Policy on Prevention and Detection of the Risk of Corruption and Influence Peddling
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1. PURPOSE AND SCOPE OF THE POLICY

1.1 PURPOSE

Preventing the risk of corruption and influence peddling is a long-established part of Thales’s ethics, integrity and compliance policy. This strict, proactive policy is built on the values and principles defined in the Group's Code of Ethics, and on rigorous compliance with applicable legislation.

The Code of Ethics lays down the rules of behaviour applicable within the Group, with respect to employees, customers, suppliers, subcontractors, partners, shareholders, financial markets and society as a whole.

The Board of Directors and the Executive Committee have a zero-tolerance policy concerning corruption and influence peddling. To protect Thales’s reputation, competitive performance, and the long-term future of its businesses, preventing corruption and influence peddling is absolutely vital. This is why the Group has put in place a system for detecting and preventing corruption and influence peddling, which it regularly reviews and updates. This policy defines how the system works.

1.2 SCOPE

Thales’s system for preventing corruption and influence peddling applies (i) to all companies directly or indirectly controlled by Thales, and (ii) to all employees and managers of the Thales Group. Thales has put arrangements in place to enable all of its stakeholders (suppliers, service providers and business partners) to comply with this system, or to implement at least equivalent systems to combat corruption and influence peddling.

1.3 APPLICABLE DOCUMENTS

Public Documents available in the Corporate Responsibility section of the Thales Group website (www.thalesgroup.com):

- Code of Ethics [1]
- Integrity and Compliance Charter for Partners and Suppliers [3]
- Internal Alert System [4]
- Conflicts of Interest [5]

These documents are supplemented by other instructions for strictly internal purpose, relating to:

- the Group Governance Instruction on integrity and compliance
- The management of the internal alert system
- The approval process regarding Community Investment, Sponsorship and Memberships
- The Community Investment, Sponsorship and Memberships Policy Guidelines
- The approval rules on Gifts & Invitations
- The process for Third Parties Integrity Assessment (mainly customers, suppliers, sub-contractors, partners and consultants) including measures proportionate to risks.
2. SYSTEM FOR PREVENTION OF CORRUPTION AND INFLUENCE PEDDLING

2.1 CODE OF CONDUCT – PREVENTION OF CORRUPTION AND INFLUENCE PEDDLING

2.1.1 THE CODE OF CONDUCT

In line with the commitments set out in the Code of Ethics [1], the Group has drawn up a Code of Conduct - Prevention of Corruption and Influence Peddling [2], which defines and illustrates the types of conduct that could constitute an act of corruption or influence peddling.

The Code of Conduct, available in several languages, has been widely distributed to employees, and incorporated into the rules of procedures of the Group’s French entities, or adopted via a resolution of the board of directors in other countries.

Failure by an employee to adhere to applicable legislation and the provisions of this Code of Conduct is liable to result in a disciplinary sanction, up to and including dismissal.

2.1.2 INSTRUCTIONS AND GUIDES SUPPLEMENTARY TO THE CODE OF CONDUCT

2.1.2.1 GIFTS AND INVITATIONS

Employees are required to ensure that any gifts and invitations are given or received for a legitimate business purpose, are not aimed at obtaining or offering an undue advantage or influencing a decision, and do not give the appearance of such an aim.

The internal instruction on Gifts and Invitations defines the approval rules and requirements to be met by Group employees before giving or accepting a gift or invitation.

Above the value thresholds specified in internal instructions, prior approval by the line manager of the employee concerned is required before offering or accepting a gift or invitation. Extra scrutiny is required in certain circumstances, particularly in the case of gifts and invitations offered to (or by) public officials or politically exposed persons. Such cases also require prior approval by a Compliance Officer. In addition, the Group does not make any financial contributions to election candidates, elected representatives or political parties.

2.1.2.2 COMMUNITY INVESTMENT, SPONSORSHIP AND MEMBERSHIPS

Community investment and sponsorship activities must comply with applicable legislation, and must be conducted in order to meet a legitimate charitable or professional objective. They must never be aimed at obtaining or offering an undue advantage or influencing a decision, or give the appearance of such an aim.

The internal instruction on Community Investment, Sponsorship and Memberships defines the approval rules and requirements to be met by Group employees who are planning to undertake community investment and sponsorship activities, or to become a corporate member of a professional association. This Instruction is designed to be used in conjunction with the Community Investment, Sponsorship and Memberships Policy Guidelines, which set out the Group’s priorities in terms of social engagement and corporate social responsibility (CSR).
2.1.2.3 CONFLICTS OF INTEREST

The Guide to Conflicts of Interest [5] is designed to help employees identify situations where there is a potential conflict of interest. It provides concrete illustrations and recommendations on steps to be taken. Thales expects its employees to avoid any conflicts of interest in their business activities.

2.2 GROUP INTERNAL ALERT SYSTEM

The internal alert system is designed to enable any Thales Group employee to report any conduct or situations that are contrary to the company’s Code of Ethics [1] or Code of Conduct on Prevention of Corruption and Influence Peddling [2].

Alerts may be reported by any means (by letter, email, telephone or in person). The internal alert system, also accessible via the Group intranet, is based on the principles of confidentiality and respect for the rights of each person concerned throughout the procedure.

In some countries, the Group system is supplemented by a national alert system.

The User Guide to the Internal Alert System [4] describes the conditions and arrangements for use of the internal alert system by Thales Group employees, casual employees and external staff.

Thales provides the assurance that no reprisals will be taken against any employee who reports, in good faith and in impartial manner, acts that fall within the scope of the internal alert system, even if the facts are subsequently shown to be incorrect, or do not give rise to any follow-up action.

In addition, measures are implemented to guarantee that the identity of the individual raising an alert, the facts of the alert report, and the identity of the person(s) who are the subject of the alert report, are kept confidential.

Except where local legislation makes provision to the contrary, the individual raising an alert is invited to disclose their identity in order to ensure more effective handling of the alert report by enabling additional details to be requested from his/her. In addition, if the identity of the individual raising an alert is known, measures can be put in place to ensure his/her protection.

However, even in the event of an anonymous alert, the reported facts will be examined to verify whether they are supported by evidence. Anonymous alerts can therefore be processed under the conditions defined in the Guide.

The purpose of the instruction for managing the internal alert system is to specify the arrangements for managing and processing alerts received via the internal alert system.

2.3 IDENTIFYING RISKS OF CORRUPTION AND INFLUENCE PEDDLING

To manage risks and support the sustainable development of its business activities Thales has mapped its main operational, strategic, compliance and financial risks.

The Audit, Risks and Internal Control Department (“DARCI”) is responsible for drawing up the risk map, and keeping it up to date.

The Group’s risk mapping is organized in risk factors and risk scenarios, responsibility for which is assigned within the Group’s accountability system. For each risk factor, a Risk Advisor is designated at Group level to
highlight and illustrate the main risk scenarios and the associated root causes, anticipate how they might evolve, and propose a strategy and recommendations for managing or mitigating the risks. The Vice-President, Ethics, Integrity and Corporate Responsibility is the Risk Advisor for the risk of corruption and influence peddling. The heads of Thales’s operational units and their management teams complete an annual self-assessment questionnaire (updated on a yearly basis), known as a Yearly Attestation Letter, to assess how effectively the risk scenarios under their responsibility are being managed.

The Audit, Risks and Internal Control Department is responsible for overseeing this self-assessment programme. A sample of questionnaires is checked for accuracy and compliance via internal audits on a rolling four-yearly basis.

2.4 SYSTEM FOR ASSESSING THE INTEGRITY OF THIRD PARTIES

The Thales Group pays special attention to the integrity of third parties with whom it has a business relationship, in order to avoid becoming implicated, whether directly or indirectly, in acts of corruption or influence peddling.

The aim of Thales’s system for assessing the integrity of third parties is to enable decisions to be made on whether to enter into, continue, or end a business relationship with a third party.

A governance instruction – Third Parties Integrity Assessment defines the risk profiles associated with each category of third party, and sets out the appropriate verification measures.

This instruction specifies the governance rules and principles to be observed by all Thales Group companies intending to enter into or continue a business relationship with a third party (in particular a customer, tier one supplier/subcontractor, distributor, intermediary, joint venture partner, acquisition target, etc.).

These rules are designed to meet the following objectives: (i) determine the risk profile of a Third Party; (ii) implement preventive measures appropriate to the identified level of risk (such as signing up to an Integrity and Compliance Charter for Partners and Suppliers, contractual undertakings, or verifications based on an integrity questionnaire or due diligence carried out by a specialist service provider); (iii) define appropriate measures in light of the results of the assessment carried out (entry into or continuation of a business relationship, implementation of an action plan, suspension or termination of a business relationship).

This instruction is supplemented by further instructions dedicated to the process for selecting and managing certain categories of third parties (consultants).

The Group has selected a specialist service provider with the skills and resources to carry out due diligence checks proportionate to the identified risk.

These checks are embedded in business processes (Purchasing, programme reviews, reviews of merger/acquisition projects, etc.).

2.5 ACCOUNTING CONTROL PROCEDURES

In accordance with applicable laws and regulations, the Group has put in place procedures designed to ensure the legality, accuracy and compliance of financial and accounting information.
Selected points from the Internal Control Questionnaire (ICQ) completed by the finance departments of all of the Group’s operational and “non-operational” units to self-assess their internal financial control procedures are checked to ensure that accounts, invoices and other transactional documents are accurate and complete, and that the accounts are not being used for the purpose of conducting – or concealing – fraudulent activity or any acts of corruption or influence peddling, or more generally for making inappropriate payments.

The ICQ to be completed by group entities is revised and updated each year by the Audit, Risks and Internal Control Department, in consultation with the finance department and the Group’s statutory auditors.

The Audit, Risks and Internal Control Department carries out regular ICQ audits in “non-operational” units (insurance, property, headquarters, shared services, etc.) as well as in newly acquired entities, in order to prevent or analyse the risk of fraud and/or non-compliant reporting. If & when judged as relevant, audits are also carried out in operational units.

2.6 TRAINING IN THE RISK OF CORRUPTION AND INFLUENCE PEDDLING

In 2018, the Thales Group introduced a new training path dedicated to the prevention of corruption and influence peddling. The path comprises a new online training (e-learning) module as well as face-to-face training. The online module can be accessed by all employees via the Thales Learning Hub. It is available in French and English.

The Ethics, Integrity and Corporate Responsibility Department has mapped the positions that are the most exposed to the risk of corruption and influence peddling by evaluating them against a set of criteria (job family segment, level of responsibility, country with a high corruption perception index according to Transparency International). Support functions that play a more specific role in terms of integrity and compliance (for example Legal & Contracts, Finance and Human Resources) have also been identified. This mapping exercise led to the definition of three levels of potential exposure (low, moderate and high), which enable the appropriate training pass to be identified.

Face-to-face training is delivered mainly by members of the Legal & Contracts family who have been trained via a special “Train the Trainer” course. Implementation of face-to-face training began in 2018, and rollout across the Group is ongoing.

Refresher training arrangements and training frequencies are defined each year by Compliance Officers in line with the risk mapping exercise, and in compliance with local legislation (based on the need to extend the population concerned, raise awareness of specific legislation, etc.).

2.7 DISCIPLINARY REGIME IN THE EVENT OF VIOLATION OF THE CODE OF CONDUCT

The Group’s disciplinary regime is tailored to the employment legislation in each individual country. At company headquarters and at Thales's French facilities, the disciplinary regime is governed by rules of procedures adopted in consultation with employee representative bodies.

Rules of procedures specify the general and permanent rules relating to discipline, and in particular the nature and scale of sanctions that the employer may apply. Any behaviour deemed by the employer to
constitute misconduct may, depending on its nature and seriousness, be subject to one of a restrictive list of sanctions (warning, suspension, transfer, demotion or dismissal).

The Code of Conduct on Prevention of Corruption and Influence Peddling [2] stipulates that failure by an employee to comply with the provisions of the code, and more generally with applicable legislation, is liable to result in a disciplinary sanction, up to and including dismissal for misconduct.

2.8 MONITORING AND EVALUATION

The Thales Group has put in place regularly updated procedures for monitoring and evaluating the effectiveness of its compliance measures via a series of key indicators.

As part of its commitment to continuously improving the compliance system, the Integrity and Compliance Committee, chaired by the Group Secretary & General Counsel, ensures updating based on information supplied via various sources, such as the network of Chief Compliance Officers, the Audit, Risks and Internal Control Department, the statutory auditors (as part of their audit and monitoring activities), employees reporting concerns via the internal alert system, trainers, etc.

The Group Secretary & General Counsel periodically reports on the Integrity and Compliance Committee's activities to the Executive Committee, the Risk Management Committee and the Board of Directors and/or the Board committees responsible for integrity and compliance (the Audit & Accounts Committee, and the Strategy & Corporate Responsibility Committee).

3. GOVERNANCE OF THE SYSTEM FOR PREVENTION OF CORRUPTION AND INFLUENCE PEDDLING

The Group Secretary & General Counsel, as guarantor of the Group’s good governance, and of the legality and compliance of its business activities, is tasked with promoting and developing a culture of ethics, integrity and compliance within the Group by preventing, detecting and remediying any compromising of the Group's integrity and, more generally, any failure to comply with applicable laws and regulations.

The integrity and compliance responsibilities assigned by the Group to the Group Secretary & General Counsel are essentially carried out by three of the departments that report to the Group Secretary (the Ethics, Integrity and Corporate Responsibility Department, the Legal & Contracts Department, and the Audit, Risks and Internal Control Department), working closely with other Group departments such as Human Resources and Finance. In 2019, the Group changed and strengthened its organisation to ensure even more effective governance in the areas of integrity and compliance.

3.1 THE GROUP SECRETARY

The respective tasks of the three departments referred to above in the areas of prevention and detection of corruption are as follows:

- Development and updating of the anti-corruption compliance programme (the Ethics, Integrity and Corporate Responsibility Department);
- Introduction and implementation of the anti-corruption compliance programme within Group entities (the Legal & Contracts Department); and
- Development and updating of the corruption risk map, and monitoring of the implementation of the anti-corruption compliance programme by Group entities (the Audit, Risks and Internal Control Department).

3.2 THE INTEGRITY AND COMPLIANCE COMMITTEE

The Integrity and Compliance Committee was created in 2019. Chaired by the Group Secretary & Legal Counsel, it is made up of the Heads of the Ethics, Integrity and Corporate Responsibility Department, the Legal & Contracts Department, and the Audit, Risks and Internal Control Department, whose principal tasks in terms of prevention of corruption and influence peddling are described in article 3.1. The principal mission of the Integrity and Compliance Committee is to oversee the development, introduction, implementation, evaluation and updating of the Group Integrity and Compliance Programme.

In suspected cases of infringement of the Group’s requirements regarding the prevention of corruption and influence peddling, the Integrity and Compliance Committee is responsible for deciding whether to conduct investigations using internal resources, in particular within the Audit, Risks and Internal Control Department, and/or external resources (law firms, etc.).

3.3 THE NETWORK OF CHIEF COMPLIANCE OFFICERS

A network of Chief Compliance Officers was set up within the Group to ensure a level of expertise and geographical coverage that meets the requirements of the Group's Integrity and Compliance Programme. The majority of Chief Compliance Officers hold management-level positions in the Legal & Contracts Department, and therefore report both to the Group SVP, Legal & Contracts and to their own respective VPs. Their principal missions are as follows:

- Monitoring compliance with applicable regulations and the Group's integrity and compliance procedures;
- Monitoring the introduction and implementation of the anti-corruption compliance programme within their respective entities, with the support of a network of Compliance Officers as well as the support of the Ethics, Integrity and Corporate Responsibility Department;
- Reporting to the SVP, Legal and Contracts and, when necessary, to the Director, Ethics, Integrity & Corporate Responsibility of any situations of non-compliance that require the definition of a corrective action plan by the Integrity and Compliance Committee;
- Serving as the designated points of contact for employees within their respective scopes of responsibility for any integrity and compliance questions.

This organisation involves a total of over one hundred professionals, all supporting the rollout of the Group's Integrity and Compliance Programme. The Chief Compliance Officers regularly meet with the Group SVP, Legal and Contracts and the Director, Ethics, Integrity & Corporate Responsibility to discuss good practices, contribute to the continuous improvement of the anti-corruption compliance programme, and help improve the tools used, as well as the associated guides and procedures.
3.4 ENGAGING ALL GROUP EMPLOYEES IN THE IMPLEMENTATION OF THE POLICY

3.4.1 MANAGERS LEADING BY EXAMPLE AT THE HIGHEST LEVEL

The commitment by the Board of Directors and the Executive Committee to a zero-tolerance policy to all acts of corruption and influence peddling is the subject of regular communications to employees.

In addition, topics related to the policy on prevention of the risk of corruption and influence peddling are regularly addressed at meetings of the Group’s Executive Committee. The Group’s commitments in this area are cascaded by each of the members of the Executive Committee to their respective management committees.

Topics related to the policy on prevention of the risk of corruption and influence peddling are also addressed at meetings of some of the Group’s management committees (in particular the Risk Management Committee).

The policy on prevention of the risk of corruption and influence peddling is the subject of specific presentation to the Board of Directors and/or the Board committees responsible for these areas (the Audit & Accounts Committee, and the Strategy & Corporate Responsibility Committee).

3.4.2 VIGILANCE AND DISCERNMENT

Complying with applicable laws and regulations and with the Group’s Integrity and Compliance Programme is first and foremost the responsibility of every Thales employee, under the leadership of entity managers.

The Thales Group expects its employees and managers to exercise vigilance and discernment in business relationships, particularly in certain risk situations.

Employees who are in doubt about how to act in any situation should contact their line management or their Compliance Officer.

4. COMMUNICATIONS

4.1 COMMUNICATIONS AIMED TO GROUP EMPLOYEES

As part of its employee awareness and information programme, Thales has developed – and periodically updates – various procedures, instructions and internal rules as part of the Group’s Chorus 2.0 reference system, which will eventually cover all Group processes.

To raise awareness of the issues, and help employees understand the rules and requirements that they have to comply with, Thales maintains an Ethics, Integrity and Corporate Responsibility portal on the Group intranet, where all employees can view the latest news, learn more about Thales’s policy, and download booklets, guides, tools and internal instructions. Employees can also use the portal to access the Group’s internal alert system.

Update: January 2020
In addition to its actions aimed at raising awareness of developments in the area, the Ethics, Integrity and Corporate Responsibility Department emails a weekly press review to Chief Compliance Officers, to keep them informed of the latest news on a range of topics, including corruption issues.

4.2 COMMUNICATIONS AIMED AT ALL STAKEHOLDERS

Stakeholders are kept informed of Group initiatives, and of the main components of Thales’s corruption prevention policy, via (i) information published in the Corporate Responsibility section of the Thales website (https://www.thalesgroup.com/fr), in particular in the Integrated Report, and (ii) the Registration Document available on the website of the French financial markets authority (Autorité des marchés financiers, AMF) and in the Investors section of the Thales website (https://www.thalesgroup.com/en/investors).

5. GLOSSARY

**Community investment**: Community investment consists of providing material or financial support, without any consideration in return for the Group or any of its employees (or with a consideration of minimal value, such as simply mentioning a donor's name in a publication), to a work or to a person to carry out charitable activities. Persons engaged in community investment activities expect no consideration in return for their support.

**Conflict of interest**: A conflict of interest is a situation in which the personal interest of a Thales employee may influence, or appear to influence, the way in which the employee performs his/her functions within the Group. It may be a private, professional or financial interest of the Thales employee or a member of his/her entourage, which could influence the employee’s ability to act impartially and objectively in a professional capacity.

**Corruption**: Any action whereby an individual in a public- or private-sector office solicits/proposes or authorises/makes a donation, offer or promise with a view to performing, postponing or omitting to perform an action that falls, directly or indirectly, within the scope of their duties.

**Gift - Invitation**: Includes any good, service or favour of any kind (for example, meals, gifts, entertainment, training, leisure activities, hotel stays, rentals, transportation, loans, etc.) given free of charge or below market value to its recipient.

**Influence peddling**: the unlawful soliciting or approval, at any time, whether directly or indirectly, by a person who is a holder of public authority, acts in a public service role, or holds a public elected office, of any offers, promises, donations, gifts or benefits, for themselves or for any other person, either in return for the performance of, or omission to perform, a duty carried out as part of their role, mission or mandate, or facilitated by their role, mission or mandate, or for the purpose of allowing their real or presumed influence to be used illegally with a view to obtaining awards, jobs, contracts or any other favourable decision from an authority or a public administration.

**Membership**: Any decision by a Thales Group company to become a corporate member (or to renew such membership) of a professional or industry association, whether directly or indirectly (via membership of one of its employees representing the entity, or individual membership funded by a Group company).

**Politically exposed persons**: Refers to any persons, who are or have been entrusted with prominent public functions and their immediate family members or persons known to be their close associates. This includes,
in particular, any person in the end-customer’s country who holds, or has held within the last three years, a position in an executive, administrative, military or judicial government entity, whether appointed or elected, or any position in a political party in the end-customer’s country, along with their close relatives and associates (and, by extension, any person who is widely and publicly known as having a close relationship with the public person described above). This also includes persons entrusted with a prominent function in a national or international agency, organisation or institution (for example, the World Bank, EIB, EBRD, ASECNA, etc.) that may provide the end-customer with financial and/or technical support or participate in selecting one or more of the end-customer’s suppliers.

**Public entity**: Includes any legal person or entity entirely or predominantly State-owned and/or -controlled, whether directly or indirectly. Also covers any international public and/or financial entity, political organisation or public agency.

**Public official**: A public official includes any person holding a public and/or elected office included in the definition given in the OECD Convention (“any person holding a legislative, administrative or judicial office of a foreign country, whether appointed or elected; any person exercising a public function for a foreign country, including for a public agency or public enterprise; and any official or agent of a public international organisation”).

This includes, in particular, any person in the end-customer’s country who holds, or has held within the last three years, a legislative, administrative, military or judicial office, whether appointed or elected; any person exercising a public function, including for a public entity; and any official or agent of a public international organisation.

**Sponsorship**: Sponsorship consists of providing material or financial support to a non-charity person, organisation or event in order to promote a brand. The sponsor pays a sum of money or provides a good or service in exchange for direct publicity proportional to its investment.

**Thales Group**: Thales and companies which are directly or indirectly controlled by Thales.