



# **Safran** **Oddo 17<sup>th</sup> Sustainability** **Forum**

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**S SAFRAN**

# Disclaimer & foreword

## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements relating to Safran, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements. These statements or disclosures may discuss goals, intentions and expectations as to future trends, synergies, value accretions, plans, events, results of operations or financial condition, or state other information relating to Safran, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "plan," "could," "would," "estimate," "expect," "forecast," "guidance," "intend," "may," "possible," "potential," "predict," "project" or other similar words, phrases or expressions. Many of these risks and uncertainties relate to factors that are beyond Safran's control. Therefore, investors and shareholders should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment; the risks that the new businesses will not be integrated successfully or that the combined company will not realize estimated cost savings and synergies; Safran's ability to successfully implement and complete its plans and strategies and to meet its targets; the benefits from Safran's plans and strategies being less than anticipated; the risks described in the Universal Registration Document (URD); the full impact of the outbreak of the COVID-19 disease; the full impact of Russia-Ukraine situation.

The foregoing list of factors is not exhaustive. Forward-looking statements speak only as of the date they are made. Safran does not assume any obligation to update any public information or forward-looking statement in this document to reflect events or circumstances after the date of this document, except as may be required by applicable laws.

## USE OF NON-GAAP FINANCIAL INFORMATION

This document contains supplemental non-GAAP financial information. Readers are cautioned that these measures are unaudited and not directly reflected in the Group's financial statements as prepared under International Financial Reporting Standards and should not be considered as a substitute for GAAP financial measures. In addition, such non-GAAP financial measures may not be comparable to similarly titled information from other companies.

## ADJUSTED DATA

All revenue figures in this presentation represent adjusted data (except where noted). Safran's consolidated income statement has been adjusted for the impact of:

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programs revalued at the time of the Sagem-Snecma merger. With effect from the first half 2010 interim financial statements, the Group decided to restate:
  - the impact of purchase price allocations for business combinations, particularly amortization and depreciation charged against intangible assets and property, plant and equipment recognized or remeasured at the time of the transaction and amortized or depreciated over extended periods due to the length of the Group's business cycles and the impact of remeasuring inventories, as well as
  - gains on remeasuring any previously held equity interests in the event of step acquisitions or asset contributions to joint ventures
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy
  - all mark-to-market changes on instruments hedging future cash flows are neutralized
- The resulting changes in deferred tax have also been adjusted.

## ORGANIC GROWTH

- Organic variations were determined by excluding the effect of changes in scope of consolidation and the impact of foreign currency variations.

# Safran ID card in 2021: strong leadership positions

## Aerospace Propulsion

€7.4bn

23,865 employees

**#1 WW** through CFMI for narrowbody engines

**#1 WW** in helicopter turbine engines

**Strong positions** in European military programs: fighter and transport

**#2 WW** in Seats (BFE\*\*) with strong presence on business/high end

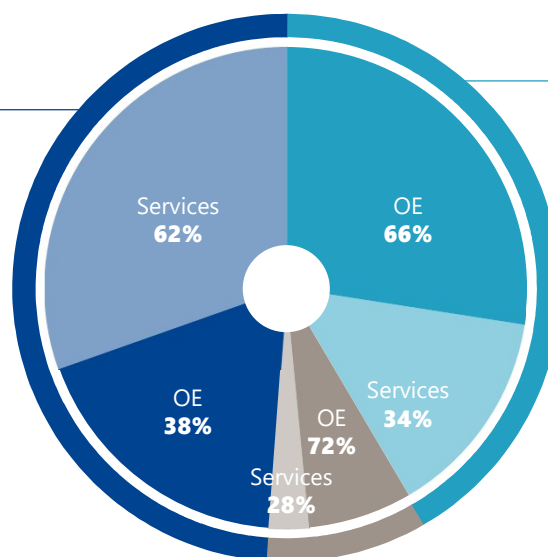
**#1 WW** in cabin interiors (mainly SFE\*\*\*)

## Aircraft Interiors

€1.5bn

13,703 employees

2021 adjusted revenue (€15.3bn)  
by division



## Equipment & Defense

€6.3bn

36,847 employees

### #1 WW

- Landing gear, carbon brakes
- Electrical power distribution
- Electrical wiring
- Evacuation slides

### #2 WW

- Oxygen systems
- Engine nacelles & gearbox

### #1 Europe

- Navigation & Optronics

■ ■ ■ Original Equipment ■ ■ ■ Services

Source Safran

\* including retrofit activities \*\*BFE: buyer-furnished equipment \*\*\*SFE: supplier-furnished equipment

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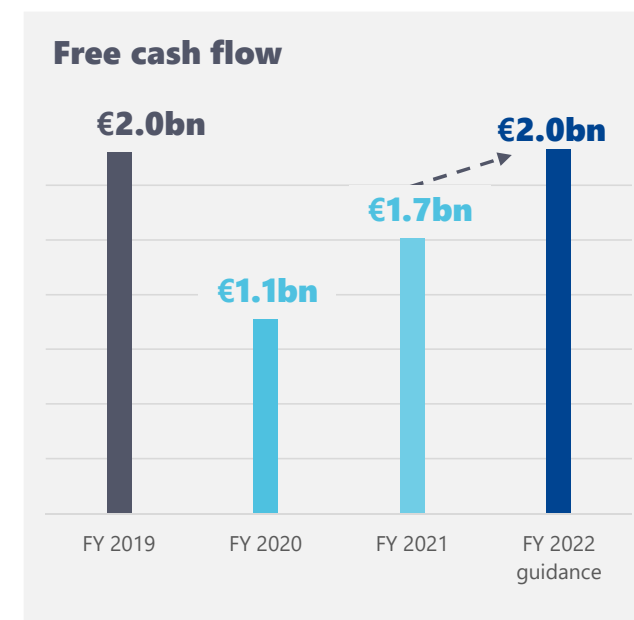
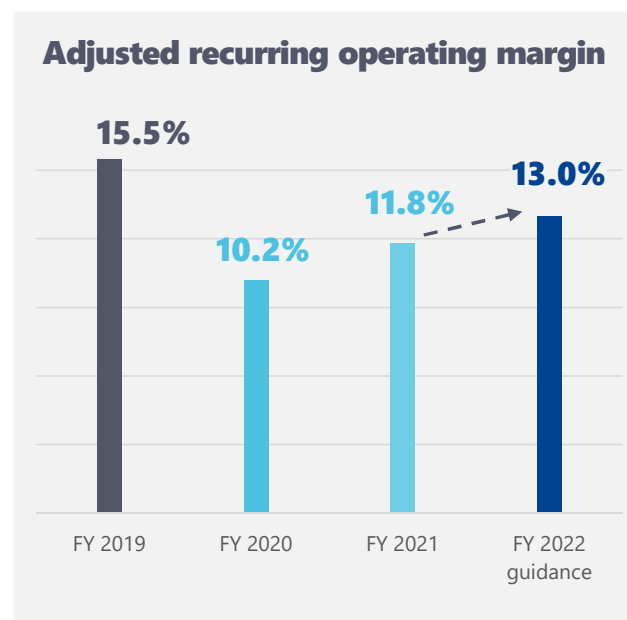
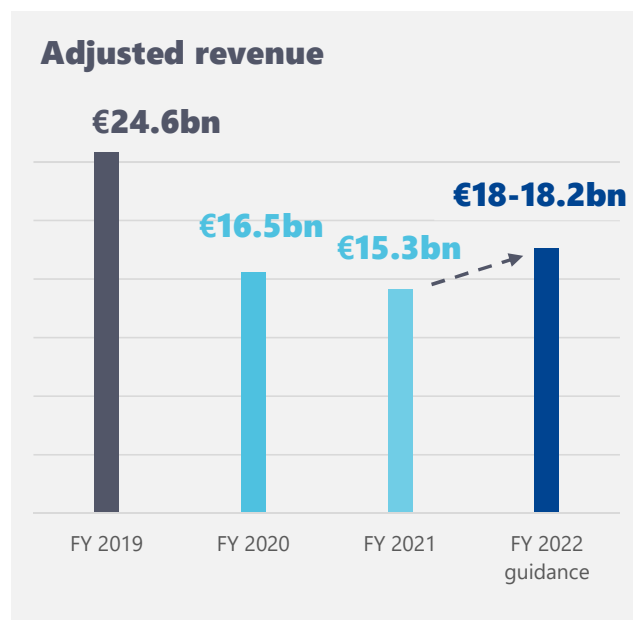
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**SAFRAN**

# Safran Business Model



# Robust business model performing throughout crisis



## CONTROL OVER COST BASE AND CASH OUTFLOWS



2020-2021: operating margin maintained **above 10%** and free cash flow at **€1+bn/year** throughout the crisis

# Mid-term ambitions

## BUSINESS MODEL DRIVING PERFORMANCE OVER 2021-25

- **Revenue**

10+ % CAGR (at a €/ \$ spot rate of 1.20), including civil aftermarket revenue growing c. 15% CAGR

- **Recurring operating margin**

5+pts margin expansion → **16-18%** (at a €/ \$ hedge rate of 1.16)

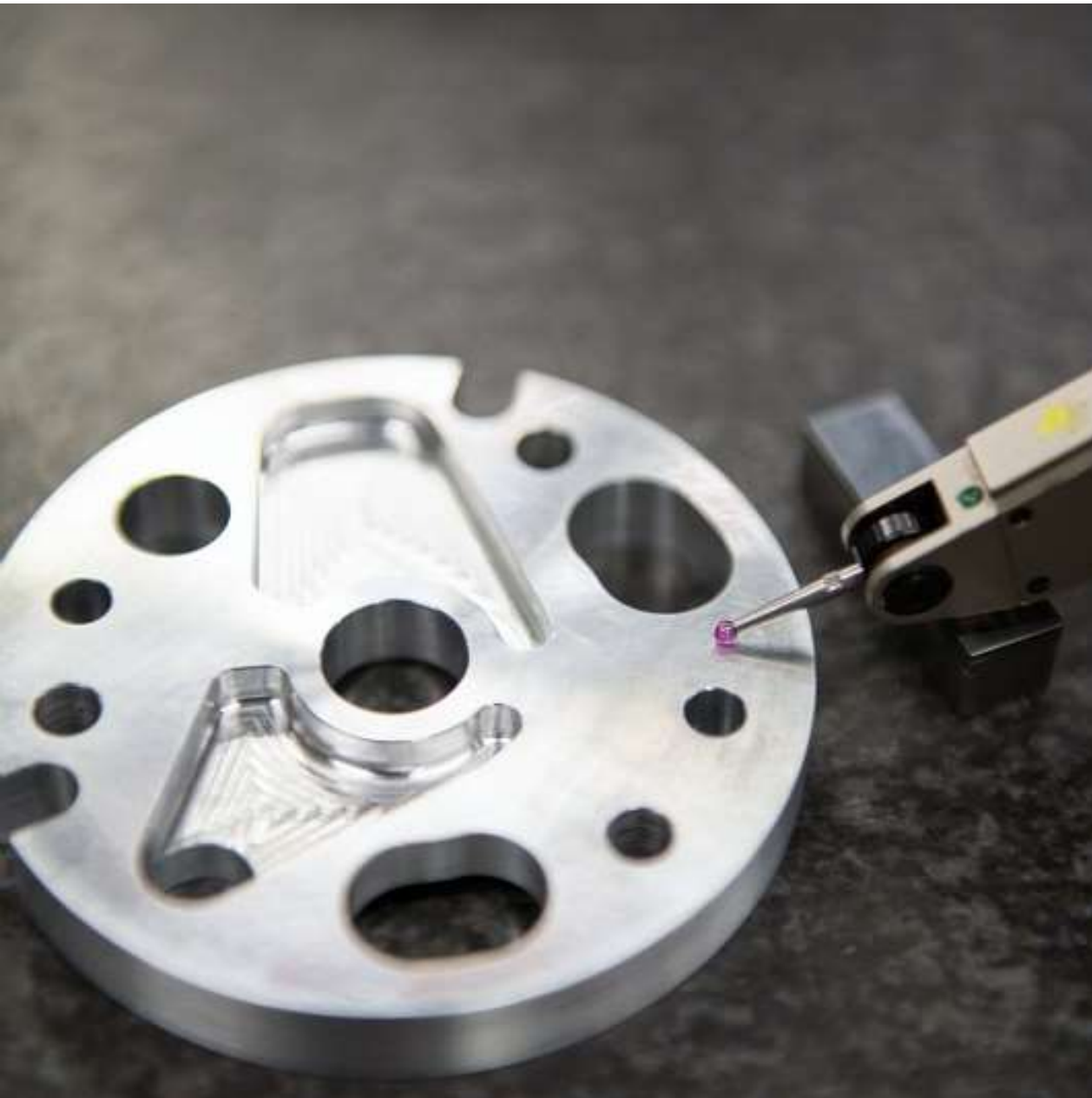
- **Free cash flow**

70% EBIT conversion ratio on average

# A clear ambition for the benefit of our stakeholders

- Deliver earnings and cash growth trajectory towards 2025
  - Execute new ramp-up in LEAP OE deliveries and ensure smooth aftermarket transition from CFM56 to LEAP
  - Leverage our strengths in Equipment & Defense to grow organically and expand further our portfolio
  - Provide unequalled passenger experience
- Be at the forefront of air transport decarbonization





## 02.

# GOVERNANCE

# A dedicated ESG governance to embark all employees



# A Board of Directors incorporating best governance standards

## CORPORATE GOVERNANCE RESPECTFUL AND IN COMPLIANCE WITH FRENCH LAWS & CORPORATE GOVERNANCE CODE (AFEP-MEDEF CGC)

- Separation of the roles of **Chairman** of the Board of Directors and **CEO** (since 2015)
- **Lead Independent Director** (since 2018, good practice, not mandatory)
- **Dedicated governance to address climate issues** (adopted in 2021)
  - A "Director responsible for monitoring climate issues" (independent Chairman of the Innovation, Technology & Climate Committee-ITCC)
  - ITCC responsible for reviewing, examining and issuing recommendations relating to Executive Management's climate action plan
- **Non-executive sessions** (scheduled at the end of each Board meeting as of 2021)
- **Assessment** of Board operating procedures and individual contribution of each Director
- Detailed and published **Internal Rules** with information on prior authorization process

### **Board composition** *(post-2022 AGM)*

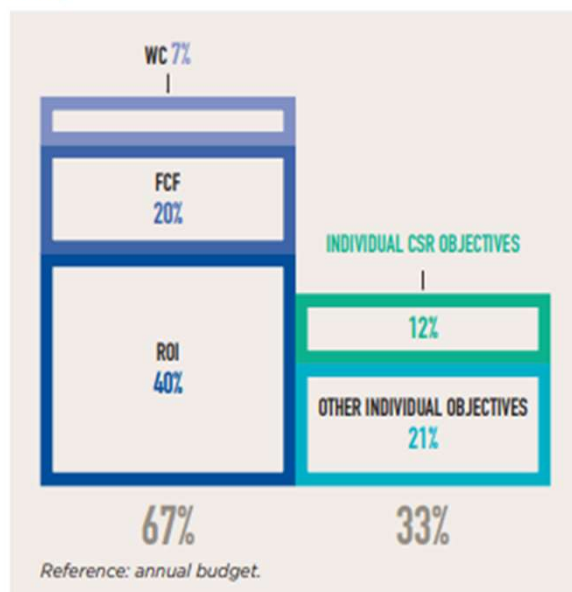
- **69.23% of independent Directors<sup>1</sup>**
- **46.15% of women<sup>1</sup>**
- **17 members to ensure a balanced composition:**
  - International experience
  - Expertise & complementary skills
  - Appropriate shareholder representation

*1: without taking into account 2 Directors representing employee shareholders and 2 Directors representing employees as provided by law or the CGC*

# ESG driving CEO compensation

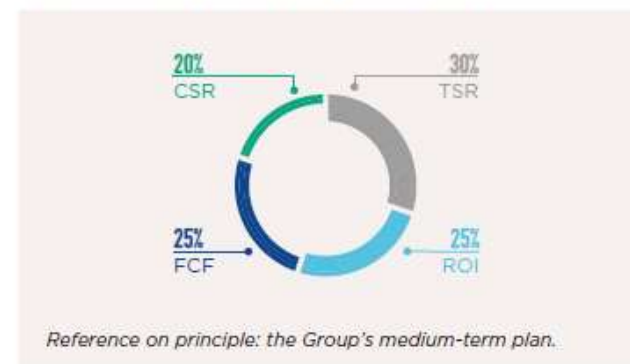
## 2022 CEO's annual variable compensation

Objectives in the Chief Executive Officer's variable compensation<sup>(1)</sup>  
(2022)



## 2022 Long Term Incentive plan

Chief Executive Officer's LTI performance criteria<sup>(1)</sup>



- Non-financial performance conditions is now included in the LTI for all beneficiaries, including the CEO

(1) ROI: recurring operating income, FCF: free cash flow, WC: working capital, TSR: Total Shareholder Return corresponds to dividends plus the change in the share price, CSR: non-financial criteria – corporate social responsibility.



**03.**

## **ESG STRATEGY**

## ESG strategy...

### ... contributing to Safran purpose

"Thanks to the commitment of our employees, proven innovation and operational excellence, Safran designs, builds and supports high-tech solutions to contribute to a safer, more sustainable world, where air transport is more environmentally friendly, comfortable and accessible. We also apply our skills to develop solutions that meet strategic needs, such as defense and access to space."

# Safran's ESG strategy



1

## DECARBONIZE AERONAUTICS

Be recognized as a leader in the decarbonization of the aviation sector



1. Make carbon neutral aircraft the R&T priority



2. Reduce CO<sub>2</sub> emissions throughout our value chain



3. Involve employees in the reduction of their carbon footprint



2

## BE AN EXEMPLARY EMPLOYER

Be considered as an employer of choice by our employees and the talents of the sector



4. Accelerate training in the skills and professions of tomorrow



5. Ensure health and safety of employees, improve the quality of life at work and maintain a thriving social dialogue



6. Encourage equal opportunities and promote diversity



3

## EMBODY RESPONSIBLE INDUSTRY

Be the benchmark in our production methods and throughout our value chain



7. Uphold the highest standards of ethics



8. Strengthen responsible supply chain management and support suppliers



9. Respect the environment and natural resources



4

## AFFIRM OUR COMMITMENT TO CITIZENSHIP

Get involved with our local communities and contribute to their development



10. Be at the forefront of innovation to protect citizens



11. Develop partnerships for training and research



12. Enhance professional and social integration

■ **4 pillars and 12 commitments**

■ **Aligned with 13 of the 17 UN's Sustainable Development Goals**

■ **15 key objectives for 2025<sup>1</sup> to track progress annually for each pillar**

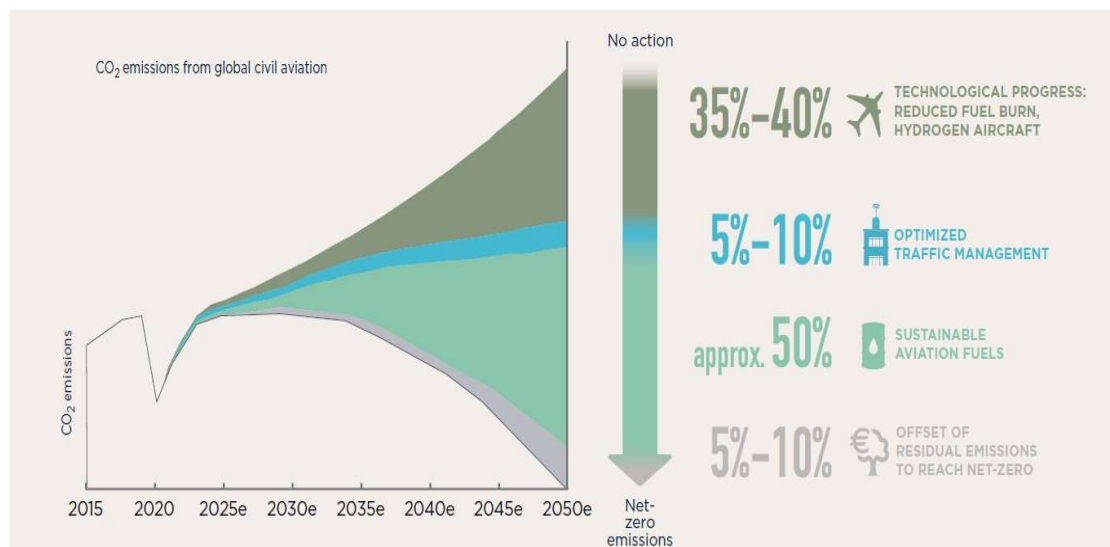
1: Except for the objective of reducing Scope 1 and 2 greenhouse gas emissions by 50%, which is set for 2030, and the objective related to Scope 3 product use emissions, which is set for 2035.

# Pillar 1: Decarbonize aeronautics

## Safran is committed to contribute to net-zero emissions by 2050

- In October 2021, Safran joined the Air Transport Action Group (ATAG) in committing to a goal of net-zero carbon emissions by 2050 for the aviation industry
- Safran supports the Declaration of Toulouse calling for the adoption of such a target by the International Civil Aviation Organization (ICAO)

### SAFRAN'S VISION TO ACHIEVE NET-ZERO BY 2050



# Pillar 1: ambitious objectives

2018 greenhouse gas emissions (reference year), in kt CO <sub>2</sub> eq. <sup>(1)</sup>		Objectives
Scopes 1 & 2*	approx. 550	<b>30% reduction by 2025 and 50% reduction by 2030 vs. 2018</b> , in line with a 1.5°C scenario
Scope 3** Use of products sold	approx. 120,000	<b>42.5%</b> reduction in Scope 3 emissions from product use per passenger kilometer <b>by 2035 vs. 2018***</b> , i.e., an average of 2.5% per year  75% of R&T focused on the environmental performance of products
Scope 3** Purchases of goods and services	approx. 5,000	Mobilize our <b>400</b> main suppliers on meeting the commitments under the Paris Agreement (emissions trajectory compatible with keeping global warming below 2°C, or even 1.5°C)
Scope 3** Business travel and employee commuting	approx. 200	<b>50% reduction by 2030 vs. 2018</b> , in line with a 1.5°C scenario

\* Direct (Scope 1) and indirect (Scope 2) emissions related to energy consumption from Safran's operations.

\*\* Indirect emissions.

\*\*\* Scope 3 emissions (product use): 7.8 g CO<sub>2</sub>/passenger kilometer in 2018.

<sup>(1)</sup> Audited data. See sections 5.3.3.2, 5.3.3.3 and 5.3.3.4 of the Universal Registration Document.

<sup>(2)</sup> Science-Based Targets initiative

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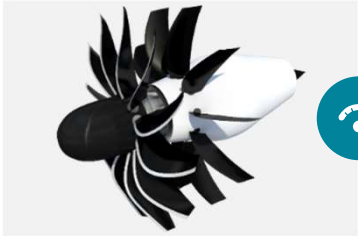
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■ Safran intends to lead the way towards decarbonization of the aviation sector, through a climate strategy with two focuses:

- reducing emissions from its operations
- reducing emissions from the use of its products, its essential mission

■ **The Group initiated the certification process with SBTi<sup>(2)</sup> for these objectives**

# Pillar 1: Reduction in CO<sub>2</sub> emissions from products (Scope 3)



1. Deliver technologies for an ultra-efficient NB aircraft with (30)% fuel burn by 2035



- › RISE program: disruptive technologies for future narrowbody engine providing 20% fuel burn savings
- › Lightweight materials



2. Enable the transition to low-carbon fuels



- › Push the certification from 50% towards 100% SAF blend
- › Prepare hydrogen solutions



3. Unlock the potential of electric/hybrid propulsion



- › More electric aircraft
- › Mature hybrid and electric propulsion technologies (new air mobility, helicopters, commuters and regional)

**75% of R&T investment focused on environmental efficiency**

# Pillar 1: Reduction in CO<sub>2</sub> emissions from operations (Scopes 1&2)



- Action plan to reach 2025/2030 objectives aligned with a 1.5 °C scenario

## STRATEGY

## 2021 AND 2022 ACTIONS

## 2021 RESULTS

### Drive the change



- › Internal carbon price
- › Low-carbon targets in CEO and management objectives and Long Term Incentive Plan
- › Action plan embedded into mid-term financial trajectory

-29% CO<sub>2</sub> emissions (Scopes 1&2) vs. 2018

### Use less energy



- › New energy performance standards for new buildings (example: Additive Manufacturing Campus in Le Haillan)
- › Heat recovery in Gennevilliers foundry, relamping projects in multiple sites
- › Implementation of a Group-wide energy management system

-19% energy consumption vs. 2018

### Better sourcing



- › Sustainable Aviation Fuel used for engine testing: 10 % since Oct. 2021, >35 % in 2025
- › Several contracts signed or on-going for on-site production or renewable energy purchase

10.5% renewable energy in 2021

***Ambitious objectives in a ramp-up context***

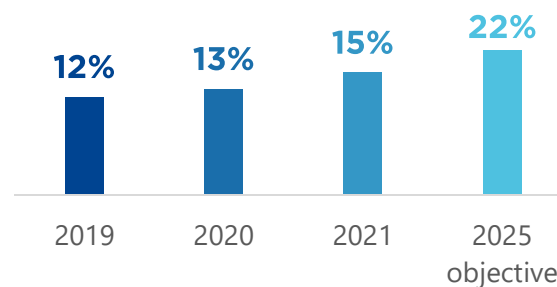
# Pillar 2: be an exemplary employer

## ATTRACT AND RETAIN TALENTS

- An attractive Group: **3<sup>rd</sup>** in **Forbes** latest ranking in A&D sector
- 76 765 employees, including **8 039 recruitments** in 2021
- Preparing employees for tomorrow's jobs
  - **82 %** attendance at one or more training sessions in 2021
  - Hours of **training** per employee per year: **21 in 2021, 2025 objective: 26**

## DIVERSITY AND INCLUSION

- Women in senior management



- Gender equality index<sup>1</sup>: **90/100** in 2022

## HEALTH AND SAFETY

- Frequency of lost-time work-related accidents (number of accidents per million hours worked):  
**2.1 in 2021, 2025 objective: 2.0**
- Employees worldwide benefiting from health cover:  
**79% in 2021, 2025 objective: 100%**

1: French legal index relating to pay gap between men and women (scope: French employees)



3

EMBODY RESPONSIBLE INDUSTRY

## Pillar 3: embody responsible industry



### AVIATION SAFETY: AN ABSOLUTE PRIORITY

#### AVIATION SAFETY POLICY

signed in 2021 rolled out through all Group companies

#### AVIATION SAFETY CULTURE

widely disseminated throughout all levels of all Group companies



### RESPONSIBLE RELATIONSHIP WITH SUPPLIERS

#### RAMP-UP

Supply chain capacity to ramp-up is a watch item

#### RESPONSIBLE PURCHASING

Purchases made from suppliers that have signed Safran's responsible purchasing guidelines:

**32% in 2021, 2025 objective: 80%**



### CORRUPTION: ZERO TOLERANCE

#### ROBUST TRADE COMPLIANCE PROGRAM

Tone at the top, dedicated organization (250 correspondents) with appropriate procedures, risk mapping, whistleblowing system

#### 2025 OBJECTIVE

Senior managers and exposed and affected people trained in anti-corruption:

**89% in 2021, 2025 objective: 100%**



4

AFFIRM OUR COMMITMENT  
TO CITIZENSHIP

## Pillar 4: contribute to a safer world

### Stability is key to sustainability

#### Sovereignty, an integral element of Safran's business model



- › **c. €4bn** (2021 adjusted revenue in defense activities)
  - Propulsion:
    - Engines (M88, TP400, M53): 20% of Propulsion adjusted revenues in 2021
    - Helicopter turbines: notably RTM322 and APUs
  - Equipment:
    - Wiring, landing gears, aerosystems
    - Defense activities (sights, optronics, guidance systems)
- › Spearhead **innovation** on protection for citizens

#### Safran is a responsible player in a highly regulated defense industry







- › Regulations / export control: **strict compliance**
- › **Controversial weapons: no**

#### Safran contributes to French nuclear deterrence which allows peace, security and independence of France and Europe



- › French nuclear deterrence: **indirect through ArianeGroup** (JV 50/50)
- › **Nuclear warheads: no**

# Non-financial ratings: a recognized ESG performance

	Safran	Peer comparison
	<b>BBB</b>	<b>Above the average</b> of 31 companies in the A&D sector <i>August 2021</i>
	<b>22.9</b> Medium Risk	<b>2<sup>nd</sup></b> out of 91 companies in the A&D sector <i>November 2021</i>
	<b>62/100</b> Advanced level	<b>1<sup>st</sup></b> out of 47 companies in the A&D sector <i>Avril 2021</i>
	<b>B</b>	<b>Among the average</b> across the 63 companies in the transport OEM sector <i>December 2021</i>

## ESG at the heart of Safran's strategy

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- **Decarbonization: from a long time technical effort to a structural step change to meet net zero aviation by 2050**
- **Stability: best of Safran's technology to serve France's sovereign choice of defense**
- **Diversity: legacy starting point and strong commitment to accelerate**



# APPENDIX

# CO<sub>2</sub> emissions disclosure (2021)

Emissions related to product use = c. 95 %

Emissions excl. product use = c. 5.5%

