



Thales Nederland B.V. Supervisory Board

TERMS OF REFERENCE

(Regulations)

Adopted at the meeting of the Supervisory Board of Thales Nederland B.V. of April 9, 2019

Definitions

The terms used in these Regulations are defined as follows:

- *the Company:*
Thales Nederland B.V.;
- *the Supervisory Board:*
the Company's Supervisory Board;
- *the Chairman:*
the Chairman of the Supervisory Board of Thales Nederland B.V.;
- *the Vice-Chairman:*
the Vice-Chairman of the Supervisory Board of Thales Nederland B.V.;
- *the Company Secretary:*
the Company's Secretary of Thales Nederland B.V.;
- *the Management Board:*
the Company's Management Board;
- *the General Meeting:*
the General Meeting of Shareholders of Thales Nederland B.V.;
- *the Works Council:*
the Works Council of Thales Nederland B.V.;
- *the Supervisory Director:*
the Supervisory Board member;
- *the Dutch Corporate Governance Code:*
the Dutch Corporate Governance Code of 2016.

The contents of these regulations are public and are posted on the Company's website

Section 1
Tasks and responsibilities

- (1) The Supervisory Board has both an advisory and a supervisory function. The Supervisory Board supervises the policy of the Management Board and the business of the Company, and its affiliates. With its advisory function the Supervisory Board supports the Management Board.
- (2) Supplementary to the statutory provisions and the provisions contained in the Articles of Association, the regulations laid down in these Terms of Reference provide rules pertaining to the internal affairs of the Supervisory Board, which rules must be complied with by the Supervisory Board and/or the Supervisory Directors.
- (3) The Supervisory Board can provide requested and unrequested advice to the Management Board. The Management Board is responsible for the continuity of the company; within this responsibility the Management Board focuses on the long-term value creation for the Company. The Supervisory Board is engaged early on by the Management Board in formulating the Company's strategy, whereas the Supervisory Board will monitor the Management Board on formulating the strategy.
- (4) The Supervisory Board shall supervise the manner in which the Management Board implements the long-term value creation strategy and its policies are carried out. In doing so, the Supervisory Board shall focus on the effectiveness of the company's internal risk management, control systems, the integrity and quality of the financial reporting. The Supervisory Board shall hereto provide a report where it includes its involvement in the establishment of the strategy, and its monitoring. The Supervisory Board will discuss the strategy, and the implementation of the strategy on a regular basis and will give explanatory notes to the Management Board regarding the strategy.
- (5) The Supervisory Board supervises whether the policy is being pursued in accordance with the elementary principles of responsible business practice. In carrying out its supervision the Supervisory Board will not involve itself in the day-to-day implementation of the policy. The Supervisory Directors adhere to the policy and the strategy of the Management Board in a constructive yet critical manner.
- (6) The Supervisory Board may adopt Board regulations governing the manner of decision-making of the Management Board – such adoption shall require the approval of the General Meeting. Whereas the General Meeting adopts Board regulations governing the manner of decision-making of the Management Board, the adoption of such regulations requires the approval of the Supervisory Board.
- (7) If a motion to amend the Articles of Association or a motion to dissolve the Company is tabled by the Management Board, the approval of the Supervisory Board will be required.
- (8) The Supervisory Board shall be, according to Article 10 of the Articles of Association, requested by the Management Board for approval in relating to the following subjects:
 - (a) the issue and acquisition of shares in and debt instruments payable by the Company or debt instruments payable by a limited partnership or general partnership of which the Company is a fully liable partner;
 - (b) cooperating in the issue of registered depository receipts of shares;
 - (c) applying for the admission of the debt instruments referred to under a and b or depository receipts to be traded in a regulated market or a multilateral trading facility as referred to in Section 1:1 of the Act on Financial Supervision (Wft) or a system from a State which is not a Member State and that is comparable to a regulated market or a multilateral trading facility, or application for such admission to be withdrawn;

- (d) entering into or terminating long-term cooperation by the Company or a dependent company with another legal person or company or as a fully liable partner in a limited partnership or general partnership, if this cooperation or termination of cooperation is of far-reaching significance to the Company;
- (e) acquisition by the Company or dependent company of a participation in the capital of another company valued at a least a quarter of the amount of the issued capital plus reserves according to the Company's balance sheet and the notes thereto, and a significant increase or reduction in such a participation;
- (f) investments which require a sum of money equal to at least a quarter of the Company's issued capital plus reserves according to its balance sheet and the notes thereto;
- (g) a motion to amend the articles of association;
- (h) a motion to dissolve the Company;
- (i) a petition for involuntary liquidation and an application for a suspension of payment;
- (j) termination of the employment contract of a significant number of the employees of the Company or of a dependent company at the same time or within a short period of time;
- (k) radical changes to the working conditions of a significant number of the employees of the Company or of a dependent company;
- (l) a motion to reduce the issued capital.

Section 2 **Membership**

- (1) In accordance with the Articles of Association, the Supervisory Board consists of at least three members, including a Chairman. A Supervisory Director may hold a seat on the Supervisory Board for four years. Whereas the Supervisory Director shall resign not later than the day of the first General Meeting following four years after the date of his appointment. After a period of four years the Supervisory Director may be reappointed once for another four-year period. The Supervisory Director may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most of two years. In the event this reappointment exceeds an eight year period, reasons should be given in the report of the Supervisory Board. Diversity objectives shall be taken into account in case of appointment or reappointment.
- (2) In accordance with the Company's limited two tier regime, the members of the Supervisory Board are appointed by the General Meeting upon nomination by the Supervisory Board, as set out in the Article 11.6 of the Articles of Association. Reasons for nominations must be given.
- (3) The General Meeting and the Works Council may recommend persons to the Supervisory Board for nomination as Supervisory Director. Therefore the Supervisory Board will ensure to inform them with the profile to be filled.
- (4) With respect to one-third of the number of members of the Supervisory Board, the Supervisory board will nominate a person recommended by the Works Council, unless the Supervisory Board objects this recommendation of the Works Council because it assumes the recommended person will be unsuitable for the duties of Supervisory Director or that the composition of the Supervisory Board will therefore not be appropriate. For this purpose, the Supervisory Board must inform the Works Council in good time of when, why and in accordance with which profile a position must be filled within the Supervisory Board. The Chairman of the Works Council shall inform the Chairman of the Supervisory

Board within two weeks whether or not the Works Council will recommend a Supervisory Director. Whereas, in the event that the Works Council decides to make use of its right to recommend, the Chairman of the Works Council and the Secretary of the Supervisory Board will align in order to successfully cooperate towards such appointment.

- (5) A Supervisory Director who has been appointed due to recommendation of the Works Council, shall only, after the period of four years, announce its candidacy upon positive confirmation of the Works Council regarding such reappointment.
- (6) Prior to becoming a member the Supervisory Director shall follow an introduction programme geared to their role. This programme shall in any event cover general financial, social and legal affairs, financial reporting by the company, any specific aspects that are unique to the relevant company and its business activities, the company culture and the relationship with the employee participation body, and the responsibility of the member itself.
- (7) The Supervisory Board members should report any other position they may have to the Supervisory Board in advance and, at least annually, the other positions should be discussed at the Supervisory Board meeting.
- (8) A Supervisory Director who temporarily takes on the management of the company, in case the Management Board members are absent or unable to fulfil their duties, shall resign from the Supervisory Board.
- (9) The members will all retire by rotation in accordance with a schedule to be determined by the Supervisory Board. The retirement schedule should be published on the Company's website. The basic premise in this respect is that as few Supervisory Directors as possible will retire at the same time. If the number of supervisory members is less than three, the Supervisory Board will immediately take steps to supplement the number of its members. A Supervisory Director shall retire early in the event of inadequate functioning – a press release shall thereto be made.

Section 3

Management Supervisory Board

- (1) The Supervisory Board shall be composed in such a way that the requisite expertise, background, competencies and independence is present and they can carry out their duties properly. The Supervisory Board and each individual Supervisory Director is responsible for obtaining the information they need in order to be able to carry out its duties as a Supervisory organ properly.
- (2) In order to have qualified members, the Supervisory Board shall prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile, made by the Supervisory Board, shall address: (i) the desired expertise and background of the Supervisory Board members; (ii) the desired diverse composition of the Supervisory Board; (iii) the size of the Supervisory Board; (iv) the independence of the Supervisory Board members. For transparency the profile is posted on the Company's website. The Supervisory Board shall discuss the profile for the first time upon adoption, and thereafter each time there is a change, in the General Meeting, and with the Works Council.
- (3) Each Supervisory Director has the specific expertise required for the fulfillment of his duties. The Supervisory Board composition is in such a way that the members are able to operate independently and critically vis-à-vis one another.

- (4) The Supervisory Board shall include the following information in the report of the Supervisory Board:
(i) gender; (ii) age; (iii) nationality; (iv) principal position; (v) other positions (in so far relevant); (vi) date of initial appointment; and (vii) current term of office.
- (5) The Supervisory Board may adopt resolutions at a meeting at which at least half of the members of the Supervisory Board holding office are present or represented and then by an absolute majority of the votes cast; when the votes are equally divided, the Chairman of the Supervisory Board will have the casting vote.
- (6) Decisions can also be taken in writing, but only in cases which, in the Chairman's opinion, are urgent in nature. Whereas a resolution will only be adopted if all the members of the Supervisory Board have expressed their views on the motion.
- (7) The functioning of the Supervisory Board is evaluated at least on a regular basis. Whereas the Supervisory Board will meet at least once a year without the Management Board being present, for the purpose of evaluating the supervision carried out by the Supervisory Board and the functioning of the individual Supervisory Board member. In doing so it should pay attention to: (i) the mutual interaction and the interaction with the Management Board; (ii) events that occurred in practice from which lessons may be learned; and (iii) the desired profile, composition, competencies and expertise of the Supervisory Board.
- (8) The Supervisory Board shall be supported by the Company Secretary. The Company Secretary (i) should ensure that the proper procedures are followed and obligations under the articles of association are complied with; (ii) should facilitate the provision of information of the Management Board and the Supervisory Board; and (iii) should support the Chairman of the Supervisory Board in the organization of the affairs of the Supervisory Board, including the provision of information, meeting agendas, evaluations and training programmes. The Company Secretary is appointed and dismissed by the Management Board, after the approval of the Supervisory Board has been obtained.

Section 4 The Chairman

- (1) The Chairman of the Supervisory board shall act on behalf of the Supervisory Board as the main contact for the Management Board, Supervisory Board members and shareholders regarding the functioning of Management Board members and Supervisory Board members. The Chairman must be able to be contacted by the Supervisory Board and the Management Board at any time.
- (2) The Vice-Chairman of the Supervisory Board shall deputize for the Chairman when the occasion arises and shall act as contact for individual Supervisory Board members regarding the functioning of the Chairman.
- (3) The Chairman of the Supervisory Board ensures that:
 - i. the Supervisory Board has proper contact with the Management Board, the employee participation body and the General meeting;
 - ii. the Supervisory Board elects a vice-chairman;
 - iii. there is sufficient time for deliberation and decision-making by the Supervisory Board;
 - iv. the Supervisory Board members receive all information that is necessary for the proper performance of their duties in a timely fashion;
 - v. the Supervisory Board function properly;
 - vi. the functioning of the individual Supervisory Board members is assessed at least annually;

- vii. the Supervisory Board members and Management Board members follow their training programme;
- viii. the Management Board performs activities in respect of culture;
- ix. the Supervisory Board recognizes signs from the enterprise affiliated with the Company and ensures that any (suspicion of) material misconduct and irregularities are reported to the Supervisory Board without delay;
- x. the Supervisory Board meeting proceeds in an orderly and efficient manner;
- xi. effective communication with shareholders is assured;
- xii. the Supervisory Board is involved closely, and at an early stage, in any merger or takeover processes; and
- xiii. he consults regularly with the Chairman of the Management Board.

Section 5 **Remuneration**

- (1) The non-Thales Supervisory Directors will receive remuneration for their work. The remuneration is determined by the General Meeting. The remuneration of a Supervisory Director shall not be dependent on the results of the Company. Whereas the General Meeting can award an additional remuneration to the chairman of the Supervisory Board.

Section 6 **Conflicts of interest**

- (1) Any conflict of interest or apparent conflict of interest between the Company and the Supervisory Board members shall be avoided. Adequate measures should be taken.
- (2) A conflict of interest exists in any event a Supervisory Board member is (a) a person employed by the Company; (b) a person employed by a dependent company (whereas; Thales S.A. is not considered as a dependent company within the meaning of Article 2:270 of the Dutch Civil Code); (c) a manager or person employed by an employees' organization which is customarily involved in deciding the terms of employment of the persons referred to under (a) and (b).
- (3) A Supervisory Board member shall not participate in the discussion and decision-making if that Supervisory member has a direct or indirect personal interest conflicting with the interests of the Company and the enterprise connected with it.
- (4) Decisions to enter in such transactions shall require the approval of the Supervisory Board. Such transactions shall be published in the Supervisory Board report, together with a statement of the conflict of interest and a declaration that best practice provisions have been complied.
- (5) A conflict of interest may exist if the Company intends to enter into a transaction with a legal entity:
 - a) in which a member of the Supervisory Board (or Management Board) personally has a material financial interest; or
 - b) which has a member in the supervisory board (or management board) who is related under family law to a member of the Supervisory Board of the Company.
- (6) A Supervisory Director shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him, to the Chairman of the Supervisory Board and shall provide all relevant information.

- (7) In case of such (a potential) conflict of interest in a transaction that is of material significance to the Company and/or to such Supervisory Director or to the Chairman of the Supervisory Board, this member shall without delay provide all relevant information in that regard, including the relevant information pertaining to his spouse, registered partner or other life companion. If the Chairman of has a conflict of interest or potential conflict of interest, he should report this to the Vice-Chairman.
- (8) If the Company's Secretary also undertakes work for the Management Board and notes that the interests of the Management Board and the Supervisory Board diverge, as a result of which it is unclear which interests the Secretary should represent, the Secretary should report this to the Chairman of the Supervisory Board.

Section 7 **Meetings**

- (1) The Supervisory Board will meet, as often as it considers necessary and also each time as considered necessary by the Chairman, or by two other members of the Supervisory Board or the Management Board.
- (2) The meetings will be held at the offices of the Company or - at the Supervisory Board's discretion - elsewhere, and minutes are kept of the proceedings at a meeting.
- (3) Supervisory Directors shall attend the meetings. A member of the Supervisory Board may have himself represented at meetings by another member of the Supervisory Board by written proxy. If a member is frequently absent from these meetings, the member should be held to account on this.
- (4) In the event that one Supervisory Director is absent or unable to act, the remaining Supervisory Directors shall temporarily be charged with the duties of the Supervisory Board. In the event that all Supervisory Directors or the only Supervisory Director is/are unable act, the powers conferred upon the Supervisory Board by the Articles of Association shall be taken over by the General Meeting insofar as possible.

Section 8 **Committees**

- (1) Due to the limited two tier structure of the Company there are no specific committees established. The Supervisory Board has thus not appointed an audit committee, it therefore undertakes itself to monitor the preparatory work for monitoring the Management Board with regard to (i) relations with, and compliance with recommendations and following up of comments by, the internal and external auditors; (ii) the funding of the company; (iii) the application of information and communication technology by the company, including risks relating to cybersecurity; and (iv) the company's tax policy.
- (2) The Supervisory Board will, in relation to its deliberations and findings, discuss the following with the Management Board: (i) the methods used to assess the effectiveness of the design and operation of the internal risk management and control systems; (ii) the methods used to assess the effectiveness of the internal and external audit processes; (iii) material considerations regarding financial reporting and (iv) the way material risks and uncertainties have been analyzed and discussed.
- (3) Within the Company, the Quality and Improvement department is responsible to guarantee quality and manage continuous improvement and to support the maturity and quality of the operations, activities and different disciplines through identification and mitigation of risks, problem solving,

audits, consultancy and improvement. The Supervisory Board reviews and monitors the internal audit planning of Quality and Improvement. The Supervisory Board decides upon the attendance of the Chief Financial Officer, the internal and/or external auditor for meetings relating the Quality and Improvement. The Supervisory Board decides whether and, if so, when the chairman of the Management Board should attend these meetings. The Supervisory Board discusses its deliberations and findings regarding Quality and Improvement with the Management Board; the Supervisory Board is not required to make a report of its findings.

- (4) The Group Company nominates and the Management Board appoints the external audit firm. The Supervisory Board will be involved by the Management Board in the engagement, scope of the audit, the materiality to be used and remuneration for the audit. The Supervisory Board shall inform the external auditor of a general idea of the content of the reports relating to their functioning. The Supervisory Board shall annually discuss with the external auditor: (i) the scope and materiality of the audit plan and the principal risks of the annual reporting identified by the external auditor in the audit plan; and (ii) based also on the documents from which the audit plan was developed, the findings and outcomes of the audit work on the financial statements and the management letter.
- (5) The Supervisory Board shall in any event invite the external auditor to the meeting at which the report of the external auditor on the audit of the financial statements are discussed.
- (6) In case of early termination of the relationship with the external audit firm, the Company shall publish a press release with an explanation of this early termination.
- (7) The Supervisory Board is permitted to examine the most important points of discussion arising between the external auditor and the Management Board based on the draft management letter or the draft audit report.

Section 9

Financial matters

- (1) The annual accounts must be signed by members of the Management Board and the Supervisory Board members. If any signature is missing, reasons for this omission must be given.
- (2) The annual statements of the Company include a report by the Supervisory Board. In this report, the Supervisory Board should render account of the supervision conducted in the past financial year.
- (3) The Supervisory Board issues a preliminary opinion on the annual accounts to the General Meeting.
- (4) The Supervisory Board shall be consulted by the Management Board in order to decide what amounts are to be applied annually to create reserves.

Section 10

Information

- (1) If the Supervisory Board considers it necessary, it may obtain information from officers and external advisers of the Company. The Company should provide the necessary means to this end. The Supervisory Board may require that certain officers and external advisers attend its meetings.

Section 11

Confidentiality

- (1) A Supervisory Director will treat all the information and documentation acquired within the framework of their position as Supervisory Board member with the necessary discretion and, in the

case of classified information, with the appropriate secrecy. The Supervisory Director shall not disclose such information and documentation outside the Supervisory Board and Management Board, even after resignation from the Supervisory Board, unless it has been made public by the Company or it has been established that the information is already in the public domain.

Section 12
Other provisions

- (1) These regulations have been adopted by the Supervisory Board in its meeting on April 9, 2019 and are applicable as from the same date.
- (2) These regulations are not applicable to the extent they conflict with the law or the Company's Articles of Association.