherlands, China and Hong Kong. After more than 1,000 applications were received, 524 students were selected to participate as part of 103 teams.

Online voting by the general public will determine which three teams will present their project before a panel of Thales employees, who will then decide the winning team.

There are plans to extend *Projet Arduino* to more countries in 2017.



## THALES AND THE PROFESSIONAL INTEGRATION OF YOUNG PEOPLE

As part of its Human Resources strategy, Thales has implemented a recruitment policy for young people designed not only to respond to its hiring needs but also to help young people enter the workforce. As a training method, work-study contracts are an important component

<sup>(1)</sup> *Arduino is an open-source printed circuit board containing a microcontroller, which can be programmed to analyse and produce electric signals. The system can be used to complete a broad range of tasks, from managing home automation to controlling a robot.*

for Thales in integrating young people. In 2016, for example, the Group signed 1,407 work-study contracts worldwide, notably in France (1,062), Canada (95), the United States (82), and the United Kingdom (77).

In France, as of 31 December 2016, the Group's companies included 1,324 apprentices (732 of whom were hired during the year), 425 young people on vocational training contracts (330 of whom were recruited during the year) and 109 individuals with CIFRE fellowships (28 of whom were recruited during the year).

Continuing its programmes to promote young people's integration into the workforce, Thales pushed ahead with the roll-out of an agreement with the French government called the Generation Agreement<sup>(2)</sup>, which was entered into in July 2013 for a three-year term. In particular, this agreement provides for an increase in the number of work-study students to 5% of the average annual workforce. The Group has already overshot this objective, with work-study students accounting for 5.25% of the average annual workforce in July 2016.

Thales has also achieved the objective of recruiting 2,000 people under the age of 30 on open-ended employment contracts over the term of the agreement.

In addition, under the agreement, the Group has committed to making a priority of hiring young people at the end of their training within the Group whenever there are suitable vacancies.

The agreement also provided for the implementation of programmes to support diversity and equal opportunity. To this end, 22 scholarships were awarded as part of the third Thales Education Prize in October 2016 and the partnership with the non-profit organisation *Nos Quartiers ont des Talents* was renewed.

Each year, the *Semaine de l'Industrie* (Industry Week) is an opportunity for the Group's French sites to host secondary school and university students. The visits, carried out in collaboration with the non-profit organisations *Nos Quartiers ont des Talents* and *Elles Bougent* provided an introduction to Thales' job roles and businesses not only for trainees at the educational institutions targeted by the Group, but also for young graduates from low-income neighbourhoods or disadvantaged social backgrounds.

## EDUCATIONAL PARTNERSHIPS AND LINKS WITH SCHOOLS AND STUDENTS

Students from schools and universities are all potential future Group employees. To help them all throughout their

schooling and higher education and facilitate their integration into the workforce, Thales has formed a number of partnerships with schools and universities in France and abroad, notably in Australia, the Netherlands, Germany, the United Kingdom and Romania.

### Promoting careers in science and technology:

The Group is also keen to encourage an interest in science and technology careers among secondary school students. To this end, it signed new partnerships with non-profit organisations *L'Arbre des Connaissances* and *Sciences à l'École* in 2016.

Also during the year, Thales' companies in France repeated the "Premier Stage en Entreprise" ("*First Internship with a Company*") campaign (*Premier stage en entreprise*) in partnership with *Elles Bougent*. As part of the campaign, internships were offered to young female Year-10 students to allow them to discover various aspects of the Group's business.

A number of Group sites also opened their doors to contestants of the Thales-sponsored *Je filme le métier qui me plaît* youth film contest for the ninth year.

### Our employees, our best ambassadors:

In France, the Group carried out around one hundred initiatives in schools in 2016 as well as took part in some 50 forums, supported notably by an internal network of more than 90 Campus Managers. Former students from partner schools who are now Group employees, Campus Managers act as Thales ambassadors with students, sharing their experiences to help them to make better career decisions and find out more about the Group's various businesses. They represent essential links and ensure a close relationship between educational establishments, students and the Group. Thales also encourages its employees to take part in events organised by their children's schools to introduce the students to the various aspects of the business.

In 2016, Thales was also ranked the third most attractive employer for students at engineering schools in France (Universum and Trendence rankings), demonstrating the success of its candidate attraction policy.

<sup>(2)</sup> Group agreement on "Thales' commitment to promoting the employment of young people and over-fifties and to support knowledge transfer".

## 2 – HIGH-QUALITY SOCIAL DIALOGUE

In all areas of common interest, Thales promotes cooperation with its employees and their representatives,

and provides them with high-quality information, in particular by supporting and encouraging social dialogue.

### 2.1. Collective bargaining

#### COLLECTIVE BARGAINING AROUND THE WORLD

At the end of 2016, a total of 86.5% of Thales group employees worldwide were covered by collective agreements, including the European agreements signed by the Group. The companies in question can add locally negotiated agreements to this common framework. More than sixty (60) new collective agreements were entered into within the Group in 2016, showing the importance and dynamism of employee relations.



#### COLLECTIVE BARGAINING AT EUROPEAN LEVEL

By involving employee representatives at a transnational level, Thales has endeavoured to strengthen employee relations at European level since 2009. In June 2009, Thales thus signed its first European agreement with the European Metalworkers' Federation (EMF, now IndustriAll European Trade Union) on Improving professional Development through Effective Anticipation (IDEA). The IDEA agreement concerns more than 50,000 employees and defines very specific objectives for improving employees' professional development, through some twenty or so programmes.

The momentum created at European level by the IDEA agreement led to the April 2010 signing of a second European agreement with the EMF on the Transparent annual Activity discussion for mutual Listening and developing professional Knowledge (TALK). The TALK agreement sets a clear framework and practical guidelines for conducting the Annual Activity Discussion. It defines basic principles to ensure that discussions are held in the best possible conditions and that the rights and responsibilities of all parties are respected.



#### COLLECTIVE BARGAINING IN FRANCE

In France, numerous Group agreements have been entered into since 2006, forming a basis that is common to all employees, whichever company they work for. This is the case, in particular, for (i) the Group Anticipation agreement, renewed in 2013, which defines a shared and transparent approach to workforce and skills planning, (ii) the Group benefits agreement, which harmonises employee benefits, (iii) the Group framework agreement on professional gender equality (framework agreement of 13 January 2004, amended on 27 June 2012), and (iv) the Group framework agreement of 24 April 2015 on teleworking.

Thales began a new round of collective bargaining in 2016, motivated by the belief that this process contributes significantly to the Group's economic performance while helping to improve employee working conditions. In 2016, five new agreements and amendments were entered into at Group level in connection with employee relations:

- amendment no. 1 of 9 February 2016 to the Improving professional Development through Effective Anticipation (IDEA) agreement. The purpose of the amendment is to adapt the system of “secondments with no permanent work obligation to changes in supplementary pension schemes and to make provisions for employee beneficiaries who are impacted by the application of the solidarity coefficient tax.
- amendment no. 3 of 20 May 2016 to agreement on the Thales group collective retirement savings plan in France (PERCO). The amendment adapts the provisions of the Group agreement with regard notably to the treatment for social security purposes of employer contributions and to the allocation by default of amounts received under the profit-sharing scheme to the PERCO, in order to take into account changes in the French law of 6 August 2015 on growth, business and equal economic opportunity.
- amendment no. 2 of 20 May 2016 to the agreement on profit-sharing for employees of Thales group companies. The amendment takes into account changes in the French law of 6 August 2015,

particularly those relating to the allocation by default of amounts received under profit-sharing schemes and information to employees.

- the Group agreement of 20 July 2016 on implementation methods for the French employee relations and employment law of 17 August 2015. The agreement lays out measures to ensure the smooth application of the law in a way suited to the Group's situation.
- amendment no. 11 of 12 December 2016 to the benefits agreement. The amendment details and amends the complementary welfare cover in compliance with regulatory changes.

In addition to carrying out compulsory annual negotiations, the Group's French subsidiaries also entered into several agreements in 2016. The main areas of negotiation were: gender equality, implementation of teleworking, profit-sharing agreements, and the adaptation of Active Employment Management measures at the relevant companies.

## 2.2. Appropriate social dialogue bodies

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### EUROPEAN WORK COUNCIL

Created by an anticipation agreement, the European Works Council (EWC) comprises representatives from Thales' 11 main European countries.

It operates on the basis of:

- two ordinary Annual Plenary Meetings and further meetings convened in exceptional circumstances;
- a Select Committee that meets in order to ensure regular provision of information;
- information and discussion meetings on the strategic outlook at the level of each Group Global Business Unit (GBU).

In 2016, two ordinary plenary meetings, one extraordinary plenary meeting and four meetings of the European Works Council Select Committee were held. In addition, twelve information and discussion meetings took place as part of the work of the European Works Council, within the Group's business activities, to discuss the strategic and HR perspectives of these activities.

### EUROPEAN ANTICIPATION COMMISSION / NATIONAL ANTICIPATION COMMISSION / EUROPEAN CONVENTION

The European IDEA agreement stipulates that a European Anticipation Commission should be set up to conduct a forward-looking analysis of job families and discuss the annual training priorities of Thales University. National Anticipation Commissions have also been set up since 2009 in the European countries covered by the IDEA agreement. These bodies play a vital role in anticipating changes in the various job families.

There were two meetings of the Anticipation Commission in 2015 as well as a European Convention, which laid out a two-year roadmap based on five priority areas: anticipation, diversity, the leadership model, the Annual Activity Discussion and communication. Further to these events, the European Anticipation Commission met again on 24 May 2016 to review the progress of each countries' action plans with regard to these five priorities.

As part of this, representatives from each member country shared one or two local best practices and attended a session on Diversity, where they were each asked to identify initiatives that could be undertaken or pursued to advance this key Group priority. The discussions also gave the countries the opportunity to collectively agree on the need to take further action to ensure a more diverse mix of nationalities and greater gender equality within each country's workforce.

## **TRADE UNION COORDINATION BODY AT GROUP LEVEL IN FRANCE**

The Group has set up a body to coordinate representative trade unions at Group level in France. In addition to acting as the interface between the Group and the trade unions present in each of its companies, this body is responsible for addressing all negotiations with Group-wide impact

and ensuring agreements are rolled out within the relevant companies. All Group agreements implemented in Thales companies in France have been entered into within this framework.

## **GROUP WORKS COUNCIL IN FRANCE**

The Thales Group Works Council was created in 2000 as the result of an agreement whose provisions were revised in conjunction with all the trade unions in 2011. The 30-member Group Works Council is a body for information, deliberation and discussion aimed at developing dialogue between corporate management and employee representatives on the position and strategic focuses of the Group's main areas of business. It is also consulted annually on Thales group-level strategic focuses. The Group Works Council met five times in plenary sessions in 2016.

## 3 – SUPPORT FOR PROFESSIONAL DEVELOPMENT

Thales believes that the individual development of each employee is necessary for the Group’s success as a whole. In a constantly changing economic and technological environment, the Group’s professional development policy relies, in particular, on forward planning, and results in its ability, firstly, to predict key

changes or innovations and to prepare action plans to deal with them, and secondly, to train and support every employee with a view to diversifying their experience, providing them with opportunities and thus designing a better career path.

### 3.1. Management of job families

Thales has identified fifteen generic job families of equal importance for the Group’s success. The architecture of these job families worldwide has been fundamentally adjusted to meet ongoing changes in the Group’s markets and to better enhance employees’ skills. Each job family is managed at the highest level and benefits from the expertise of an operational leader and an operational committee, an HR contact person and a training support

team to anticipate changes and future trends, and to put forward a collective professional development action plan (covering recruitment, training, job roles to be developed, etc.).

The Group reference system has been adapted to reflect changes in certain job families, and in particular to include cyber security and customer satisfaction.



## MANAGEMENT OF KEY AND CRITICAL SKILLS

In a highly competitive economic environment, employees' technical skills are a major advantage. Skills management provides substantial leverage in terms of professional development. To this end, the Group has developed a "key skills management" approach for all of its job families, centred on the identification and sharing of available technical skills. This approach, which relies on an inventory of skills, provides practical responses to technical problems identified in programmes or helps to form new teams that will secure bids and projects.

Since 2015, the Group has also decided to enhance its approach by developing a new skills management tool providing employees with the opportunity to showcase their existing skills and, with their manager, to identify the skills to be developed in line with the organisation's needs. It also gives managers the opportunity to anticipate needs and to ensure their teams' key skills are

up to date, through better alignment with the agreed professional development plans (covering skills transfer, coaching, training and recruitment of specific profiles). To date, nearly 28,000 employees worldwide have already listed their skills using the tool, which is continuously being improved. Developed for research and development job families, this new approach was extended to the Services and Production job families in 2016.

## MANAGEMENT OF SPECIALISTS

Thales' technological innovation relies largely on a community of specialists/experts. The Group recognises their contribution at all levels of responsibility and within each job family. Thus, at a comparable level of responsibility, specialists/experts and managers are treated in an identical way based on a two-tier career development scale implemented at international level. Lateral mobility is encouraged.

## 3.2. Anticipation to help safeguard career paths

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The forward-planning process, supported by negotiations with the Group's French and European social partners, contributes to the success of the job families' management mechanisms. It guides Thales' social policy in Europe, with strong involvement from three players:

- the employer, who chooses to share job-related information and actions in an effort to improve transparency and makes that information available to employees along with support mechanisms and online tools to facilitate the construction of a career plan;
- the employee, who becomes an active participant in his or her development through new and significant involvement, and who may benefit from a detailed, real-time understanding of the development of his or her job family within the Group, as well as from ongoing access to all of the mechanisms and tools in place;
- employee representatives, who, having a greater awareness of future developments in the job families, are well versed in these analysis methods and voice their opinion on the short-, medium- and long-term action plans put forward.

The Group has recognised the fundamental role played by employee representatives in setting up a forward-planning policy for changes within the various job families and job roles. In France, the Group collective agreement of 23 April 2013, which has a term of five years, forms part of the approach instigated by the agreement of 23 November 2006 aimed at developing workforce and skills planning. It also defines the conditions, procedure and measures associated with Active Employment Management in the event of foreseeable economic difficulties linked to new skills requirements, or in the case of technological breakthroughs that could have an impact on employment under certain job families.

Joint efforts by the Company and employees resulted in the implementation of Active Employment Management in several Group companies in 2016 after staff representatives had been informed of and consulted on the economic projections, their effects on employment and the timeliness of implementing the initiative. In addition, a specific network of HR officers and operations employees from all entities in France has been created to help identify and implement solutions for employees who volunteer to take part in the initiative.

### 3.3. The employee as active participant in their professional development

Thales believes that all employees should be active participants in their own career development plan. An analysis of the changes in job families and job roles and communication of the corresponding results enables each employee to construct a career plan in step with developments and the associated skills requirements in his or her field.

The Group also ensures that its employees receive a professional development discussion each year. This individual discussion is an important step in the process of professional development and constitutes a special opportunity for employees to take stock with their manager of how best to grow in their current position and

to define their career path. This meeting also provides employees and managers with the opportunity to jointly define an associated action plan that includes training, as well as any other measures aimed at professional development. During their professional development discussion each year, employees are thus individually informed by their line manager of trends in their job family and their job role, and resources that could contribute to their professional development.

In 2016, a total of 91.4% of Thales' employees worldwide had a professional development discussion with their manager (compared to 91.2% in 2015).

Percentage of employees who have had a Professional Development Discussion

		Percentage of employees having attended a PDD	Number of employees having attended a PDD	% of headcount covered by the answer
<b>Major industrial countries</b>	Germany	95	2985	100%
	Australia - New Zealand	66	2205	100%
	Canada	98	1442	100%
	United States	100	3017	100%
	Netherlands	92	1548	100%
	United Kingdom	90	5835	100%
<b>Rest of Europe</b>	Austria	96	288	95,2%
	Belgium	100	879	100%
	Spain	99	917	90%
	Italy	82	2164	100%
	Norway	83	180	100%
	Poland	91	244	100%
	Portugal	99	254	98,8%
	Romania	98	229	100%
	Switzerland	100	226	76%
	Denmark	100	112	100%
	South Africa	81	116	100%
	Saudi Arabia	94	560	100%
	Brazil	100	178	100%
China - Hong Kong	100	523	100%	
India	60	158	100%	
Mexico	100	328	100%	
Middle East (exl. Saudi Arabia)	73	508	100%	
Singapore	99	688	100%	
<b>France</b>	France	93	32 051	100%
<b>World</b>	<b>Total</b>	<b>91,4%</b>	<b>57 635</b>	<b>98,45%</b>

Thales also makes computer tools available to its employees in the form of applications that they can use to list and update their experience, skills and requests for professional development (e-HR Together), to look at job offers on the internal job board, to submit their CVs online via the application portal (e-HR Staffing), to see the training sessions that have been validated and to enrol themselves for available sessions (e-HR Training).

Career Corners have also been set up at many sites in France and the rest of Europe in order to provide a forum for information and discussion, where employees can meet with HR professionals and experts and receive individualised advice on career planning.

### 3.4. Mobility and career path

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Faced with increasingly competitive markets, employee mobility and professional development increase the Group's capacity to adapt to future changes and to offer rich and varied career paths to employees. Active career management is thus encouraged.

Mobility also offers the opportunity to increase skills in a matrix organisation within which the "market" vision must fit in with the "product" vision of the Global Business Units.

Professional mobility is integral to each job family and business segment to strengthen and enhance skills. In addition, career gateways (from one job family to another, from one job role to another within the same job family, and/or from one establishment to another) are identified by the job family list applicable to the Group as a whole.

Facilitating the geographical mobility of employees is also a key issue. The Group has taken steps to help employees in this process, in particular by harmonising support measures in each of the European countries. Thales guarantees each employee the ability to access information about job vacancies on a confidential basis in the context of internal mobility. In France, common rules have been defined to facilitate the process, whether for a change in position or a geographical relocation or both, covering relocation, help with finding housing, a moving bonus, etc. In 2016, a total of 1,109 employees relocated in France as part of a geographical mobility programme.

#### INTERNATIONAL MOBILITY

The Group has implemented several processes to encourage international mobility:

- the International Business Volunteers programme in 2016 allowed more than 70 young people aged

between 18 and 28 from the European Economic Area to go on assignments of 6-to-24 months in a foreign country. An additional 20 people are set to depart under the programme in early 2017;

- the Career Plus programme, which has absorbed the Career 1<sup>st</sup> initiative, matches operational needs with the desire of employees of all kinds for temporary international mobility. At 31 December 2016, a total of 108 employees were on Career Plus assignments;
- other international secondments are dependent on the Group's strategy and the needs expressed by the countries of operation.

At 31 December 2016, a total of 730 Group employees, including employees taking part in the Career Plus programme, were on temporary international mobility assignments (versus 686 at end-2015). Representing all business segments, these employees came from more than 20 countries of origin and were received in some 60 host countries.

International mobility destinations are spread across every region of the world, with 32% in Europe, 24% in the Middle East, 22% in Asia-Pacific, 11% in North America, 5% in South America and 6% in the rest of the world. Participating employees were primarily from Europe, especially France (65%), with smaller numbers from North America and Asia-Pacific (Singapore, Australia, etc.) as well as emerging economies.

These programmes all help the Group to achieve its objective of doubling the number of international employees in France by 2019.

### 3.5. Training

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Thales' commitment to training stems from the view that building a successful career path means maintaining every employee's expertise at all times, as a guarantee of employability. The Group's training policy has a dual aim:

- meeting the needs of the Group's companies by implementing performance improvement and change management projects;

- taking into account employees' individual aspirations in terms of skills development with regard to their job or professional mobility

## KEY FIGURES FOR 2016

A total of 84.2% of Group employees received training in 2016. This figure demonstrates the Group's commitment to investing in training its employees, who received an average of 20.03 hours of training during the year. Overall, a total of 1,237,487 training hours were received Group-wide in 2016. Compared with 2015, the average number of training hours increased in 2016, particularly in

Spain, Austria, the Middle Eastern countries, China, Brazil and Canada.

In France, the average number of training hours per employee (21.1 hours) and the level of training expenses (3.58% of payroll compared to 3.66% in 2015) remained stable.

### Total and average number of training hours delivered in 2016

		Total number of training hours	Average number of training hours by employee	% of headcount covered by the answer	
<b>Major Industrial countries</b>	Germany	50 157	15,96	100%	
	Australia - New Zealand	38 104	11,40	100%	
	Canada	28 131	19,12	100%	
	United States	48 234	15,99	100%	
	Netherlands	21 911	13,18	98,8%	
	United Kingdom	99 805	15,39	100%	
<b>Rest of Europe</b>	Austria	11 250	37,61	95,0%	
	Belgium	31 301	36,61	97%	
	Spain	39 095	37,99	100%	
	Italy	66 522	25,21	100%	
	Norway	11 292	52,04	100%	
	Poland	7 736	28,87	100%	
	Portugal	4 437	17,33	98%	
	Romania	7 570	32,35	100%	
	Switzerland	6 810	30,07	76%	
	<b>Emerging émergents</b>	South Africa	4 711	32,94	100%
		Saudi Arabia	7 516	12,61	100%
Brazil		7 563	42,49	100%	
China - Hong Kong		10 557	20,19	100%	
India		5 528	29,25	71,9%	
Mexico		11 291	34,42	100%	
Middle East (exl. Saudi Arabia)		2 709	3,89	100%	
Singapore		12 171	19,88	88,1%	
<b>France</b>	France	703 086	21,07	100%	
<b>World</b>		1 237 487	20,03	96,4%	

## THALES UNIVERSITY: "TO SHARE KNOWLEDGE AND TRANSFORM THALES"

Present in ten countries<sup>(1)</sup> (representing approximately 90% of the total workforce), Thales' in-house university (Thales University) contributes to employees' professional development in the various countries where the Group does business, while ensuring a common culture that reinforces cohesion around the Group's key values.

Thales University enables employees to adapt their individual and collective skills, while supporting the Group's strategic goals. For several years now, Thales University has therefore been requested to provide support in the roll-out of the Group's major transformation programmes: the Group's long-term strategic vision, "Ambition 10" and its operational offshoot, "Ambition Boost". In 2016, fully 81,000 hours of digital training were delivered worldwide (an increase of 5% compared to 2015 and 15% compared to 2014). As part of this, more

than 23,000 employees received more than 39,000 hours of training through the digital portal, an increase of 30% compared to 2015.

In France, 14,203 employees took part in training at Thales University in 2016, versus 12,035 in 2015. The number of training hours delivered by Thales University in France during the year stood at 218,198 hours (compared to 214,275 hours in 2015). Thales University thus provides more than 31% of the Group's training hours in France.

In 2016, Thales University also helped roll out the "Going Global" strategy, delivering more than 70 international "Group Key Programmes" around the world and ensuring the widespread dissemination of the Group's knowledge, expertise and skills. The introduction of a network of Key Account Managers for the University effectively rounds out the system for identifying new needs, particularly in countries without a campus. As part of this approach, a large number of the Group's business leaders report the

<sup>(1)</sup> Germany, France, Italy, the Netherlands, the United Kingdom, Canada, the United States, the United Arab Emirates, Australia and Singapore.

skills that their employees need to develop, and Thales University provides a response. During the year, Thales University also supported the deployment of many certifications in the various job families and assisted the Quality, HSE, IPMA and many other Group departments in producing digital content. In this way, Thales University makes a well-rounded contribution to developing the professionalism and employability of Group employees.

In 2016, the university also pushed ahead with its transformation plan, focusing its programmes on a number of initiatives, notably the digital project. Its strategy is based on three pillars: “Going Global”, “Going High Tech and Digital” and “Becoming a Learning Company”. For example, more than 18 training

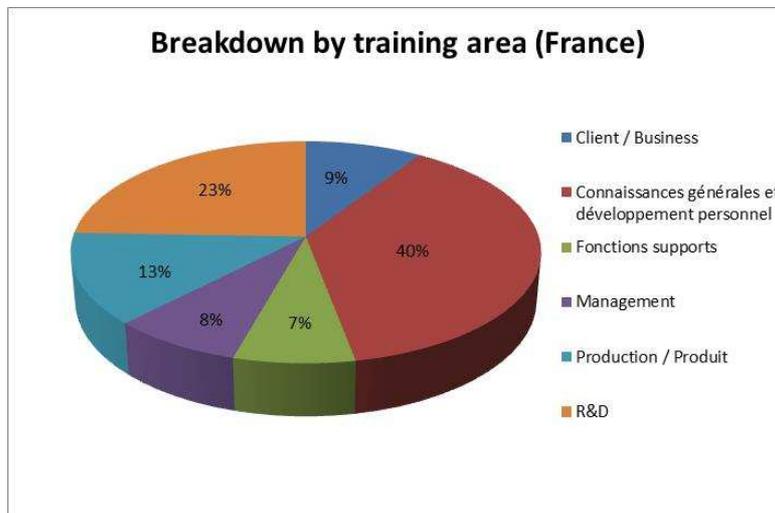
programmes are now multimodal and incorporate many educational and digital components, including the recently developed “virtual class”.

In 2016, Thales University also launched its digital strategy and global deployment plan across all of its international campuses. The plan is set to continue in 2017 and beyond. Thales University won the Bronze Brandon Hall Award in September 2016 in recognition of its corporate digital learning strategy.

Through these initiatives, Thales University fulfils its role as the Group’s learning hub and contributes to the emergence of a “learning organisation”, where all employees can play a more active role in their training and professional development.

### Training courses delivered by Thales University in France

	2015	2016
Number of women trained	2780	3412
Number of men trained	9255	10791
<b>Total number of employees trained</b>	<b>12035</b>	<b>14203</b>



## TRAINING PROGRAMMES TO MEET THE NEEDS OF THE GROUP AND ITS EMPLOYEES

In addition to Thales University, the organisation of training in France has been structured since 2007 as a shared department in order to:

- create a combined organisation to serve the Group's companies, with a joint team providing advice, administrative processes and homogeneous shared tools. This helps to optimise training purchases and financing;

- position the companies' action and key Group issues around major topics such as the definition of training guidelines, the definition of priorities for action and the creation of training plans;
- develop expertise in providing training advice to support the Group's entities in implementing training plans and to serve employees and their professional development, by creating an integrated network of specialists in training provision. .

### 3. 6. Development of a leadership model

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In 2014, the Group introduced a new model of leadership that defines the professional behaviour expected of leaders based on six key skills<sup>(1)</sup>. These skills are described through desirable and undesirable behaviour. The "Succeeding through cooperation" skill, for example, served as the common theme for setting objectives for Group managers in strategic positions.

Published in several languages (French, English, German and Chinese), the presentation for this model was disseminated in all the Group's major countries. To date, most managers have been made aware of this model either through participatory workshops, modules integrated into Thales University training courses, or participation in local initiatives. Management training programmes delivered through Thales University have all been adapted to reflect the six key skills described in the model.

Since 2015, talent development initiatives based on the leadership model have been deployed in all of the Group's main countries to train the leaders of tomorrow. Examples include 360° questionnaires, development centres and project team charters. To date, around 1,750 Group leaders have benefited from a 360° questionnaire debrief based on the leadership model. In 2016, some 650 leaders also took part in a leadership programme at a training centre. The leadership model has now been incorporated into most of the Group's Human Resources processes, including staff reviews, professional

development discussions, recruitment and integration. A large-scale communication campaign to inform employees of the leadership model has also been rolled out to accompany the launch of the professional development discussion campaign. The leadership model is now routinely included in all collective development initiatives.

A self-perception questionnaire has also been made available to all Group employees on the intranet to help them gain awareness of their strengths and areas for improvement.

In 2016, a platform for sharing best practices was implemented based on the leadership model. Thanks to this platform, initiatives from around the world were shared in French and in English, thereby spreading the leadership model further throughout the Group.

A specific initiative known as Team-Up was also introduced during the year with the aim of creating team engagement and enthusiasm for the "Ambition 10" objectives and improving individual and collective efficiency. Thales' Executive Committee was the first team to test the initiative, working on their collective leadership through a variety of questionnaires. Throughout 2016, Team-Up was extended to most of the Company's top-level teams (Executive Committee, Global Business Units and Management Committee), helping more than 300 people improve their leadership skills. The initiative will continue in 2017.

(1) *Managing complexity, acting with responsibility and ambition, succeeding through cooperation, influencing key players, engaging and developing teams, and displaying emotional intelligence.*

## 4 – A GROUP EMPLOYEE PROFIT – SHARING POLICY

An integral component of its employment policy, the Group's salary policy combines collective results and individual performance. Its implementation process is based on transparency, equity and dialogue.

An Annual Activity Discussion is held at the beginning of the year between managers and each member of their

teams. An ideal time to define individual objectives for the year and place them in the context of the team's collective objectives, the Annual Activity Discussion is also an opportunity to discuss the appraisal of the results achieved over the past year. Worldwide, 94.6% of employees took part in such a discussion (92.7% in 2015).

### 4.1. Compensation and salary progression

Individual pay rises depend on fulfilment of responsibilities, attainment of annual targets, market positioning and allocated budget. Since 2000, the compensation and benefits policy applied in all Group companies has also included a global variable compensation plan for employees in a position with a level of responsibility of 8 to 12, which defines a target rate of variable pay for each level of responsibility. This variable compensation plan aims to recognise the individual results of the employees concerned (50% of the amount of variable compensation depends on the level of achievement of the annual individual objectives and the ongoing objectives for the position), to encourage

teamwork and to give team members a stake in the business results of the Group and the company to which they belong, as assessed by indicators.

In 2016, salaries rose by over 2.2% in France. This increase includes both individual pay rises and, for the employees concerned, the collective pay rises negotiated with the trade unions.

Payroll, including profit-sharing and incentives (excluding DCNS) totalled €6,025 million in 2016, compared with €5,784 million in 2015. The €241 million increase in payroll from 2015 to 2016 includes a negative foreign exchange rate effect of €78 million.

En M€	2015	2016
France	3 289	3 414
Europe excluding France	1 520	1 491
USA, Canada, Australia	724	831
Rest of world	251	289
<b>TOTAL</b>	<b>5 784</b>	<b>6 025</b>

Note: the changes in payroll in France shown in this table differ from the progression in average compensation of the headcount because it takes into account changes in headcount and its structure and changes in the age pyramid, as well as developments in profit-sharing and incentive schemes.

## 4.2. Incentives and profit-sharing in France

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In order to strengthen the loyalty of employees beyond their local entity and solidarity among the Group's French entities, in 2004 entities in the country entered into a pooled profit-sharing agreement. The amount of the global profit-sharing reserve distributed in 2016 with respect to financial-year 2015 amounted to €34.8 million (compared with €18.7 in 2015 with respect to 2014).

Independently of their participation in the pooled profit-sharing agreement, a large majority of the Group's French companies have signed a three-year profit-sharing

agreement designed to give employees a stake in the Company's results and performance. In 2016, a total of 22 of the Group's companies in France paid incentive rights with respect to 2015, totalling €45.2 million (the amount paid in 2015 with respect to 2014 incentives was €57 million).

The parent company paid €4.1 million in incentives in 2016 with respect to 2015, compared with €4.3 million paid in 2015 with respect to 2014.

## 4.3. Group employee savings schemes

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The Group's employee savings schemes are made up of a Thales group savings scheme (PEG) set up in France in 1998 and, since 2007, a collective retirement savings plan (PERCO).

At 31 December 2016, the total savings under management by Group schemes amounted to €995 million (compared with €863 million at end-2015), held by close to 53,000 former and current Group employees.

### GROUP SAVINGS SCHEME (PEG) AND EMPLOYEE SHAREHOLDING

At the end of 2016, assets under management in the Group savings scheme (PEG) stood at around €687 million, including €336 million in diversified assets. Under the Group savings scheme, the employee shareholding fund is the main framework within which Group employees hold company shares.

Set up for the employee share offer in 1998, the fund holds shares acquired during the offers in 2000, 2002, 2004, 2008, 2011, 2013 and 2015.

At 31 December 2016, assets under management amounted to approximately €351 million, consisting of Thales company shares managed within the Thales group savings plan on behalf of around 27,800 shareholders.

Including shares from free share plans, employee shareholding in Thales amounted to 2.71% of the Company's share capital at 31 December 2016.

### COLLECTIVE RETIREMENT SAVINGS PLAN IN FRANCE (PERCO)

Set up in 2007, the collective retirement savings plan (PERCO) gives employees the opportunity to set aside savings for their retirement with the Company's help. By an amendment dated 29 March 2011, the parties to the original PERCO agreement changed the plan to significantly increase the amount of corporate assistance in the event of voluntary payments.

At 31 December 2016, assets under management as part of the PERCO plan amounted to €308 million, on behalf of 32,600 beneficiaries (compared with €263 million on behalf of 30,960 beneficiaries at 31 December 2015).

## 4.4. Grant of units or units subject to performance conditions

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On 27 October 2016, Thales' Board of Directors approved the implementation of:

- a free share grant for 782 French employees, subject to performance conditions for the 232 of these employees who hold senior executive positions;
- a grant of "units" (monetary value comprising part shares and part cash payment) for 312 non-French employees, subject to performance conditions for the

67 of these employees who hold senior executive positions.

A total of 1,094 employees in 27 of the Group's host countries took part in these two plans.

Short- and medium-term cash-based incentive schemes lasting between two and three years have also been introduced for technicians, engineers and managers.

## 5 – A SAFE AND HEALTHY WORK ENVIRONMENT: HEALTH AND SAFETY AT THE WORKPLACE

One of the Group's key priorities is to provide a safe and healthy work environment for all employees, in compliance with applicable law, by monitoring procedures, preventing health and occupational risks and training employees.

### A DEDICATED ORGANISATION

The Group has established a dedicated global organisation designed to prevent risks related to workplace health and safety, whether at Thales sites or external sites, and to manage major health crises that could occur internationally.

Within the Group, the Human Resources and Health, Safety and Environment Departments share the vast domain of Health and Safety (H&S). In their respective areas of responsibility, they define the principles of the H&S policy to be implemented in the countries in accordance with national laws and requirements. The departments also take practical measures in terms of prevention and workplace health and safety.

Coordinated by the Risk Assessment Committee, the risk management process includes risks liable to affect employees throughout the world, at internal Group sites and external sites. Regular monitoring of the risks to which Group employees may be exposed is performed each year.

### TANGIBLE PROCEDURES AND MEASURES

Tangible measures are also implemented in relation to the health and safety of employees in the workplace by the Group's Human Resources and Health, Safety and Environment Departments. In addition, Thales is committed to developing quality of life at work.

In France, the quality of life at work agreement of 4 February 2014 defined a general framework for Thales' health and safety policy and established a system for identifying and preventing occupational risks. The

agreement is based on a preventive approach involving all players in occupational health. It is mainly aimed at preventing the emergence of psychosocial risks through collective action and individual monitoring of each employee. New commitments to improve employees' quality of life at work were also jointly defined. The agreement of 4 February 2014 enhanced the process for the prevention of psychosocial risks, in particular by focusing on the primary prevention of these risks and by setting out formal actions to prevent their emergence, in a document annexed to the single risk evaluation document.

To raise employee awareness of the importance of factoring quality of life at work into their daily activities, most Group companies in France now organise an annual Quality of Life at Work Week, during which employees can attend a number of workshops and conferences in areas such as workplace well-being, psychosocial risk prevention, cardiovascular risk prevention, balanced diets and sleep as well as taking part in relaxation, massage and yoga sessions.

Tangible measures have also been taken to make it easier for employees to reconcile professional and personal obligations, including the creation of inter-company crèches and concierge services.

In 2016, a total of 331 management-level employees received training in psychosocial risks from Thales University.

The Group framework agreement of 24 April 2015 on teleworking, which has since been supplemented by company agreements, is fully in line with this commitment to improve quality of life at work.

Lastly, a central Quality of Life at Work Committee supports all of these initiatives.

The Group also introduced a number of initiatives in 2016 to improve employee health and safety. In the United Kingdom, for example, a well-being programme was designed and implemented as part of workshops held in the country's units. The goal was to provide all employees with access to information so that they could make positive choices and change their attitude to health and well-being. In Spain, a far-reaching programme was

developed to promote health, featuring a variety of prevention activities. As in previous years, employee training was a central focus of prevention initiatives in 2016 in most of the Group's countries, including Norway, where the challenge was to make health and safety part of every employee's daily habits. Risk audits and risk assessment procedures were also performed to evaluate the working conditions at French sites as well as international sites (United States, Australia, New Zealand and South Africa).

A large number of the Group's companies have obtained OHSAS 18001 certification, which attests to their ability to manage and evaluate risks relating to health, safety and the environment. As of 31 December 2016, a total of 106 entities had been certified, representing 82% of worldwide headcount, a sharp increase over previous years (62% in 2012).

## INFORMATION ON WORK-RELATED ACCIDENTS AND ABSENTEEISM

Worldwide, the Group's overall absenteeism rate is 2.42%.

In France, the total rate of absenteeism calculated in accordance with the corporate assessment was 3.27% in 2016. This rate has been relatively stable for the last few years (3.18% in 2015, 3.11% in 2014). The absenteeism rate, excluding parental leave, also remained stable at 2.57%. The proportion of this absenteeism relating to accidents at work, commuting accidents and occupational illnesses is the same as in 2015 and remains consistently low.

For accidents at work, the overall frequency rate worldwide was 2.15 in 2016 and the severity rate was 0.05. The rates differ substantially for each country, depending in particular on the activities taking place there. However, in the majority of countries, the frequency and severity rates are relatively low. In France, in 2016, the frequency rate of accidents at work was 2.42 and the severity rate was 0.06.

It should be noted that the inherent difficulty in defining the concept of occupational illness in the countries has not allowed this information to be consolidated across all countries in which the Group is established. The information on occupational illness is consequently shown only for France. In France, 1,474 working days were lost due to occupational illness in 2016.

### Overall absenteeism rate

		Absenteeism rate	Headcount covered by the answer	% of headcount covered by the answer
<b>Major industrial countries</b>	Germany	4,19%	3142	100%
	Australia - New Zealand	3,74%	3341	100%
	Canada	1,81%	1471	100%
	United States	0,32%	3011	100%
	Netherlands	3,64%	1663	98,8%
	United Kingdom	2,32%	6483	100%
<b>Rest of Europe</b>	Belgium	2,50%	855	97%
	Spain	1,87%	1029	100%
	Italy	2,20%	2639	100%
	Norway	3,87%	217	100%
	Poland	4,04%	268	100%
	Portugal	1,61%	256	98%
	Romania	1,43%	234	100%
	Switzerland	1,52%	226	76%
	<b>Emerging markets</b>	South Africa	0,16%	143
	Mexico	0,28%	328	100%
<b>France</b>	France	2,57%	34 463	100%
<b>World</b>		2,42%	59 769	93,29%

Note: The definition of the absenteeism rate in France used here differs from that found in the "bilan social". It excludes authorized leave, maternity / paternity leave and leave for family events.

## Absenteeism rate in France

	Engineers and Executives	Technicians	Supervisors	Administrative staff	Specialized workers	Total
Global absenteeism rate	2,59%	4,14%	4,25%	5,53%	7,36%	3,27%
Percentage due to disease	1,39%	2,06%	3,01%	4,09%	5,17%	1,99%
Percentage due to maternity / paternity	0,40%	0,08%	0,22%	0,34%	0,27%	0,36%
Percentage due to occupational injuries and commuting accidents	0,04%	0,16%	0,13%	0,17%	0,61%	0,09%

## SOLID WELFARE COVER

Offering employees quality health and death/disability coverage helps to support them throughout their working lives. Some countries have brought in specific measures in this regard. In France, since the conclusion of the Group agreement on welfare provisions on 23 November 2006, employees have had a harmonised collective status across all companies and identical welfare cover, whatever the legal entity concerned.

The agreement of 12 December 2016 adapted this system to reflect regulatory changes.

## WORKING TIME

For the Group, the organisation of working time should allow a balance between work and personal life, with each country adapting working time according to the applicable legislation, regulations and agreements.

A total of 93.4% of Group employees are full-time; part-time contracts generally reflect the employee's choice.

A total of 93.5% of Group employees are covered by working time regulations, which in several countries (such as France, Spain, Germany and the Netherlands) result

from collective agreements limiting working time. In all, 76.9% of Group employees are of a level equivalent to engineer, specialist or manager, which means that few employees are subject to unconventional working hours (nights, alternating shifts, etc.).

Many Group employees work on the basis of 40 hours per week. For example, Belgium, Spain, Italy, Norway, Austria, South Africa, the Netherlands, Poland, Portugal, Switzerland and China (including Hong Kong) operate a 40-hour week. In certain countries, the working week is shorter than this, pursuant to legal or contractual provisions. In the United Kingdom, most of Thales' activities are organised on the basis of a 37-hour working week. In Germany, branch collective agreements give a working time of 35, 38 or 40 hours per week, depending on the region. In France, most of the Group's companies have signed agreements implementing the 2000 framework agreement on working time which, for non-managerial staff, provides for working time of 35 hours per week on average over the year, with reduced working time days granted; for managerial staff, it provides for a flat-rate system in hours or days over the year based on 210 working days a year (excluding the country's "solidarity day").

The total amount of overtime worked in France was equal to 45,970 hours in 2016, as compared with 45,152 in 2015 and 51,237 hours in 2014.

## Percentage part-time work contracts

		Percentage of part-time contracts	% of headcount covered by the answer
<b>Major industrial countries</b>	Germany	11%	100%
	Australia - New Zealand	3%	100%
	Canada	1,1%	100%
	United States	0,3%	90%
	Netherlands	13,3%	98,81%
	United Kingdom	4,9%	100%
<b>Rest of Europe</b>	Austria	7,6%	100%
	Belgium	7,6%	97%
	Spain	2,4%	100%
	Italy	2,7%	100%
	Norway	6,0%	100%
	Poland	1,5%	100%
	Portugal	0,4%	98%
	Romania	3,4%	100%
	Switzerland	15,1%	100%
	Denmark	10,7%	100%
<b>Emerging markets</b>	South Africa	2,1%	100%
	Saudi Arabia	0,2%	100%
	Brazil	0%	100%
	China - Hong Kong	1,7%	100%
	India	0%	100%
	Mexico	0%	100%
	Middle East (exl. Saudi Arabia)	0%	100%
	Singapore	0%	100%
<b>France</b>	8,3%	100%	
<b>World</b>	6,6%	98,64%	

## 6 – GENDER EQUALITY, DIVERSITY AND INCLUSION

The Group is particularly committed to promoting an inclusive approach, making everyone feel fulfilled in their roles without discrimination with respect to origins, gender, age, political opinions, religion, union membership or disability.

In line with this, one of the objectives of the Group's "Ambition 10" strategic visions is to build a global, diversified company.

In early 2016, the Group's Chairman & Chief Executive Officer announced ambitious commitments for the following years in terms of percentage of women hires (40%), women in positions of senior responsibility (30%) and women on management committees (at least three per committee).

To adapt its organisation to reflect this commitment to becoming a more diverse and inclusive company and structure itself to implement the related objective, the Group created a dedicated governance system in 2016, comprising:

- a Steering Committee made up of the members of the Group's Executive Committee and chaired by the Chairman & Chief Executive Officer. The Steering Committee is responsible for defining the Group's diversity strategy, approving the allocated resources and promoting and monitoring the fulfilment of any commitments made to this end;

- a Diversity Board comprising members who are representative of the Group's various departments. The Diversity Board is primarily responsible for raising collective awareness of the concepts of inclusion, bias and stereotyping through mentoring and sponsorship initiatives and the deployment of programmes to give tangible form to Group-level commitments. The Diversity Board's members assess what resources are needed to make the initiatives work.

In addition, the governance system draws on existing networks such as the Professional Development network, the Recruitment network, the Gender Equality Working Group and Thales University to ensure information on initiatives taken within the organisation is cascaded down extensively throughout the Company.

In late 2016, the Diversity Board defined several initiatives aimed notably at developing a mentoring programme and launching a communication campaign to combat stereotypes. An internal survey for employees in engineering job families was also carried out with a view to analysing the current situation and identifying ways to encourage gender equality within the Group's technical job roles.

In addition, Thales has joined other companies in Europe by taking part in audit firm McKinsey's external Women Matter survey, which aims to create a benchmark of market practices.

### 6.1. Action to promote equality

The Group has maintained its commitment to ensuring that women are even more involved in its development, based on a committed, concrete policy supported by constructive social dialogue. The positive changes seen in recent years attest to the Group's commitment in this domain. As a result, at 31 December 2016, women made up 22.6% of the total workforce, 22.8% of the European

workforce and 24% of employees in France. Within the Group, women are predominantly employed in long-term, highly skilled positions. In all, 96.7% of women employees worked under open-ended employment contracts in 2016, and 65.7% (as compared with 60.5% in 2013) held positions at a level equivalent to engineer, specialist or manager (levels of responsibility 7 to 12).

## Breakdown of men / women staff by country

		Percentage of men	Percentage of women	Headcount covered by the answer	% of headcount covered by the answer
<b>Major industrial countries</b>	Germany	76,8%	23,2%	3142	100%
	Australia - New Zealand	79,9%	20,1%	3341	100%
	Canada	74,8%	25,2%	1471	100%
	United States	75,2%	24,8%	3017	100%
	Netherlands	86,9%	13,1%	1663	98,8%
	United Kingdom	79,8%	20,2%	6483	100%
<b>Rest of Europe</b>	Austria	85,1%	14,9%	315	100%
	Belgium	74%	26%	855	97%
	Spain	77,1%	22,9%	1029	100%
	Italy	78,3%	21,7%	2639	100%
	Norway	82,9%	17,1%	217	100%
	Poland	80,2%	19,8%	268	100%
	Portugal	86,7%	13,3%	256	98%
	Romania	76,9%	23,1%	234	100%
	Switzerland	85,2%	14,8%	298	100%
	Denmark	81,3%	18,8%	112	100%
<b>Emerging markets</b>	South Africa	70,6%	29,4%	143	100%
	Saudi Arabia	98%	2%	596	100%
	Brazil	79,2%	20,8%	178	100%
	China - Hong Kong	75,3%	24,7%	523	100%
	India	85,6%	14,4%	263	100%
	Mexico	78%	22%	328	100%
	Middle East (exl. Saudi Arabia)	83%	17%	696	100%
	Singapore	69,9%	30,1%	695	100%
	France	76%	24%	34 440	100%
<b>World</b>		<b>77,4%</b>	<b>22,6%</b>	<b>63 202</b>	<b>98,64%</b>

## COMMITMENTS

The Group has long been committed to proactively making advances with regard to professional equality. In 2004 in France, Thales took decisive action in this area, in cooperation with the representative trade unions (action plans were negotiated that were prepared on the basis of comparative situation reports). In Europe, the IDEA agreement signed in 2009 brought commitments in all areas of gender equality: recruitment, career development, equal compensation, and work-life balance.

Since 2014, the Group's corporate management has clearly reaffirmed its commitment to promoting gender equality at all levels of responsibility. To this end, specific action plans were devised involving all the Company's stakeholders (Executive Committee, managers, Human Resources, and employees). A dedicated organisation was set up in many countries, and exchanges of best practices were organised at Group level. Lastly, goals in terms of women's career development and/or recruitment were set in some countries, as well as in a number of Group companies.

## CONCRETE ACTION

- **Recruitment:** Steps taken to promote recruitment resulted in Group companies hiring 1,247 women on open-ended contracts in 2016. This brought the percentage of women among all new recruits on open-ended contracts to 25.7%, compared with 24.4% in 2015. In France, women accounted for 27.6% of total new recruits on open-ended contracts.

Measures have also been taken to hire women on short-term and work-study contracts to balance out the special emphasis on recruitment through open-ended contracts. In all, 2,168 women were hired at Thales in 2016, representing 30% of new recruits worldwide, 31.3% in Europe and 33.6% in France. Data relating to the recruitment of women reflect the firm commitment made by some countries, including Belgium (where women made up 38.7% of new recruits), Mexico (35.5%), Poland (33.3%) and Australia (30%).

To support these initiatives to recruit more women, in 2016 Thales released a guide on how to write gender-balanced job advertisements for its internal recruitment teams in France, with the aim of helping

them to draft strictly unbiased listings. The guide provides a number of recommendations and instructions on how to make any advert appeal to both men and women, covering such areas as structure, gender-neutral language, and choice of adjectives.

Thales also continued its partnership with *Elles Bougent*, a French non-profit organisation that encourages young women to take up careers in science and technology. Thales has 174 *Elles Bougent* sponsors within its workforce who offer advice to young women choosing a career path.

- **Career:** Efforts to promote the career development of women employees were increased in 2016. Stereotype awareness sessions were conducted for more than 600 managers throughout the Group in France, bringing the number of managers attending such sessions since 2013 to more than 1,200. Co-development measures have been taken in Europe to encourage the promotion of women. As part of these, almost 207 women employees have participated in personal development sessions specifically for women, intended to help them progress in their careers, since 2014. In Germany, the mentoring

programme launched in 2015 had benefited 15 employees by end-2016.

Thales encourages the creation of networks that promote gender equality in the workplace. In 2016, these networks expanded both in France and abroad, notably in Germany, the Netherlands, the United Kingdom and South Africa. Some 580 Group employees are now members of such networks.

- **Compensation:** Thales is vigilant in maintaining equality of treatment with respect to compensation. Since 2006, Thales has set aside an annual budget in France equal to 0.1% of payroll specifically dedicated to dealing with any unjustified gender pay gaps and promoting women. In all, 860 women benefited from this measure in 2016.
- **Work/life balance:** Thales is committed to supporting working parents and improving employees' work/life balance. In France, Thales has been involved since 2010 in setting up inter-company crèches, which look after 387 children. Since 2014, Thales employees at one German site have also been able to reserve cots at a crèche in Ditzingen. The crèche had ten children of employees in its care at end-2016.

## 6. 2. Diversity

### PROMOTING CULTURAL DIVERSITY

As an international group, Thales respects and encourages a range of cultures in the workplace. In the context of an increasingly globalised employment market, cultural diversity has emerged as a source of wealth and contributes to the Group's strength. The Group pays particular attention to the recruitment of employees in the countries where it is present.

The European IDEA and TALK agreements have fostered a better understanding of social practices in European countries and have enriched national social policies in terms of employment, professional development and the promotion of diversity and non-discrimination. In addition, the long-term strategic vision, "Ambition 10", seeks to embed a more global dimension in the Group by promoting greater diversity within teams.

In France, the Generation Contract agreement, which was in force all throughout 2016, also supported equality of opportunity in education and encouraged diversity. This resulted, for example, in the conclusion of a partnership between Thales and the non-profit organisation *Nos*

*Quartiers ont des Talents* on 27 November 2013, effective from 2014 onwards. At the end of 2016, a total of 83 Group employees had signed up as sponsors with this organisation.

### DISABLED EMPLOYMENT AROUND THE WORLD

Regardless of the country in which they operate, the Group's companies make a point of complying with the legal requirements and all local regulations and recommendations designed to promote disabled employment.

While some of these national regulatory frameworks are essentially aimed at banning all forms of discrimination (the United Kingdom, the Netherlands, Australia and Norway), others (Germany, Austria, Spain, Italy and South Africa) contain an employment obligation, and companies that do not fulfil the obligation are generally made to pay a specific contribution. In a different approach, some legislative systems (Portugal) provide

financial incentives to companies that adopt a policy of recruiting people with disabilities.

Many Group companies based in various countries have also adopted a series of measures aimed at going beyond the legal requirements and promoting the employment of people with disabilities.

## DISABLED EMPLOYMENT IN FRANCE

Thales has long had a Group taskforce on disabled employment in France, Mission Insertion, the head of which leads a network of disability contacts for each labour pool. Disability Employment Commissions have also been formed in each company with 250 or more employees.

As a result of the deployment of multi-year Group agreements in France, concluded in 2004, 2007, 2011 and 2014 by unanimous agreement of the trade unions, the overall employment rate for people with disabilities in the Group has continued to rise, standing at 5.9% at the end of 2015, compared with 5.1% in 2011. In 2016, this rate stabilised thanks to efforts to recruit and retain people with disabilities.

The 2014 agreement, signed with all representative trade unions for the period from January 2015 to December 2017, serves to enhance the programmes implemented under the previous agreements. It is part of Thales' proactive policy dating back more than 20 years and reinforces the measures promoting and facilitating job retention, professional development and integration of people with disabilities within the Group. One of the key ambitions of this agreement also lies in applying the requirements of French standard AFNOR X50-783 on disability-friendly organisations to all sites so that they are all eventually compliant.

The provisions of the 2014 agreement notably provide for the recruitment of 120 people with disabilities between 2015 and 2017, as well as 246 interns and 38 young people on work-study contracts.

In addition, in 2016, the Group continued to strengthen the partnerships forged in previous years with the Agefiph fund for the integration of workers with disabilities and the GESAT network for sheltered and adapted employment to facilitate and enhance subcontracting to the disability-friendly sector.

Similarly, partnerships concluded with education authorities and universities were continued, in order to support young people with disabilities in their studies and professional integration. These partnerships were included in France's regional disabled employment plans (PRITHs), the first of which was signed in the Île-de-France region around Paris.

In 2016, six additional Group sites in France were certified to the AFNOR X50-783 standard on disability-friendly organisations, joining the five sites that were certified in 2014 and 2015. In addition, 29 sites implemented action plans that are expected to result in certification by the end of 2017.

## FOSTERING GENERATIONAL DIVERSITY

The commitments made by the Group and formalised in its Code of Ethics demonstrate its determination to act responsibly and fight all forms of discrimination.

In France, the Group's desire to give fresh impetus to its efforts by adopting innovative measures to boost employment of over-fifties led to the conclusion in 2009 of an agreement on over-fifties employment in the Thales group.

As this agreement had expired, a Group agreement known as the Generation Contract reiterated, to a large extent, the provisions intended to prevent any risk of age discrimination, to develop the skills of over-fifties, to improve their working conditions and to take into consideration personal situations of unsuitable work or difficult work situations. Quantifiable objectives were also set, aimed at increasing the proportion of new recruits aged 55 and over to 2% and increasing the proportion of employees aged 57 and over to 15% of the official workforce by July 2016. These objectives have been achieved: 2.49% of new recruits were aged 55 and over during the term of the agreement and 18.84% of the workforce was aged 57 and over in July 2016.

In application of the Generation Contract, the Group is also committed to developing mentoring programmes which, for a given period, pair experienced employees with new recruits or employees preparing to take on new responsibilities. These programmes form an integral part of the Group's skills transfer policy.

## 7 – A BROADER VISION OF CORPORATE SOCIAL RESPONSIBILITY

The Group's strong commitments, formalised in its Code of Ethics, attest to its desire to act responsibly. Certain actions undertaken by Thales in connection with its

corporate responsibility policy target stakeholders other than its own employees.

### 7.1. The Group's regional policies in France

The Group's regional policies rely on close ties with economic and social players and local institutions and communities. To the greatest extent possible, its sub-contractors and suppliers are chosen locally in order to support regional business.

In France, Thales aims to mobilise all of the relevant players in its labour pools in order to develop regional workforce and skills planning. This strategy takes into account the specific characteristics of the regions in question as well as Thales' local challenges. The Group Anticipation agreement of 26 April 2013 actively supports local action by creating a Commission on regionalism. Regional action is monitored by the Group Anticipation representative, in coordination with the Jobs/Anticipation correspondents on the ground in the various regions and the Anticipation contacts appointed by each trade union representative that has signed the agreement.

The policy is based on a knowledge of each labour pool and each key player, as well as three priority focuses:

- Skills maintenance and development;
- Professional integration of young people, education and training;
- Co-development of the industrial fabric and open innovation.

Thales has thus created nine labour pools in order to better coordinate its action. Within each labour pool, a correspondent coordinates regional actions in cooperation with the local and regional authorities, social and economic players, and Thales' Engineers for Schools (*Les Ingénieurs pour l'École – IPE*) seconded to academies, universities, schools and training centres.

In France, Thales also makes use of a dedicated local economic development company, GÉRIS Consultants, which assists with the roll-out of the Group Anticipation agreement by coordinating regional policies and promoting initiative as well as encouraging an entrepreneurial spirit by helping Group employees take over or start a business (49 new projects in 2016). GÉRIS Consultants also shares its expertise with corporations and local authorities in order to provide assistance, in the form of advice and financial aid, to SMEs and SMLs that create long-term positions in regions affected by the loss of industrial jobs. The revitalisation projects led by GÉRIS Consultants since 2009 have led to the creation of nearly 4,500 jobs in France (including 191 in 2016) with approximately 650 SMEs and SMLs.

GÉRIS Consultants also conducts experiments in HR engineering in order to improve the performance of SMEs and SMLs, their segments and their host regions. To this end, GÉRIS Consultants runs the "Pass' Compétences" scheme to stimulate the development of SMEs by seconding experts employed by large companies, such as Thales, Alcatel Lucent and Schneider Electric, for long, strategic assignments lasting from 12 to 18 months. In 2016, the scheme continued to be rolled out in France's Auvergne-Rhône-Alpes and Occitanie regions with partial financial support from national and regional government economic agencies. At the same time, the Group began discussions with 22 other major companies with a view to setting up a national body to make "Pass'Compétences" a permanent, country-wide scheme.

In addition, GÉRIS Consultants, in partnership with Thales' HR teams, assists the professional integration of work study employees by promoting the Shared Learning Path and inviting SMEs with open positions to Thales' annual forum for interns and work-study employees. In 2016, GÉRIS Consultants also selected work study employees who were at the end of their

contracts and planning to start their own business and helped them to take part in the “2016 Altern'UP” contest held by French utility EDF. At the contest's prize-giving ceremony, Thales presented the award for the first runner-up and reaffirmed its

commitment to the “Fondation Innovations Pour les Apprentissages” (FIPA), which will oversee the entrepreneur contest in the future.

## 7.2. Group initiatives to support people with disabilities

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In France in 2016, the Group continued its partnerships for the training and guidance of young people with disabilities, with highlights including.

- A new partnership with the University of Rennes to add to the line of existing partnerships with the Universities of Orleans, Tours and Lille as well as with the Île-de-France university communities, Pierre & Marie Curie University (UPMC Paris), the University of Nice Sophia-Antipolis (UNICE), the University of Bordeaux 1, the University of Toulouse, and the University of Western Brittany (UBO Brest);
- Ongoing work to sign an agreement with the educational authority of Aix-Marseille similar to those signed with education authorities in Lille, Île-de-France (Paris, Versailles and Créteil), Toulouse, Nice, Orléans-Tours and Bordeaux, which aim to set up a system whereby regional companies help high school students with disabilities to access higher education and guide students with disabilities until they find employment. These agreements cover almost all the labour pools where Thales is present;
- Continuation of the partnership with Paris-Est Créteil University to set up an inter-university diploma (IUD) in disability representation in the public or private sector. Twenty-one students received the diploma in 2015 and twenty-two in 2016, with some forty enrolled for 2017;
- Development of the Hanvol non-profit organisation, whose mission is to find jobs for people with disabilities in the field of aeronautics;
- Development of agreements to implement software architecture and information system engineering courses at Vocational Rehabilitation Centres (CRPs) in Millau and Mulhouse.

Thales also participates in the development of innovative projects based on technologies developed within the Group in order to provide practical assistance to people with disabilities. Initiatives include:

- the “Eyeschool” system, which enables young visually-impaired people to have what the teacher writes on the

board transferred to their computers and documents distributed in class to be vocalised. In line with the assessment report drafted by the French Education Ministry in 2015 encouraging the expansion of the scheme in schools and universities. Thales continued its action in this area by assisting visually-impaired school and university students;

- the “GUIDEO” guidance system, which helps a blind or visually-impaired person to move autonomously through a building using a smartphone. After initial testing at the Gennevilliers site, the system was rolled out on the new “Campus Thales Bordeaux” site in 2016.

In 2012, Thales participated, in cooperation with AFNOR, in implementing the “OK Pilot” tool for a company to self audit its compliance with the disability-friendly standard and to define the necessary action plans for improvement. In 2013, this assessment tool helped kick-start an audit of 18 Thales sites and develop action plans to achieve full compliance. The deployment of these action plans has now meant that 12 sites are compliant with the standard, with improvement plans established in an additional 28 units in 2016.

In addition, Thales has strengthened its engagement with regional SMEs. In France's Hauts-de-Seine county near Paris, for example, Thales spearheaded the application of a partnership agreement under which major companies support SMEs through the implementation of disability policies. The joint agreement was signed at the Hauts-de-Seine *préfecture* on 9 December 2016.

The Group's expertise and commitment with regard to disabled employment have been widely recognised, as evidenced by the 2016 appointment of the Thales group's Mission Insertion Director to France's national consultation committee for people with disabilities (*Conseil National Consultatif des Personnes Handicapées — CNCPH*) and national committee for the fund for disabled employment in the public sector (*Comité National du Fond d'Insertion Professionnel des personnes Handicapées dans la Fonction Publique — FIPHFP*) in his capacity as an expert.

## 7.3. Relations between Thales and its stakeholders

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### SUPPLIER RELATIONS: A RESPONSIBLE APPROACH

The Group's annual purchasing volumes stood at €6.89 billion, or around 46% of sales, at 31 December 2016, up 7% compared with end-2015. The Group sources more than 74% of its purchases from suppliers based in the European Union, of which 40% in France.

The Group's industrial sub-contracting services represented more than €1.67 billion in 2016; sub-contractors are considered to be similar to suppliers with regard to respect for the principles of corporate citizenship (Human Rights, labour standards, environmental protection and ethical business conduct).

The aim of the Thales purchasing policy is to work with a bedrock of efficient, reliable suppliers, capable of helping the Group achieve its sales objectives while complying, in particular, with export control requirements and with environmental, financial, ethical and social obligations as well as national and international regulations.

In 2010, Thales signed a best practices charter between customers and SMEs called the Responsible Supplier Relations Charter, under which it commits to ten practices for responsible purchasing. The charter contributes to building trust-based, balanced relationships between suppliers and customers based on awareness and the performance of their respective rights and obligations.

Thales' French entities received the Responsible Supplier Relations Label in 2012. The distinction was first awarded by France's corporate mediator and national purchasing body CDAF to four major companies in recognition of their particularly sustainable and balanced supplier relationships. Following an annual audit by an external body, Thales' label was renewed in 2013 and then again in 2014.

Thales was awarded the label for another three-year period in 2015 following the same process of auditing and deliberation by the attribution committee. An increasing number of companies have been certified for the label. Thales confirmed its ongoing compliance in 2016.

Thales is a member of the Global Compact Network, which aims to define and implement practices encouraging a more positive relationship between business and society. As such, Thales requires its suppliers to adhere to the principles of corporate citizenship upheld by the Global Compact, particularly in the fields of labour standards, corporate

governance, environmental protection, business ethics and export control.

In 2016, Thales' commitment to the principle of corporate responsibility with regard to suppliers was reflected in particular in the continued roll-out of the Purchasing and Corporate Responsibility Charter, under which Thales requires its suppliers throughout the world to adhere to its approach to corporate responsibility and to honour the principles of its Code of Ethics as well as those of the Global Compact and of the OECD in the fields of Human Rights, labour standards, environmental regulations, and corporate governance. The Group's commitment to corporate responsibility was also demonstrated by the use of a self-assessment questionnaire designed to prepare for the implementation of the principles of the Purchasing and Corporate Responsibility Charter through 16 questions: nine about labour standards, three concerning environmental protection, two on governance, one on business ethics and one on export control.

The reviews of this approach launched with suppliers in 2010 revealed, at end-2016, that nearly 10,500 Thales suppliers (or 35% more than in 2015) had signed the Purchasing and Corporate Responsibility Charter and completed the self-assessment questionnaire. On this basis, overall supplier performance in terms of environmental, social and governance (ESG) criteria was rated 9 on a scale of 10.

The Innovative SME charter, signed in 2012 for the scope of the Group's activities in France, aims to reinforce Thales' commitment to SMEs to help them with innovation projects and to contribute to their future development, in exchange for access to their innovative technology.

Continuing this approach to corporate responsibility, in 2013 Thales signed a bilateral agreement with the French Ministry of Defence aimed in particular at facilitating access by SMEs to defence markets and establishing a balanced partnership between SMEs and prime contractors such as Thales.

The Thales group has been a highly active player in the *Pacte PME* (SME Compact) organisation since its creation in 2010, taking a proactive approach to developing best practices and working to stimulate growth among SMEs and the emergence of new mid-sized businesses (MSBs). As part of this, Thales continues to take part in a wide array of discussions on an equal footing with other members, thereby giving its point of view as well as sharing feedback on best practices with the other companies and SMEs.

Since 2013, Thales has carried out a survey to assess its relations with suppliers as part of a commitment to

continuous improvement. In 2015 and 2016, this survey was sent to an expanded selection of 330 suppliers.

The Group's commitment to *Pacte PME* has been tangibly demonstrated each year since 2013 and has received notification of a positive opinion from the initiative's Joint Steering Committee in recognition of the actions undertaken in France for SMEs. In 2016, the committee awarded Thales the highest possible "A" rating, commending what it considered "remarkable" work.

## THALES INITIATIVES WITH NON-PROFIT ORGANISATIONS

### Actions by the Thales Foundation en 2016

Through its Foundation, launched in 2014, Thales is an innovative force for the good of humanity and contributes too response to the challenges faced by society. To achieve this, the Foundation draws on the commitment of Thales' employees, who can devote their energy and skills to the benefit of the two overall themes chosen by the Foundation: science education and humanitarian aid.

In the area of education, the Foundation develops projects relating to science and innovation in teaching methods, prioritising children and their teachers in order to increase students' interest, curiosity and abilities in science. The goal is to give young people a taste for innovation and to make them more agile in an increasingly fast-changing world.

The Foundation also seeks to respond to humanitarian needs, by contributing Thales' technologies and the know-how of its employees, in order to anticipate and mitigate the impact of natural and environmental disasters.

In just two years, the Foundation has either directly funded or supported more than 40 projects worldwide, harnessing a network of nearly 160 employee volunteers.

### Thirteen employee projects supported in twelve countries in 2016

A total of 13 non-profit organisations (seven French and six international) received financial support as part of the second call for projects from Group employees. In the area of education, the 11 winning projects aim to facilitate access to training by using digital tools, increase exposure to science in school or leverage innovative teaching methods to prevent drop outs. They are being carried out in Africa, notably

Burkina Faso, Liberia and Mali, as well as in Cambodia, the United States, Haiti and Mexico. The two winning humanitarian projects aim to mitigate risks related to natural disasters in India and Nepal.

In all, the projects benefit nearly 15,000 children and teenagers as well as training adults in the various tools and methods to ensure ongoing success. By promoting these projects within the Group, the Foundation also convinced an additional 35 employees to volunteer alongside the 13 project sponsors.

### Two pilot education programmes renewed in France

The Foundation renewed two innovative education programmes in France in September 2016, with the aim of increasing its regional impact:

- *Savanturiers de la High Tech* is a project to encourage learning through research, developed in a classroom setting and sponsored by Thales engineers.
- *Voyageurs du code* aims to improve computer literacy among young people in low-income neighbourhoods.

### Round Off Your Pay: generous contributions to four non-profit organisations

In May 2016, the Foundation launched the Round Off Your Pay programme among Thales employees in France.

Designed by social enterprise *microDON*, the initiative lets employees to round down their pay to the nearest euro and donate the excess to an outreach project, with an option of giving up to €10 extra. All donations are paid to *microDON*, with Thales committing to match employees' contributions up to an annual ceiling. The micro-donations are obligation-free and participants can at any time change or cancel their donation or choice of project.

In just eight months, this innovative outreach tool has received micro-donations from nearly 2,770 employees from the Group's French companies, collecting more than €124,000 in support of four charity projects selected in advance by the Foundation and employees.

## **The Foundation's internal network brings together 2,000 people**

In order to promote the work of the Foundation and to identify skills and outreach projects put forward by employees and local non-profit organisations, the Foundation relies on a network of 25 ambassadors at around 20 Group sites. Over the past two years, nearly 160 employees have volunteered to contribute to Foundation projects, and almost 2,000 have shown an interest in these themes and initiatives by registering on the Foundation's dedicated collaborative platform.

## **Other international examples of local engagement initiatives**

In other domains, many Group companies support local non-profit organisations by providing financial and material support, such as in South Africa, Canada, China, India, Spain, the United States, Japan, the United Kingdom, Singapore, Cambodia, the Philippines and Vietnam.

## Thales' social reporting method - Note on methodology

### Social reporting method

The data presented in this Registration Document are taken from the Thales 2016 social report, which provides a more detailed description of the social action undertaken by the Group. The social report provides detailed information on social data, social policy and its impacts, practices and action that fall within the Group's social responsibility. It reflects Thales' international dimension. The information it contains sets out the position of the Thales group at 31 December 2016. The social report is available to download from the Group's website [www.thalesgroup.com](http://www.thalesgroup.com) in the "Commitments" section under "Key corporate responsibility documents".

### Organisation and methodology

To ensure that the data collected are accurate and reliable, a dedicated organisational structure and suitable methodology have been implemented. Thus, continuing the process initiated in 2011 with the roll-out of the e-Social Responsibility Reporting computerised reporting tool, the information contained in the social report is approved by the country directors of Human Resources. These directors have to complete a qualitative and quantitative questionnaire covering indicators that, while satisfying current legislative requirements, are also based on the indicators proposed by the Global Reporting Initiative<sup>1</sup> or negotiated with social partners, particularly at European level. The data reported by each country are consolidated by the Group HR department, which checks for consistency before drafting the report.

### Scope

The definition of the companies taken into account for the purposes of preparing the social report and the Registration Document was not modified this year and is in accordance with the IFRS 10 and 11 financial consolidation standards. Headcount under Group management as at 31 December 2016 thus includes only the headcount of companies controlled by Thales within the meaning of Article L. 233.3 of the French Commercial Code (*Code de commerce*), as well as companies

meeting those criteria but below the threshold for financial consolidation.

In addition, the Group's scope of consolidation changed slightly in 2016 due to acquisitions<sup>2</sup>

Moreover, the scope of the social report is specified for each figure. For greater transparency, the percentage of employees covered is stated for all responses. For each item of quantitative data, the table of scope of verification of quantitative data provides the percentage of the workforce covered.

### Details

- Headcount under Group management as included in the Registration Document comprises all employees in each country, regardless of their contract type (open-ended, short-term or full- or part-time). It does not take into account apprenticeships or vocational training contracts (however, the number of contracts entered into is given in the recruitment section), employees on unpaid leave, employees on sick leave (of over three months), employees on parental leave, or employees on unworked notice periods as of 31 December of the year in question.
- The total number of new recruits includes the work-study contracts concluded in 2016, but does not include the conversion of short-term employment contracts or apprenticeship contracts into open-ended employment contracts during the year. Nor does it include the conclusion of internship contracts, International Business Volunteer (VIE) agreements or CIFRE Research Training Fellowships or the transition from active to inactive employee status or vice versa.
- The total number of departures includes resignations, redundancies for economic reasons, other redundancies (data relating to mutually agreed contract terminations are recorded in this category), retirements, deaths and other types of termination, as well as expiries of short-term employment contracts.
- Data relating to absenteeism and rates of frequency and severity of accidents at work are calculated with reference to a number of days theoretically worked within countries,

<sup>1</sup> The Global Reporting Initiative (GRI) is a non-profit organisation that is developing a common working for drafting sustainability reports. Founded in 1997, the GRI published an initial version of its guidelines in 1999. Companies' adherence to this text is completely voluntary.

<sup>2</sup> Acquisition of Vormetric in the United States (210 employees), acquisition of Aviovision in Belgium (124 employees) and acquisition of RUAG's optoelectronics business by Thales Alenia Space in Switzerland (172 employees).

and based on active headcount and paid inactive employees (employees with a long term illness do not therefore fall within the scope of calculation of this indicator). These figures have been obtained by reconciling data entered in the HR and Environment Departments' reporting tools.

- The overall absenteeism rate corresponds to the percentage of days lost for any reason, work-related or otherwise, relative to the number of days theoretically worked in the various countries. Authorised leave such as annual leave, sabbatical leave, parental leave and personal leave is excluded.
- The total rate of absenteeism in France, calculated in accordance with the corporate assessment, corresponds to the percentage of days lost for any reason, work-

related or otherwise, relative to the number of days theoretically worked. It includes authorised leave, parental leave and leave for family events.

- The frequency rate represents the number of lost-time accidents of work over the course of the year, multiplied by one million, and divided by the number of hours theoretically worked during the year.

The severity rate represents the number of days lost due to accidents at work, multiplied by 1,000,000, and divided by the number of hours theoretically worked during the year.

- The employment rate for workers with disabilities corresponds to the overall number of beneficiary units (disabled workers and use of subcontracting from the disability-friendly sector).

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## Scope of data verification

Indicators	2016 Data	Scope covered
<b>Total headcount (a) global at 31 dec. 2016</b>	<b>64 071</b>	<b>100%</b>
<b>Headcount by country</b>		
Headcount France	34 463	100%
Headcount Europe	52 122	100%
Headcount outside France	29 608	100%
<b>Headcount by gender</b>		
% of women	22,6%	98,64%
% of men	77,4%	98,64%
% of women in France	24,0%	100%
<b>Headcount by type of contract</b>		
% of permanents contracts	97,8%	98,64%
% of full-time contracts	93,4%	98,64%
<b>Headcount by age group</b>		
< 30	10,6%	98,64%
30-39	23,0%	98,64%
40-50	30,2%	98,64%
> 50	36,2%	98,64%
<b>Headcount by LR</b>		
LR 1 to 6	14 569	98,63%
LR 7 to 12	48 625	98,63%
<b>Number of temporary staff</b>	<b>2972</b>	<b>98,63%</b>
<b>Departures by type</b>		
Number of departures	4 616	97,1%
% Resignation	42%	97,1%
% Redundancies /Dismissal	18%	97,1%
% Retirement	23%	97,1%
% End of fixed-term contracts	12%	97,1%
% Other departures (including death)	5%	97,1%
<b>Recruitments</b>		
Total number of recruitments	7 206	97,24%
Of which permanent contracts	4 844	97,24%
Of which fixed-term contracts	955	97,24%
Of which apprenticeship contracts	1 407	97,24%
% recruitments of women	30%	97,24%
<b>Training</b>		
% of employees benefiting from a PDD (b)	91,4%	98,45%
% of employees trained	84,2%	98,6%
% of women trained	86,6%	98,6%
Average number of training hours by employee	20,03	96,4%
Total number of training hours	1 237 487	96,4%
<b>% of employees covered by a collective bargaining agreement</b>	<b>86,5%</b>	<b>98,7%</b>
<b>% of employees covered by a regulation on work time</b>	<b>93,5%</b>	<b>98,7%</b>
<b>Health and Safety</b>		
Global absenteeism rate World	2,42%	93,29%
Total rate of absenteeism in France (corporate assessment) excluding parental leave	2,57%	100%
Total rate of absenteeism in France (corporate assessment)	3,27%	100%
Occupational injury severity rate World	0,05	93,88%
Occupational injury severity rate France	0,06	100%
Occupational injury frequency rate World	2,15	93,88%
Occupational injury frequency rate France	2,42	100%
Number of days due to occupational illness in France	1 474	100%
<b>Others</b>		
Global wage bill ©	6,025 Mds€	100% financial consolidation
Disabled people employment rate in France	5,9%	
Number of jobs created by GERIS in 2015	191	
Proportion of purchases from EU suppliers	74%	
Proportion of purchases from suppliers in France	40%	
Volume of industrial subcontracting services in France	1,67 Mds€	

(a) Headcount shown are active employees

(b) PDD: Professional Development Discussion

(c) Excluding DCNS