

## CORPORATE OFFICER COMPENSATION (2018-2019)

**Acting on the recommendation of the Appointments and Compensation Committee, on February 26, 2019 the Board of Directors reviewed and set certain components of the compensation packages and policies applicable to the Chairman, Ross McInnes, and the Chief Executive Officer, Philippe Petitcolin.**

### 1. Annual variable compensation set for the Chief Executive Officer for 2018

In application of the compensation policy<sup>1</sup>, the Board of Directors has set the variable compensation for the Chief Executive Officer, Philippe Petitcolin, for 2018 at €960,000, i.e., 120% of his annual fixed compensation.

This amount reflects:

- An overall actual achievement rate of 114% for the portion related to the Group's financial performance (accounting for two-thirds of the Chief Executive Officer's variable compensation), for which the objectives related to:
  - recurring operating income (60% weighting): 111% achievement;
  - free cash flow (30% weighting): 125% achievement;
  - working capital, comprising the following components:
    - operating assets (Inventories) (5% weighting): 104% achievement, and
    - unpaid receivables (5 % weighting): 102% achievement.
- An overall actual achievement rate of 108% for the portion related to individual quantitative and qualitative performance objectives (accounting for one-third of the Chief Executive Officer's variable compensation). These objectives related to:
  - the integration of Zodiac Aerospace within the Group (quantitative and qualitative objectives);
  - the Silvercrest program (quantitative and qualitative objectives);
  - strategic and R&T goals (qualitative objectives);
  - continuous corporate social responsibility (CSR) measures and priority action plans: carbon footprint management system, improvement in the frequency rate of occupational accidents, safer driving programs (quantitative and qualitative objectives).

Payment of the Chief Executive Officer's annual variable compensation for 2018 is subject to shareholders' approval at the 2019 Annual General Meeting.

### 2. Compensation components for 2019

#### **Fixed compensation set for the Chairman and the Chief Executive Officer for 2019**

The Board decided to maintain the annual fixed compensation due in respect of 2019 to its Chairman, Ross McInnes, at the same level as for 2018, i.e., €450,000.

The Board also decided to maintain the annual fixed compensation due in respect of 2019 to the Chief Executive Officer, Philippe Petitcolin, at the same level as for 2018, i.e., €800,000.

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<sup>1</sup> In accordance with the provisions of the compensation policy, the Chief Executive Officer's "target" variable compensation – i.e., the amount payable if the achievement rate is 100% for all of the financial and individual performance objectives – corresponds to 100% of his annual fixed compensation (the "Target"). If the Chief Executive Officer outperforms his objectives, his "maximum" variable compensation (the "Cap") – i.e., the amount payable if the achievement rate is 130% for all of the financial and individual performance objectives – will represent a maximum of 150% of his annual fixed compensation.

### Annual variable compensation set for the Chief Executive Officer for 2019

The Chief Executive Officer's variable compensation for 2019 will be set based on the terms and conditions of the compensation policy applicable at the time, as approved by shareholders at the Annual General Meeting. It will be determined as follows:

- Two-thirds will be contingent on quantitative financial performance objectives based on:
  - recurring operating income (60% weighting);
  - free cash flow (30% weighting); and
  - working capital (10% weighting), comprising operating assets (Inventories) and unpaid receivables.
- One-third will be contingent on quantitative and qualitative individual objectives.

These objectives as set by the Board for 2019 are related to:

- the integration of Zodiac Aerospace within the Group: industrial and managerial optimization (quantitative and qualitative);
- business development: position the Group with regard to particular aircraft programs (qualitative);
- R&T strategy: long-term R&T roadmap (qualitative);
- digitalization: Group digital roadmap (qualitative);
- CSR-human capital: continuous corporate social responsibility and human capital measures and priority action plans:
  - Environment – Carbon footprint management system: pinpoint action plans to roll out as from 2020 (qualitative);
  - Safety: further reduction in the frequency rate of occupational accidents (quantitative);
  - Safety: ergonomics in industrial projects: Factory of the Future training roadmap (quantitative);
  - Human capital: gender balance plan with regard to executive positions (qualitative).

No further details can be provided on the Chief Executive Officer's individual objectives for reasons of strategic and competitive sensitivity.

### **3. Compensation policies for the Chairman and the Chief Executive Officer - Unchanged compared to those approved by the shareholders at the May 25, 2018 Annual General Meeting**

The Board of Directors has decided to retain the compensation policies for the Chairman and Chief Executive Officer as approved by the shareholders at the Annual General Meeting of May 25, 2018, without substantive modifications.

The unchanged compensation policies will be submitted for approval at the Annual General Meeting of May 23, 2019.

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All matters pertaining to corporate governance and components of compensation awarded to Safran's corporate officers are set out in detail in the Group's Registration Documents.