

## *Changes to supplementary pension plans in 2017*

### *Extension of the new system to the Chairman of the Board and the Chief Executive Officer*

As a reminder, when the current Chairman of the Board and Chief Executive Officer were appointed on April 23, 2015, the Board decided to authorize them to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39) and the defined contribution supplementary pension plan (Article 83) set up within the Group in France (subject to the same terms and conditions as the other plan members).

The commitments given by the Company to enable them to continue to be beneficiaries under these plans were disclosed on Safran's website in April 2015 (<https://www.safran-group.com>, Group/Corporate Governance, "Corporate officer's commendation and benefits" section) and approved at the Annual General Meeting of May 19, 2016.

The Board of Directors considers it necessary to supplement the statutory basic and top-up pension plans of its senior managers. The benchmark surveys carried out in relation to comparable groups in France showed that this component of Safran's compensation policy is not sufficiently competitive to attract and retain the best talent:

- as a result of its demographic profile, in the coming years the Group will need to recruit senior managers in the international market, which is highly competitive; and
- like other groups, Safran will probably have to deal with higher turnover of managerial-grade staff in the future than is currently the case.

Consequently, the Board decided to modify its supplementary pension plans in order to align them with future needs, bring them more into line with market practices and enhance the Group's appeal.

The underlying aim of these changes is to increase the replacement rate of the managerial-grade staff concerned (when they take their pension after 20 years' worth of contributions) as compared with what they would potentially have received under other existing plans (statutory and supplementary). This will be achieved by putting in place new defined contribution plans (without a guaranteed replacement rate).

The new pension system comprises three stages:

- closing the current defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries' entitlements as at December 31, 2016;

To compensate for the closure of this plan, new plans will be set up for senior managers in France as from January 1, 2017 in addition to the defined contribution plan (Article 83) already in place:

- putting in place an additional component of the current defined contribution plan (article 83), effective from January 1, 2017; and
- setting up a new defined contribution plan (article 82), effective from January 1, 2017.

### **Closing the defined benefit plan to new entrants and freezing existing entitlements (Article 39)**

Only beneficiaries who have five years of service with the Group at December 31, 2017 will be eligible to receive benefits under this plan (a closed group).

Their benefit entitlements will remain subject to the terms and conditions set when the plan was originally put in place.

Conditional entitlements under the plan will be frozen as at December 31, 2016. Consequently, for members of the closed group:

- the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions); and
- the length of service taken into account for the plan will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date.

### **Mandatory collective defined contribution plan (Additional Defined Contribution Plan, Article 83)**

This plan will apply to all managerial-grade staff whose gross annual compensation for the calendar year preceding the assessment date (Y-1) is equal to or higher than four times the social security ceiling (PASS) for Y-1.

The contributions will be based on Tranches A, B and C of compensation as defined for the calculation of statutory top-up pensions (ARRCO-AGIRC plans).

Entitlements under the plan will accrue in return for the payment of monthly contributions representing 6% of Tranche A, 6% of Tranche B and 6% of Tranche C. All of these monthly payments are borne in full by the Company (in addition to the 2% contribution already paid by the Company under the existing defined contribution supplementary pension plan, Article 83).

The taxes and social security contributions on the monthly payments are also borne in full by the Company.

### **Voluntary collective defined contribution plan (Article 82)**

Unlike for the Company's defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits.

It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to senior managers (*hors statut*) whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short-term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue, the plan provides for:

- payment by the Company to an insurer of monthly contributions, the rate of which is set based on the beneficiary's reference compensation for year Y-1 (Insurer Contribution) and may amount to up to 12.73% of that reference compensation.
- payment by the Company to the beneficiary of a cash amount corresponding to the Insurer Contribution (Additional Payment). The plan provides for up-front taxation so that the capital accrued and received on beneficiaries' retirement is net of tax and social security contributions.

The above payments are borne in full by the Company and subject to social security contributions in the same way as salaries.

### **Application to the Chairman of the Board of Directors**

At its meeting on March 23, 2017, the Board of Directors decided that the current Chairman of the Board could be a beneficiary under the new supplementary pension plan system.

Concerning the voluntary collective defined contribution plan (Article 82), the Insurer Contribution and the Additional Payment to the Chairman of the Board for 2017 will each correspond to 11.29% of his reference compensation (i.e., a total of 22.58%). These amounts are estimated to represent €57,690 each (i.e., a total of €115,381).

The expenses payable by Safran under the Additional Defined Contribution Plan (Article 83) for 2017 are estimated at €18,829.

This commitment will be submitted for shareholder approval at the June 15, 2017 Annual General Meeting.

### **Application to the Chief Executive Officer**

At its meeting on March 23, 2017, the Board of Directors decided that the current Chief Executive Officer could be a beneficiary under the Company's new supplementary pension plan system.

Concerning the new voluntary collective defined contribution plan (Article 82), the Insurer Contribution and the Additional Payment to the Chief Executive Officer for 2017 will each correspond to 12.73% of his reference compensation (i.e., a total of 25.47%). These amounts are estimated to represent €154,747 each (i.e., a total of €309,493).

The expenses payable by Safran under the Additional Defined Contribution Plan (Article 83) for 2017 are estimated at €18,829.

This commitment will be submitted for shareholder approval at the June 15, 2017 Annual General Meeting

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