Questions from the French Social Investment Forum (FIR)

Environment

1. To comply with the Paris Agreement, how much Capex have you budgeted through 2025? How will these outlays be allocated across the value chain between routine and growth Capex? How will they be allocated geographically?

Given the current crisis faced by the aviation industry, Capex will mainly be focused on existing assets and their amount will be included in the annual Capex budgets incorporated into the market guidance announced at the beginning of the year.

With regard to production methods, Safran has committed to reducing its emissions by 30% between 2018 and 2025 (Scopes 1 & 2). This decarbonization rate is compatible with the Paris Agreement. The commitment has been implemented as part of Safran’s Low-Carbon Plan rolled out across more than 200 Group sites in France and worldwide. It will require both routine expenditure (supplies of renewable energy rather than fossil fuels where the former is more expensive, for example) and investments aimed at reducing energy consumption, which are included in the medium-term plan with a five-year time horizon.

By the end of 2020, around 20% of the actions needed for Safran to fulfill this commitment had been rolled out. Our goal is to identify all the actions needed to deliver these commitments by the end of the year and build them into the budget.

With regard to products, Safran dedicates around 75% of its Research and Technology (R&T) effort to improving its products’ environmental performance, mainly in connection with developing low-carbon aviation. This investment drive is part of the aviation segment’s 2008 commitment to halving its greenhouse gas emissions between 2005 and 2050, in line with the trajectory included in the Paris Agreement. For many years, Safran has invested heavily in the following areas of technological research: engine fuel efficiency, lightweight materials, using sustainable fuels, and propulsion electrification and hybridization.

In 2019, Safran invested €548 million in self-funded R&T. Although self-funding was reduced in 2020 due to the Covid-19 crisis, the public support provided under the French plan for the aerospace industry helped maintain the R&T effort for low-carbon aviation at a sustained level.

2. How are you limiting the impact of biodiversity loss on your future revenue? Specify the indicators and measures put in place.

Safran has not identified any specific impact of its operations on global ecosystems or any impact of biodiversity loss on its future revenue.

As part of its projects, the Group may from time to time carry out studies to determine the impact of its operations on local biodiversity. The Group did not record any incidents with a significant impact on the environment in 2020.
Safran actively works to reduce the use of natural resources, particularly virgin and extracted raw materials (mainly metals). Safran offers maintenance, repair and overhaul solutions for its products worldwide. Each year, Safran experts develop, industrialize and roll out new repair solutions and offer a comprehensive range of services including performance restoration, replacement of limited life parts, and inspection and maintenance of all equipment. Advocating a structured, end-to-end sustainability model based on a circular economy approach, Safran also offers the reuse of used parts.

Lastly, the development of sustainable fuels over the coming decades, including a large share of advanced biofuels, is strategic for decarbonizing the aviation industry and therefore for Safran. The Group encourages the use of strict sustainability criteria for these advanced biofuels. In the aviation segment, there are no plans to use raw materials that compete with food land use or products that are harmful to biodiversity, such as palm oil.

3. How are you preparing for the depletion of certain natural resources and the difficulties in sourcing your strategic inputs? How does this impact your business models and how are you securing your supply chains?

The most critical natural resources are mainly metals such as cobalt or titanium, which are used in certain alloys. We have already set up recycling channels for expensive metals and we use metals that are made up of a good proportion of recycled materials.

We also have a strategy for developing sources of alternative materials, particularly in Europe. Additionally, our carbon footprint reduction policy aims to use polluting and non-renewable energies more sparingly.

Corporate social

4. It seems that one way to attenuate the adverse impact of the current crisis is for large corporations to show more solidarity with small businesses. How has your group changed its procurement and selling practices, both domestically and internationally, to support suppliers and customers impacted by the crisis? Are you applying different policies for very small businesses and SMEs? Has the crisis prompted you to structurally change your policies in this area?

As regards our customer sales policy, the main impact of the crisis was on airlines. In addition to monitoring the financial positions of our customers, we maintained continuous dialogue with them to postpone deliveries where required and when possible, as well as deferring payments where agreements to secure them were possible. At end-2020, late payments amounted to €481 million.

With its supplier base in France, Safran is committed to its local roots and supporting French economic players. 55% of its workforce (43,315 people) is based in France. Safran maintained its local purchasing policy, with 42% of purchases conducted in France and 83% of those with small- and medium-sized businesses in 2020.

To deal with the Covid-19 crisis and its repercussions on the aerospace industry, Safran has set up a unit to monitor and support its strategic suppliers, with the following objectives:

- identify the suppliers most at risk, with a potential impact on the Group’s operations;
- establish dialogue with those suppliers in order to understand the impact of the current crisis for them and their ability to sustain their business;
- examine together with the suppliers the measures to be implemented within Safran (for example, with regard to French small- and medium-sized businesses, taking responsibility for their raw materials inventories), as well as the impact of the government support and tools designed to help weather the crisis. Where necessary, and if traditional resources are insufficient, this may include directing them towards long-term structural solutions, such as partnering other industrial players or investment funds.
This approach is coordinated with the public support agencies as well as with other OEMs (Airbus, Dassault, Thales, etc.) within the framework of GIFAS (GIFAS Charter) when the supplier is shared, and may result in proposals for consolidation with the Ace Aéro Partenaires fund.

In 2020, Safran invested €58 million in the Ace Aéro Partenaires fund established as part of the French relief plan for the aerospace industry, in line with the investments undertaken by the Aerofund I, Aerofund II and Aerofund III funds since 2004.

By contributing to the financing of SMEs, the Group is actively participating in the restructuring and consolidation of the industrial fabric of the French aerospace industry. Strengthening its suppliers’ financial structures is a means for the Group of securing its supply chain while promoting the emergence of more robust and competitive intermediate-sized business fabric that can expand in the global marketplace when the crisis ends.

5. **How are you managing, at the Group level, the employee relations impact of the massive shift to working from home since the beginning of the pandemic? Particularly in terms of managing psychosocial risks, contributing to costs, employee satisfaction surveys, changes in employee choices, the proportion of work-from-home employees, etc.**

In October 2020, we launched an employee survey on their experience during the Covid-19 crisis, which included questions on home working.

More than 39,000 employees responded, representing almost half of Group headcount. Despite the constraints of home working (childcare, equipment, inadequate workspace), it was popular during the initial stages of lockdown in particular.

Regardless of the work environment – on site, at home or a combination of both – the survey showed that continuous communication with managers and colleagues, as well as clear instructions and objectives, were what led to this being perceived as a positive experience. The regular updates on health measures, challenges and the economic impact of the crisis were appreciated (81% of employees satisfied).

It also showed that management (team leaders) needed extra support in dealing with the difficulties of managing teams remotely, prioritizing and organizing work under furlough and short-time working restrictions.

Below are some examples of the initiatives taken to address these issues:

- introduction of a platform offering free access to a network of professional psychologists;
- co-development groups for managers and their teams;
- informal team meetings;
- conflict management training for managers and HR officers;
- arrangements for extra days on site for people suffering from isolation or from poor home working conditions;
- Group communication initiatives to raise awareness about the impacts of home working and psychosocial risks, etc.

6. **Do you have a definition of a “decent wage” that is not limited to the local minimum wage? If so, what is it? How does your company ensure that its employees, and its suppliers’ employees, are paid a decent wage?**

Safran has a competitive overall compensation policy, which is mostly higher than the market average in its 30 host countries.

Safran reviews the compensation of different employee categories against that of both its internal market (to ensure overall consistency) and the external market (by participating in compensation surveys), so as to attract potential candidates and retain employees.
Safran’s policy has notably developed towards sharing the fruits of growth through Group employee savings plans in France (Group statutory profit-sharing, discretionary profit-sharing) and other profit-sharing arrangements outside of France.

Safran has also set up a specific employee savings plan in its main host countries (PEGI) with employer contributions in line with the amount invested by employees.

The employee shareholding and profit-sharing plans forms part of the overall compensation policy. With around 7% of its share capital held by current and former employees at December 31, 2020, Safran is in the top five major French companies (CAC 40) in terms of employee share ownership.

In the exceptionally challenging year of 2020, Safran implemented an international employee shareholding plan aimed at associating employees with the objectives, successes and future performance of Safran, as well as strengthening the integration of employees joining the Group. 91% of employees were eligible for the plan. The offer was greatly oversubscribed, with a 38% take-up rate worldwide.

On February 4, 2021, Safran was awarded the main prize in the Euronext category from FAS, the French employee share ownership observatory, in recognition of our policy of actively promoting employee share ownership, and the success of the Safran Sharing 2020 plan.

To ensure employees had access to international health cover, Safran retained the following CSR 2025 objective: 100% of employees worldwide to benefit from a minimum level of health cover (medical, optical and dental).

7. Do your discretionary employee profit-sharing agreements in France take environmental and social responsibility criteria into account? If so:
   - What are these criteria? Have they changed since April 1, 2020?
   - What is their weighting? Has it changed in the last year?
   - What percentage of employees are concerned?

All 20 of Safran’s discretionary profit-sharing agreements in France, covering almost all employees of tier-one French subsidiaries, include Health, Safety and Environment criteria. These criteria are assessed every year to determine whether the objectives set in each agreement have been met.

These criteria are reviewed and amended at the time of the three-yearly renegotiation of the agreements, and their weighting may vary between different agreements. For example, discretionary profit-sharing agreements include environmental and social criteria such as:
   - frequency rate of lost-time work accidents;
   - achievement of Health, Safety and Environment maturity standards for all the Group’s sites;
   - measurement of the gaps observed helps anticipate and solve health, safety and environment problems.

8. In your employee savings plans, which funds have been actually certified as socially responsible (CIES, Finansol, Greenfin, SRI)? For each one, please indicate the certifying organization(s), the percentage of total employee savings invested in it, and the percentage of employees who can invest in it. In addition, what percentage of Group employees in France and abroad have access to other forms of employee savings, particularly for retirement? What percentage of these employee-held assets are managed according to socially-responsible principles and have been quality labeled? Which ones are they?

Safran’s employee savings plans include the Group employee savings plan (PEG), the collective retirement savings plan (PERCOL) and the international Group employee savings plan (PEGI). In France, there is also a supplementary pension plan for managerial-grade staff (an “Article 83” plan).
Out of the five funds that make up the Safran Group Savings Plan, two have a socially-responsible investment (SRI) label:

- One corporate mutual fund (FCPE) has the SRI label: “Safran Ethique Solidaire”.
- One “solidarity” corporate mutual fund (assets invested between 5% and 10% in shares issued by accredited solidarity companies): “Safran Mixte Solidaire”.

Out of the seven funds that make up the Safran PERCO, five have the SRI label:

- Two corporate mutual funds have the SRI, CIES and Finansol labels: EPSENS Actions ISR and EPSENS Monétaire ISR.
- Two corporate mutual funds have the SRI label: Safran Ethique Solidaire (already included in the PEG), Safran Retraite Actions ISR.
- One corporate mutual fund is managed under an SRI approach: Safran Retraite Obligations ISR.

The five collective retirement savings plan corporate mutual funds with the SRI label represent 97% of the amount invested in the collective retirement savings plan.

**Governance**

9. **Do you apply the GRI 207 standard in your public tax reporting?**

   If so, does your reported information cover all the disclosures recommended in the standard and, if not, which ones have you chosen not to report and why?

   If you do not apply the standard, why not and do you plan to apply it in the near future (one to two years)?

   What other measures have you implemented or plan to implement to meet the growing demand for tax transparency from your stakeholders?

To date, there is no legal public tax reporting. Nevertheless, Safran promotes tax transparency and as such publishes a yearly update to the Group tax policy on its website (https://www.safran-group.com/media/safran-group-tax-policy-october-2020-20201106), setting out the Group’s commitment to tax transparency and its rejection of aggressive tax planning.

Each year, Safran also files a country-by-country tax report with the French tax authorities, using the format defined by the OECD in Action 13 of the Base Erosion and Profit Shifting (BEPS) Action Plan.

Furthermore, the Group entered into a “tax partnership” with the French tax authorities as soon as the related program was set up in March 2019. The purpose of the program is to establish a long-term working relationship between Safran and the French tax authorities founded on trust and transparency. The program is open only to groups that meet their legal obligations and actively cooperate with the French tax authorities. Before approving the Group’s application to join the program, the French tax authorities first conducted a compliance test.

Safran pays tax in the countries where the Group operates, in a manner strictly proportionate with the added value produced in each country. The tax paid by the Group in the various countries is not limited to income tax as covered by the OECD reporting schedule. It also includes all “production” taxes on physical locations, especially the Group’s industrial facilities, through which Safran also contributes to local public financing.

In addition to work ongoing in connection with the Group’s various current and future legal obligations, Safran is considering rounding out its tax policy with a specific analysis of tax paid. The analysis would set out key indicators allowing stakeholders to assess Safran’s contribution to the public finances of the various host countries.
10. What is the scope of reporting for your pay ratio disclosures? How would you analyze the trends in these ratios? Has this analysis prompted any changes in your compensation policies? If so, what are they?

For the second consecutive year, listed French issuers have been required to publish the ratio between the compensation of the Chairman and of the Chief Executive Officer, and the average and median compensation of employees.

Driven by its commitment to promoting and maintaining corporate social cohesion, Safran voluntarily publishes these ratios for two different scopes: (i) the scope provided for by law, i.e., the Group holding company, Safran SA, and (ii) a more informative France-wide scope of 43,315 employees.

Since their initial publication, these pay ratios are presented to the Appointments and Compensation Committee and to Safran’s Board of Directors, as will be the case in the coming years, enabling us to draw whatever lessons are contained in the data.

Although the data are not always easily comparable, the first indications are that the pay ratio multiples at Safran are reasonable.

For the Chief Executive Officer, they are below the average for comparable companies, with sharply lower multiples.

For 2020, this ratio was also significantly lower than in 2019 (a 32.0 versus the average compensation in 2020 compared to 47.0 in 2019 for the France scope), due to the fact that the Chief Executive Officer was in the last year of his term of office and was therefore not awarded any performance shares.

All of this information can be found in section 6.6.2.5 of Safran’s 2020 Universal Registration Document.

11. With regard to the implementation of your group’s gender equality policy, could you please explain:

   (i) The agenda and the measurable targets — achieved or to be achieved — for the topics related to this policy (career, training, compensation, work/life balance, etc.) at every level of responsibility.

   (ii) Is this equality policy applied consistently across the organization, both in France and internationally? If not, why not?

   (iii) If it is, what specific resources have you allocated to promote gender equality in your host countries where this concept is struggling to establish itself?

(i) The agenda and the measurable targets — achieved or to be achieved — for the topics related to this policy (career, training, compensation, work/life balance, etc.) at every level of responsibility.

Safran monitors a number of key indicators in order to oversee the implementation of our gender equality policy and achieve the corresponding objectives.

At December 31, 2020, these include the following key indicators for representation of women in the Group:

- 27.7% of headcount;
- 24.8% of managerial-grade employees;
- 13% of senior executives;
- 34.6% of external hires and 31% of managerial hires;
- 42.86% of Board members (at end-2020), and 11% of Executive Committee members.
Together with the corresponding action plans, these outcomes are presented and discussed each year at the level of the Board of Directors and the Appointments and Compensation Committee.

The following measurable objectives have been set for 2025:

- 30% of Group headcount;
- 22% representation of women among senior executives. This is one of 14 key performance indicators included in the new “Engage for the future” CSR strategy;
- at least four women on the management committees of tier-one companies and on the Group Executive Committee;
- 27% of women among managerial-grade employees;
- 41% of women among external hires;
- 34% of women among management managerial-grade hires.

(ii) Is this equality policy applied consistently across the organization, both in France and internationally? If not, why not?

Yes, the gender equality in the workplace policy is defined at the level of the Group, and is rolled down to all of Safran’s tier-one companies and their sites worldwide. A Group-wide committee of dedicated HR career development managers meets on a monthly basis.

These meetings are led by the Group Talent-Career and Mobility Department. The policy is then rolled down and its application monitored in each company. Each company enters into an agreement on gender equality in the workplace.

(iii) If it is, what specific resources have you allocated to promote gender equality in your host countries where this concept is struggling to establish itself?

Safran has implemented numerous measures designed to promote gender equality in the workplace in all of its host countries:

**Internal support mechanisms designed to boost the number of women:**

- carefully monitoring high-potential women in career committees in order to better identify female talent;
- implementing personalized career support for talented women, in order to define the appropriate career paths and development plans;
- identifying candidates from talent pools and positioning high-potential women in the Group to be included in succession plans for key management positions;
- supporting women’s personal development through training programs: career development for women, leadership programs, mentoring for both women and men, and onboarding programs for managerial-grade hires.

**A framework for across-the-board accountability:**

- a specific salary review was conducted in early 2021 to reduce the residual gender pay gaps across the senior executive population;
- Ethical Guidelines (reviewed in 2020) are applicable to all employees on all Group sites; in addition, all employees have access to a whistleblowing system;
- gender equality in the workplace objectives are defined at the level of the Chief Executive Officer and all of the company Chairs/CEOs, management committees and HR directors, with a direct impact on variable compensation.
Training and awareness-raising initiatives:

- a specific Safran MOOC will be made available by the end of 2021, first in French and subsequently in English, designed to raise awareness among all employees;
- In honor of International Women’s Day 2021, a conference was held in each main geographic area (Europe, North America and Asia) and a portrait was published of 15 gender equality pioneers.
- the Group HR Department has published several articles on the topic, both on the intranet and on social media, and interviews with women role models within the Group have also been published;
- involvement with several non-profits in support of gender equality in the workplace and internally, the women@safran network regularly holds conferences in France, Canada, Singapore, Tunisia, etc.

12. What formal arrangements exist for your lobbying activities and how do they align with your CSR strategy? Can you describe your company’s chain of responsibility for lobbying and public affairs? In what circumstances can, or should, matters be referred to the company’s oversight body (board of directors, supervisory board)? What lobbying information do you publish (public positions, budgets allocated, etc.) in each of your global markets?

(i) What formal arrangements exist for your lobbying activities and how do they align with your CSR strategy?

Safran is committed to ensuring that its lobbying activities are conducted in line with all applicable laws and regulations. A lobbying charter is applied within the Group, and is communicated to Safran employees as well as to external lobbyists who are required to familiarize themselves with it and acknowledge receipt to the Group International and Public Affairs Department, in accordance with the International Trade Compliance Procedure. All Safran employees and external lobbyists working on behalf of Safran who breach the terms of the charter are subject to disciplinary measures or contractual sanctions. The Charter is also published on the Group’s website. Similarly, the Group has a Code of Conduct and Ethical Guidelines that are brought to the attention of all employees.

As regards the fight against corruption, Safran was the first group in France’s CAC 40 to receive anti-corruption certification from the French strategic intelligence agency (Agence pour la diffusion de l’information technologique – ADIT), which also recognizes the efforts undertaken to ensure that the rules and procedures applied comply with international standards.

(ii) Can you describe your company’s chain of responsibility for lobbying and public affairs?

Within the Safran Group, lobbying activities are placed under the responsibility of the Executive VP, International and Public Affairs, who sits on the Executive Committee, and specifically the Public Affairs director within his team. When a Group entity wishes to engage in lobbying indirectly via an external consultant, the Trade Compliance Officer (TCO) of the company concerned must be notified so that a validation application can be drawn up for the partner by the Group International and Public Affairs Department, in accordance with the International Trade Compliance Procedure.

(iii) What lobbying information do you publish (public positions, budgets allocated, etc.) in each of your global markets?

Safran complies with its obligations in France (online register made available by France’s High Authority for Transparency in Public Life, which is updated each year; French Act no. 2016-1691 of December 9, 2016 on transparency, anti-corruption and modernization of business practice), and at the European (Transparency Register managed jointly by the European Parliament and the European
Commission) and international levels (Foreign Corrupt Practices Act, UK Bribery Act, OECD Convention, the tenth principle of the United Nations Global Compact, etc.). The Group also complies with the laws and regulations applicable in each country where Safran operates.

13. In order to ensure a just transition for your company, how do you make sure employee representatives are involved in the process, both group-wide and locally? Do you intend to publish their opinion of your duty of care plan? Do you intend to publish their opinion of your non-financial statement?

Topics linked to the Group’s transition are discussed during annual consultations with the employee representative bodies on the Group’s strategy, notably as regards environmental matters linked to reducing the Group’s carbon footprint. These presentations cover technological developments towards ever greener aviation, in line with the specific work programs of each subsidiary. These consultations are held within each subsidiary, as well as at the level of the Group Committee, the European Works Council, and the trades union coordinators.

The employee representatives are not called upon to give a specific opinion on Safran’s non-financial information statement, nor on the duty of care plan. However, specific consultations with the employee representative bodies are held in each Group company on certain topics covered by the non-financial information statement relating, for example, to gender equality, gender balance within the Group, compensation levels and the actions implemented by the Group and its subsidiaries. The Group’s actions and commitments with regard to disabilities are presented to the employee representative bodies of each subsidiary.

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