

POLICY ON REGULATED AND ORDINARY AGREEMENTS

This Policy (the "Policy") contains a reminder of the regulatory framework¹ applicable in France to *regulated and ordinary agreements*, and sets out the procedure applied by Safran SA (the "Company") to classify and process agreements between Safran SA and its related parties².

It was approved by the Board of Directors at its meeting on 26 February 2020 and may from time to time be revised or updated as appropriate or necessary.

It is published on the Company's website.

This Policy applies directly to Safran SA, the Safran Group's listed holding company, and to its French subsidiaries in a manner adapted to their legal form, where necessary.

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¹ Particularly the recent changes made by the French PACTE Act (Act no. 2019-486 of 22 May 2019 for business growth and transformation).

² The "Interested Parties", as defined in section 1.1 below.

1. REMINDERS - DEFINITIONS

1.1 Definition of related parties to an agreement.

This Policy concerns agreements that the Company may enter into:

- a. either directly or through an intermediary, with its chief executive officer, any deputy chief executive officer, a director, a shareholder holding more than 10% of the voting rights or, in the case of a corporate shareholder, the company controlling it; or
 - b. with any contracting third party, when one of the persons mentioned has a direct interest in the agreement; or
 - c. with an entity having a "corporate officer in common" with the Company.
- Each person mentioned above is hereinafter referred to as an "Interested party".
 - A person who has an "indirect interest" is one who, although they are not a party to the agreement, derives a benefit therefrom owing to the relationship they have with the parties and their authority to influence their conduct.
 - The "intermediary" is the person who enters into an agreement with the Company, and the real beneficiary of that agreement is a corporate officer or shareholder of the Company (as mentioned above).

1.2 Different types of agreements.

Under French law, there are three categories of related-party agreements:

- prohibited agreements,
- "ordinary" agreements, and
- "regulated" agreements

a) Prohibited agreements³

Natural person corporate officers (Chairman of the Board, CEO, deputy CEO, director) may not contract, in any form whatsoever, any loans from the Company, or arrange for it to grant them a loan account or other borrowing whatsoever, or arrange for the company to stand surety for them or act as guarantor for their commitments to third parties. The Company may not therefore grant certain persons these credit transactions.

b) Ordinary agreements⁴

These are agreements which, although they are made between the persons mentioned above in §1.1:

1. concern transactions in the course of business concluded on an arm's length basis, i.e. transactions:
 - habitually or repeatedly carried out by the Company in the ordinary course of business
 - under terms and conditions:
 - o ordinarily applied by the Company in its dealings with third parties, such that the Interested Party does not derive any benefit from the transaction that they would not have had if they were a supplier, a service provider or a customer thereof, or
 - o generally applied in the same business sector or to a similar transaction;
2. are intra-group agreements between the Company and its direct or indirect wholly-owned subsidiary, in France or abroad.

These agreements are not regulated.

Agreements entered into by the Company with its wholly-owned subsidiaries are ordinary agreements.

As an internal rule, agreements falling within the predefined categories listed in Appendix 1 are deemed to be ordinary.

Ordinary agreements do not require prior authorisation by the Company's Board of Directors, nor approval by its Shareholders' Meeting.

c) Regulated agreements

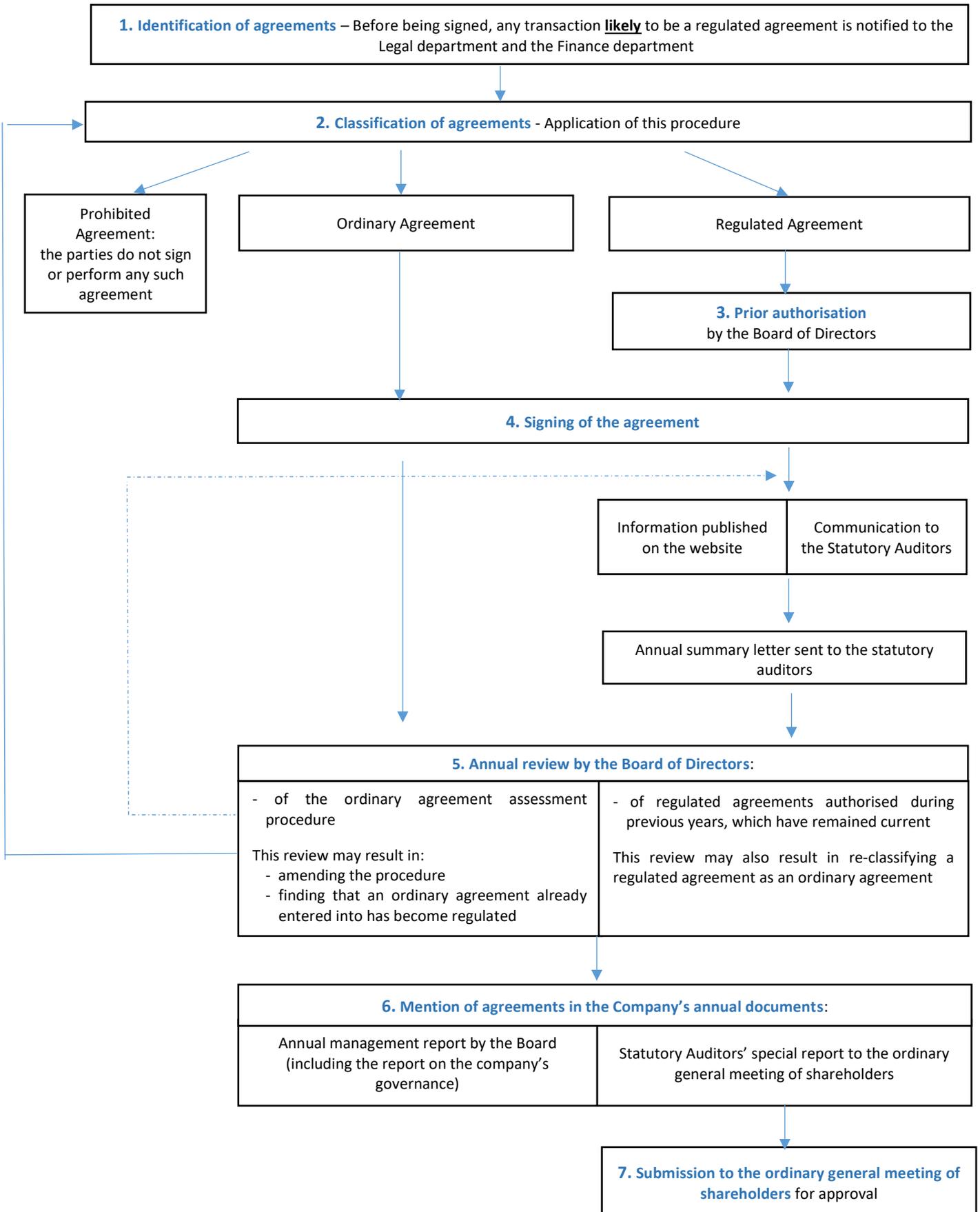
These are agreements made between the Company and the persons mentioned above, and which are neither prohibited nor ordinary. They require prior authorisation by the Board of Directors and ex post approval⁵ by the Shareholders' Meeting.

2. PRESENTATION OF THE PROCEDURE

³ Article L. 225-43 of the French Commercial Code.

⁴ Article L. 225-39 of the French Commercial Code.

⁵ Provided for by Article L. 225-38 of the French Commercial Code.



3. DETAILED STEPS IN THE PROCEDURE

3.1 Identification of agreements

The Company's Legal Department is informed of any agreement (written or verbal) that may be entered into by the Company with an Interested Party prior to it being signed, unless it is an agreement between the Company and one of its wholly-owned subsidiaries or an agreement deemed ordinary (cf. Appendix 1). The information is given:

- by any representative of the Company's department in which the agreement is negotiated,
- by the Interested Party, or
- by any individual who has knowledge of it internally.

This information is also provided via the process introduced by the Company to identify agreements with related parties pursuant to IAS 24⁶. In addition, "*persons with a direct interest*" are identified by the year-end survey of directors and the companies in which they hold corporate appointments and the reconciliation with account consolidation flows.

3.2 Classification of agreements

Agreements are classified by the Legal department and the Finance department based on the following checks.

a) Check of the contracting party's status as Interested Party

Contracting parties (shareholder, corporate officer, existence of a shareholder or corporate officer's indirect interest, corporate officers in common, agreement entered into through an intermediary) are checked to determine whether they have status as an Interested Party.

b) Check of the terms and conditions of the transaction

If the contracting party has Interested Party status, the agreement is checked to see whether it can be considered an agreement in the course of business entered into on an arm's length basis. This assessment is done on a case-by-case basis. For this purpose, Safran particularly refers to the Studies of the French national auditing institute (Compagnie Nationale des Commissaires aux Comptes - CNCC)⁷.

Assessing the "ordinary course of business" criterion

This criterion is assessed in light of compliance with the corporate object and the type of transaction. The assessment takes into account the Company's ordinary business and the standard practices for companies placed in a similar situation. The habitual and usual aspect, frequency and repeated nature are criteria of a transaction in the course of business. However, as the habitual aspect is not the only decisive criterion, the circumstances in which the agreement was made, the nature and significance thereof, the economic consequences or the duration are also taken into consideration.

Assessing the notion of "on an arm's length basis"

The terms and conditions of an arm's length transaction are those ordinarily applied by the Company in its dealings with third parties or are comparable to the terms applied for similar agreements in other companies engaging in the same business.

Arm's length terms are therefore those relative to the purpose, remuneration and the guarantees ordinarily granted by the Company or generally applied in the same business sector or for a similar transaction.

This notion is assessed with reference to:

- economic data, particularly in relation to a market price or standard market conditions;
- the balance between the parties' reciprocal undertakings: all the terms applying to the transaction are considered (payment terms, warranties, term, inclusion of preferential clauses such as exclusivity, etc.).

If in any doubt about the classification of an agreement, you may consult the statutory auditors.

3.3 Prior authorisation by the Board of Directors

⁶ However, the definition of interested parties for the purpose of IAS 24 covers a broader scope than the one defined by law.

⁷ Studies: *Les conventions réglementées et courantes* (February 2014) and *Les conventions entre les entités et les personnes intéressées* (May 2004).

When the agreement cannot be considered ordinary, it is said to be regulated and must be authorised in advance by the Board.

This authorisation is included on the agenda of a Board meeting and a memo presenting and explaining the reasons for the planned agreement is enclosed. The authorisation is justified by explaining the benefit of the agreement for the Company⁸. The Interested Party does not take part in the discussions or the vote.

3.4 Signing the agreement

- a) An agreement classified as being in the course of business and on an arm's length basis may be signed freely, without prejudice to any specific prior authorisation required by the by-laws of the Company's Board of Directors.
- b) A regulated agreement is signed once the Board of Directors' authorisation has been obtained.

Publication

The Company publishes information about any new regulated agreement on its website, at the time it is entered into.

Statutory Auditors' due diligence

Any regulated agreement is sent to the Statutory Auditors within a month of being entered into (not after being authorised). Each year, by 31 January, a letter is sent to the statutory auditors summarising the agreements requiring prior authorisation by the Board of Directors which have been made, approved or which remained current during the previous year.

3.5 Annual review by the Board of Directors

Each year, the Board of Directors conducts:

- a review of regulated agreements, already authorised or entered into and which remained current, to assess whether such agreements still meet the criteria on the basis of which the Board gave its initial consent;
- a review of this Policy, on the recommendations of the audit and risks committee.

Following this review, the Board may:

- a. reconsider the ex ante classification (cf. Appendix 1) of certain categories of agreements deemed ordinary;
- b. change the classification of an agreement, from regulated to ordinary or vice versa, the Interested Party directors not taking part in the discussions and votes of the audit and risks committee or the Board of Directors.

In both situations, the prior authorisation and ex post approval procedure need not be followed⁹. Information about the agreement re-classified as a regulated agreement may be published on the website and it may be disclosed to the statutory auditors and included in the annual summary letter sent to the statutory auditors, to be added to their special report addressed to the shareholders.

The Interested Party does not take part in these assessments and re-classifications: they do not take part in the discussions or the vote.

3.6 Mention of agreements in the Company's annual documents

The Board of Directors' report on the company's governance (included in its annual management report) describes this procedure, any changes made to it, and its implementation.

In addition, the notes to the annual financial statements also mention agreements that are transactions carried out by the Company with "related parties" within the meaning of IAS 24, where they are significant and have not been concluded on an arm's length basis.

The statutory auditors draft a special report for the general meeting of shareholders, listing the regulated agreements and particularly explaining their material terms and conditions, the benefits for the Company and any other information allowing

⁸ The Board may decide to consult an independent expert before authorising an agreement, when it is liable to have a very significant impact on the Company's and/or Group's balance sheet or results (AMF Recommendation 2012-05 of 2 July 2012, as amended on 5 October 2018, proposal no. 4.6).

⁹ The regulated nature of an agreement, triggering application of the regulated agreements procedure, is assessed at the time the agreement is entered into.

the shareholders to assess the advantage of entering into such agreements.

3.7 Submission to the shareholders' meeting for ex post approval

Any new regulated agreement is submitted to the ordinary shareholders' meeting convened to approve the financial statements for the year during which it is made. It may be submitted to an ordinary shareholders' meeting held earlier provided that the statutory auditors have been able to examine the agreement and to present their special report within the time limits stipulated by applicable regulations to inform the shareholders.

The directly or indirectly interested party does not take part in the meeting's vote and their shares are not taken into account to calculate the majority.

APPENDIX 1

EX ANTE CLASSIFICATION OF CERTAIN CATEGORIES OF AGREEMENTS DEEMED ORDINARY

As an internal rule, the following agreements are deemed ordinary as they are considered to be agreements concluded in the course of business on an arm's length basis:

- agreements with minor financial implications for all the parties;
- agreements entered into within the Group in the ordinary course of the Company's business, in the common economic, social or financial interest assessed with regard to a Group policy, not without consideration nor upsetting the balance between the respective commitments of the companies concerned, and not exceeding the financial possibilities of the company assuming the burden thereof. A list of such agreements is drawn up internally for guidance (available from the Legal department) and will be revised or updated as appropriate or necessary.

APPENDIX 2

MAIN APPLICABLE LEGAL PROVISIONS AND GUIDELINES

Article L. 225-37-4 of the Commercial Code

The report mentioned in the last paragraph of Article L. 225-37 contains the following information: [...]

[New paragraph introduced by the Pacte Act]² Agreements entered into, directly or through an intermediary, by a corporate officer or shareholder holding more than 10% of the voting rights of a company, on the one hand, and another company controlled by the first within the meaning of Article L. 233-3, on the other, except for agreements in the ordinary course of business entered into on an arm's length basis; [...]

Article L. 225-38 of the Commercial Code

Any agreement entered into directly or through an intermediary by the company and its general manager, a deputy general manager, director, shareholder holding more than 10% of the voting rights or, in the case of a corporate shareholder, the company controlling within the meaning of Article L. 233-3, must be submitted to the board of directors for prior authorisation.

The same applies for agreements in which one of the persons mentioned in the previous paragraph has an indirect interest. Prior authorisation is also required for agreements between the company and another firm, if the general manager, a deputy general manager or a director of the company is the owner, indefinitely liable partner, general partner, director or a member of the supervisory board of that firm or, more generally, is in any way involved in its management.

The prior authorisation of the board of directors is justified by explaining the benefit of the agreement for the company, particularly by specifying the financial terms and conditions thereof.

Article L. 225-39 of the Commercial Code

The provisions of Article L. 225-38 are not applicable to agreements in the ordinary course of business entered into on an arm's length basis or to agreements between two companies of which one directly or indirectly holds the entire capital of the other, after deducting, where applicable, the minimum number of shares necessary to meet the requirements of Article 1832 of the Civil Code or Articles L. 225-1 and L. 226-1 of this Code.

[New paragraph introduced by the Pacte Act] In companies whose shares are admitted to trading on a regulated market, the board of directors shall define a procedure to regularly assess whether agreements in the ordinary course of business entered into on an arm's length basis effectively meet these conditions. Persons with a direct or indirect interest in any such agreement shall not take part in the assessment thereof.

Article L. 225-40 of the Commercial Code

Any person with a direct or indirect interest in the agreement is required to inform the board as soon as they become aware of any agreement to which Article L. 225-38 applies. They may not take part in the discussions or the vote on the authorisation sought.

The chairman of the board of directors shall advise the statutory auditors of all agreements authorised and entered into and shall submit them to the shareholders' meeting for approval.

The statutory auditors or, where none are appointed, the chairman of the board of directors, shall present a special report on these agreements to the shareholders' meeting which shall vote on this report.

Any person with a direct or indirect interest in the agreement may not take part in the vote. Their shares shall not be taken into account to calculate the majority.

Article L. 225-40-1 of the Commercial Code

Agreements entered into and authorised during previous years and which remained current during the past year shall be reviewed each year by the board of directors and communicated to the statutory auditor, if any, for the purpose of drafting the report mentioned in the third paragraph of Article L. 225-40.

Article L. 225-40-2 of the Commercial Code [\[introduced by the Pacte Act\]](#)

Companies whose shares are admitted to trading on a regulated market shall publish on their website information concerning the agreements mentioned in Article L. 225-38 at the latest by the time they are entered into. [...]

Article L. 225-41 of the Commercial Code

Agreements approved by the shareholders' meeting shall produce their effects with respect to third parties, as shall those which it refuses, unless they are cancelled in the event of fraud.

Even in the absence of fraud, the prejudicial consequences for the company of refused agreements may be charged to the interested party and, potentially, to the other members of the board of directors.

Article L. 225-42 of the Commercial Code

Without prejudice to the liability of the interested party, agreements referred to in Article L. 225-38 and entered into without the prior authorisation of the board of directors may be cancelled if they have prejudicial consequences for the company.

The action for nullity shall be time-barred after three years with effect from the date of the agreement. However, should the agreement have been dissembled, the starting point for the period of limitation shall be deferred to the date on which it was revealed.

The nullity may be avoided by a vote of the shareholders' meeting taken upon the statutory auditors' special report or, if no statutory auditor has been appointed, the report by the chairman of the board of directors explaining the reasons why the authorisation procedure was not followed. The provisions of the fourth paragraph of Article L. 225-40 shall apply.

Article L. 225-43 of the Commercial Code

Under penalty of the contract being invalid, directors other than legal persons shall be prohibited from contracting loans from the company irrespective of their form, from arranging for it to grant them a loan account or any other borrowing, or from arranging for the company to stand surety for them or act as their guarantor in respect of their commitments to third parties. [...]

The same prohibition shall apply to the general manager, to assistant general managers and to permanent representatives of corporate directors. It shall also apply to the spouse and relatives in the ascending and descending line of the persons referred to in this article, as well as to any intermediary.

AMF Recommendation no. 2012-05 of 2 July 2012, as amended on 5 October 2018:

Proposal no. 4.1

A. Introduce an internal policy in companies to classify an agreement and subject it to the regulated agreements procedure. This policy should define the criteria adopted by a company, by adapting the CNCC guidance to its specific circumstances, in accordance with its statutory auditors;

B. Submit this policy to the company's board for approval and publish it on the company's website.

Definition of interested person by the CCIP: "A person is considered to have an indirect interest in an agreement to which they are not a party when they derive a benefit therefrom, owing to their relationship with the parties and their power to influence their conduct"¹⁰.

¹⁰ CCIP, Renforcer l'efficacité de la procédure des conventions réglementées, Contribution de la CCIP aux travaux de place, 8 Sept. 2011.