

## COMPENSATION AND BENEFITS APPLICABLE TO SAFRAN'S CORPORATE OFFICERS (2017-2018)

**Acting on the recommendation of the Appointments and Compensation Committee, on February 26, 2018 the Board of Directors reviewed and set certain components of the compensation packages and compensation policies applicable to the Chairman, Ross McInnes, and the Chief Executive Officer, Philippe Petitcolin.**

As part of its decision process the Board took into consideration its corporate officers' high degree of commitment and the additional tasks and responsibilities assigned to them for achieving the goals of integrating Zodiac Aerospace and leveraging the related synergies, bearing in mind that this business combination will create a new global leader in the aerospace industry and marks the start of a new phase in the Group's history, as well as continuing to rise to the industrial and commercial challenges stemming from the successful ramp-up of the LEAP engine.

In view of this overall context, the Board of Directors also took the decision to re-appoint Philippe Petitcolin as Chief Executive Officer for a term expiring at the close of the Annual General Meeting to be held in 2020 to approve the financial statements for the year ending December 31, 2019.

The compensation policies applicable to the Chairman and the Chief Executive Officer (as approved by the Company's shareholders at the June 15, 2017 Annual General Meeting), which describe the principles and rules for determining the compensation and benefits of Safran's corporate officers, are set out in Chapter 6, Section 6.6.1 of the 2016 Registration Document available on Safran's website at <http://www.safran-group.com/ddr2016/en/index.html>

### 1. Annual variable compensation set for the Chief Executive Officer for 2017

The Board of Directors has set the variable compensation for the Chief Executive Officer, Philippe Petitcolin, at €777,500 for 2017. This amount reflects:

- An overall actual achievement rate of 110 % 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): 104 % achievement;
  - free cash flow (30% weighting): 125 % achievement;
  - working capital, calculated by reference to :
    - operating assets (Inventories) (5% weighting): 99 % achievement, and
    - unpaid receivables (5% weighting): 100 % achievement.
- An overall actual achievement rate of 113 % for the portion related to individual quantitative and qualitative performance objectives (accounting for one-third of the Chief Executive Officer's variable compensation). As mentioned in Section 6.6.2.2 of the 2016 Registration Document, these objectives were related to:
  - the Group's main industrial programs:
    - the LEAP program (quantitative objective), and
    - the Silvercrest program (quantitative objective);
  - R&T goals, including CSR aspects (qualitative objective); and
  - strategic goals (qualitative objective), for which the Board notably took into account the successful divestment of the Identity & Security business carried out as part of the Group's strategic move to refocus on its core businesses of aerospace and defense.

Payment of the Chief Executive Officer's annual variable compensation for 2017 is subject to shareholders' approval at the 2018 Annual General Meeting.

## 2. Changes in the compensation policies for the Chairman and the Chief Executive Officer compared with the policies approved at the Annual General Meeting of June 15, 2017

These changes are described in the compensation policies for the Chairman and the Chief Executive Officer which will be submitted to the shareholders' vote at the Annual General Meeting of May 25, 2018.

- Changes concerning the Chairman's compensation policy

**Attendance fees:** The Chairman is no longer entitled to be allocated or receive attendance fees. He is not therefore awarded attendance fees – irrespective of whether the role of Chairman is separate from that of Chief Executive Officer – nor is he included in the allocation of such fees as carried out in accordance with the rules set by the Board of Directors and described in the Board's Internal Rules (which have been amended accordingly).

This change was decided concomitantly with the change in the Chairman's fixed compensation, as presented below.

- Changes concerning the Chief Executive Officer's compensation policy

**Annual variable compensation:** The Chief Executive Officer's target variable compensation, i.e., the amount payable if the actual achievement rate is 100% for all of the financial and individual performance objectives, now corresponds to **100%** of his annual fixed compensation (versus 117% previously, as set out in the compensation policy approved by the shareholders at the 2017 Annual General Meeting).

If the Chief Executive Officer outperforms his objectives, his maximum variable compensation, i.e., the capped amount payable if the achievement rate is 130% for all of the financial and individual objectives, is now **150%** of his annual fixed compensation (versus 152% previously, as set out in the compensation policy approved by the shareholders at the 2017 Annual General Meeting).

**Long-term incentive plan (performance share grants) – cap:** The number of performance shares granted to the Chief Executive Officer may not represent more than the equivalent of **120% of his annual fixed compensation** (versus 140% previously, as set out in the compensation policy approved by the shareholders at the 2017 Annual General Meeting), based on the accounting value, in accordance with IFRS 2, estimated prior to the grant.

**Attendance fees:** To the extent that he is a director, the Chief Executive Officer is no longer entitled to be allocated or receive attendance fees. He is not therefore awarded attendance fees nor is he included in the allocation of such fees as carried out in accordance with the rules set by the Board of Directors and described in the Board's Internal Rules (which have been amended accordingly).

These changes were decided concomitantly with the changes made to the Chief Executive Officer's fixed compensation, as presented below.

## 3. Compensation components for 2018

### Fixed compensation set for the Chairman and the Chief Executive Officer for 2018:

The annual fixed compensation set for 2018 for the Chairman, Ross McInnes, has been increased to €450,000 (from €350,000 in 2017), which is the first increase since he became Chairman in 2015 and occurs concomitantly with the decision to rescind the entitlement of the Chairman to be allocated or receive attendance fees with effect from 2018 (for information, the gross amount of attendance fees received by the Chairman for 2017 amounted to €73,513).

The annual fixed compensation set for 2018 for the Chief Executive Officer, Philippe Petitcolin, has been increased to €800,000 (from €600,000 in 2017), which is the first increase since he became Chief Executive Officer in 2015 and comes at the same time as his reappointment.

In reaching its decisions, the Board of Directors first and foremost took into account the context and challenges presented in the introductory section of this document. The Board also drew on a peer group analysis of the competitiveness of their compensation package compared with that of corporate officers in comparable companies. The findings revealed that the compensation amounts for the corporate officers of Safran were significantly lower than the mid-range results of the peer group analysis.

#### Annual variable compensation set for the Chief Executive Officer for 2018:

The Chief Executive Officer's variable compensation for 2018 will be set based on the terms and conditions of the compensation policy applicable at the time and 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 2018 are 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);
  - corporate social responsibility's (CSR) continuous measures and priority action plans: carbon footprint management system, improvement in the frequency rate of occupational accidents, safer road-driving programs (quantitative and qualitative objectives).

No specific individual objectives have been included for the LEAP program as the goals of this program and its ramp-up are incorporated *de facto* into the quantitative financial performance objectives which account for two-thirds of the Chief Executive Officer's variable compensation (with recurring operating income representing 60% of this two-thirds portion).

These objectives cannot be disclosed in further details for reasons of strategic and competitive sensitivity.

#### 4. Amendments to the "Article 83" defined contribution supplementary pension plans

The Chairman and the Chief Executive Officer are both members of the Group's general supplementary pension plan system. In late 2017, two of the plans within this system were amended. These correspond to the two "Article 83" defined contribution supplementary pension plans which, following a collective bargaining process with the relevant trade unions, were amended in order to harmonize Group-wide this major element of the compensation packages of French managerial staff.

The amendments concern the various contribution rates (based on the applicable ranges of compensation) provided for in both plans. They do not increase the amount of the benefit (overall, the contribution rates paid under the two plans remain at 8%), and will even result in lower contributions and charges payable by Safran for the Chairman and the Chief Executive Officer and a slight decrease in the amount of their respective post-employment benefits.

Although the amendments do not alter the substance of the related benefit obligations, the Board's decision to open up the two amended "Article 83" plans to the Chairman and the Chief Executive Officer will be submitted to the shareholders' vote at the May 25, 2018 Annual General Meeting as part of the "related-party commitments" procedure.

The Chairman and the Chief Executive Officer were already members of the previous "Article 83" plans, bearing in mind that Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff in order that when in-house executives are promoted to corporate officer positions they do not lose their existing benefit entitlements that they have accrued over time.

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At the Annual General Meeting of May 25, 2018 the Board of Directors will submit to the shareholders' vote notably the amended compensation policies for Safran's corporate officers, the corporate officers' compensation components for 2017 (notably the payment of the Chief Executive Officer's variable compensation for 2017), and the commitments that enable the corporate officers to be members of the amended "Article 83" defined contribution supplementary pension plans.

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 Document.