

COMMITMENTS FOR SUSTAINABLE PROCUREMENT

Under a Sustainable Procurement policy, organisations incorporate requirements, specifications and other criteria in their procurement processes to promote environmental protection, social progress and economic development. Above all, therefore, Sustainable Procurement is an opportunity to create value and promote innovation for all stakeholders.

Sustainable Procurement is central to the Thales's corporate responsibility policy and well aligned with its corporate purpose of *"building a future we can all trust."*

A clear objective

Thales's Sustainable Procurement policy aims to give the Group a **sustainable competitive advantage worldwide** based on **value creation, innovation, business partnerships** and **operational excellence**.

The Sustainable Procurement policy applies to all the Group's business Segments, Regions and Global Business Units.

A responsible member of society

Thales believes that trust-based relationships with **suppliers** is essential to its success and underpins its long-term growth and development.

Thales expects its suppliers **to comply fully with all applicable laws and regulations** in the countries where there are registered, operate or deliver services, and to require the same of their own partners and subcontractors.

The **Integrity and Corporate Responsibility Charter** that Thales issues to its suppliers provides a common core of best practices with respect to the key principles of corporate responsibility: *human rights, fair labour practices, prevention of corruption and conflicts of interest, data protection, the environment, health and safety, ethics, etc.*

To improve **risk management related to its supply chain**, the Group has adopted specific **due diligence** tools to assess the ability of individual suppliers to apply these principles and practices.

Suppliers' commitment to these principles of corporate responsibility is a key factor in their long-term relationship with Thales; **non-compliance or a failure to commit** to them may result in **exclusion**.

Quality relationships

Thales establishes cooperative relationships with its partners based on mutual good faith. Acting in good faith towards suppliers is an integral part of the Procurement process and calls for:

- *transparency concerning the rules by which suppliers are selected*
- *fair treatment of each company throughout the decision process*
- *development of balanced relationships based on trust and respect*
- *a commitment to apply the terms negotiated*
- *a guarantee of neutrality and independence throughout the duration of Thales's relationships with suppliers.*

These principles are particularly important in light of the Group's Procurement policy, which involves **developing sustainable, efficient relationships with buyers to guarantee the competitiveness of Thales's solutions in the long term.**

Finally, to ensure the quality of its relationships with its suppliers, Thales has appointed a [mediator](#) whom any supplier may contact in the event of a dispute.

Promoting innovation

Procurement plays a key role in further enhancing Thales's potential for innovation by harnessing the expertise of its ecosystem of suppliers. Underpinning Thales's relationships and interactions with its suppliers should be a clear understanding of all relevant technology roadmaps.

For that reason, Thales regularly organises technology reviews to share information with its strategic suppliers.

The Group has also modified its Procurement process to facilitate access to start-ups, and organises regular interactions between the Procurement and Technical Departments about the young innovative companies working with Thales.

Stepping up to the challenge of climate change

Thales is striving to provide a consistent response to the major challenge of climate change through its activities and services, and in particular through its "low-carbon future" strategy with respect to the 2°C objective of the Paris Agreement.

The Group is thus pursuing two key objectives: achieving at-source reductions of its own CO₂ emissions and those of its customers, and helping to design and develop innovative and environmentally responsible solutions that reduce the company's carbon footprint.

Procurement plays a key role in meeting this challenge, and Thales has undertaken to **make a more complete determination of the carbon footprint of its suppliers** with the highest emissions in order to develop action plans to help reduce them. This commitment is consistent with the Group's aim of reducing its own environmental impact and meeting its associated targets.

Through its Sustainable Procurement policy, Thales also aims to help **develop and promote products that are eco-designed** or have a lower environmental impact throughout their life cycles.

Thinking globally and acting locally

Given the growing complexity of its customers' operations and international footprints, Thales is working to fully understand their challenges, strategic objectives and operational requirements. The **Group is putting global strategies in place**, particularly in the area of procurement, to meet their needs.

However, Thales is aware of its role as a major employer or customer in certain regions, and therefore pays **particular attention to the concerns of public and private actors in the ecosystems** in which it operates.

In this connection, the Procurement policy includes **specific actions to support SMEs** at both regional and national levels, as well as efforts to help SMEs to **develop internationally** to benefit from Thales's commercial strength and its knowledge of local markets and contexts.

Solidarity and progress

In France, **Entreprises Adaptées (EA)** and **Etablissements et Services d'Aide par le Travail (ESAT)** play a key role in the social solidarity economy by promoting workplace inclusion for people with disabilities.

Thales has **worked with members of these organisations for many years**, particularly in the areas of industrial subcontracting and general procurement.

With these Principles for Sustainable Procurement, Thales aims to **increase its reliance** on companies and establishments that **employ people with disabilities**, particularly by expanding its working relationships to other segments and purchasing categories. This ambition is in line with the Group's **Disability Agreements** and is the subject of regular discussions with the Human Resources Department.



Patrice Caine
Chairman & Chief Executive Officer



Roque Carmona
SVP Purchasing, Thales Group

Example of commitments for Sustainable Procurement in France

1. Thales's relationships with its suppliers draw on the principles of the **Responsible Supplier Relationship Charter**¹, which the Group signed in 2010, with particular consideration for **SMEs**.
2. The Thales innovation approach is in line with the French Ministry of the Economy's **Innovative SME Charter**, signed by the Group in 2012.
3. Supporting development of SMEs is fully in line with Thales's regional policy, its commitment to the **SME Pact** association, of which it has been a member since 2010, and the **SME Action Agreement** signed with the French Ministry for the Armed Forces.

¹ Charter drafted by the Conseil National des Achats (the French equivalent of the Chartered Institute of Procurement and Supply) and the Médiateur des Entreprises (Ministry of the Economy).