

THALES

Social Report 2017

Extracts from the 2017 registration document



5.1. Human Resources information

5.1.1 A responsible employment policy

p. 5

- 5.1.1.1. Employment in the Group
- 5.1.1.2. Recruitments
- 5.1.1.3. Departures
- 5.1.1.4. Candidate attraction policy

5.1.2. High-quality social dialogue

p. 11

- 5.1.2.1. Collective bargaining
- 5.1.2.2. Appropriate social dialogue development

5.1.3. Support for professional development

p. 13

- 5.1.3.1. Management of job families
- 5.1.3.2. Anticipation to help safeguard career path
- 5.1.3.3. The employee as active in his or her professional development
- 5.1.3.4. Mobility and career paths
- 5.1.3.5. Training
- 5.1.3.6. Development of a leadership model

5.1.4. A group employee profit-sharing policy

p. 18

- 5.1.4.1. Compensation and salary progression
- 5.1.4.2. Incentives and profit-sharing in France
- 5.1.4.3. Groupe employee savings schemes
- 5.1.4.4. Allotment of free shares and “phantom shares” subject to performance conditions

5.1.5. A safe and healthy work environment : Workplace health and safety

p. 20

- 5.1.5.1. A dedicated organisation
- 5.1.5.2. A key priority : preventin and employee training
- 5.1.5.3. Tangible measures and procedures
- 5.1.5.4. Information on work-related accidents and absenteeism
- 5.1.5.5. Solid welfare cover
- 5.1.5.6. Working time

5.1.6. Gender equality and diversity

p. 23

5.1.6.1. Action to promote equality

5.1.6.2. Diversity and inclusion

5.3. Social information

5.3.1. Territorial, economic and social impact of the Group's activities

p. 26

5.3.1.1. The Group's regional policies in France

5.3.1.2. Group initiatives to support people with disabilities

5.3.3. Relations between Thales and its stakeholders

p. 28

5.3.3.2. Supplier relations : a responsible approach

5.3.3.4. Thales initiatives with non-profit organisations

Note on methodology

p. 33

5.1 HUMAN RESOURCES INFORMATION

Aware that its success depends on innovation, expertise, and collective performance, 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 plan.

This strategic vision is based on a talent development policy capable of attracting, developing and retaining the best talent, to support the Group's digital transformation, and to promote and deploy a leadership model as well as a culture of diversity and inclusion which measures up to the challenges that must be met by the Group.

With cohesion and commitment playing a decisive role in the Group's ability to achieve its objectives, in 2017 Thales wanted to formalise three sets of commitments towards its employees based around three unifying ideas: give everyone the opportunity to perform to their full potential, develop together in a changing world and be attentive to everyone. Through a participative initiative, the Group's employees were invited, during the second half of the year, to propose drivers and initiatives aimed at ensuring the effectiveness of these commitments and in doing so to work together to define Thales's future identity.

At the same time, Thales further developed its candidate attraction policy through measures aimed at boosting its visibility to young graduates on social networks, through more targeted content and the use of dedicated applications.

In terms of professional training, the digital transformation forms an integral part of the strategy of the Thales Learning Hub, Thales's new university, which opened on 6 September 2017 and which promotes innovative teaching methods.

Based on the conviction that innovation comes from a cross-disciplinary approach and profile diversity, during the year the Group also developed its policy in favour of diversity and inclusion, in particular through the deployment of mentoring and co-development programmes and awareness-raising actions. In this area, a communication campaign aimed at combating stereotypes and unconscious bias was rolled out across the Group.

This momentum contributes to the Group's Corporate Social Responsibility (CSR) initiative, which, since 2014, has involved executives in the highest levels of responsibility thanks to a specific CSR objective, taken into account when determining their variable compensation.

Thanks to more than 15 years of initiatives as part of its Corporate Responsibility Policy, in 2017 the Group came in on top in the Defence & Aerospace sector in the World version of the Dow Jones Sustainability Index (DJSI), which lists top-performing companies according to economic, environmental and social 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.

5.1.1 A responsible employment policy

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 in a position to rise to the challenges of a fast-changing world. The data for 2017 demonstrate the stability of the Group's social dimension.

5.1.1.1 Employment in the Group

The breakdown of the Thales group's 65,118 employees¹ by geographic area and level of responsibility demonstrates:

- its international footprint, with 30,296 employees (46.5% of total workforce), working outside France at end-2017;
- its highly qualified workforce, 77.7% of whom hold a position equivalent to engineer, specialist or manager;
- the presence of women, who make up 23% 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 2017 (65,118 versus 64,071 in 2016). In addition, Thales recruited 4,708² employees during the year on open-ended employment contracts, demonstrating the Group's hiring momentum and attractiveness.

5.1.1.1.1 Breakdown of employees worldwide

The international footprint of the Group is one of the pillars of Thales's 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 52,460 active employees, or 80.6% of total workforce. France, Australia, Canada, India and Portugal recorded the highest growth in terms of workforce.

(headcount at 31 December)		2016	2017
Major countries for the Group	Germany	3,142	3,126
	Australia	3,341	3,605
	Canada	1,471	1,581
	United States	3,017	3,010
	Netherlands	1,683	1,691
	United Kingdom	6,483	6,364
Rest of Europe	Austria	315	297
	Belgium	879	873
	Denmark	112	108
	Spain	1,029	1,062
	Greece	31	40
	Italy	2,639	2,649

¹ In this chapter, Thales uses the term "employee" to designate all active employees.

² This figure does not include the 1,469 work-study contracts in 2017. Nor does it include the conversion of short-term employment agreements or apprenticeship agreements into open-ended employment contracts. In 2016, 4,844 employees were recruited on open-ended employment contracts.

	Norway	217	215
	Poland	268	289
	Portugal	260	343
	Romania	234	271
	Switzerland	298	288
	Other ^(a)	23	22
Emerging markets	Algeria	31	30
	South Africa	143	120
	Saudi Arabia	596	551
	Brazil	178	191
	Chile	42	50
	China-Hong Kong	523	606
	South Korea	29	28
	Egypt ^{(b) (c)}		149
	India	263	385
	Israel	87	86
	Indonesia	21	20
	Japan	52	44
	Malaysia	71	49
	Morocco	38	44
	Mexico	328	286
	Middle East (excluding Saudi Arabia) ^{(c) (d)}	696	738
	Russia	24	21
	Singapore	695	709
	Taiwan	26	32
	Thailand	12	21
	Turkey	105	115
	Other ^(a)	172	187
France	France ^(e)	34,463	34,822
WORLD		64,071	65,118

(a) Other countries with fewer than twenty employees and permanent establishments: Algeria, Argentina, Azerbaijan, Bolivia, Colombia, Dominican Republic, Egypt, India, Israel, Kazakhstan, Kenya, Latvia, Panama, Peru, Turkmenistan, Qatar, Russia, Senegal, Sweden, Uzbekistan, Venezuela, Vietnam.

(b) Thales's workforce in Egypt was included in the Middle-East scope until 2016.

(c) Thales's workforce in these countries also includes the employees of permanent establishments belonging to Thales Communications & Security, one in Qatar and one in Egypt.

(d) The Middle East includes: UAE, Lebanon, Oman, Pakistan, Qatar and Bahrain.

(e) At 31 December 2017, the total workforce registered in France was 38,024.

The Group's scope of consolidation changed slightly in 2017 due to acquisitions and disposals.

	Operations	Workforce included in or removed from the Group's scope of consolidation
Acquisitions		
	USA: acquisition of Guavus	Inclusion of 250 employees
	UK: acquisition of Aveillant Ltd	Inclusion of 19 employees
Disposals		
	France: disposal of Thales Communications & Security's ID business	Removal of 80 employees from the Group's scope of consolidation

5.1.1.1.2 Breakdown of active employees by operating segment

The breakdown of employees among Thales's three operating segments remained broadly unchanged in 2017.

	Defence & Security	Aerospace	Transport	Others	Total
2017	34,011	18,772	7,005	5,330	65,118
2016	33,282	18,741	6,812	5,236	64,071

5.1.1.1.3 Breakdown of employees by type of contract

The majority of the Group's employees have open-ended employment contracts and work full-time. This trend is a major characteristic of Thales's 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 2017, the Group used only 2,959 temporary workers worldwide. In France, the Group's companies used 925 temporary workers (786 in 2016).

5.1.1.1.4 Breakdown of employees by level of responsibility

Thales classifies all of its jobs throughout the world according to 12 levels of responsibility (LR), 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 2017, a total of 77.7% of Thales employees held a position equivalent to engineer, specialist or manager level (LR 7 to 12).

5.1.1.1.5 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 older employees (36.1% of employees are aged 50 and over) and the integration of young people (34.1% of employees are under the age of 40).

In France, 35.9% of employees are aged 50 and over and 33.2% are under 40. The average age of employees was 45 at 31 December 2017 (versus 44 at end-2016), while the average seniority was 16 years.

5.1.1.2 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 7,233 employees in 2017: 4,708 on open-ended employment contracts, 1,056 on short-term employment contracts and 1,469 on work-study contracts. Recruitment therefore remained stable compared to 2016 (7,206). France, Australia, the United Kingdom, the United States and Canada saw the most hires. A large majority of new hires were offered long-term employment.

Between 1 January and 31 December 2017, the Group signed 1,469 work-study contracts, mainly in France, Canada, the United Kingdom and China. This increase (from 1,407 contracts signed in 2016) illustrates the Group's commitment to integrating young people into the workforce.

In France, of the 3,753 employees recruited in 2017 (3,834 at end-2016), a total of 2,119 were hired on open-ended employment contracts, 1,145 on work study contracts (770 apprenticeship contracts and 375 vocational training contracts) and 489 on short-term employment contracts.

5.1.1.3 Departures

During 2017, a total of 5,263 employees left the Group. These departures mainly comprised resignations (2,146), retirements (1,325), dismissals (897 across the board) and the expiry of short-term employment contracts (571). Excluding expired short-term contracts, the number of departures was 4,692 (versus 4,083 in 2016).

The proportion of redundancies for economic reasons (521) remained stable compared to 2016, despite difficulties faced in some countries. Redundancies in 2017 related primarily to a decline in business in some fields and the completion of a number of projects (mainly in the United Kingdom, the United States, and Germany). 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 2,417, resulting mainly from retirements (1,038), resignations (589) and expired short-term contracts (397).

5.1.1.4 Candidate attraction 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 from a wide range of backgrounds in terms of gender, training, experience and culture. Thales's 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.

5.1.1.4.1 Continuity 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, and in major events such as the 2017 edition of the Paris Air Show (Salon du Bourget).

The Group has also developed its recruitment site to increase its visibility and make it easier for candidates from all countries to consult available job offers.

The work carried out in 2017 to formalise the Group's commitments towards its employees is also fully in line with Thales's candidate attraction policy, as these commitments should help to meet existing employees' expectations while also attracting new talent.

5.1.1.4.2 Digital and social media attractiveness

With the internet now the number one source of information and job searches, in 2017 Thales continued to step up its presence on social networks (LinkedIn, Twitter, Viadeo, Facebook, Instagram). At end-2017, the Group had more than 278,000 followers on LinkedIn.

Thales also increased its presence on sites specifically for young graduates (Jobteaser, l'Etudiant, Studyrama, Yupeek, Wizbii) and on generic job sites (Monster, RegionJob, Indeed), and advertised opportunities within the Group through new sites such as Work4us and SoNetJob.

Thales renewed partnerships with several recruitment sites in late 2017 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 high 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. Deployed 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 relies on "HTC Vive" technology has been deployed since June 2017 at recruitment forums and events attended by the Group and offers potential candidates the opportunity to experience and discover the Group's business activities in an interactive way.

Contests to boost attractiveness

Aware that electronic and cyber security profiles are rare on the employment market, Thales is continuing to take innovative action in order to attract candidates with these areas of expertise. To this end, the Group is involved in different events and challenges such as the "cyber security challenge" (European Cyber Week) and "Project Arduino".

Now in its fifth consecutive year, Project 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 (printed circuit board with a programmable microcontroller). 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 three weeks to complete their project and submit a video presentation. Online voting by the general public will determine which three teams will present their project before a panel of Thales employees, who selects the winning team.

Already deployed in the United States, the United Kingdom, Singapore, France, the Netherlands, China and Hong Kong, several new countries (Portugal, Canada, UAE and Australia) took part in the 2017 edition of Project Arduino.

For the first time, "Girls on the Move", the international version of the "Elles Bougent" network, a French non-profit organisation with the role of encouraging young women to take up careers in science and technology, is acting as partner to the competition.

5.1.1.4.3 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 for Thales in integrating young people. In 2017, for example, the Group signed 1,469 work-study contracts worldwide, notably in France (1,145), Canada (112), the United Kingdom (94), and China (including Hong Kong) (37).

In France, at 31 December 2017, the Group's companies included 1,401 apprentices (770 of whom were hired during the year), 476 young people on vocational training contracts (375 of whom were recruited during the year) and 111 individuals with CIFRE fellowships (40 of whom were recruited during the year).

Continuing its programmes to promote young people's integration into the workforce, Thales continued to show its commitment with the signature of a new agreement with the French government on the Development of Growth and Employment, which was entered into in July 2017 for a three-year term. In particular, this agreement provides for the number of work-study students in France to be maintained at 5% of the average annual workforce.

Under this agreement, the Group has committed to approximately 6,500 new hires during the period from 1 January 2016 to 31 December 2019, including 35% candidates aged under 30 on open-ended contracts. Through this agreement, the Group has also undertaken to prioritise the recruitment of young people who have successfully completed a work-study programme within the Group, where possible depending on vacancies.

To support young people at professional baccalaureate or BEP level, currently on work-study programmes and who intend to remain in education to access a higher level of qualification (BTS, DUT), the Group also granted 23 "Prix Thales Education" bursaries in November 2017.

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. These visits, conducted in partnership with the non-profit organisation "Elles bougent", are an opportunity to present the job roles and business activities carried out at Thales to young training students in the Group's target schools, and also to spark the interest of young female students in a career in the industry.

5.1.1.4.4 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.

To strengthen Thales's links with universities, in July 2017 the Group brought together a considerable number of universities from ten countries for the "Global Academics Partner" event. This event, which was held over two days in the Paris region on the sites in Palaiseau (Research & Technology centre) and Gennevilliers (Thales Communications and Security), was devoted to the presentation of the Group's innovations in research and development and its commercial markets. It was a platform for numerous discussions in particular regarding the Group's digital strategy, cyber security, the future of big data and artificial intelligence. The event also helped to strengthen collaboration between the Group and the university sector and to further develop partnerships focused on a mutual desire to develop future technology and talent.

Promoting careers in science and technology

The Group is also keen to encourage an interest in science and technology careers among secondary school students.

In 2017, Thales's companies in France repeated the "First Internship with a Company" campaign 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.

For the tenth year running, a number of Group sites also opened their doors to contestants of the "Je filme le métier qui me plaît" youth film contest of which Thales is a partner.

Our employees, our best ambassadors

In France, the Group carried out around one hundred initiatives in schools in 2017 as well as took part in some 50 forums in schools and universities supported notably by an internal network of more than 100 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 2017, Thales was also ranked the third most attractive employer for students at engineering schools in France (Universum rankings) according to the same rankings, students from engineering schools ranked Thales as the company which organised the "Best recruitment events" in 2017, demonstrating the success of its candidate attraction policy.

5.1.2 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 employee relations.

5.1.2.1 Collective bargaining

5.1.2.1.1 Collective bargaining around the world

At the end of 2017, a total of 86.3% 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 60 new collective agreements were signed in France in 2017, showing the importance and dynamism of social dialogue.

By involving employee representatives at a transnational level, Thales has endeavoured to strengthen social dialogue 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 20 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.

5.1.2.1.2 Collective bargaining in France

In France, numerous Group agreements have been signed 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 articulates 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 by supplemental agreement 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 2017, motivated by the belief that this process contributes significantly to its economic performance while helping to improve employee working conditions. In 2017, five new structural agreements were signed at Group level in connection with this social dialogue:

- The Group agreement on the Development of Growth and Employment, dated 23 February 2017. This agreement establishes a set of measures on the following topics:
 - Social cohesion and solidarity:

One of the key provisions of the agreement is to extend the legal framework allows for the allocation of rest days, the generalisation of subrogation, the payment of a supplement to the daily parental presence benefit for employees obliged to take leave for parental presence.
 - Organisation of working time and support for growth:

The agreement provides a framework for the *ad hoc* use of atypical working time and provides the option to adjust the fixed number of days worked for employees in return for an increase in their basic salary. This measure is applicable on a voluntary basis and according to annual reversibility.
 - Adaptation of Employment and Growth:

The agreement establishes measures related to recruitment, the integration of young people into business, the retention of older employee in employment and the passing on of knowledge and skills.
- The Group agreement on incentives, dated 23 February 2017 which establishes a pooled incentive plan applicable to all employees of the Group in France.
- The Group agreement on the Time Savings Account, dated 23 February 2017 which allows eligible employees, on a voluntary basis and through the investment of untaken leave or rest days and/or cash payments, to build up savings in the form of days which may in particular be used for the future funding of leave which is unpaid in principle, or for a reduction in hours to part time. While one of its main aims is to enable employees to pursue personal projects, the time savings account is also a means of boosting solidarity between the entities of the Group. Accordingly, for any contribution made in time to an individual savings account, the Company will

pay the equivalent of 10% of the rights saved within a socially-responsible reserve, which may be used by any company of the Group in the event of a short-term decrease in activity.

- The Group agreement on the organisation of negotiations in connection with the project to simplify the legal structures of the Thales group in France dated 23 November 2017. This agreement establishes the procedures for the organisation of negotiations aimed at standardisation of the collective statutes applicable to employees as part of the project to simplify legal structures and to provide for the continued application, during these negotiations, of the collective statute in force.
- The Group agreement for people with disabilities dated 27 November 2017 formalised for the years 2018-2019-2020 is primarily intended to strengthen the different actions undertaken by the Group for the development of work-study programmes and the retention in employment of people with disabilities.

In addition to carrying out compulsory annual negotiations, the Group's French subsidiaries also signed several agreements in 2017. The main areas of negotiation were: gender equality, implementation of teleworking, and the adaptation of Active Employment Management measures at the relevant companies. In addition, as part of the project to simplify the Group's legal structures, transition agreements were entered into aimed at maintaining the collective agreements in force in absorbed companies for a specific period.

5.1.2.2 Appropriate social dialogue bodies

5.1.2.2.1 European Works Council

Created by an anticipation agreement, the European Works Council (EWC) comprises representatives from Thales's 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 2017, two ordinary plenary meetings, two extraordinary plenary meetings 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 social perspectives of these activities with staff representatives.

5.1.2.2.2 European Anticipation Commission/National anticipation Commissions/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 Learning Hub. 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.

5.1.2.2.3 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.

5.1.2.2.4 Group Works Council in France

The Thales group Works Council was created in 2000 as the result of an agreement whose provisions were revisited 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 three times in plenary sessions in 2017.

5.1.3 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.

5.1.3.1 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, as well as to put forward a collective professional development action plan (covering recruitment, training, job roles to be developed, etc.).

Each job family works on its own transformation in accordance with new demands from the Group's customers and markets, the adaptation to widespread development of digital technology in the content specific to job roles or in the processes related to the activities of the job family (tools, methodologies, information exchange flows, user experience, etc.) to offer employees a shared vision of these changes and service offers to better support these changes (training, innovation, coaching, etc.).

The Group's framework is regularly adapted to take into account changes in certain job families.

> THE VARIOUS JOB FAMILIES

 FP01 Management	 FP06_0x R&D: Software FP06_1x R&D: IS/IT & cyber-security	 FP11 Finance
 FP02 Strategy, marketing and sales	 FP07 Client service	 FP12 Human Resources
 FP03 Bids & projects management	 FP08 Quality Assurance & Customer Satisfaction	 FP13 Legal & Contracts
 FP04 R&D: System engineering & General research	 FP09 Purchases	 FP14 Communications
 FP05 R&D: Hardware	 FP10 Industry	 FP15 Real Estate, HSE, Security, Management Support Services, Workplace Medical & Welfare services

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 "skills management" approach for its key job families (R&D, Industry, Customer Services), centred on the identification and sharing of available technical skills. This approach, which relies on an inventory and assessment of skills, helps to anticipate operational requirements, provides practical responses to issues identified in programmes or helps to form new teams thereby securing bids and projects. It also favours the implementation of tailored development actions to meet operational requirements and 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).

At end-2017, nearly 28,000 employees worldwide had already listed their skills using the tool, which is continuously being improved.

Management of specialists

Thales's 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.

5.1.3.2 Anticipation to help safeguard career paths

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's 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 their career plans;
- 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 the companies Thales Electron Devices and Thales Services in 2017, after their staff representatives had been informed of and consulted on the economic projections, the effects on employment and the timeliness of implementing the initiative.

5.1.3.3 The employee as active participant in his or her 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 role and to define their career path. This meeting also provides employees and managers with the opportunity to jointly define an action plan that includes training as well as any other initiatives aimed at professional development. During their professional development discussion each year, employees are 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 2017, a total of 88.4% of Thales's employees worldwide had a professional development discussion with their manager (compared to 91.4% in 2016).

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.

5.1.3.4 Mobility and career paths

Faced with increasingly competitive markets, employee mobility and professional development increase the Group's ability 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 access to 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 assistance with a change in position or a geographical relocation or both, covering relocation, help with finding housing, a moving bonus, etc. In 2017, a total of 1,054 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 (V.I.E.) programme in 2017 allowed more than 75 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;
- the "Career Plus" programme, which has now absorbed the "Career 1st" initiative, matches operational needs with the desire of employees of all kinds aspiring to temporary international mobility. At end-December 2017, 112 employees on "Career Plus" were enrolled in this programme;
- the launch in 2017 of the e-JET (Job Exchange within Thales) initiative contributes to developing the Group's international culture while also attracting and retaining new talent. This programme thus gives new recruits, with more than two years' experience in their job, the opportunity to go on an exchange to a similar job abroad for a period of 6 to 12 months. Thanks to a mobile application developed to identify these exchanges, four employees have already benefited from this experience;
- other international secondments are dependent on the Group's strategy and the needs expressed by the countries of operation.

Thanks to these initiatives, at 31 December 2017, a total of 755 Group employees (coming from 28 countries of origin to 65 destination countries) were on international mobility assignments, in all business sectors.

International mobility postings are spread across every region of the world, with 26% in the Middle East, 24% in the Europe, 19% in Asia-Pacific, 16% in North and South America, and 15% in the rest of the world. Participating employees were primarily from Europe, especially France (66%), with smaller numbers from Asia-Pacific (Singapore, Australia, etc.), North America as well as some emerging economies.

In particular, these programmes should contribute to the achievement of the Group's objectives in terms of diversity.

5.1.3.5 Training

Thales's 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 growth and performance improvement projects and supporting the Group's transformation;
- taking into account employees' individual aspirations in terms of skills development with regard to their job or professional mobility.

Key training figures for 2017

The Group's employees completed 18.5 hours on average of training in 2017, with 77.4% completing at least one training course. Overall, a total of 1,177,692 training hours were received Group-wide in 2017.

In France, the number of training hours per employee (20.08 hours) remained the same. The amount of spending on training has increased and stands at 3.98% of payroll versus 3.58% in 2016.

Thales Learning Hub: “to share knowledge and transform Thales”

Present in ten countries ³ (representing approximately 90% of total workforce), Thales Learning Hub (formerly Thales University) contributes to employees’ professional development in the various countries where the Group operates, while ensuring a common culture that reinforces cohesion around the Group’s key values.

The concept of the Thales Learning Hub, founded in July 2017 to coincide with the move of the Thales University campus in Jouy-en-Josas to the Hélios site (Vélizy), embodies a training approach based on learning, meeting, sharing, facilitation and active participation for all employees. It therefore increases the importance of “Thales enseigne Thales” (Thales teaches Thales) and the idea that every employee, with their abundance of knowledge, contributes to the development of their colleagues and the Group in general.

The purpose of Thales Learning Hub is to enable employees to adapt their individual and collective skills to changing job roles, while supporting the Group’s strategic goals. For several years now, the Group training body has therefore been requested to provide support in the roll-out of key transformation programmes: the Group’s long-term strategic vision, “Ambition 10” and its operational offshoot, “Ambition Boost”. In 2017, more than 91,000 hours of digital training were delivered worldwide (an increase of 12.3% compared to 2016). The international digital portal was used by more than 27,600 employees in 2017, i.e. an increase of 20% compared to 2016.

In France, 14,645 employees took part in training at Thales Learning Hub in 2017, versus 14,203 in 2016. The number of training hours delivered by Thales Learning Hub in 2017 in France stood at 220,360 hours (compared to 218,198 hours in 2016). Thales Learning Hub therefore provides more than 31% of the training hours in France.

In 2017, efforts to develop the training offer continued with the introduction of new multimodal programmes comprising a range of different teaching methods and provided in the Thales Learning Hub international portal. The training offer was also enhanced through a continued focus on social learning and training in the field (engineering forums, international mentoring programmes and case studies based on real-life situations).

In the digital field, new teaching methods were developed and offered to employees: “Learning Channels” such as those created for the Welcome Convention and TDAYS (periodic meetings for the Group’s Top management), digital learning communities and the participation of Thales Learning Hub in the implementation of the first Small Private Online Course (SPOC) in collaboration with the Engineering Department.

In terms of innovation, in 2017 Thales Learning Hub launched the “Quick Apply” service aimed at strengthening the principle of “co-creation” of digital content with the support of the operational departments (rapid video recording made available to employees, development of “digital capsules”).

Through these initiatives, Thales Learning Hub contributes to the emergence of a “learning organization”, where all employees can play a more active role in their training and professional development.

Training programmes to meet the needs of the Group and its employees

In France, since 2007 training has been organised through a shared training service 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, and centralise the securing of subsidies;
- position the companies’ priorities and key Group issues around major topics such as the definition of training guidelines, key actions and the creation of training plans;
- develop expertise in training advice at the most local level in support of the Group’s entities for the implementation of training plans for the benefit of employees and their professional development.

5.1.3.6 Development of a leadership model

In 2014, the Group promoted a new leadership model. Developed in collaboration with managers, this new leadership model defines the professional behaviour expected of leaders. It comprises six key skills⁴ which are described through desirable and undesirable types of behaviour. One of the six key skills⁵ “Cooperate to succeed” was used as a guiding principle when setting the objectives of Group managers in strategic roles.

³ Germany, France, Italy, the Netherlands, the United Kingdom, Canada, the United States, the United Arab Emirates, Australia and Singapore.

⁴ Managing complexity, acting with responsibility and ambition, succeeding through cooperation, influencing key players, engaging and developing teams, and displaying emotional intelligence.

Written and published in several languages (French, English, German and Chinese), the presentation for this model was disseminated in all the Group's major countries. As it stands, the vast majority of managers have been made aware of this model either through attendance-based workshops, through modules integrated into Thales Learning Hub training sessions, or through participation in local initiatives. The training programmes for management delivered through Thales Learning Hub have been adapted based on the six key skills described in this model.

Actions aimed at developing talents based on the leadership model have been taken since 2015 in all the major countries where the Group operates in order to prepare future leaders: 360° questionnaires, development centres, project team charter, etc. At the end of 2017, more than 2,100 Group leaders had received a 360° questionnaire debriefing based on the leadership model. Since the implementation of this new leadership model, more than 1,600 leaders have had the opportunity to complete a development programme. The leadership model is now integrated into the majority of the Group's HR processes (personnel review, professional development discussion, recruitment, induction) and systematically incorporated into all collective development initiatives.

A self-perception questionnaire was also made available to all Group employees in their form for the professional development discussion, helping them to become aware of their strengths and their areas for development.

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

A specific initiative, called "Team-Up!" was also rolled out in 2016, with the aim of creating team engagement and enthusiasm for the "Ambition 10" objectives and improving their collective efficiency. Thales's Executive Committee was the first team to test the initiative, working on their collective leadership through a variety of questionnaires. Throughout 2016, most of the Group's top-level teams (Executive Committee, Global Business Units and Management Committee) took part, helping more than 300 people to improve their leadership skills. Since its launch, 80 management teams representing more than 900 people across the world have had the opportunity to benefit from this initiative.

5.1.4 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, 93.7% of employees took part in such a discussion in 2017 (94.6% in 2016).

5.1.4.1 Compensation and salary progression

Individual pay rises depend on fulfilment of responsibilities, achievement 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 (60% of the amount of variable compensation depends on the level of achievement of the annual individual targets and the ongoing goals for the role), 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 2017, compensation rose by over 2.4% 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 Naval Group) totalled €6,292 million in 2017, compared with €6,025 million in 2016. The €267 million increase in payroll from 2016 to 2017 includes a negative foreign exchange rate effect of €51 million.

(in € millions)	2016	2017
France	3,414	3,628
Europe excluding France	1,492	1,486
USA, Canada, Australia	831	874
Rest of world	288	304
TOTAL	6,025	6,292

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.

5.1.4.2 Incentives and profit-sharing in France

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 2017 for financial year 2016 amounted to €50.8 million (compared with €34.8 in 2016 for 2015).

Independently of their participation in the pooled profit-sharing agreement, in 2017 a total of 22 of the Group's companies in France paid, in accordance with their incentive agreement, incentive rights for financial year 2016, totalling €38.5 million (the amount paid in 2016 for 2015 incentives was €45.2 million). Incentives are intended to involve employees in the company's results and performance.

The parent company paid €3.96 million in incentives in 2017 for 2016 compared with €4.1 million paid in 2016 for 2015.

5.1.4.3 Group employee savings schemes

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

At 31 December 2017, the total savings under management by Group schemes amounted to €1,082 million (compared with €995 million at end-2016), held by 57,200 former and current Group employees.

5.1.4.3.1 Group savings scheme (PEG) and employee shareholding

At the end of 2017, assets under management in the Group savings scheme (PEG) stood at around €718 million, including €352 million excluding the employee shareholding fund. 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, 2015 and 2017.

At 31 December 2017, assets under management amounted to approximately €366 million, consisting of Thales company shares managed within the PEG on behalf of around 31,300 shareholders.

Including shares from free share plans, employee shareholding in Thales amounted to 2.91% of the Company's share capital at 31 December 2017.

5.1.4.3.2 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 supplemental agreement 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 2017, assets under management as part of the PERCO plan amounted to €364 million, on behalf of 34,300 beneficiaries (compared with €308 million on behalf of 32,600 beneficiaries in 2016).

5.1.4.4 Allotment of free shares and “phantom shares” subject to performance conditions

On 28 September 2017, Thales's Board of Directors approved a plan to allot free shares, all subject to performance conditions, to 764 French senior executives.

A plan to allot “phantom shares” (monetary equivalent of a Thales share), all subject to performance conditions, was also put in place for 307 non-French senior executives.

A total of 1,071 employees in 27 of the Group's host countries took part in these two plans.

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

5.1.5 A safe and healthy work environment: workplace health and safety

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.

Thales is committed to a deliberate, responsible approach to prevention and protection for the safety of the Group's employees. This commitment, included within its ethical principles, has been a driver for the Group for over 15 years and is reflected in a policy to reduce health and safety impacts and risks in its various activities worldwide, in its products and at the various levels of the organisation.

Independently of ensuring compliance with applicable regulations and anticipating future regulatory changes, this deliberate policy has two key areas of focus in terms of health and safety:

- providing a safe and healthy working environment for its employees, on its own premises and on external sites;
- design, purchase, produce and provide solutions, products and services which meet health, safety and environmental requirements.

5.1.5.1 A dedicated organisation

The Group has established a 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 collaboration with the Group's medical coordinator, they define the H&S strategy, policy and processes. They coordinate good practices, and associated frameworks, rolled out in the different countries in accordance with the national legislation and constraints. They also take concrete actions in terms of prevention, health and safety in the workplace by taking into account the situation of each of the entities as regards regulatory compliance, workstation risk analysis, training and awareness plans, equipment maintenance, operational control and technological risks, as well as exercises in relation to emergency scenarios.

With a view to constantly improving its performance in terms of health, safety, and risk prevention, thanks to a network of "Health and Safety site/operations" coordinators in each country and entity, the Group has put in place a global organisation to ensure deployment of prevention measures on sites (exposure and protection of employees, risk analysis and implementation of avoidance and tailored protection measures, etc.) and in the context of operations carried out (industrial processes, substances, external sites, etc.).

5.1.5.2 A key priority: prevention and employee training

With health and safety one of the Group's key priorities, for many years Thales has conducted regular analyses and updates of environmental risks to keep pace with changes in its business activities, scientific and technical developments and emerging challenges.

This analysis, formalised through risk mapping, is intended to:

- check the conformity of business activities and products used or placed on the market;
- ensure that employees are not exposed to specific risks;
- monitor that business activities are not likely to affect the environment through technological accidents;
- analyse and anticipate the impact of new regulations.

Risk mapping consolidates an overview of areas for improvement, which are addressed via action plans both at Group level and locally. Coordinated by the Risk Assessment Committee, the process to manage these risks likely to affect employees is monitored regularly.

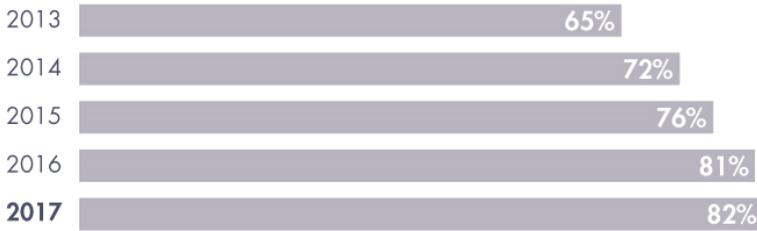
Finally, international Health and Safety Steering Committees ensure coordination of these policies.

To underpin the Group's skills in health and safety matters, dedicated training modules are also advertised in the Thales Learning Hub brochure. As well as health and safety managers, these modules target the different job families: purchasing, design, operational managers, etc.

Thanks to these initiatives, in 2017, Thales pursued its programmes with a view to instilling a real "safety culture" by through the introduction of manager involvement.

Finally, as part of its deployment of certified management systems, at 31 December 2017 the Group recorded 107 OHSAS18001 certificates representing 82% of the worldwide workforce.

- **CHANGE IN NUMBER OF EMPLOYEES WORKING AT OHSAS 18001 SITES**



5.1.5.3 Tangible measures and procedures

Practical measures in relation to employee health and safety in the workplace are also implemented by the Group's Human Resources Department and Health, Safety and Environment Department, specifically in relation to quality of life at work.

Accordingly, in France, the "quality of life at work" agreement of 4 February 2014 defined a general framework for Thales's 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 aimed at preventing the appearance of psychosocial risks (PSR) by paying particular attention to primary prevention, through the formalisation of actions to prevent their appearance, thanks to a unique risk assessment document for each establishment.

As the agreement of 4 February 2014 expired in 2017, negotiations were initiated in September 2017 with a view to concluding a new Group agreement on "quality of life at work".

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, the prevention of PSR and cardiovascular risks, balanced diets and sleep.

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 2017, a total of 328 management-level employees received training in psychosocial risks from Thales Learning Hub.

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.

To increase employees' health and safety, as part of the annual Health, Safety and Environment campaign, an awareness raising initiative on road safety was rolled out to all Group sites. During the campaign, a series of posters was presented and distributed to employees to highlight the main dangers and train them in good habits to help to reduce risks.

Internal and external audits on working conditions are also conducted on Group sites and external sites abroad. The Corporate Health, Safety and Environment team carries out similar assessments thanks to a team of 23 qualified auditors who conducted various assignments in 2017 in several countries (India, Hong Kong, Middle East, Portugal, Norway, United Kingdom, Spain, Italy, Mexico, France, etc.).

This coincided with the actions taken to develop tools to contribute to safety management on external sites and project management.

Finally, the rollout of the LEAN culture continues within the Group with the integration of workstation cleanliness/safety.

5.1.5.4 Information on work-related accidents and absenteeism

Worldwide, the Group's overall absenteeism rate is 2.54%.

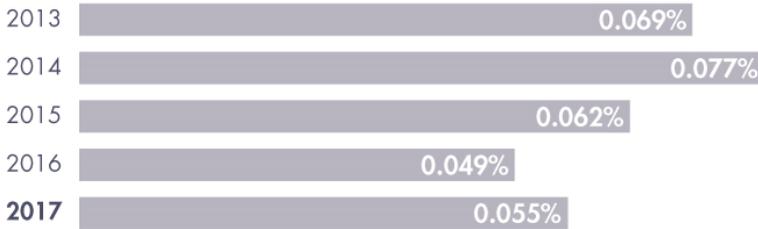
In France, the total rate of absenteeism calculated in accordance with the social report was 3.25% in 2017. This rate has been relatively unchanged for the last few years (3.27% in 2016, 3.18% in 2015). The absenteeism rate, excluding parental leave, also remained unchanged at 2.57%. The proportion of absenteeism relating to accidents at work, commuting accidents and occupational illnesses was similar to the proportion recorded in the previous year and remained consistently low.

For accidents at work, the overall frequency rate worldwide was 2.19 in 2017 and the severity rate was 0.05. The rates differ substantially for each country, depending in particular on the activities taking place there. In France, in 2017, the frequency rate of accidents at work was 2.56 and the severity rate was 0.08.

• **CHANGE IN FREQUENCY RATE (WORKING DAYS LOST DUE TO ACCIDENTS AT WORK)**



• **CHANGE IN SEVERITY RATE**



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, 1,637 working days were lost due to occupational illness in 2017.

5.1.5.5 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.

5.1.5.6 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 93.4% 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, 77.7% 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's 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 49,183 hours in 2017, as compared with 45,970 in 2016.

5.1.6 Gender equality and 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.

Accordingly, 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, sexual orientation, political opinions, religion, union membership or disability.

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 announced ambitious commitments for the following years in terms of percentage of women hires (40%), access for women to positions of senior responsibility (30%) and the presence of at least three women on each management 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 and CEO. 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.

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 Learning Hub to ensure information on initiatives taken within the organisation is cascaded down extensively throughout the Company.

Since 2016, several actions have been taken at the initiative of the Diversity Board such as the development of a Mentoring programme which gave 28 women in important positions in the Group in Europe the opportunity to receive support and advice from a mentor to contribute to their personal and professional development, as well as various internal and external surveys which were conducted on the state of diversity and inclusion within Thales. In addition, a communication campaign was rolled out in 2017 across all of the Group's sites to combat stereotypes and unconscious biases and to make all employees aware of the challenges linked to diversity and inclusion.

This initiative, specifically targeting women in the Group, is a real springboard into positions of responsibility.

In addition, with the support of the Diversity Board and Thales Learning Hub, an awareness raising module in diversity and inclusion for all employees was developed. Various sessions in this module were held in 2017 in France and further afield, including in Singapore, Australia, the United States, India and several European countries.

This section includes the elements of the Group's policy on professional equality and equal pay as provided in Article L225-37-1 of the French Commercial Code.

5.1.6.1 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 2017, women made up 23% of the total workforce, 23.1% of the European workforce and 24.4% of employees in France. Within the Group, women are predominantly employed in long-term, highly skilled positions. In all, 96.8% of women employees worked under open-ended employment contracts, and 67.1% (as compared with 60.5% in 2013) held positions at a level equivalent to engineer, specialist or manager (levels of responsibility 7 to 12).

5.1.6.1.1 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.

5.1.6.1.2 Concrete action

- **Recruitment:** Steps taken to promote recruitment resulted in Group companies hiring 1,243 women on open-ended contracts in 2017. This brought the percentage of women among all new recruits on open-ended contracts to 26.4%, compared with 25.7% in 2016. In France, women accounted for 26.3% of total new hires 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, 2,214 women were hired at Thales in 2017 representing 30.6% of new recruits worldwide, 31.8% in Europe and 33.3% in France. Data relating to the recruitment of women reflect the firm commitment made by some countries, including Brazil (where women made up 40.4% of new recruits), Mexico (36.7%), Portugal (36.6%) and Poland (36%).

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. At end-2017, Thales had 218 Elles Bougent sponsors (a figure which continues to rise) within its workforce who offer advice to young women choosing a career path. 2017 was a particularly active year in terms of events, through which Thales took the opportunity to make its contribution to young participants. Launched in March to coincide with International Women's Day, the "Girls on the move" initiative, which aims to extend the action of Elles Bougent and its partners beyond France, gave rise to the organisation, within Thales, of awareness raising actions, workshops and site visits for the benefit of young female primary and secondary school pupils and students in Germany, China and the United Kingdom. The event "Elles s'envolent au Bourget", organised on 22 June 2017, was an opportunity for 150 female secondary school pupils and students to make an unprecedented visit to the event, accompanied by six Thales women sponsors, offering them an insight into jobs in the Aerospace sector.

- **Career:** Efforts to promote the career development of women employees were increased in 2017. Stereotype awareness sessions were conducted for more than 123 managers throughout the Group in France, bringing the number of managers attending such sessions since 2013 to more than 1,450. Co-development measures have been taken in Europe to encourage the promotion of women. Since 2014, 339 female employees have taken part in personal development sessions aimed at furthering their career development. By the end of 2017, 22 female employees in Germany had been involved in a mentoring programme since the initiative's launch in 2014.

Thales encourages the creation of networks that promote gender equality in the workplace. In 2017, these networks were developed in France and abroad (Middle East and South Africa) and include more than 1,200 employees of the Group.

- **Remuneration and promotion:** 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, 960 women benefited from this measure in 2017. The proportion of women promoted to the highest levels of responsibility (10 to 12) represented 22.9% of all promotions at these levels compared with 19.5% the previous year.
- **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, at the end of 2017, looked after 359 children. Since 2014, Germany has also offered employees from one of its sites the opportunity to reserve places in a *crèche* located in Ditzingen, with eight places reserved on average per month, and will now offer this service across all sites. In addition to this service for smaller children, Germany recently developed a daily childcare concept for employees with school children during school holidays, based on the organisation of workshops also aimed at raising technological awareness. The Ditzingen site was selected as the pilot for the launch of this initiative, which, if successful, should be rolled out to all German sites.

5.1.6.2 Diversity and inclusion

5.1.6.2.1 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.

In France, following on from the "Intergenerational Agreement", the agreement on the Development of Growth and Employment signed on 23 February 2017 continues to promote equal opportunities, in particular through the development of partnerships with partner organisations and schools and participation in recruitment forums on diversity organised by the public authorities.

Within Thales Alenia Space in France, managers who recruited employees of foreign nationality (16.3% of recruitments in the company in 2017) were offered support through a training session on inter-culturalism.

In the Netherlands, the target of achieving a proportion of 5% recruitments of non-nationals out of all recruitments made in 2017 was exceeded, with the achievement of 6% in 2017.

In the United Kingdom, Thales became involved, in partnership with the youth charity Prince's trust, in several "Get Into" programmes, aimed at helping young people aged between 16 and 25 who are out of the schooling system or the job market to gain skills and experience to enable them to access or return to work. Currently being rolled out, the aim of this initiative is to enable the recruitment

within Thales of 30% of the young people supported through the programmes, and the return of 50% of them to an educational course, training or volunteering.

5.1.6.2.2 Fostering generational diversity

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. This was followed in 2012 by a Group agreement known as the "Intergenerational Agreement" which expired in December 2016. The provisions from this agreement were however reworked to a large extent in the "agreement on the Development of Growth and Employment" entered into in February 2017. The provisions of this agreement were 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% of the total and increasing the proportion of employees aged 57 and over to 15% of the official workforce by February 2020.

In application of the agreement on the Development of Growth and Employment, the Group is also committed to continuing to develop 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.

5.1.6.2.3 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.

5.1.6.2.4 Disabled employment in France

Thales has long had a Group taskforce on disabled employment in France, Mission Insertion, the Director of which leads a network of disability contacts for each labour pool. Disability Employment Commissions have also been formed within 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 disabled people in the Group has continued to rise to REACh 6.33% in 2016, compared with 5.9% at the end of 2015 and 5.1% in 2011. In 2017, this rate stabilised thanks to efforts to recruit and retain people with disabilities.

These results have been achieved thanks to the proactive policy implemented by Thales for over 20 years. It reinforces the actions taken to promote and facilitate the retention in employment, professional development and integration of people with disabilities within the Group. This entire approach led to the signature in 2017 of a new agreement notably providing for the recruitment of 140 people with disabilities between 2018 and 2020, as well as 260 interns and 50 young people on work-study contracts.

One of the aims of this agreement is to implement the requirements of the AFNOR X 50-783 "Organismes Handi-accueillants" (disability-friendly organisations) standard on all sites by the end of 2019. At end-2017, 44 sites in France had undertaken initiatives in this area and 27 of them had confirmed their conformity.

Thanks to this new agreement, Thales's actions are clearly in line with its territorial policy for the training and employment of people with disabilities through four areas of focus: young people, supported employment, professional reintegration and SME support.

Similarly, partnerships concluded with education authorities and universities were continued, in order to support young people with disabilities in their studies and professional integration. Since 2016, these partnerships have been included in France's regional disabled employment plans (PRITH), the first of which was signed in the Île-de-France region.

In addition, in 2017, the Group continued to strengthen the partnerships forged in previous years with the GESAT network for sheltered and adapted employment to facilitate and enhance subcontracting to the disability-friendly sector.

5.3 SOCIAL INFORMATION

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 other stakeholders than its own employees.

5.3.1 Territorial, economic and social impact of the Group's activities

5.3.1.1 The Group's regional policies in France

The Group's regional policy relies on the quality of its relations with economic, social and academic players and local institutions and communities. Whenever to the greatest extent possible, its sub-contractors, suppliers and industrial partners 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 agreement to promote professional development and employment through proactive initiatives signed on 26 April 2013 actively supports local action by creating a Commission on regionalism and relying on a Group Anticipation representative, as part of a joint organisation, to coordinate the Thales Regionalism community and monitor regional actions.

The policy is based on a knowledge of each labour pool, key players, and three priority areas of focus:

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

In France, 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's Engineers for Schools 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, in collaboration with the Anticipation representative, with the roll-out of the Group agreement for professional development and employment through anticipation initiatives, by coordinating the network of Thales Engineers for Schools and supporting Group employees to take over or start a business (62 new projects in 2017). Géris Consultants also conducts HR engineering experiments to develop the performance and skills of Thales's suppliers and more generally of SME/SMI in labour pools, to support the professional development of employees from large companies, and to facilitate the integration of young people into the local industrial fabric.

For this purpose, Géris Consultants coordinates the *Pass'Compétences* inter-company outreach tool, the Shared Learning Path initiative (in connection with *Fondation Innovation Pour les Apprentissages* - Innovation for Learning Foundation (FIPA)), and, through Thales's Shared Training Service offers the implementation of Thales methodology known as *Trans'Faire* - tailored transfer of skills between a mentor and a mentee - in French SME/SMI.

More specifically, the *Pass'Compétences* initiative is designed to stimulate SME development by assigning them voluntary expert employees from large companies (Thales, Schneider Electric, etc.) for pivotal assignments lasting between 12 and 18 months, which create local employment and wealth. Offers (profiles of voluntary expert employees from large companies) and requests (SME/SMI/start-up) for skills are constantly updated on the www.pass-competences.net website, in addition to numerical projections by CEOs (the creation of 816 new jobs and combined wealth estimated at €185m by 2020) and the results observed since the initiative's launch in 2012 (35 placements: 28 involving Thales employees, 6 from Nokia and 1 from Schneider Electric).

In 2017, there were 10 new placements involving Thales employees.

The rollout of the *Pass'Compétences* initiative continues in the region of Occitanie, and was launched in April 2017 in Nouvelle-Aquitaine with funding from the region's economic services.

In addition, Géris Consultants, in partnership with Thales HR teams, assists the professional integration of work study employees:

- by promoting the "Shared Learning Path" initiative;
- by inviting SME with open positions (23 SME requested submitted more than 147 job offers in 2017) to Thales's annual forum for Top Interns and Work-Study Employees;
- by coordinating Thales's participation in the "Altern'UP 2017" contest under the aegis of the FIPA: four employees at the end of work-study programmes who submitted a total of three projects were selected to participate in the Creativ'Week during which they were trained in key topics for business creation and had the opportunity to improve their business model in a collaborative, dynamic and inspiring way. At the end of the contest, Thales awarded the Innovation prize to the winner selected by the judging panel;

- G ris Consultants also shares its expertise with large companies and local authorities in order to provide assistance, in the form of advice and innovative financial engineering, to SME and SMI that create long-term positions in regions impacted by the loss of industrial jobs. The revitalisation projects led by G ris Consultants since 2009 have led to the creation of nearly 4,800 jobs in France (including 210 in 2017) with approximately 700 SME and SMI.

5.3.1.2 Group initiatives to support people with disabilities

In France in 2017, 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 be added to those existing with the Universities of Orleans, Tours and Lille as well as with the  le-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);
- in line with the many existing agreements already signed with educational authorities designed to help high school students with disabilities to access higher education and monitor students with disabilities, work is ongoing to establish an agreement with the educational authority of Aix-Marseille and Bretagne. These agreements cover almost all the labour pools where Thales is present;
- the partnership with Paris-Est Cr teil University to set up an inter-university diploma (IUD) in disability representation in the public or private sector continued. 21 students received the diploma in 2015, 22 in 2016 and 26 in 2017;
- Thales continued to be involved in the development of the Hanvol non-profit organisation, whose mission is to find jobs for people with disabilities in the field of aeronautics;
- the Group also continued its involvement in the agreements to implement software architecture and information system engineering courses at Vocational Rehabilitation Centres (CRP) in Millau and Mulhouse.

Thales also participates in the implementation 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 by France's 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 (the system was tested on the Gennevilliers site);
- 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.

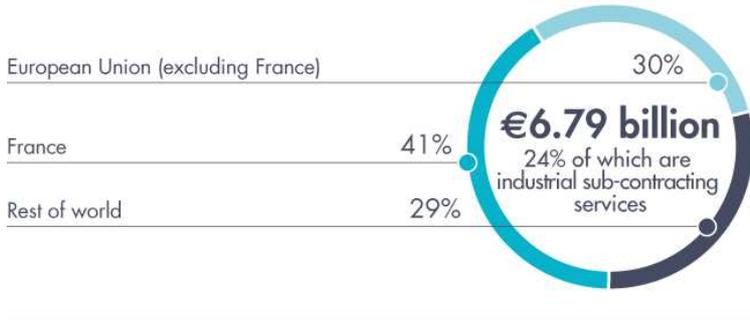
The Group also stepped up its local involvement in SME through initiatives such as those put in place, in the department of Hauts-de-Seine, with a partnership agreement, signed on 9 December 2016, with the aim of supporting SME through large groups in the implementation of their employment policy for people with disabilities.

The Group's expertise and commitment with regard to disabled employment have been widely recognised, as evidenced by the 2016 appointment of Thales Mission Insertion Director to French national consultation committee for people with disabilities (*Conseil National Consultatif des Personnes Handicap es - CNCPH*) and national committee for the fund for disabled employment in the public sector (*Comit  National du Fonds d'Insertion des Personnes Handicap es dans la Fonction Publique - FIPHFP*) in his capacity as an expert.

5.3.3 Relations between Thales and its stakeholders

5.3.3.2 Supplier relations: a responsible approach

Geographic breakdown of Group purchasing in 2017



5.3.3.2.1 A recognised purchasing policy

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.

This policy is based on ten responsible purchasing practices specified in the Responsible Supplier Relations Charter, of which Thales has been a signatory since 2010. The aim of the charter is to develop a balanced relationship based on trust between suppliers and customers in the knowledge and respect of their respective rights and obligations. To this end, the Group has also appointed an internal mediator to act between suppliers with a view to trying to resolve potential conflicts which could arise in connection with its contractual relations with its partners; the Thales internal mediator's actions are also in line with the initiatives carried out by the mediator of the aeronautics and space sector driven by GIFAS (*Groupement des Industries Françaises Aéronautiques et Spatiales*).

Confirming its commitments in this area, in 2012 Thales was one of the very first large groups to be awarded the "Responsible Supplier Relations Label" by the Médiation des Entreprises (business mediator) and the Conseil National des Achats (French Purchasing Board). Awarded for a period of three years for the French perimeter, this label singles out companies committed to forging a structured collaborative relationship based on mutual respect. To obtain this label, a prior external audit of purchasing procedures and action plans must be carried out; the various audits conducted on an annual review (2013, 2014, 2016 and 2017) or triennial renewal (2015) basis have, since it was first obtained, consistently confirmed the award of this label to Thales.

5.3.3.2.2 Involve suppliers in an approach based on collaborative innovation

As part of its Purchasing strategy, Thales also develops a collaborative innovation approach with its suppliers. This involves quarterly meetings for discussion between the representatives of the Group Purchasing and Research & Technology Departments to identify the best players, classify them in relation to the Group's requirements and be in a position to launch with them analysis, studies upstream or PoC (Proof of Concept); this approach has the potential to identify critical innovations and/or technological breakthroughs in both the military and civil fields. An internal application was also developed in 2017 to assess the potential in terms of R&T and the offer of innovative start-ups and SMEs to Thales's prescribers and buyers; at the end of December 2017 almost 500 start-ups had already been added to the database.

In parallel, Thales organises or participates in dedicated events which are an opportunity to meet players in innovation such as the Thales InnovDays (showcasing micro-enterprise, SME and start-up partners involved in ongoing projects) or the Thales Open Innovation Day (event organised with the Pôle Minalogic which was a springboard for some fifty European start-ups during pitches or BtoB meetings). Thales is also involved in many incubators, such as Starburst, the number one worldwide Aerospace start-up accelerator. Finally, since 2012, Thales has signed the "Innovative SME charter" and has actively participated in several multi-sectoral actions taken by its signatories (primarily publicly-funded French companies) to help SME in their innovation projects and contribute to their future development.

In line with this initiative, Thales has also shown its commitment to France's Ministry of the Armed Forces through a bilateral agreement. This initiative, known as the "SME Defence Pact", is primarily aimed at improving the access of SME to defence markets and establishing a balanced partnership between SME and industry champions such as Thales; actions are reviewed regularly and at different levels in conjunction with those involved. In France, Thales works with more than 3,000 SME and mid-cap companies representing a commitment in the amount of more than €1.7 billion in 2017.

5.3.3.2.3 Strengthening links with SME

Since its creation in 2010, the Group has also been heavily involved with the organisation Pacte PME and still sits on its Board of Directors. As part of a proactive initiative to develop good practices, Pacte PME aims to facilitate the growth of SME and the emergence of new mid-cap companies. In 2017 for instance, the Group actively participated (design, implementation and support) in an experimental reinforcement programme for thirty SME from the aeronautics and space sector, in particular on subjects relating to growth and competitiveness. Several Pacte PME partners also contributed to the implementation of this programme such as Adiver, Airbus, GIFAS, the ASTech competitiveness pole, Business France, Comité Richelieu and Safran.

Since 2013, Pacte PME has produced a supplier relations quality barometer for its "subcontracting company" members, with the objective of involving the latter in an on-going improvement approach. In 2015, 2016 and 2017, the barometer conducted on behalf of Thales, of a panel of 330 suppliers, highlighted a very high level of satisfaction with the quality of relationships developed between the Group and its partners.

Finally, Thales is heavily involved in GIFA Industrial Performance programme aimed at improving performance of the French supply chain in terms of delivery and quality, improving the subcontracting company/supplier relationship, boosting the competitiveness of SME in the sector and developing employment in the industry. In 2017, 300 companies across France, grouped into clusters of five and seven suppliers and led by a subcontracting company, were set in motion; as part of this initiative, Thales steered seven clusters in Rhône-Alpes Auvergne, Bretagne, Île-de-France, Normandie, Nouvelle Aquitaine, Provence Alpes Côte d'Azur and Pays de Loire, comprising a total of around fifty suppliers. The initial stages of this programme generated excellent results, with 97% of the SME seeing a significant improvement in their performance measured via one of the following criteria: punctuality, lead time delays and quality.

5.3.3.4 Thales initiatives with non-profit organisations

5.3.3.4.1 Actions by the Thales Foundation in 2017

Through its foundation, launched in 2014, Thales is an innovative force for the good of humanity and contributes to a response to the challenges faced by society. To achieve this, the Thales Foundation (the Foundation) draws on the commitment of Thales's employees, who can devote their motivation and skills to the benefit of the two overall themes chosen by the Foundation: 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 is also involved in projects aimed at anticipating and reducing the impact of natural and environmental disasters. Through these actions, the Foundation helps to mitigate the vulnerability of populations located in risk areas by supporting risk prevention and preparedness and field mission programmes.

In three years, the Thales Foundation has supported more than 40 partners and 50 projects in around fifteen countries across the world, including 14 projects in 2017. The projects and actions of the Foundation have benefited from the voluntary support of 180 Group employees in 3 years.

5.3.3.4.2 Eight new employee projects supported in six countries in 2017

As part of the annual call for projects devoted to projects submitted by Group employees, eight organisations obtained financial support. Of these projects, six of them with an educational theme focus primarily on combating and correcting the impact of social and economic inequalities on educational success thanks to education on entrepreneurship or teaching on digital technology and IT. Two humanitarian risk projects were also launched in Sri Lanka and Nepal with the aim of helping local populations to prepare for the risks of natural disasters to limit human and material damage.

These projects had an impact on close to 15,000 young people and adults made aware of the different tools and methods to ensure their continuity. Encouraged by the Foundation, some twenty Group employees offered voluntary support to these projects.

FOCUS: THREE WINNING PROJECTS IN THREE COUNTRIES

A mobile makerspace to learn by building a drone in France

The Apprentis d'Auteuil foundation supports and trains young people with serious social, family and educational issues within 200 establishments in France.

Project: deployment of a mobile teaching cart containing the technological tools to carry out practical work and build a drone, thereby encouraging access to new technologies and an interest in key issues for 180 underprivileged high school students from 5 establishments in Occitanie.

Lessons and IT resources for the Vellai Thamarai school in India

Thanks to the support of the organisation Vellai Thamarai France, the Vellai Thamarai school in India works to promote the education and integration of a large underprivileged village community of Tamil Nadu.

Project: implementation of lessons and IT equipment allowing the schoolteachers to become familiar with digital tools and 160 young pupils to receive an induction in IT.

A coastal green belt to fight against natural disasters in Sri Lanka

The Consortium of Humanitarian Agencies (CHA) coordinates humanitarian projects aimed at offering all Sri Lankans equal opportunities in terms of development.

Project: creation of environmentally-friendly plant barriers offering the best chance of protection against the impacts of natural disasters and helping to fight drought in the island of Kayts, which has a population of over 10,000.

5.3.3.4.3 Les Savanturiers de l'ingénierie et du numérique: continuation of the pilot learning through research programme

In September 2017, the Foundation renewed its support for the third year running of the *Savanturiers de l'ingénierie et du numérique* pilot engineering and digital technology programme. This approach based on learning through research, conducted in class and sponsored by Thales engineers, relies on the methods and ethics of research as a model for collaborative, ambitious learning methods. Students and teachers are supported by mentors to carry out their research and scientific project, transforming their classroom into a makeshift research laboratory.

FOCUS: THE "SAVANTURIERS" YOUNG RESEARCHERS CONFERENCE IN 2017

To close the programme for the academic year, the *Savanturiers* classes were invited to present the results of their research work during end-of-year conferences in Cannes and Gennevilliers.

Year 5 and Year 6 (CM1-CM2) students from Anatole France school in Gennevilliers, supported by three young Thales engineers, captivated the auditorium with a presentation of their project: they gave a step-by-step explanation of the construction and programming of a robot capable of dancing to music, while underlining all the qualities they had gained from this exercise, such as teamwork and perseverance. They orchestrated demonstrations and answered questions from their classmates, as well as sharing their insight into the world of business by talking about their visit to the Thales Gennevilliers site and the Group's activities.

Richard Merra, Deputy Mayor of Gennevilliers, attested to the success of the programme: *"I found this second edition of the Savanturiers to be even richer than the last one. There was notable pleasure from both the students and adults whose contributions went far beyond their professional remit. Thales's engineers play a major role. The students feel it, they love to feel the importance of their success through the eyes of others."*

5.3.3.4.4 Round Off Your Pay: a supplemented collection for five non-profit organisations

Launched in May 2016, the "round off your pay" initiative, designed by the social outreach company microDON, allows every Thales employee in France to support one of five charitable projects presented, by donating the cents from their pay every month, with an optional additional donation of up to €10 per month. All donations are paid to the charities, 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.

During 2017, this innovative outreach tool was used by 3,300 employee micro-donors within the Group's French companies, raising €240,000 to support the following five charitable projects:

- *Planète Urgence* project to distribute school kits in several African countries;
- *Aide et Action* project to create a learning platform and teaching tools to educate students in France and Senegal about community values;

- *Bibliothèques Sans Frontières* project to send “Ideas Box” media kits to children in low-income neighbourhoods in the South of France;
- *Télécoms Sans Frontières* project to re-establish communication networks following humanitarian crises;
- *Pour Un Sourire d'Enfant* to combat school dropout in Cambodia.

Led by government-approved non-profit organisations, these five projects enable the Foundation to support initiatives that spread its values and address social challenges. The Foundation commits to promoting and monitoring each project to help it to achieve its objectives in terms of funding and results on the ground.

ANTICIPATION IN THE PROVISION OF SUPPORT TO EMERGENCY INTERVENTIONS BY TÉLÉCOMS SANS FRONTIÈRES IN 2017

As soon as they are alerted to a natural disaster or humanitarian crisis, the teams of Télécoms Sans Frontières (TSF) are deployed in less than three hours to REACH the ground and put in place crucial communication systems for the coordination and management of rescues and the dispatch of humanitarian aid. In addition to providing support to humanitarian players, TSF offers free calls to populations to communicate with and contact their loved ones.

In 2017, Thales’ “round-off” collection contributed to three important TSF missions in Madagascar (Cyclone Enawo), in Saint-Martin and Saint-Barthélemy (Hurricane Irma) and in Dominique (Hurricane Maria). The reinstatement of telecommunications benefited more than 450 aid and humanitarian workers and more than 7,500 families.

5.3.3.4.5 Other international examples of local engagement initiatives

Many Group companies also support local and national organisations, particularly in the areas of education and outreach to the underprivileged or people with disabilities. They offer them financial and material support and invite Group employees to volunteer for the different charitable projects or actions. In many countries, a range of projects increase Thales’s contribution to education in science, technology, engineering and mathematics⁶.

Australia

Thales Australia has significantly increased its impact with five new projects to promote access for young people to science, technology and the digital world, allowing them to learn by doing, to play their part in technology and to work towards careers in industry and technology. These actions benefit from the support and volunteering of Thales employees and promote links between education and industry.

The main partnership was signed with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) for three years, in relation to two programmes conducted in Australian schools. The aim is to support students in developing scientific thinking, the ability to conceive and conduct research work, to solve problems and to communicate effectively. Thanks to Thales’s involvement, they gain a better understanding of the industrial world and of the importance of science and technology.

A programme providing an introduction to computer programming, CoderDojo, allows young people aged 7 to 17 to take free workshops run by employee volunteers during the weekends on a Thales site.

Robot Obedience School is a learning platform which allows children as young as six to programme robots. P-Tech is a mentoring programme to guide young people towards university studies and boost their employability. Subs in schools gives high school students the opportunity to work on a project to create a guided submarine in class.

Canada

As is the case every year, employees took action through campaigns of donations matched by Thales Canada for United Way to support families in difficulty.

China

Thales China Enterprise Management Co. Ltd. renewed its partnership with the Cedar Foundation, an organisation which supports students from isolated or underprivileged areas. Students had the opportunity to take part in visits to Thales premises, professional development workshops and a mentoring programme to support them in their integration into the workplace.

United States

Thales USA gave its support to the innovative Iridescent Technovation Challenge programme: this international competition for young women (high school students) is aimed at developing their entrepreneurial and leadership skills. The participants are invited to identify an issue in their community, to develop a mobile application to solve it, then to communicate and transform their ideas into a viable business activity.

The partnership with the Team America Rocketry Challenge was renewed, allowing for the participation and selection of students for this international rocket launch competition which involves 4,000 students every year wishing to pursue a career in science.

⁶ STEM education, in English-speaking countries.

Thales USA employees also contributed to voluntary mentoring actions, a collection of educational supplies for the organisation Boys Town and food items for a social centre in Arlington.

Mexico

Following on from the support provided by the Thales Foundation in 2016, in Mexico, Thales Mexico and the SUM Foundation organised a new training session on innovation to support 60 young women aged between 14 and 21 to design and develop a project which responds to an issue in their community. This educational innovation project is an opportunity to help these young women from problem neighbourhoods to develop useful skills for future job roles, and in particular to offer them access to the world of science.

Following the powerful earthquake which hit Mexico in September 2017, causing almost 230 deaths, Thales supported actions to offer aid to victims of the Mexican Red Cross through donations of money, medication and food items.

Netherlands

More than 60 visits of Thales sites in the Netherlands were organised in 2017 to welcome more than 1,000 students and school pupils with a view to encouraging them to consider a career in industry and technology.

Thales Netherlands actively supported the participation of a team of international students in the World Solar Challenge Australia, an innovative challenge focused on the issue of sustainable technological development and improved performance: advised and coached by Thales experts for two years, the team had the opportunity to design and build its own solar-powered vehicle to compete in the race in Australia.

United Kingdom

Thales's aim in the United Kingdom is to inspire, inform and involve young people through initiatives aimed at offering them the necessary skills and knowledge to make an informed decision as to their personal and professional choices.

In 2017, Thales UK worked with more than 45 schools and colleges to organise activities to meet their needs, and in support of young people within its local communities. As a partner of the Primary Engineers programme, Thales UK supported the training of 40 teachers to implement long-term scientific projects in primary schools in the south-east of England. As part of the Tomorrows Engineers programme, Thales took part in various events of the Big Bang, a major national event to raise awareness on science and engineering which is attended by more than 70,000 young people each year.

Through a partnership with the UK organisation of voluntary scientific ambassadors (STEM volunteers), Thales UK rallied more than 200 employees trained to promote opportunities in science and technology in the United Kingdom.

Singapore/Cambodia, the Philippines, Vietnam

Thales Asia continued its partnership with Passerelles numériques, an organisation which offers underprivileged young people in Cambodia, the Philippines and Vietnam access to a qualified job in the new technology sector. Through this partnership, Thales funded the education of 20 students for two years until they achieved their IT diploma in addition to outreach leave assignments for employees wishing to offer their skills to the organisation.

NOTE ON METHODOLOGY

Social reporting method

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's international dimension. The information it contains sets out the position of the Thales group at 31 December 2017. The social report is available to download from the Group's website 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 Initiative⁷ 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. Workforce under Group management as at 31 December 2017 thus includes only the workforce of companies controlled by Thales within the meaning of Article L233-3 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 2017 due to acquisitions⁸.

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

- Workforce 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 at 31 December of the year in question.
- The total number of new recruits includes the work-study contracts concluded in 2017, 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, 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.

⁷ The Global Reporting Initiative (GRI) is a non-profit organisation that is developing a common working framework 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.

⁸ In the United States, acquisition of Guavus (250 employees), in the United Kingdom, acquisition of Aveillant Ltd (19 employees) and in France, disposal of the ID business of Thales Communications & Security (removal of 80 employees from the Group's scope of consolidation).

- The total rate of absenteeism in France, calculated in accordance with the social report, 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 at work over the course of the year, multiplied by 1,000,000 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 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).

SCOPE OF VERIFICATION OF QUANTITATIVE DATA

Indicators	2017 data	Scope
Global Workforce (a) at 31 December 2017	65 118	100%
Workforce by country		
Workforce France	34 822	100%
Workforce Europe	52 460	100%
Workforce excluding France	30 296	100%
Workforce by gender		
% of women	23,0%	98,4%
% of men	77,0%	98,4%
% of women in France	24,4%	100%
Workforce by type of contract		
% of permanent contracts	97,8%	98,4%
% of full-time contracts	93,4%	98,4%
Workforce by age group		
< 30	11,2%	98,4%
30-39	22,9%	98,4%
40-50	29,8%	98,4%
> 50	36,1%	98,4%
Workforce by level of responsibility (LR)		98,4%
LR 1 à 6	14 308	98,4%
LR 7 à 12	49 737	98,4%
Number of temporary staff	2959	98,5%
Departures by type		
Number of departures	5 263	98,5%
% of resignations	40,8%	98,5%
% of redundancies	17,0%	98,5%
% of retirements	25,2%	98,5%
% of expiries of short-term contracts	10,8%	98,5%
% of other departures (including death)	6,2%	98,5%
Recruitments		
Total number of new recruits	7 233	98,5%
Of which open-ended contracts	4 708	98,5%
Of which short-term contracts	1056	98,5%
Of which work-study contracts	1 469	98,5%
% of women	30,6%	98,5%
Training		
% of employees benefiting from an EDP(b)	88,4%	98,1%
% of employees trained	77,4%	98,1%
% of women trained	79,80%	98,0%
Average number of hours of training per employee	18,50%	97,9%
Total number of hours of training	1 177 692	97,9%
% of employees covered by a collective agreement	86,3%	98,4%
% of employees covered by working time regulations	93,4%	98,4%
Health and safety		
Overall absenteeism rate - World	2,54%	93,9%
Total absenteeism rate - France (social report) excluding maternity/paternity leave	2,57%	100,0%
Total absenteeism rate - France (social report)	3,25%	100,0%
Severity rate of accidents at work - World	0,05%	98,5%
Severity rate of accidents at work - France	0,08%	100,0%
Frequency rate of accidents at work - World	2,19%	98,5%
Frequency rate of accidents at work - France	2,56%	100,0%
Number of days lost due to occupational illness in France	1 637	100,0%
Other		
Payroll - World (c)	€ 6,292 billion	100% financial consolidation
Employment rate of people with disabilities in France	6,3%	
Numbers of jobs created by GERIS in 2017	210	
% of purchases from EU suppliers	71%	
% of purchases from suppliers in France	41%	
Volume of industrial subcontracting services in France	€ 1,62 billion	

(a) Workforce shown corresponds to active workforce

(b) EDP: Professional development discussion (*Entretien de Développement Professionnel* in French)

(c) Excluding Naval Group