

THALES NEDERLAND B.V.

# 2017 Corporate Responsibility Report





## Colofon

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The 2017 Corporate Responsibility illustrates Thales Nederland B.V.'s ability to deliver value as well as commitments and actions in a number of areas of corporate social responsibility, including but not limited to the measures in place to ensure compliance.

The Annual Report 2017 of Thales Nederland B.V. has been deposited with the Chamber of Commerce and can be requested via the appropriate channels.

This document can be downloaded in PDF from Thales Nederland B.V.'s website: [www.thalesgroup.com/nl](http://www.thalesgroup.com/nl)

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## ANNEX 1: GLOSSARY



# MESSAGE FROM THE CEO

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“ The people we all rely on to make the world go round - they rely on Thales. In a world that is increasingly fast moving, unpredictable - and full of opportunities, they come to us with big ambitions: to make life better, to keep us safer.

Combining a unique diversity of expertise, talents and cultures, our architects design and deliver extraordinary high technology solutions. Solutions that make tomorrow possible, today.

From the bottom of the oceans to the depths of space and cyberspace, we help our customers think smarter and act faster - mastering ever greater complexity and every decisive moment along the way.

Whatever it takes. ”

**Not only our customers have big ambitions. So do our colleagues, so does society at large. Society comes to Thales with big ambitions, to make life better, to keep us safer. As Thales Nederland B.V., our solutions are at the heart of a better society, and are supporting the people we all rely on to make the world go round, to make better decisions, faster.**

With digital transforming society and how our customers are working, our contribution to society is growing more important every day. Not only through our core business but also by constantly improving how we work and especially, how we work together with our stakeholders.

That is the essence of this year's Corporate Responsibility report: we would like to

share how we create value for society through our core business in safety and security, and share our ambitions, challenges and where we still need to improve. Together with our stakeholders we defined our challenges for 2018 and will meet again in 2018 to define our challenges for the longer term.

Also in 2017 we worked hard with our customers to keep our Research and Development on par. Together with the Netherlands customer, we started to work on the new Above Water Warfare Suite to develop the next generation of systems to help our customers prepare for the future. We strengthened our position as one of the leading radar technology countries in the world by means of the performance of the Royal Netherlands Navy in the Formidable Shield exercise.

We hired 125 new colleagues and are

still able to attract the best people. Our challenge in the years to come will be to maintain our recruitment success rate and open up and better work together with other stakeholders. We can not do everything ourselves. We will need to improve how we get the best out of our customers, partners, universities, suppliers, temporary workers and start-ups. That is why we expanded our cooperation in Port XL and at the High Tech Systems Park in Hengelo in 2017.

The planned carve-out of our Revenue Collection activities (OV-Chipkaart) will reduce our Thales Nederland B.V. activities in the non-defense domain. Rebuilding our footprint in non-defense will be possible but will require strong management attention as our defense activities are expected to show significant growth. The group's international expansion in artificial intelligence and



**Gerben Edelijn**

CEO Thales Nederland B.V.

Decisive technology for decisive moments

digital security will definitely offer further growth opportunities in (cyber)security as well as transportation and it will be top on our agenda in 2018.

To improve the performance of our teams, we are taking special actions to improve diversity and inclusion in Thales Nederland B.V.. With regards to gender-diversity we are definitely not there yet and will need to grow from 14% to 20% in 2020. Employee engagement performance is good at 78% however inclusion and empowerment of especially young newcomers in some parts of the company needs additional attention and we are reorganising our onboarding in 2018.

We are working hard to reduce our CO<sub>2</sub> footprint and will implement the CO<sub>2</sub> Performance ladder at all Thales Nederland sites in 2018. A big

breakthrough was the elimination of Chrome (VI) and Cadmium from our supply chain: all parts, components and assemblies delivered to our supply chain are Chrome (VI) and Cadmium free.

For the overhaul and servicing of existing systems, we have invested in a new Surface Treatment and Overhaul facility to meet the latest requirements on treating painted products which will be ready mid-2018.

We initiated a partnership with IHS to ensure newly selected components are conflict minerals free. One of our key-suppliers has created an extensive database and we will be auditing this supplier in 2018. We have changed our purchasing conditions to include OECD regulations.

I would like to thank you for your interest in Thales Nederland and the 2000 people with whom we work hard on a daily basis to deliver our systems and services all around the world. I want to thank our customers, suppliers and partners for enabling us to develop decisive technology to support our end-users at their decisive moments. We look forward to receiving your feedback.

# ABOUT THIS REPORT AND REPORTING POLICY

**Acting responsibly, reporting on our responsibility as well as the value we create for society is integral to the role we play in the decisive moments of our customers. In addition to the 2017 Group Integrated Report which is based on the Guiding Principles of the Integrated Reporting Council (IIRC), Thales Nederland B.V. publishes our Netherlands 2017 Corporate Responsibility Report (previously called Value Report) to better facilitate our ongoing dialogue with our local Netherlands Stakeholder environment and to adhere to National benchmarking and reporting needs.**

Our Corporate Responsibility reporting concerns Thales Nederland B.V. as well as the value chain of which we are part. We focus on key-performance indicators (KPI's) based on the results of an external stakeholder dialogue with our stakeholders. The report provides a good overview of our strategic challenges, focus areas and performance in 2017.

The secretary of the Board of Directors and Supervisory Board of Thales Nederland B.V. are guiding the Corporate Responsibility working group with representatives from the departments involved. The CEO, Gerben Edelijn, is monitoring the CR strategy and results and is responsible for the CR strategy of Thales Nederland B.V. The CR working

group is responsible for delivering the result, managing the Key Performance Indicators and evaluates every two months. Assigned time per person is 36 hours per year.

The described goals and targets account for Thales Nederland B.V. and can not be equally applied to the priorities and performance of the Thales Group and/or other entities. The 2017 Corporate Responsibility Report of the Thales Group also applies to Thales Nederland B.V. The data in this report have not been verified by an external auditor.

## The following people are member of the CR working Group:

<b>Gerben Edelijn</b>	Board	CEO	Strategy and execution
<b>Job van Harmelen</b>	Board	Director Communications	Communications and reporting
<b>Han Smelt</b>	HSE	Manager Environmental Affairs	Zero Workplace accidents
			Reduction of Carbon Footprint
			Elimination of Chrome (VI) and Cadmium
<b>Peter Stoffer</b>	Facilities Director	Real Estate, Facility & Security	HSE Hengelo Site
<b>Siska Holwerda</b>	Human Resources	Legal Counsel	Prevention Officer
<b>Jan Wennink</b>	Purchasing	Director Offset	CSR Supply Chain
<b>Marcel Kuipers</b>	Quality	Manager Environmental Affairs	HSE Huizen site

This report has been published online on June 30, 2018 on the Thales Nederland B.V. website [www.thalesgroup.com/nl](http://www.thalesgroup.com/nl) and is distributed in print amongst our stakeholders. You can also request a printed copy by sending an e-mail to [info@nl.thalesgroup.com](mailto:info@nl.thalesgroup.com)

# Other Thales publications

## THALES NEDERLAND B.V. ANNUAL REPORT

In line with local requirements, the financial performance of Thales Nederland B.V. is reported in the Thales Nederland 2017 Annual Report which has been audited by an external auditor and filed and available with the Chamber of Commerce. A copy of the annual report can be retrieved at the Chamber of Commerce or can be requested at [info@nl.thalesgroup.com](mailto:info@nl.thalesgroup.com)

An excerpt of the key financial performance indicators of Thales Nederland B.V. is included in this Corporate Responsibility Report.

Thales Nederland B.V. may be followed on Facebook, Twitter, Instagram and LinkedIn.



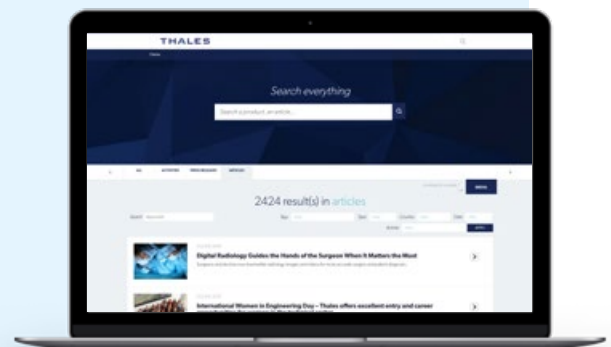
## THALES CONNECT

Thales Connect ([connect.thalesgroup.com](http://connect.thalesgroup.com)) is a news app that covers the latest news of Thales Nederland B.V. for employees as well as international external audiences. The Connect App is available in the Play and App Stores. The external articles can be accessed via the website.



## THALES GROUP PUBLICATIONS

The Group Integrated Corporate Responsibility Report, Registration Document, Social and Environment Reports can be downloaded on the Thales Group website. ([www.thalesgroup.com](http://www.thalesgroup.com))



# PRINCIPLES OF RESPONSIBILITY

Thales Nederland B.V. has deep roots in Dutch society. First of all by means of our contribution to the safety and security of our armed forces in The Netherlands and abroad. Second through our products and services we deliver in the Transportation and (Cyber)security domains. On our export market, we contribute in an equivalent manner to safety and stability at sea.

Launched in 2000, the United Nations Global Compact (UNGC) is both a policy platform and a practical framework for companies that are committed to sustainable business practices. It seeks to align business operations and strategies everywhere with 10 universally accepted principles. More

than 12,000 organisations around the world, including 9,269 companies, have joined the Global Compact. Thales has been a member since 2003, and has adopted the 10 principles of the Global Compact.

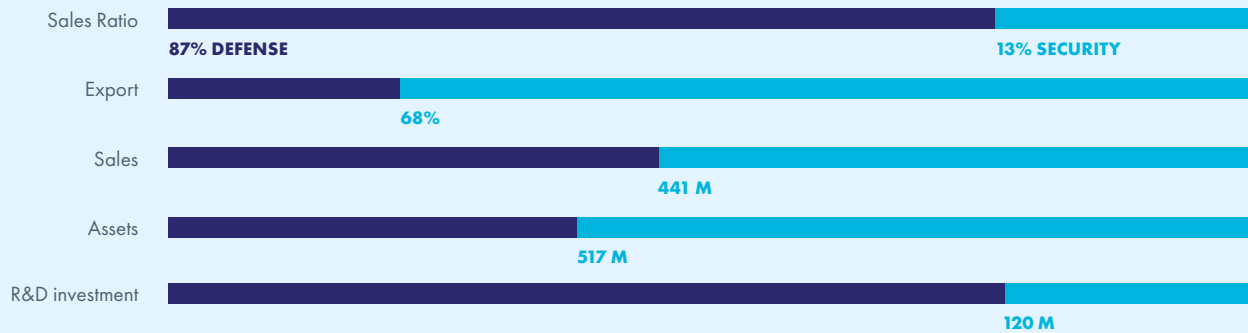
In 2012, through its annual Communication on Progress (COP), Thales reached the Global Compact Advanced level under the United Nations Global Compact Differentiation Programme, which evaluates companies on the basis of 21 specific criteria and represents the highest standard of sustainability performance and reporting. Thales is listed as one of the 527 companies worldwide to have achieved the GC Advanced level.

# KEY PERFORMANCE INDICATORS

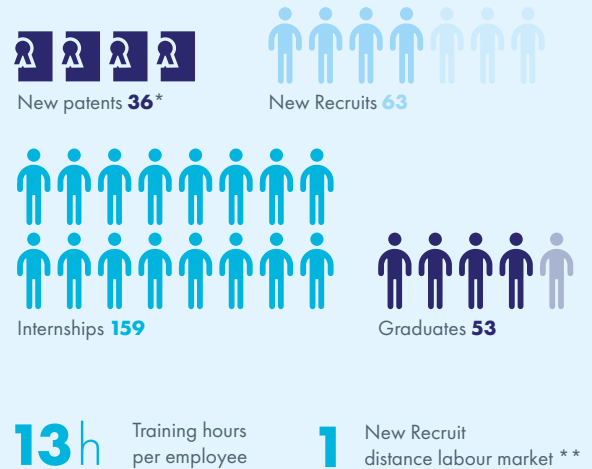
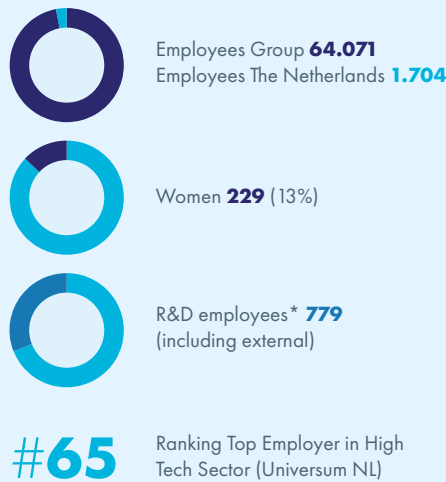
Thales Nederland B.V.

## 2016

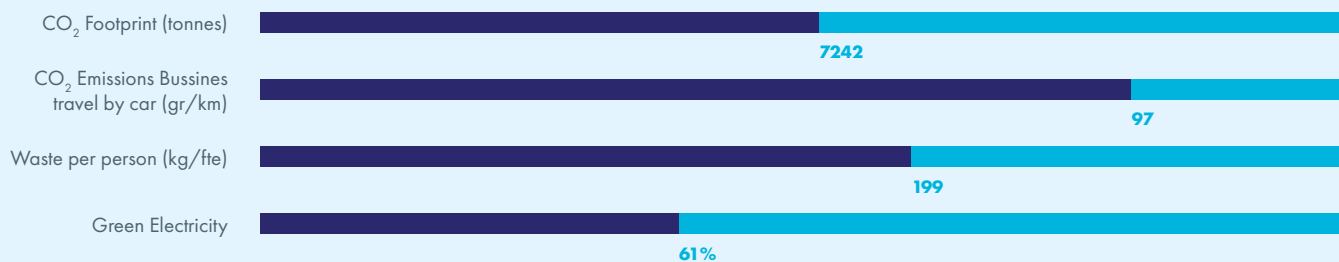
### Economic



### Social

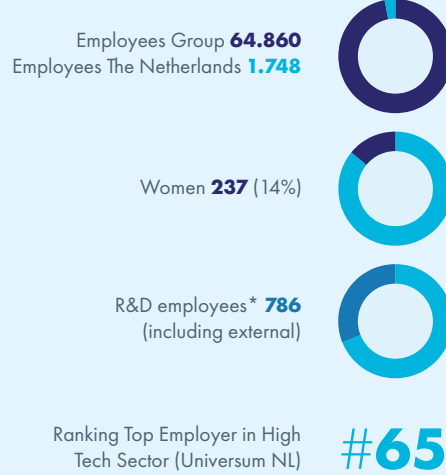
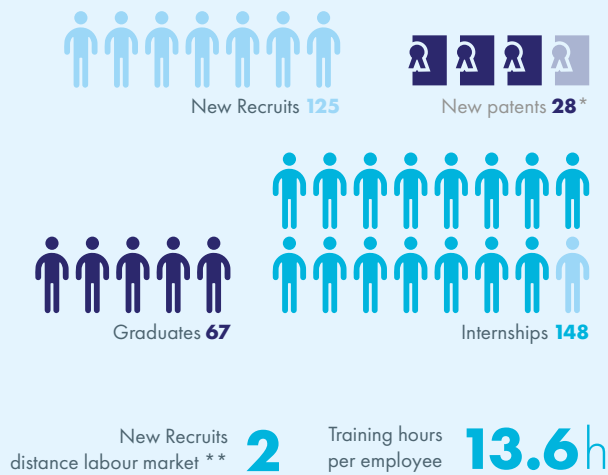
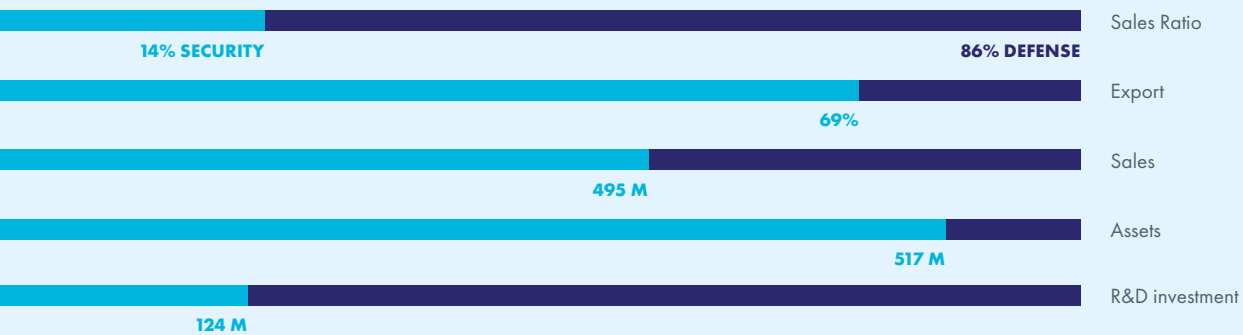


### Environmental





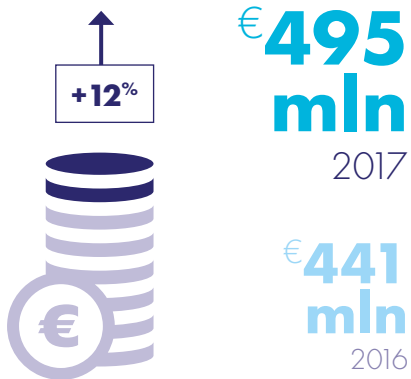
# 2017



\* Was not reported in 2016. Based on reporting to Technisch Weekblad enquete R&D spending companies in The Netherlands  
 \*\* Was not reported in 2016  
 \*\*\* Thales Nederland B.V. Annual Report reports on the average number of employees in The Netherlands which was 1.608 (= excluding contingent workers)

# FINANCIAL PERFORMANCE

## SALES LEVEL



**OPERATING PROFIT 2017**  
 (2016: 6.7%)  
**8.5%**

## COMPANY BENEFITS

From tax facilities

**EFFECTIVE TAX RATE**  
**19%**

**APPLICABLE NOMINAL TAX RATE**  
**25%**

## OPERATING PROFIT



## CASH POSITION

Year-end



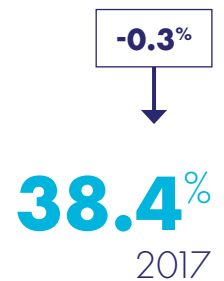
The total of cash and short-term deposits (with Thales S.A.)

## NET INCOME



The large difference with prior year is mainly a result of a higher operating profit.

## THE SOLVENCY RATIO



This ratio doesn't reflect that liabilities (including advance payments received from customers) are covered through deposits (€ 207.7 mln) made with the Thales Group.

# Our Mission

## DECISIVE TECHNOLOGY FOR DECISIVE MOMENTS

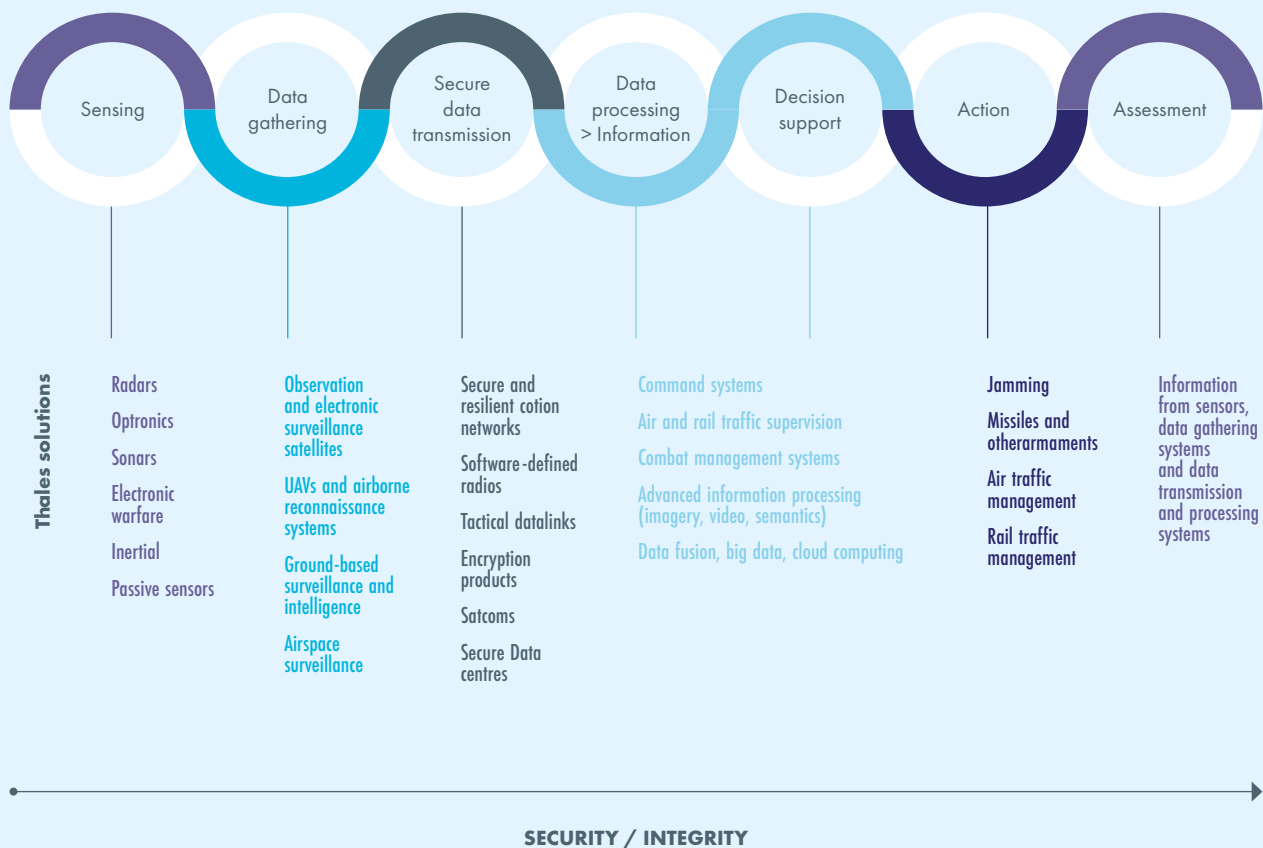
In a world that is increasingly mobile, interconnected and interdependent, the security of people and goods, infrastructure and nations depends on leaders and organisations and their ability to decide and act in a timely fashion and obtain the best outcomes. In the markets that Thales serves - defense,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

critical decisions and need full, relevant and reliable information to understand the situation and make the right choices. Our role is to assist our customers in making these decisions by providing the tools and technologies they need to gather, process and distribute information, helping them to understand complex situations so they can decide and act in a timely fashion and obtain the best outcomes. This understanding of the critical decision chain underpins our innovation and technological developments in areas such as large scale software-driven

systems, secure communications, sensors (radar, sonar, optical), supervision, on board electronics, satellites and systems integration. These technologies and capabilities, and the central role of human factors in critical decision-making, are common to all our activities.

Our employees constantly need to develop their skills to stay ahead in these areas.

### The Critical Decision Chain





# Wherever safety and security are critical, we deliver.

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

We are the largest safety and security company in the Netherlands with a leading role in the defense market. Our aim is to grow this leading role, when it comes to safety and security in the Netherlands, into the business-to-business (B2B) domain, hereby focusing on digital transformation of critical infrastructures in energy, transport and (smart) city environments.

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

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

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

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

## • **Whatever it takes: Thales 2017 Open Day**

On Saturday September 16, more than 2000 interested neighbors, enthusiasts, students and potential new colleagues visited our site in Hengelo and the High Tech Systems Park. Special security and surveillance measures were taken to enable anyone who was interested to visit our site, walk through our factory, participate in Tactics simulated combat management exercises and see the latest radars in action. For the first time also our Cyber Escape Room was on display in Hengelo and everyone was able to beat the hackers and get out in time. More than 200 colleagues volunteered to give the visitors a day that they will not easily forget.

# OUR VALUES

Thales is an international powerhouse of talent and human endeavour, encompassing a rich variety of professional backgrounds and national cultures. Throughout the world, these multicultural teams are driven by the same spirit of innovation, performance, responsibility and ethics in our pursuit of customer satisfaction.

## CUSTOMER TRUST

To succeed, we work as partners with our customers, listening to them, anticipating their needs and finding solutions together. We work and achieve long term customer satisfaction by delivering on our promises and assuring the quality of our solutions and services.

## ONE TEAM, ONE THALES

We share responsibilities in a culture of loyalty, partnership and transparency. We encourage solidarity and cooperation at every level of the organisation. We are all on the same team and united in our actions.

Supporting the professional development of each colleague is fundamental. We respect diversity and promote knowledge-sharing. We encourage dialogue. We promote collective achievements and individual talents.

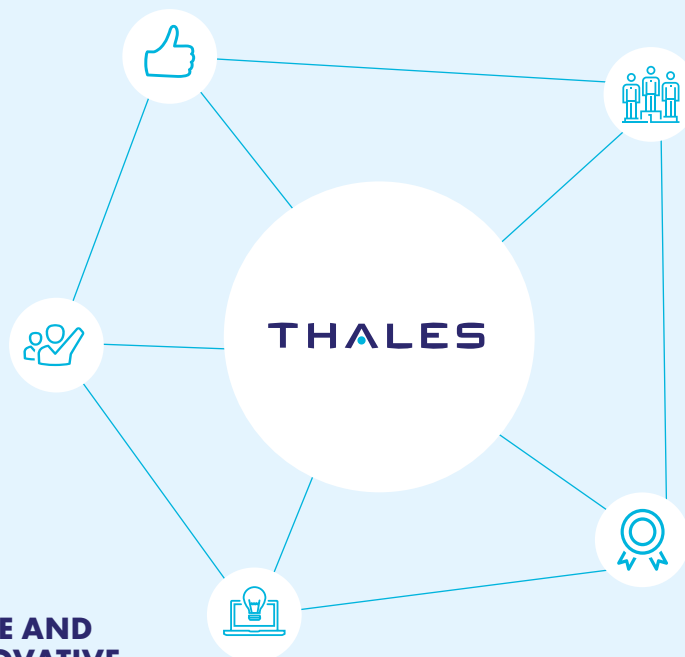
## DEVELOPING OUR PEOPLE

## AGILE AND INNOVATIVE

We aim to continually improve quality and work more efficiently. This means being ready to take risks, always demonstrating leadership, deciding quickly and acting on our decisions immediately. We strive to build on new ideas to achieve a competitive advantage.

## ACCOUNTABLE AND COMMITTED TO EXCELLENCE

We strive to achieve excellence by acting with integrity, loyalty, accountability and professionalism in everything we do.



# OUR COMMITMENTS TO PEOPLE

We launched our Thales Commitments towards People in 2017. To build the Thales of tomorrow, we need to be the Thales of tomorrow.

Thales Commitments set a level of ambition to be reached by 2023 for everyone, everywhere within Thales. They are the means for Thales to achieve our great ambition and at the same time take care of our employees expectations.

Our commitments are an engagement from Thales towards all employees and from each employee towards the collective. They guarantee the best experience at Thales in order to develop our current employees and attract new talents.

## GIVING YOU OPPORTUNITIES TO BE YOUR BEST



At Thales, I am **recognised** and rewarded fairly for my contribution to collective performance

At Thales, I have access to top class resources to **develop my technical and behavioural skills** so that together we deliver our best

At Thales, I work in open minded teams that value **the diversity I bring**, whatever my background

## EVOLVING TOGETHER WITH OUR CHANGING WORLD



At Thales, I innovate with people both inside and outside the company thanks to a **digital environment and a culture of trying, testing and learning**

At Thales, I am continuously offered challenging work opportunities in **different roles, business and countries**

At Thales, I am encouraged to **voice my suggestions** on the company's future and evolution and I know they're heard

## CARING ABOUT YOU



At Thales, my **benefits** are at the high-end of local standards

At Thales, my manager **trusts me, empowers me, and cares** about my well being

At Thales, I have the means and support to manage my personal **work life balance**

In The Netherlands we are working with a specific group of change ambassadors from within the organisation to determine our change agenda and allow for bottom-up engagement initiatives initiated by individual employees.

# OUR MARKETS

Each of the markets that serves space, ground transportation, defense and security, play a vital role in society. Thales Nederland B.V. serves both domestic customers as well as customers all over the world.



## AEROSPACE

Thales is the only company in the world with leadership positions in both onboard equipment - for the cockpit and the cabin - and ground equipment (radar, air traffic management systems, etc.).

Market leadership in avionics, air traffic management and space systems makes Thales the world's only company with the capability to provide a comprehensive end-to-end response to the challenges of air transport.

Thales contributes to the future prosperity of the civil aerospace sector by providing equipment, systems and services - both in the air and on the ground - to support aircraft manufacturers, airlines, air traffic controllers, airports and civil aviation authorities in meeting the challenges of growth, safety, economic and environmental performance, security and passenger comfort.

Thales Nederland B.V. is not active on the aerospace market.





## SPACE

Space systems play a vital role in modern societies, particularly for Telecommunications, earth observation (radar and optical), satellite navigation and deep-space exploration. Thales continues to set the global standard in each of these areas through two joint ventures with Leonardo of Italy: Thales Alenia Space and Telespazio.

Thales provides commercial, institutional and military customers with an exceptional combination of expertise spanning the entire value chain: equipment, payloads, satellites, systems and services. Thales's space businesses complement the Group's other activities, and vice-versa, and represent a distinct competitive advantage by enabling Thales to offer customers complete end-to-end solutions and play a central role in major civil and military programmes. In defense, for example, space systems are a key component of C4ISTAR (Command, Control, Communications, Computers, Intelligence, Surveillance, Target Acquisition and

Reconnaissance). The space component is also prominent in most of the programmes now defining the future of air traffic management as well as in rail and road traffic projects around the world.

Thales Nederland B.V. develops high-end innovative cryogenic coolers. Cryogenic coolers are mainly used in Earth Observation or Climate satellites for commercial, institutional and military customers. Our coolers also find their way in systems used for example in fighter aircraft or security systems for example in container scanners for customs applications. Our SMART-L Multi Mission radar is equipped with Space Situational Awareness functionality to enable tracking of satellites and space debris.



## GROUND TRANSPORTATION

Thales helps transport operators and infrastructure managers to get the most out of their investments by optimising their operational performance, offering better passenger services and managing the growing complexity of their networks. Thales systems and services make it possible to operate transport infrastructures at higher capacity and to carry passengers and goods to their destinations more quickly, more safely and at lower cost.

The Group is one of the world's foremost players in rail signaling systems and control and surveillance systems for urban and mainline rail networks.

Most of the other players in the transportation sector have traditionally been rolling stock providers. In contrast, the Thales systems approach enables us to develop innovative solutions based on state-of-the-art technologies. Our solutions can be

integrated and interfaced with most existing solutions, so that infrastructure operators and managers have more freedom and flexibility in their choice of rolling stock and other equipment in a transportation project. The Group is one of the pioneers in the definition of the de facto standards that are structuring the rail transport sector today: CBTC systems (Communications-Based Train Control) for metros, ETCS systems (European Train Control System) for mainline rail, integrated supervision systems, ERTMS, etc.

In The Netherlands, Thales is known for its role in the nationwide multi-nodal revenue collection and ticketing system (OV-Chipkaart) as well as the (predictive) maintenance and support of the equipment. We are also active in rail signalling, communication, monitoring and asset management systems for urban and mainline rail networks.



### **MASTERING EVER GREATER COMPLEXITY: FORMIDABLE SHIELD 2017**

During the Exercise Formidable Shield a ballistic missile drone was launched from the Hebrides test range. In seconds the missile reached a height of more than 300 kilometers travelling at more than 3 kilometers per second. The Netherlands Royal Navy Frigate HrMs De Ruyter used an upgraded test version of its SMART-L Radar to detect and track the missile and share the data with a US Navy Arleigh Burke class destroyer. The data was of sufficient quality to enable a launch on remote of an SM3 missile that successfully

intercepted the ballistic missile drone outside of the earth's atmosphere. At the same time the upgrade version of the SMART-L Multi Mission on the test Tower in Hengelo(!) detected and was able to track the missile fired in easterly direction from the Hebrides Test Range. It goes without saying we are very grateful for the support, knowledge and big ambitions of the people who are working in the Royal Netherlands Navy for realising this achievement of global magnitude together. Admiral Rob Kramer tweeted: Technology triumph and top innovation by Thales and the Royal Netherlands Navy. This helps us to remain safe in turbulent times."

## DEFENSE

Thales is a long-standing partner of defense forces worldwide, working with them to provide the best possible protection in the field and helping them operate more effectively and more efficiently.

Thales supports the armed forces in accomplishing their missions in the traditional defense environments - land, air, sea and space - and the emerging environments of urban operations and cyberspace. These systems detect and assess threats, manage information, support rapid command decisions and the implementation of suitable responses (including threat

neutralisation), with maximum reliability. Furthermore, by facilitating the coordination of joint or coalition operations, they contribute to the decision-making superiority of these forces.

The majority of our defense activities of Thales Nederland B.V. focus on Radar and Mission Solutions for naval ships. We develop, deliver and support through life combat management systems (Tacticos), radars for surveillance and fire control and integrated mission solutions for every naval mission from Maritime Security Operations to Ballistic Missile Defense.

## UNIQUE DIVERSITY OF EXPERTISE: AWARDS AND NOMINATIONS

External recognition for achievements is important. In 2017 Thales in the Netherlands was three times independently nominated for awards by respected external institutions and associations:

### 2017 Most Innovative Company in The Netherlands: Erasmus Centre for Entrepreneurship and Innovation and AVROTROS

► Thales Nederland B.V. was nominated for not only its technological innovation but also for its transformation in innovation culture. Thales did not win the award.

### 2017 Computable Awards: Computable Magazine

► Thales Nederland B.V. was nominated in the category Best ICT service provider of the year but Thales did not win the award.

### 2017 HR Top 100: HR Manager of the Year

► Our Director Human Resources Geke Kooij was nominated in the HR Top 100 and part of the Top 10. In the Finals Geke won the third prize of the public vote.



## (CYBER) SECURITY & COMMUNICATIONS

With the emergence of threats such as terrorism, organised crime, trafficking and cyberattacks, defense organisations are not fully equipped to contend with the changing risk environment. This convergence of defense and security is driving demand for new solutions and technologies that enable organisations to share existing information and communication systems while protecting their networks and infrastructure from attack.

Drawing on our experience in the defense sector, Thales works with government agencies, local authorities and civil operators to develop and deploy integrated, resilient solutions to protect citizens, sensitive data and infrastructure. We have developed unrivalled expertise in cybersecurity, telecom network security, urban security, airport security, border protection and infrastructure security.

The Group's distinctive strengths include the ability to integrate large-scale, complex systems and leverage the legacy solutions

of each customer. In addition, Thales systems are built around key components and technologies in which the Company has expertise: sensors, secure networks and information systems, 4G, secure cloud computing, data processing algorithms, data fusion, big data and management of large volumes of video, voice, text and data

With our Thales Nederland B.V. Sotas systems we develop and deliver simple and complex integrated communication solutions for any critical customer requirement in both civil and defense communications environments. Our ability to deliver a sustainable robust integrated connectivity solution makes us supplier of choice for a select number of customers worldwide. With a dedicated team and Security Operations Centre in The Netherlands, Thales offers a complete range of cybersecurity end encryption solutions and services to government institutions and private companies in- and outside of The Netherlands.

# Presence

## IN THE NETHERLANDS

### Thales is present at 5 locations in The Netherlands

To stimulate knowledge sharing and cooperation with other companies, Thales Nederland B.V. has decided to move our TXChange Training and Simulation activities to the new Building N at the High Tech Systems Park in Hengelo in 2018.

- ▶ **1 Hengelo**  
Headoffice, Naval Sensors & Systems, Group Competence Centre  
Printed Circuit Boards, Environmental Test Centre
- ▶ **2 Huizen**  
Thales Security & Communications, Cybersecurity, Thales Transportation Systems
- ▶ **3 Eindhoven**  
Thales Cryogenics
- ▶ **4 Delft**  
Thales Research and Technology (TRT)
- ▶ **5 Enschede**  
TXChange serious gaming (Training and Simulation)



# STRATEGIC SHAREHOLDER

**The Dutch State owns 1% of the shares of Thales Nederland B.V. The other 99% of the shares are owned by Thales Group. The ownership of the State is related to the public importance of the development and production of radar technology in The Netherlands.**

Development of this technology has been determined priority in the Defense Industry Strategy. For a proper functioning of The Netherlands Armed Forces, it is key to maintain the development and production in the Netherlands. Access to this technology enhances the international military relevance of the Netherlands by providing a clear military radar capability to international missions.

In the defense sector in which Thales is active, mutual trust and international relations play a significant part. Companies such as Thales Nederland B.V. need to have access to and be able to use important strategic information in order to keep developing advanced high-technology solutions. Thales Nederland B.V. often receives this information from foreign governments who are our customers. Information-exchange is also key to integrating our systems with other (sub)systems such as others sensors and effectors. The ownership of The Netherlands increases the trust in the company in having access to strategic information of foreign governments, to enable exchange of information and integration. This ownership secures the public interest of the Kingdom of The Netherlands in Thales Nederland B.V.

## ► TO FIND OUT MORE

[www.rijksoverheid.nl/documenten/kamerstukken/2017/09/07/jaarverslag-beheer-staatsdeelnemingen-2016](http://www.rijksoverheid.nl/documenten/kamerstukken/2017/09/07/jaarverslag-beheer-staatsdeelnemingen-2016)

# CORPORATE GOVERNANCE

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

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

## Supervisory Board

The supervisory board consists of five members: three members from within the Thales Group with an executive position in one of the Global Business Units (GBU)

also active in The Netherlands (executive members) and two members that do not hold a position within the Thales Group (external members). In 2017, two new members of the Thales Nederland B.V. Supervisory Board have been appointed: Ret. General Peter van Uhm has been appointed to the Thales Nederland B.V. Supervisory Board in June in succession of Ret. General Dick Berlijn. In July, Phillipe Duhamel was appointed to replace Pierre-Eric Pommellet following his appointment as Vice President Defense Mission Systems of Thales Group.

On 31 December 2017, the members of the Supervisory Board are: Marianne Kopp-Raadgever (external), General Ret. General Peter van Uhm. (external), mr. Phillipe Duhamel (VP Defense Missions Systems), Alex Cresswell (VP Land and Air Systems) and Marc Darmon (VP Secure Communications and Information

Systems). The percentage of women of the Supervisory Board is 20%.

## Management Board

The management board consists of 10 members chaired by our Chief Executive Officer (CEO) ir. G.J. (Gerben) Edelijn. A variable compensation target is applicable for the management team with the following distribution;

### Variable compensation target

- ▶ 1 x 40 %
- ▶ 4 x 25 %
- ▶ 5 x 20 %

The variable compensation target includes Corporate Social Responsibility objective(s) and is mainly focused on diversity and inclusion.

**As of 31 December 2017, The Management Board of Thales Nederland B.V. consists of the following members:**

NAME	FUNCTION	AGE	NATIONALITY	ANCILLARY POSITION
Gerben Edelijn	CEO	52	Dutch	Board Member Medisch Spectrum Twente (MST)
Francois Delestre	CFO		French	
John Alfrink	VP Sales	51	Dutch	
Robert Hermans	Director Operations & Supply Chain		Dutch	
Lukas Roffel	CTO	57	Dutch	Advisory Board Member of University of Twente, TU Delft, TNO and NLR
Geke Kooij	Director Human resources	57	Dutch	
Saskia Hazebroek	Director Legal & Contracts	49	Dutch	
Job van Harmelen	Director Communications	44	Dutch	Board Member High Tech Systems Park
Geert van der Molen	VP Naval	53	Dutch	Board Member Industrial Kring Twente
Mark Donderwinkel	VP Secure Information & Communication Systems Netherlands	46	Dutch	



# CHALLENGES

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Thales Nederland B.V. operates in both a complex international Business to Government environment as well as a Business to Business environment at the heart of security and continuity of societies. By means of both an external stakeholder dialogue as well as an internal SWOT assessment we have mapped our environment to prioritise our challenges.

## **External stakeholder dialogue**

On March 20, 2017 we hosted an external stakeholder dialogue session on our site in Huizen. Together with 20 stakeholders from different domains (customers-civil, customers-defense, suppliers, industry associations, unions, supply chain, local and provincial governments, representatives from knowledge institutes) we defined the challenges we see for our organisation.

### **The people we all rely on: presentation in Parliament**

Thales Nederland B.V. asked to give a presentation in the Dutch Parliament on Ballistic Missile Defense to the Commissions for Defense and Foreign Affairs. Upon invitation of Member of Parliament Ramon Knops, on October 11, our colleague Bart van der Graaff, Director Operational Business Development, voluntary took place in front of a public hearing of the parliamentary commission for Defense to share his experiences. All present members of parliament appreciated the ability of a direct expert briefing, asked many questions and indicated they were very interested in receiving expert/ non-commercial briefings like this again in the future.



## CHALLENGE 1

# Shared value creation through innovation and partnerships in an ecosystem

**The sustainable success of Thales in the Netherlands depends on our ability to continue to innovate together with our customers, visionary and experienced end-users within our different customer organisations, universities, knowledge-institutes, our suppliers, start-ups and partners in specific programmes.**

By constantly investing in Research and Technology Development and embracing end-user experience, we are able to work incrementally today on the state-of-the-art solutions societies will depend on for their national security 25 years from now. From the "gouden driehoek" and a unique Maritime Cluster in The Netherlands to

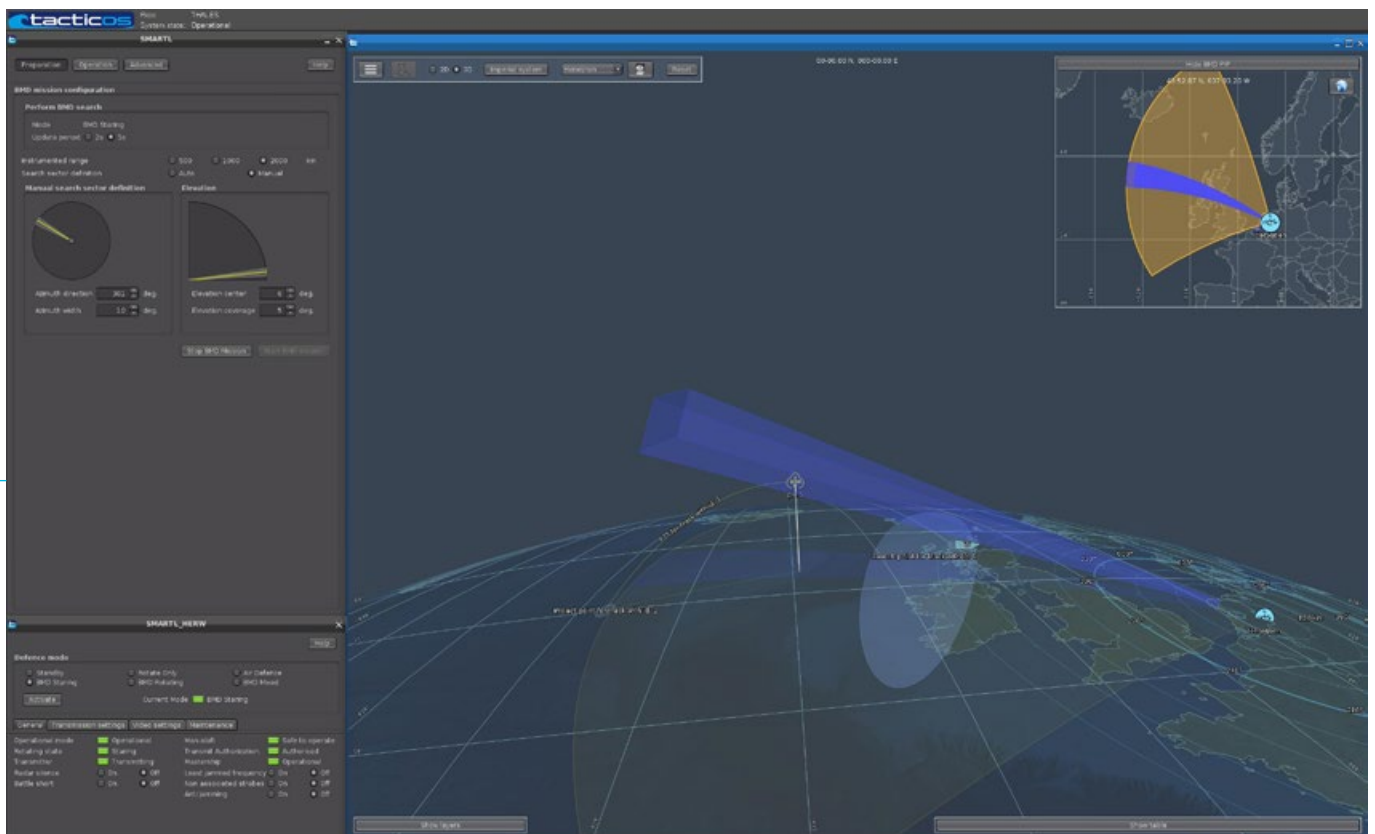
partner organisations in a global value chain, our success increasingly depends on our ability to work together in a rapidly changing geopolitical international context and digital transformation of our customers.

Economies of scale due through focus across the industry, scarcity of talent, digital transformation, geopolitics and exponential development of technologies are transforming our high-tech business as well as the ever-evolving needs of our customers. Current highly detailed buying processes and restrictions are often limiting our ability to develop and our customers' ability to acquire the right technology that continues to meet the demands to remain state-of-the-art

through its lifecycle. Only by improving our ability to rapidly develop together not only at the moment of purchase but throughout the lifecycle will we be able to ensure our customers remain up-to-date with the latest developments.

This requires our company, people, IT-systems, culture and working processes to be both as open as possible and at the same time as secure and structured as required.

More important it requires us to take the lead with our customers and end-users in a national debate to explore new ways of working together in developing new solutions and how to bring them to market.



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## CHALLENGE 2

# Human Capital, Talent attraction, retention and development, diversity and inclusion

**While in the past engineering talents were highly sought after by engineering companies, other businesses are going through a digital transformation and entering the market for (software) engineers. At the same time the required level of education is rising and also our educational system is finding it difficult to keep up with exponential developments in technology, software and cyber.**

Cyber- and Artificial Intelligence (AI) specialists can work anywhere they want. Increasing public awareness of our unique high-tech solutions as well as the role we play in the lives of the people who depend on our solutions becomes key in the ability to attract the right people. Second, we need to embrace diversity and inclusion to ensure we get the best out of our teams.

With the upcoming shortage of talent and expected increase in demand for engineers, we need to carefully work together within our ecosystem to ensure we are leveraging our knowledge and people and are not actively competing on the labour market.

Although Thales with its unique offer is still able to attract the right amounts of talents, we have launched our Thales Commitments towards People in 2017 to ensure we continue to be a top-employer, also in the year 2023. In addition we have specific targets on gender-diversity and people with a distance from the labour market to improve our performance, open up to new views and perspectives as well as better achieve our recruitment needs.





### CHALLENGE 3

# Environmental Impact

**Environmental performance is key to our performance in transport and site management while in defense and (cyber) security - apart from the use of specific substances - security considerations often supersede environmental impact.**

Optimisation of resources is however often critical to mission success. At Thales we manage it as a priority as we are striving to minimise our impact to the environment both to optimize resources as well as a key paradigm in driving outside-in innovation in our products and processes.

### CHALLENGE 4

# Compliance and Business Ethics

**Since the early 2000's Thales has consistently reaffirmed the principle of "zero tolerance" for all forms of bribery and corruption, including active and passive corruption, direct and indirect bribery, and corruption involving both public officials and private parties.**

The Thales corruption risk prevention programme has been recognised by many stakeholders. Thales's listing on the Dow Jones Sustainability Index (DJSI) Europe and world was confirmed for the third year in a row in 2017. The Group is also one of the four leading European companies in Transparency International's "Anti Corruption Index" covering companies in the defense sector.

Although we did discuss the reputational aspects of being a defense company, none of our stakeholders present in the stakeholder dialogue perceived a reputation as a defense company as a challenge to be addressed. Business-to-business customers perceive our defense reputation as an asset to ensure the solidity of our processes and solutions.



# INTERNAL SWOT ANALYSIS

Thales Nederland B.V. operates at the heart of changes in geopolitics, society, technology developments and for the first time in 30 years, growth in defense spending. Our ability to continue to lead and drive sustainable innovation where digital transformation is accelerating our markets, is key to our future success.





### **STRENGTHS**

Strong technology base and unique capabilities in The Netherlands

Highly skilled and dedicated personnel

Culture of continuous innovation

Part of Thales Group

Solid reputation to deliver

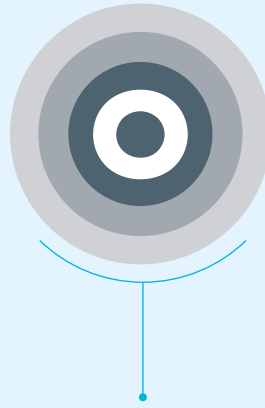


### **WEAKNESSES**

Responsiveness & agility of processes

Too much focus on own organisational silo or static customer requirements

Workforce diversity



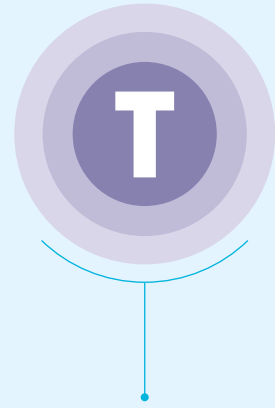
### **OPPORTUNITIES**

Increase in defense spending in Europe

Growing market for security in critical infrastructure systems

Managed Services and lifecycle support / updates for mission systems

Increasing role of the Dutch MoD in international defense cooperation.



### **THREATS**

Competitiveness, balance between value proposition and costs

Increasing competition for skilled personnel

Dependency on national government policies, increasing nationalism in Europe

Competition from non-traditional markets

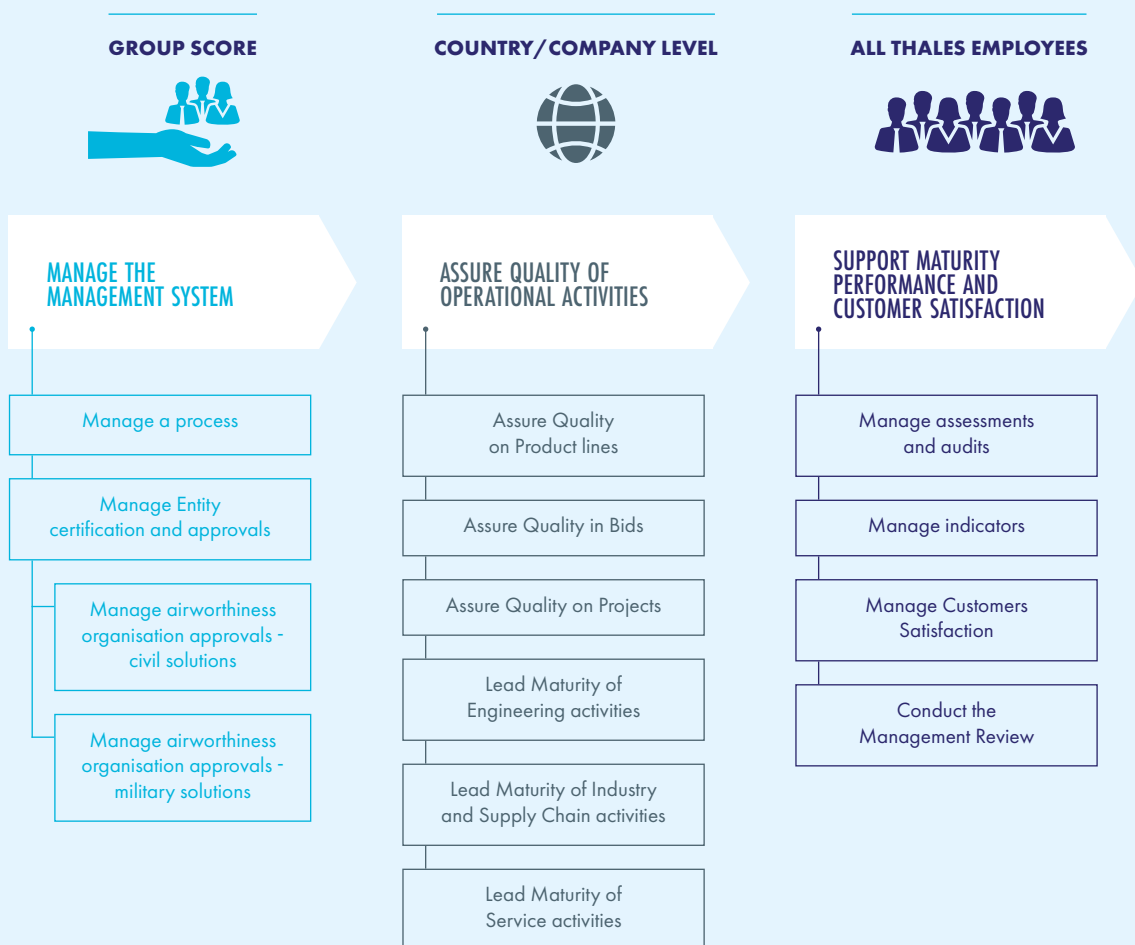
# Management Systems

## CHORUS 2.0

**Chorus 2.0 is the common Management System for all Thales entities which defines organisation, rules, practices, methods, key players.**

Chorus 2.0 has been implemented for one common way of working together, vocabulary, description of our activities, referential for roles and responsibilities, dynamic of improvement, Chorus Network to drive our collective improvement and culture to mobilise all Thales people to succeed together. For each Chorus 2.0 process, a Group Process Owner (GPO) is appointed to take into account global strategy

and to manage the process, from its definition to its deployment at Group scope. The Country Process Owners (CPOs) are the GPO counterparts at entity level. They contribute to the overall design, definition and improvement initiatives taken by the GPO. They adapt Chorus 2.0 to the operational context of the Countries and Companies and contribute to the process deployment. Chorus 2.0 offers an operational approach to provide each employee a simple access to the elements he or she requires to accomplish his or her everyday tasks. Thanks to the query tools, Chorus 2.0 helps to drive our collective improvement.



# KEY STRATEGIC AREAS OF FOCUS

After years of decline in national defense spending we need to evolve in how we support our customers again in both their new growth scenarios as well as their digital transformation where the certainties of the past will be challenged by new realities and platforms of the future. To deliver sustainable growth we will need to balance next generation technology development with our strong reputation to deliver together with developing a solid knowledge base embedded in a combination of fixed and flexible workforce in a sustainable manner.



## To the depths of cyberspace: **Cyber Coalition 2017**

In the beginning of December the three-day NATO exercise “Cyber Coalition” took place aimed at defending society, NATO networks and companies against malware attacks. The Netherlands is the only NATO Country in this exercise where also representatives from the industry are invited to participate in this exercise. Thales Nederland B.V. was represented by our Cybersecurity Engineer Wessel Hemels and CISO Jasper Hofmann.

“In the exercise we were deployed to detect vulnerabilities, analyze them and neutralize potential attacks. The attackers shared for example MP3 files with hidden PDF’s and they used drones to interfere with our communication networks.” - **Wessel Hemels**



# Open Innovation: connected with the ecosystem

**More than ever we need to open up our ways of working together within the Dutch, Group and International ecosystems to continue to innovate together in long term partnerships. In the defense domain this means strengthening our foundation with end-users, knowledge Institutes, Universities, suppliers, start-ups and/or large companies with a more B2B offering. It also means we partner with and support new (sub)entities of our customers working on software development, systems integration, monitoring, maintenance and (cyber)security better leveraging our expertise and enriching our offer.**

As one of the largest high-tech companies in The Netherlands it means we physically share our facilities and together we work on thought leadership and attracting talent by means of our cooperation in the High Tech Systems Park. In partnership with the Province of Overijssel, Thales announced the opening of the new Building 'N' on the High Tech Systems Park in Hengelo. Building 'N' will open up the facilities of the High Tech Systems Park to scale-up companies and provides a stimulating physical as well as cognitive environment to partnering in knowledge sharing and innovation.

In the past we developed everything ourselves. Today we challenge our people to open up, take an outside-in

perspective and wherever possible work together with other expertises.

Where possible, we need to work together to work with start-ups and SME's to include their expertise in our processes and learn and innovate together as a team. In 2018 we will deliver minimal two Minimum Value Propositions in cooperation with the Thales Digital Factory and/or local small companies.

## 15 YEARS

### NEDERLAND RADARLAND

The Platform Nederland Radarland celebrated 15 years of working together in the Radar domain on November 8. The Netherlands is one of the leading countries in the world of Radar.

To stimulate knowledge, innovation and development in radar technology the platform Nederland Radarland was founded in 2002. In this platform the Ministry of Defense, Thales Nederland B.V., TNO (de gouden driehoek), Delft University and the Netherlands Ministry of Economic and Climate Affairs are participating.

Roadmaps are key to the sustainable success of the platform. The Roadmap 'Radar and integrated Sensorsuites 2010 - 2020' has already delivered a number of essential innovative application oriented technology developments,

that were available in time to be implemented in relevant products and sensorsuites such as the SMART-L ELR, SMART-L EWC Ground Based, Sensorsuite replacement M-Frigates and Multi Mission Radar (MMR).

Following the opening of the conference by SBN Maarten Tossings and the key note by Admiral Rob Kramer, a number of inspirational lectures were presented on research programmes, tests as well as future developments including the presentation of the Roadmap Radar and Integrated Sensorsuites 2030.

In addition to two demonstrations of the SQUIRE and RAPID LD (preparation of the MMR) Thales Nederland B.V. contributed with four presentations. More than 200 people attended the conference.





# Digital Transformation: 4 key digital technologies

**Thales supports its customers in their digital transformation. The digital transformation is a major shift in the landscape that has been taking place for the last quarter of a century, impacting our lives and how we think, communicate, interact and produce, whether at home, at work or in our communities.**

Thales is a pioneer and a pillar in this connected world. The Group is a digital player by nature and maintains its leadership in the development of new technologies, providing customers with value-adding solutions to help them reap the rewards of the digital transformation.

At Group level, over 25.000 engineers, from a total headcount of 64.000 people, are working today on systems, hardware and software, ranging from broadband telecommunication satellites to ultra-secure communication systems for forces deployed in the theatre of operations, from air traffic management to in-flight connectivity, from rail signaling to security solutions for 80% of all electronic banking transactions worldwide.

Making the digital transition a success means not only mastering the technologies needed for connectivity and managing the risks and cyberthreats inherent in today's hyperconnected world, but also leveraging the power of big data analytics and artificial intelligence to extract meaning and value from the huge volumes of data generated.

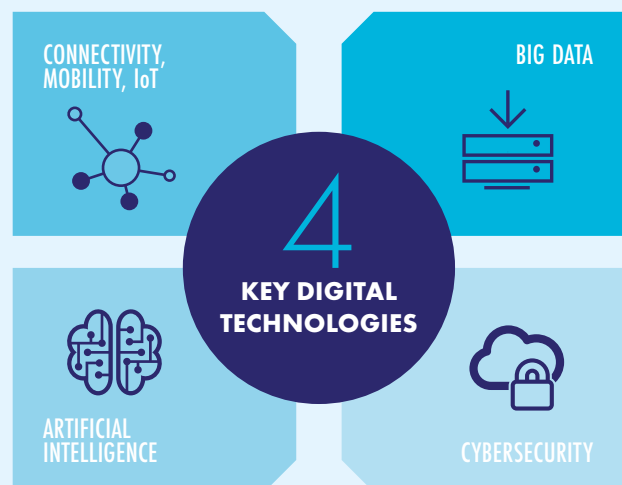
At the heart of the most critical missions, Thales, the European leader in cybersecurity, offers a complete range of services and solutions to support the digital transformation.

## FOUR PILLARS OF THE DIGITAL TRANSFORMATION

Thales is building and developing its digital expertise in four major areas of technology:

- ▶ platform connectivity (professional IoT<sup>(a)</sup> applications)
- ▶ big data and data analytics
- ▶ artificial intelligence
- ▶ cybersecurity

(a) Internet of Things





# Research and Development

**At Thales we define innovation as managing the continuum between continuous improvement and breaking with the past to create value as perceived by customers, in terms of processes, organisational models, technical solutions or the way a company interacts with its customers and markets.**

As a major strategic differentiator, innovation needs to be visible in the marketplace: a company can not simply decide to be an innovator but needs to be recognised as such by its customers, competitors and ecosystem.

Thales Nederland B.V. is a technology leader thanks to our ongoing investment in Research and Technology Development,

often in partnership with knowledge institutes, and/or our customers. Together we conduct our research programmes to provide competitive technologies, particularly in detection, decision support, required to design and develop the critical information systems our customers need.

**Together with our customers and partners, R&D in The Netherlands focusses on four key areas of research and development:**

- ▶ Information and cognitive sciences: signal and image processing in a smart sensor-oriented approach, data mining and analyses, big data analytics, decision support, user-interface, game-based learning and optimisation.
- ▶ Hardware technologies: electronics, electromagnetics, acoustics, radio frequency techniques.
- ▶ Systems: Centered on systems design and architecture, research in this area provides support in terms of methodology and toolled processes, as well as specialist expertise.
- ▶ Software technologies: signal and data processing, real-time embedded systems, distributed systems, service-oriented architectures, model-driven engineering, engineering tools and information system security.





# Attracting and developing a diverse team

After years of decline in national defense spending we need to evolve in how we support our customers again in both their new growth scenarios as well as their digital transformation where the certainties of the past will be challenged by new realities and platforms of the future. To deliver sustainable growth we will need to balance next generation technology development with our strong reputation to deliver together with developing a solid knowledge base embedded in a combination of fixed and flexible workforce in a sustainable manner.

## UT 📍 ENSCHEDE WO

- ▶ Inter-actief
- ▶ Scintilla
- ▶ Paradoks
- ▶ Atlantis/Atlas
- ▶ Proto
- ▶ Isaac Newton
- ▶ Abacus
- ▶ Arago
- ▶ Stress
- ▶ Astatine
- ▶ Sirius
- ▶ Solar Team Twente
- ▶ Solar Boat Twente

## RADBOUD UNIVERSITEIT 📍 NIJMEGEN WO

- ▶ Desda
- ▶ Thalia

## UNIVERSITEIT UTRECHT 📍 UTRECHT WO

- ▶ A-Eskwadraat

## HANZE 📍 GRONINGEN HBO

- ▶ Tapp

## TU DELFT 📍 DELFT WO

- ▶ ETV
- ▶ Christiaan Huygens
- ▶ Leeghwater
- ▶ Leonardo da Vinci

## RUG 📍 GRONINGEN WO

- ▶ Prof. Francken
- ▶ FMF
- ▶ LUGUS
- ▶ Cover

## TU EINDHOVEN 📍 EINDHOVEN WO

- ▶ Simon Stevin
- ▶ Thor
- ▶ Gewis

## SAXION 📍 ENSCHEDE HBO

- ▶ SV Archimedes
- ▶ Connect Terzake
- ▶ SV Construct
- ▶ LINK
- ▶ SV Salio
- ▶ Syntaxis
- ▶ SV Watt

## PARTNERSHIPS OF THALES NEDERLAND B.V. WITH STUDENT ASSOCIATIONS

Our recruitment department maintains strong links with student associations at all technical Universities and institutes for higher technical education. In 2017 we partnered the following student associations:





# AMBITION 10

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In 2013, Thales launched our Ambition 10 Strategy to accelerate growth, competitiveness and people. More information on Ambition 10 can be found on the Thales website.

## **Our ambition**

In line with the Ambition 10 strategy of the Thales group, Thales Nederland B.V. has the objective to maintain our relevance to the Group at the same level as in 2013 whilst maintaining approximately the same level of employees.

It is our ambition to become the most admired safety and security company in The Netherlands in the eyes of our customers, potential employees and our other stakeholders.

In order to get there we as a country - as well as the different domains in our country - are running annual Ambition Boost Improvement programmes in which we set objectives and monitor our improvement on a monthly basis.




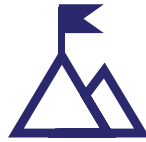


# VALUE CREATION AND PERFORMANCE



We aim to create as much value as possible, for our customers and their employees, our employees, our suppliers, our partners, and the societies we operate in. Creating value for our stakeholders demands a careful consideration of interests and balancing these with our own, whilst taking business decisions in order to come to shared value.





### THEMES

### GOALS

### KEY PERFORMANCE INDICATORS

BUSINESS  
VALUE DRIVERS

**1** Creating Shared value through innovation and partnerships in an eco system

▶ Remain top 10 position in Dutch R&D top 30

▶ TW R&D Ranking

▶ Security + contribution (under development)

▶ Purchasing / Sales volume NL

▶ New business outside of traditional (under development)

▶ Working together with partners

▶ Defense / Civil Mix

**2** Human Capital, Talent attraction, retention and development, diversity and inclusion

▶ Most attractive employer in high-tech sector

▶ Diversity target 20% in 2020

▶ Employee engagement 70%

▶ Universum ranking

▶ Employee engagement survey

▶ Average training hours

**3** Secure and safe organisation

▶ Zero Data theft incidents

▶ Zero Security incidents and workplace accidents

▶ HSE data

**4** Environmental impact and responsible sourcing

▶ Reduce Carbon Footprint of 2014 by 70% in 2020

▶ Implement risk-based approach to conflict minerals in line with OECD due diligence guidance by 2020

▶ CO<sub>2</sub> emissions

▶ Management System

LICENSE TO  
OPERATE

**5** Compliance and Business Ethics

▶ Maintain strong management system on ethical business conduct and export control

▶ Eliminate Chrome (VI) and Cadmium from all supplies in 2017

▶ Management System

▶ In the following paragraphs, we will present our performance on these five themes in further detail.

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## THEME 1

# Creating Shared value through Innovation and partnerships in an ecosystem

### Remain top 10 position in The Netherlands Technisch Weekblad Research and Development Top 30.

With the decline of Naval orders on the export market as well as the postponement of the announcement of the large Dutch replacement programmes, Thales Nederland B.V. was confronted with a lower workload in 2015 and 2016. This resulted in a decrease of our staff in Hengelo by means of a voluntary leave programme. By continuing to diversify our activities in the cybersecurity, security as well as managed services markets we have been able to maintain our revenue levels. 2017 marked a turning point with the announcement of a number of large naval programmes in Europe. The investment in the development of the Above Water Warfare suite arrived in time to start building the capabilities necessary for delivering the next generation air defense solutions for the upcoming large Naval programmes in The Netherlands and Europe. Our main management challenge now is to manage the long term growth, serve our customers and at the same time continue to invest in R&D. We do that by continuing to optimise our resources and production and supply chain processes in such a

way that we are able to focus on our unique capabilities and accommodate this increase in demand whilst at the same time sustaining the right R&D levels for the future.

Every year the Technisch Weekblad in The Netherlands publishes the R&D top 30 that measures and ranks the absolute R&D expenditure per year in millions of euros of companies in The Netherlands.

In 2017, as published by the Technisch Weekblad on June 1, 2018, Thales Nederland B.V. ranks again at the 9th place with an absolute investment of 124 million euro in Research and Technology Development.

[www.technischweekblad.nl/upload/documents/tinymce/RD-Top-30-2018.pdf](http://www.technischweekblad.nl/upload/documents/tinymce/RD-Top-30-2018.pdf)

### Security + contribution

For two years now, our desire to develop Security+ as a concept is materialising. Instead of solutions our aim is to focus on our contribution. We are however certainly not there yet. With Security+ we aim to quantify the impact we make to security in society through our activities. Our brand statement says that "The people we rely on to make the world

go round, rely on Thales". That is what differs us from many other businesses, namely the concept that if our solutions fail, societies fail with often lives at stake. As a company we are investing ourselves and working together with many other partners to ensure our solutions or their solutions and services are fail-proof.

In Security+, we currently focus to capture our performance on the input side: R&D spending (as reported above), working together in both the Netherlands as well as our global value chain (purchasing spend per region/sales per region), number of partnerships initiated in the year, how we are contributing with our core technological knowledge to start-ups, NGO's and universities, the mix between civil and defense, core business versus 'new' business as well as number of global patents.

Our purchasing spend per region reports on the footprint of Thales Nederland B.V. in the value chain of suppliers, partners and other organisations all over the world. It shows our direct impact on the economies of the regions where our solutions are being delivered in comparison with our sales numbers per region.





### Purchasing spend per region in M€

<b>REGION</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>The Netherlands</b>	123	102	139
<b>Europe</b>	123	112	51
<b>Americas</b>	45	10	23
<b>Middle East</b>	-	10	2
<b>Asia &amp; Australia</b>	9	17	2
<b>Africa</b>	-	-	-

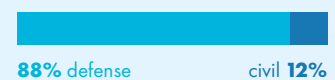


### Sales per region in M€

<b>The Netherlands</b>	90	139	105
<b>Europe</b>	127	94	135
<b>Americas</b>	151	46	26
<b>Middle East</b>	7	66	64
<b>Asia &amp; Australia</b>	113	88	95
<b>Africa</b>	2	8	4

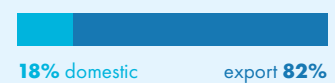
#### CONTRACTUAL MIX CIVIL DEFENSE

In 2017 the defense / civil mix was 88% / 12%



#### EXPORT

In 2017 the domestic / export mix was 18% / 82%



### New Partnerships: Building N and Port XL

In 2017, Thales Nederland B.V. launched two new initiatives to work together with start-ups and scale-ups.

**PortXL** is the world's only port related start-up accelerator programme and was founded in 2015 by the Port of Rotterdam together with International companies such as Van Oord, Vopak, Boskalis, EY, Rabobank, Rotterdam Port Fund, Innovation Quarter and the Erasmus Centre for Entrepreneurship. In September 2017, Thales Nederland B.V., The City of Rotterdam and Rotterdam The Hague Airport joined the partnership. Thales signed a partnership for a period of three years.

"The objective of the partnership is to explore new technological applications in logistics, infrastructure, maintenance and security and learn from working and developing together. Thales aims to contribute with our knowledge on Internet of Things, Virtual Reality and Cybersecurity."



**Building N** was announced in September to be developed together with the Province of Overijssel to enable SME's in the scale-up phase to benefit from the proximity of the companies on and facilities of the High Tech Systems Park in Hengelo. Companies can rent office spaces and benefit from the shared facilities but also sharing knowledge. It consists of a central entrance hall "The Garden" where everyone can work and meet

as well as an open business programme where the participating companies and environment can connect and learn together. In addition to providing the facilities together with the Province at the High Tech Systems Park in Hengelo, Thales Nederland B.V. will integrate our TXchange serious gaming and human behavior labs from the University of Twente in the new building to benefit from the accelerator environment.

## THEME 2

# Human Capital, Talent attraction, retention and development, diversity and inclusion

### Most attractive employer in the High Tech Sector

Each year Universum Research publishes a ranking of all companies focusing on young professionals in Engineering / IT / Natural Sciences.

Thales Nederland B.V. is extremely active in recruitment activities, career events, online recruiting, employer branding campaigns, in-house days and cooperation with different student associations to increase our brand awareness and attractiveness amongst the target group.

#### Universum ranking of top-100 employers in The Netherlands

OBJECTIVE 2020	2017	2016	2015
<50	65	65	45

We will maintain our 2020 objective and have reworked our campaigns especially on social media to increase our visibility amongst engineering students. Thales was able in 2017 to attract 125 new recruits and accommodate 148 internships.

#### They come to us with Big Ambitions: Attractiveness in 2017

We have excellent relationships with all the tech universities and all institutes for Higher Vocational Education. We also sponsor workshops and other initiatives aimed at developing technical awareness and interest for young children at primary school. Although Thales is overall ranked 65th among technical students (in the top 130), we are ranked higher among the three technical universities:

- ▶ TU Delft - 44th (stable)
- ▶ TU Eindhoven - 44th (increase of 14 places vs last year)
- ▶ Universiteit Twente - 17th (stable)

Awareness: 50% of the technical students know Thales (56% in 2016).

We did a good job in 'the conversion rate between consideration and desire' because we convinced people in the field of 'consideration'. - Our application ranking is still received as positive: a stable place 41, what means that in case when students shortlisted Thales as a top employer the application rate is high and they are satisfied.

The biggest challenge is to get to an increased awareness: reaching more people and ensure a consistent approach and message. Run campaigns and work on our visibility among our target groups. This year we participated in Project Arduino again, an international Thales project with 10 participating countries in 2017. The student teams competed against students from other universities globally for the chance to win different prizes and (the final winner) a trip to a Thales Research Centre at one of our global sites. Following an national campaign we organized an inhouse day in Hengelo, where we invited and saw all those students of the different cities to give them a full day Thales experience. We added an arcade with all kind of technical games like drone flying, VR reality, etc. and an Arduino workshop given by six of our own engineers.

After this day the mixed student teams had three weeks to create a Thales inspired project by using an Arduino board. The winning NL team will compete begin 2018 against teams from other universities across the globe.

## A diverse and engaged team in an inclusive organisation

A diverse and engaged workforce a key to the sustainable success of our business. As a high-tech company with a long history and a large workforce, our workforce consists predominantly of high-educated men with long tenure and experience. We are taking specific actions at every departmental level to measure and improve engagement as well as diversify our workforce. Attracting new diverse colleagues and providing

them with an inclusive environment in which they can contribute is key.

In 2016 we reported our objectives for diversity and engagement. 2017 is the first year in which we can report on these numbers following the zero-based measurement in 2017. Our engagement results were higher than our objective however we have decided to maintain our objectives for 2020 at least in 2018 and at the same time work on improving the response rate of the engagement

survey (which was 55% in 2017) which was conducted by our 'Arbodienst' (Health and Safety Service) to ensure anonymity and allow people to speak out openly. It goes without saying we were satisfied with the high results, however did see the need to work on the engagement of specific minority groups in the organisation.

	<u>OBJECTIVE</u>	<u>PERFORMANCE 2017</u>
<b>Female/male employee ratio entire organisation</b>	20% (2020)	14%
<b>Female/male employee ratio Management positions</b>	30% (2020)	10%
<b>% women new recruits</b>	25% (2017)	18%
<b>% below 35 new recruits</b>	50% (2017)	54%
<b>% non-Dutch recruits</b>	6% (2017)	6%
<b>Entries with participation restriction</b>	2 (2017)	2
<b>Employee Engagement</b>	75% (2020)	78%

“ In response to the Participation Act we have to create jobs for people with a distance to the labour market. Our goal is not to just comply but we are also looking at entrepreneurial opportunities. As an open company, we need to be a reflection of society and our customers. In 2017 we concluded our pilot in our Huizen location and have started to also include our main location in Hengelo.

Following a number of workshops in our Engineering department we have been able to attract and recruit two new colleagues with occupational disabilities. Together with our location in Huizen we have analysed and improved two work processes on their inclusiveness. Also for 2018, we have extended our commitment to recruit another two people with a distance to the labour market. ”

**Martine Klasens**  
project leader Participation Act

In 2017 the average amount of training hours per year increased from 13 hours to 13.6 hours per employee.

**THEME 3**

# Secure and Safe organisation

Safety and security are at the heart of what we do. The Thales Group requires our industrial sites to operate with a management system for Health, Safety and Environment (HSE). Therefore we have a certified environmental management system according to ISO 14001 and an occupational health and safety management system according to OHSAS 18001. These standards require we establish, implement and maintain a health, safety and environmental policy which meets requirements as mentioned in the standards and as required by all stakeholders.

Thales Netherlands strives for prevention of accidents, near misses and dangerous situations. Therefore employees receive education, training and instruction. Appeared accidents, near misses and dangerous situations will be recorded immediately, analysed and improvement actions will be initiated. The HSE policy of Thales Netherlands is tailored to the HSE policy of the Thales Group and is shared with all employees. Thales pays attention to the health of the employees by arranging periodical medical examination, healthy products in the company's restaurants and possibilities for sports. For the purpose of measuring

and reporting on the security, safety and inclusiveness of our organisation, we use the following KPIs:

**Zero data theft incidents**

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

In 2017 we have seen an enormous increase in security events monitored by our Security Operations Centre. In 2017 we measure an average number of security events of 3.4 billion per month, compared to an average 2 billion per month in 2016. There were 0 data theft incidents in 2017.

Occurred events generate alerts which are converted to (possible) security incidents. An average of 92 of these incidents are monthly relevant for analysis, after analysis they are classified as high, medium, and low incidents. The increase in monthly security events can be explained by a combination of business growth with the continuous improvement and improving maturity

level of our SOC services and cyber security resilience measures against new cyber security threats.

**Zero workplace incidents**

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

Our HSE organisation is responsible for implementing and maintaining the management system. 2017 performance: the frequency rate in 2017 was 1,47. In comparison, the frequency rate in 2016 was 1,05 and in 2015 1,89. The number of accidents has slightly increased in comparison with 2016, due to a cold and slippery winter day in January that resulted in multiple accidents on our sites. Further details can be found in the table below.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Workplace accidents with lost days</b>	5	3	6
<b>Other workplace accidents (without lost days)</b>	12	6	14
<b>Environmental accidents</b>	7	5	3
<b>Frequency rate of personal accidents with lost days</b>	1.47	1.05	1.89

Frequency rate is calculated by #accidents x 1.000.000 / #hours worked in the reported year

## THEME 4

# Environmental impact and responsible sourcing

### Environmental impact

We are committed to preserving the environment by limiting our footprint as much as possible. To that end, we have designed our office building in Hengelo in such a way to drastically limit our use of water, electricity and gas. Together with local partners (Warmtenet Hengelo, DWA, Enexis and Provincie Overijssel) we delivered the Industrial Smart Thermal Grid for sustainable energy for the exchange of heat and cold between all buildings at High Tech Systems Park. The new grid provides a reliable and cost efficient energy system, resulting in cost savings of up to 20% and reduction of the CO<sub>2</sub> emission of 70% the coming years.

### Responsible sourcing

Since 2015 Thales is monitoring the suppliers with respect to its CSR policy. In 2017 we started a partnership with the company IHS. IHS holds a database in which information is stored about the conflict minerals within components. Before selecting new components, the database is consulted to ensure newly selected components are conflict minerals free. One of our critical suppliers, a manufacturer of the Printed Circuit Board Assemblies has created in 2017 an extensive database of components we use in the PCB-A. It is our intention to audit this supplier in 2018.

Furthermore we reviewed and changed our Purchasing conditions and incorporated the OECD regulations in our conditions. It goes without saying that the procedures established in 2016 are continued.

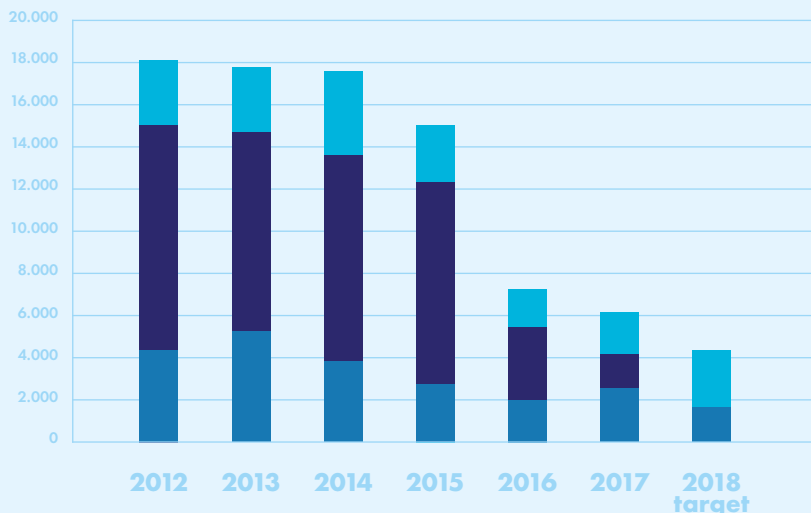
## Reduce carbon footprint by 70% in 2020 (in comparison with 2012)

Our reduction policy is mainly focussed on our 3 main facilities (Hengelo, Huizen and Eindhoven). In different and diverse ways we want to pay attention to our responsibility towards the environment. For example, the renewed buildings are energy smart and climate controlled and waste is collected at central locations in our buildings. Due to significant investments in IT and presentation equipment we have moved to a paperless digital environment.

As mentioned in the first CR Report, Thales Transportation Systems (Huizen) started to implement the CO<sub>2</sub> Performance

Ladder. The site received the certification of level five in October 2016. To gain insight into its consumption, Thales Transportation Systems calculates its CO<sub>2</sub> footprint biannually. At the end of 2017 we have decided to implement the CO<sub>2</sub> Performance Ladder for all Thales Nederland B.V. sites in August 2018 and achieve level 5 certification for the entire operation in the Netherlands.

The CO<sub>2</sub> footprint was first calculated in 2014 and served as the base year for comparison with subsequent years



**SCOPE 3** Business travel + water

**SCOPE 2** Electricity

**SCOPE 1** Gas + substances

Following the stark reduction between 2015 and 2016 due to our switch to zero emission green energy for Thales Nederland B.V., we further reduced our emissions to 6.231 tonnes of CO<sub>2</sub>. In line with the increase in our sales level, Scope 1 and 3 emissions increased.

The increase in Scope 1 was the result of a leakage in our cooling system in our Hengelo facility, leading to a significant temporary increase in coolant related emissions.

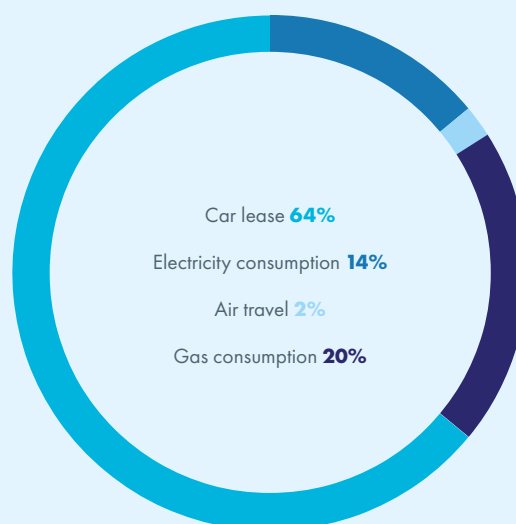
We managed to reduce our CO<sub>2</sub> emissions related to electricity consumption with almost 2000 tonnes. Our objective is to completely reduce our CO<sub>2</sub> emissions related to electricity consumption to 0 in 2018.

### They rely on Thales: **reducing transport emissions in Thales Transportation Systems**

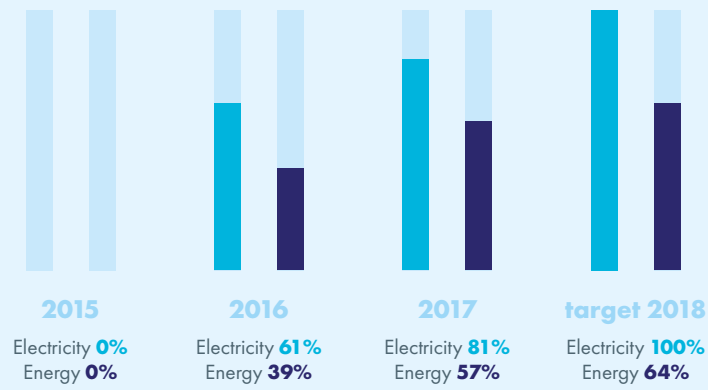
Together with our transport provider we closely monitored the data of the amount of containers, volume- and weight allowances. In 2017 we launched a successful initiative to reduce and have found more possibilities for further reduction. We have been able to decrease the amount of containers with 26%, the volume with 53% and the weight allowances with 48% in comparison with 2016.

Together with our employees we organised the “ride your bicycle to work” challenge. During the summer months we were able to reduce 13 tonnes of CO<sub>2</sub> emissions through this healthy and energetic experience.

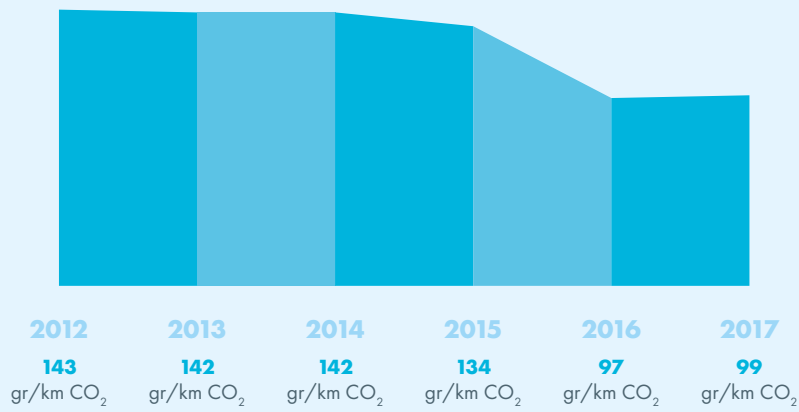
Thales Transportation Systems has announced the objective to have at least 40% of their suppliers to have a CO<sub>2</sub> footprint, CO<sub>2</sub> reduction policy or comparable system in place by 2018.



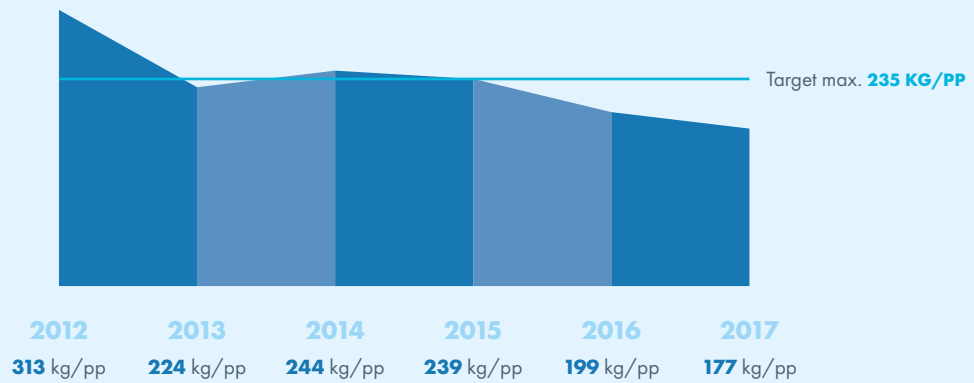
## Green energy



## Business travel



## Common waste





## THEME 5

# Compliance and Business Ethics

Bribery and corruption are prevented by means of biennial trainings for our sales and purchasing managers. E-learning is available for all employees and is part of our introduction course. Suppliers are responsible to follow the agreed legal and regulatory agreements, and to respect our external codes. Issues can lead to remedial action or termination of the cooperation.

### Export control

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

Both the purchasing department as well as the sales processes have been audited in 2017. Findings were there is a strong awareness of all interviewees in the Bid context and the Export Control Coordinator Network is well deployed. In the Purchasing department the activities of Export Control are well defined and

deployed. In purchasing there are two dedicated Export Control Coordinators. The recent implementation of the IHS tool for classification control of purchased parts/ products is a success in saving a lot of time and effort for the buyers. Following the audit, three recommendations for improvement have been implemented.

### Eliminate Chrome (VI) and Cadmium

At Thales Nederland B.V. we are used and trained to deal with many hazardous materials amongst others Chrome (VI). In line with our objective to eliminate Chrome (VI) and cadmium from all our supplies in 2017, we have eliminated the use of these substances. All parts, components and assemblies delivered to our supply chain are now Chrome (VI) and cadmium free which means that after 2018 all new systems will be chromate and cadmium free.

Systems that are returned from customers for servicing may still contain Chrome (VI) and/or cadmium and will be dealt with in the appropriate manner. To ensure health and safety compliance, Thales has invested in a new surface treatment and overhaul facility.

### New Surface Treatment and Overhaul Facility

In 2017 Thales Nederland B.V. has decided to construct a Surface Treatment & Overhaul Facility on our premises in Hengelo. The new facility meets the latest requirements on treating painted products (e.g. Chrome (VI)), returning from the market for maintenance or mid-life upgrade. The size of the Cabin is 13x7x8m (lwxhx), so large industrial system can be treated here, transported either by road or water, as the Hengelo site is bordering a canal. In 2017 a constructing company and a cabin supplier were contracted and delivery of the building is scheduled for mid 2018.



Surface treatment facility under construction in the High Tech Systems Park in Hengelo

## ANNEX 1

# GLOSSARY



PAGES 4, 5, 13, 14, 19, 25, 32,  
34, 35, 38, 39, 40, 42, 49

### **CO-CREATION AND PARTNERSHIPS**

Collaborations of Thales Netherlands with suppliers, business partners, educational institutions, knowledge institutes and customers to develop new products and services with better performance at a lower cost for high customer satisfaction.

PAGES 5, 7, 23, 27, 30, 39, 49

### **COMPLIANCE (EXPORT CONTROL AND PREVENTION OF CORRUPTION AND BRIBERY)**

Operate in full compliance with applicable laws and regulations and the use of strict norms and values regarding the behaviour of every employee of Thales Netherlands. Export control and preventing corruption and bribery have a significant part in this concept. Export control is focused on all military strategic goods. This implicates that all products, technologies and knowledge, designated as "military strategic assets", requires an export license before these products, technologies and knowledge can be delivered outside the Netherlands. The Dutch government determines whether an export license is issued or not. Their consideration is based on European law.

PAGES 4, 5, 11, 13, 19, 20, 21, 25,  
26, 27, 31, 32, 33, 39, 42, 45

### **CYBER AND DATA SECURITY**

Thales in the Netherlands helps organisations managing their digital transformation process and safely use digital resources and innovations. In the Netherlands, Thales focuses more on the real-time detection of incidents so that damage is minimized. To this end, the company has access to a 24/7 Thales Cyber Security Operations Centre (CSOC), based on 15 years of security knowledge

and experience of the Thales group. The CSOC has been rewarded ISO 27001:2013 and NEN 7510:2011 certificates underlining the fact that both the CSOC and the associated cybersecurity services meet the highest standard in information security. Confidentiality of incidents and data is guaranteed this way.

**PAGES 5, 13, 15, 20, 23, 26, 29, 31, 39, 43, 44**

#### **DIVERSITY AND INCLUSION (EMPLOYEE ENGAGEMENT)**

Thales Netherlands is convinced that diverse teams outperform homogeneous teams, since diverse teams demonstrated more creativity and innovation. Diversity implicates: employees of Thales Netherlands with a different nationality, sexual orientation, gender, age, religion, (cultural) origin, professional experience, background, personality etc. The condition for the success of diverse teams is inclusiveness: everyone should be able to express himself/herself and be part of the team, regardless of nationality, sexual orientation, gender, age, religion, (cultural) origin, professional experience, background, personality, etc., and is valued on the basis of the contribution he / she provides.

**PAGES 6, 15, 39, 45**

#### **HEALTH AND SAFETY AT WORK**

It's very important that employees work in a safe (physically and digital) and healthy environment. In the area of the sites of Thales Netherlands, on location at customers and partners, and on the go. Thales Netherlands is committed to minimize risks as much as possible through a wide range of measures, including protective clothing, encouraging responsible use of workstations to avoid physical complaints and by offering medical tests to employees in order to detect health risks in an early stage.

**PAGES 4, 8, 9, 13, 14, 15, 20, 21, 25, 28, 29, 31, 32, 34, 39, 40, 42**

#### **INNOVATION (R&D)**

Technological developments are accelerating and the solutions of Thales Netherlands usually have a life span of many years. This implicates that Thales Netherlands needs to invest in its technology, from its own resources and with customers and partners, to fulfil the expectations.

**PAGES 5, 30, 39, 40, 46, 49**

#### **PRODUCT RESPONSIBILITY**

The responsibility is to develop sustainable products and services. Thales Netherlands makes use of so called 'dangerous substances' such as Chrome (VI), but handles in the most careful and responsible manner whereby any risks towards own staff, suppliers and customers minimized. Thales Netherlands is constantly searching for alternatives for the use of these substances, and to reduce the use of these substances to an absolute minimum.

**PAGES 5, 39, 46, 49**

#### **RESPONSIBILITY IN THE VALUE CHAIN AND CONFLICT MINERALS**

Procurement of services, materials and products based on social and sustainability criteria. An important aspect is how Thales Netherlands deals with conflict minerals. Conflict minerals are tin, tantalum, tungsten and gold from the Democratic Republic of Congo (DRC), the Republic of Congo, Central African Republic, South Africa, Sudan, Zambia, Angola, Tanzania, Burundi, Rwanda and Uganda.

**PAGES 4, 7, 16, 28, 31, 40, 44**

#### **SAFE SOCIETY**

The solutions of Thales Netherlands provide in a safer society. New applications are being sought for existing solutions.

**PAGES 4, 5, 6, 10, 11, 13, 14, 16, 17, 20, 22, 24, 25, 27, 30, 31, 32, 33, 34, 35, 36, 38, 40, 44, 49**

#### **SATISFIED CUSTOMERS (CUSTOMER INTIMACY)**

Listening to the expectations and anticipate on the demands of the customer in the long term and throughout the lifecycle of the solutions to keep the customer happy. Maintaining customer confidence in the performance of the solutions.

**PAGES 4, 13, 15, 26, 35, 39, 43, 44**

#### **RECRUITING HIGH QUALIFIED TECHNICAL STAFF**

Thales Netherlands has a great need for high trained technical personnel. Because too few youth in the Netherlands opt for technical training, the demand for technical talent in Netherlands exceeds. Therefore it is not easy to attract new talent (starters and / or employees with experience). In addition, a large proportion of the current technical population will retire within the next 10 years. The challenge for Thales Netherlands is to replace the staff in a timely manner in order to maintain the knowledge and expertise. Part of this main subject is developing, retaining and attracting (technical) talent.

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