

## IDENTIFIED RISK FACTORS

The following section presents the major risks identified as of the date the Registration Document was filed.

Other risks not yet identified, or not currently considered material for the Group, could have a negative impact on Safran's activities, financial position or results.

### **Risks relating to Group business sectors**

- Changes in economic conditions
- Impact of the aviation cycle
- Uncertainty regarding returns on investments
- Changes in military orders
- Competition
- Program delays and development
- Political uncertainties
- Aircraft accidents
- Defective products (excluding aviation)

### **Technological risks**

### **Partnership and supplier risks**

### **Commodity risks**

### **Acquisition and restructuring risks**

### **Human resources risks**

### **Market and derivative risks**

### **Legal risks**

### **Environmental risks**

### **Data confidentiality risks**

## GENERAL RISK MANAGEMENT POLICY

Safran adopts a "Comprehensive Risk Management" approach which has been validated by the Group Risk Committee composed of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers. Its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;
- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk Department.

## INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

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## 4.1

# IDENTIFIED RISK FACTORS

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## 4.1.1 RISKS RELATING TO GROUP BUSINESS SECTORS

The risks relating to Group business sectors arise from a series of complex, interdependent factors which could impact Group results in the medium term.

### CHANGES IN ECONOMIC CONDITIONS

The macroeconomic and aeronautical program assumptions determined by the Group take into consideration the economic conditions observed as of the date of the Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

The scenarios built on these assumptions are derived from action plans supervised by Executive Management, functional departments and the Group Risk Committee.

A difficult economic climate would have a negative impact on the level of Group business. Changes in global economic performance have a direct impact on passenger demand for air transport, which in turn determines market demand for commercial aircraft intended for passenger transport. Manufacturers may adjust their output rates in line with changes in demand for aircraft by airline companies, which would have a direct impact on the OEM business of aircraft equipment and engine suppliers such as Safran. The decrease in air traffic as a result of the decline in the economic environment could also impact the volume of Group services, including maintenance and repair activities and spare part sales.

Should the economic climate deteriorate, the assumptions and action plans would be adjusted accordingly in line with a defined process. In order to deal with this risk, specific steering committees have been set up covering customers, suppliers and the market. They meet regularly and constantly reassess the action plans in light of the prevailing economic climate.

### IMPACT OF THE AVIATION CYCLE

Aircraft orders tend to be cyclical in nature and linked to passenger traffic, which is itself affected by changes in the economic climate, as well as the rate of ageing and renewal of aircraft fleets and the investment decisions and financial capacity of airline companies. Safran believes that these cycles could impact business levels and therefore its future revenue and results.

Exceptional events such as terrorism, pandemics, aviation disasters and adverse weather conditions could cause a sharp temporary drop in air traffic and hence impact the civil aircraft engine and equipment market.

In 2012, over 60% of adjusted consolidated revenue was generated by civil aviation activities. Safran has a large fleet of engines in service, including more than 24,000 CFM56 engines which have equipped most of the single-aisle aircraft with over 100 seats delivered to airline companies for more than 30 years. The increase in the age of the fleet enables the Group to generate service revenue amounting to 40.6% of Aerospace revenue.

The Safran+ plan and Group strategy (see sections 1.10 and 1.2, respectively) are used to diversify the portfolio of businesses with a view to limiting the impacts of risks related to the aviation cycle.

### UNCERTAINTY REGARDING RETURNS ON INVESTMENTS

Safran's Aerospace businesses require considerable investment, in particular in research and development and contributions to aircraft manufacturers' costs. These investments only produce returns in the long term. The market and profitability assumptions determined by the Group may not prove accurate, and the products for which the investments are made may not enjoy sufficient commercial success to ensure a return on the initial investment. Capitalized R&D assets (excluding goodwill and programs) recognized in the balance sheet at December 31, 2012 total approximately €1.6 billion after amortization.

Investment decisions are coordinated at Group level, based on clear guidelines and numerous evaluation criteria. The Safran Innovation Department (see section 1.5) oversees the phase between technological demonstrations and marketing. The Group also leverages the scientific and technical expertise provided by its partners (see section 1.5.2) and enters into partnership arrangements to develop certain programs (see section 1.3.1). All of these actions help to mitigate the risks related to the Group's investments.

## CHANGES IN MILITARY ORDERS

Government spending, especially on defence budgets, is determined according to the geopolitical environment and budgetary constraints. An adverse change in economic and political conditions could result in a change in priorities for government spending.

Military spending cuts and/or delays in certain programs could impact Safran's business.

In 2012, approximately 20% of adjusted consolidated revenue was derived from military activities, of which more than 50% is exported.

The diversity of Safran's customer base in the Defence business both in France and in emerging countries helps contain this risk.

## COMPETITION

Safran faces intense competition in all markets where it operates, both from international players and specialized competitors in certain markets. This competitive pressure could impact the Group's positions in its business sectors. To manage this risk, Safran seeks to maintain and sharpen its technological edge at all times, thanks to sustained R&D spending with a particular focus on markets where the product development cycle is unusually long.

The Group continues to deploy its strategy (see section 1.2) with a view to diversifying the portfolio of businesses and R&D investments (see section 1.5) as well as developing partnership arrangements for certain programs (see section 1.3.1).

In December 2009, Safran became a partner of COMAC (Commercial Aircraft Corporation of China) for its C919 aircraft and particularly for the LEAP-1C engine and related nacelle. COMAC expects the C919 to be brought into service in 2016.

On December 1, 2010, Airbus selected the new-generation CFM engine, the LEAP-1A, as a new option for the A320neo. This partnership should begin production in 2016.

In June 2011, a memorandum of understanding was signed with Honeywell to create a joint venture delivering an innovative new electric green taxiing system for aircraft. The aim is to fit both in-service and new aircraft with this system as from 2016.

In August 2011, Boeing chose the LEAP-1B as the sole engine for its new 737 MAX aircraft and this partnership should begin production in 2017.

In October 2012, Safran announced that it had entered into a definitive agreement with Goodrich Corporation, a subsidiary of United Technologies, to acquire Goodrich's electrical power systems activities (Goodrich Electric Power Systems – GEPS), a leading supplier of on-board aerospace electric power systems.

## PROGRAM DELAYS AND DEVELOPMENT

Aircraft manufacturers may encounter difficulties in meeting their program schedules. Delays in production schedules for new aircraft may lead to the postponement of Safran equipment deliveries and impact the Group's Aerospace revenue. In certain cases, this may cause Safran to incur penalties, notably where the Group accepts responsibility for the delays. Delays can also distort cash collection forecasts, therefore impacting cash flows and even profitability at Group level. In this event, the Group writes down the value of the assets corresponding to the delayed programs. Safran supplies Airbus with equipment for the A350, A380 and A400M aircraft, and it supplies Boeing with equipment for the B787.

Safran continued to deploy the PROMPT program (see section 1.9) designed to provide project teams with a framework as well as methods and applications for enhancing program management processes. PROMPT is based on five "golden rules": keeping the Program Management Plan (PMP) up to date, meeting expectations (of all stakeholders), planning and meeting technical objectives, steering performance and managing risks.

## POLITICAL UNCERTAINTIES

Certain aerospace, defence and security contracts are closed to foreign competition or are awarded based on national security and independence considerations. These may limit access to certain markets. If these restrictions continue to prevail in the future, Safran may not be able to penetrate some of these markets, which would reduce the Group's revenue and profit growth potential.

The development of Safran's activities and sites worldwide sometimes exposes the Group to political risks specific to certain countries. These may impact its activities and results.

## AIRCRAFT ACCIDENTS

Safran products are integrated in high-tech equipment with a high unit price, especially civil and military aircraft, satellites and helicopters. Safran may be held liable for the loss or accident of an aircraft, the death of passengers, or the loss of operating capability by an airline or helicopter operator.

In order to limit the impact of such risks, Safran focuses on factoring quality into all of its processes (see section 1.9) and on developing best project management practices. The Group has also taken out insurance policies to provide an appropriate level of cover (see section 4.3).

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#### DEFECTIVE PRODUCTS (EXCLUDING AVIATION)

The Group applies stringent quality and safety standards in the design and manufacture of its products and services. Nonetheless, certain products may not meet the expected level of performance or may prove defective.

This could generate additional costs (product recalls, upgrade campaigns or retrofits) resulting in lost revenue for Safran, or could adversely affect its commercial position.

In order to limit the impact of this risk, Safran has deployed a range of quality-centric initiatives (see section 1.9).

### 4.1.2 TECHNOLOGICAL RISKS

Aerospace, defence and security markets typically undergo far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their innovative and technological superiority. The Group is exposed to the risk of competitors developing products that offer a better technical performance, are more competitive or are marketed earlier than those developed by the Group. This could affect Safran's activities or financial position.

The actions taken by the Group to limit the impact of this risk are outlined in section 1.5, "Research and development". The Group also leverages the scientific and technical expertise provided by its partners (see section 1.5.2).

### 4.1.3 PARTNERSHIP AND SUPPLIER RISKS

Generally speaking, Safran works in cooperation with partners and suppliers in the majority of its businesses. Events likely to affect these partnerships could have an impact on Safran's business activities.

Supplier difficulties or defaults prompted by the global economic crisis could impact the worldwide supply chain, resulting in additional costs or production delays that would affect the Safran Group.

In order to contain such risks, Safran has designed a purchasing strategy (see section 1.8) and pooling facility in a common services center responsible for all purchasing processes (excluding production) in line with the Group's objectives of excellence, competitiveness and sustainable development.

Production will have to increase over the next few years based on the structure of the current backlog and Safran's ability to ramp up its future production will depend on both internal and external factors. Problems related to any one of these factors could trigger production delays or cost overruns for a given program.

A substantial proportion of Safran's revenue - particularly in the aviation sector - depends on certain key products developed and produced in cooperation with General Electric. Safran estimates that these programs (CFM and high thrust engines) account for between 25% and 30% of its consolidated revenue.

In July 2008, GE and Safran signed an agreement to extend their civil aerospace propulsion partnership until 2040. They also entered into an agreement for the development, production and support of engine nacelles for future short- and medium-haul aircraft.

Safran is also involved in a number of partnerships (Powerjet, 50/50 owned by Snecma and NPO Saturn [Russia]; Turbomeca and Rolls-Royce [UK], AVIC [China] and Honeywell [US]). If these programs were suspended or if Safran's partners ceased to fulfill their role in the development or marketing of the products in question, the Group's Aerospace business revenue could be affected.

The Group's other partnerships have no material impact.

### 4.1.4 COMMODITY RISKS

The Group is exposed to commodity risks, notably in respect of titanium, nickel alloys, composite fibers, ammonium perchlorate and oil. The Group manages commodity risks by negotiating medium-term procurement contracts with suppliers, building up its inventories or hedging exposure to changes in the price of certain listed commodities.

Hedges contracted by the Group are analyzed in section 4.1.7, "Commodity risk management".

## 4.1.5 ACQUISITION AND RESTRUCTURING RISKS

As part of its growth strategy, Safran may acquire, merge and/or set up companies. Although a stringent procedure exists for monitoring such transactions, they may have a negative impact on the Group's business, expected results or its image, should Safran fail to consolidate the operations and employees of the acquired entities, unlock the expected synergies and cost savings,

or maintain good commercial or labor relations within the acquired entities following changes in management or control.

The Morpho risk map is currently being reviewed following the acquisition of Morpho Trust in light of the specific regulatory constraints applicable to this entity.

## 4.1.6 HUMAN RESOURCES RISKS

The Group's different activities harness a wide range of employee expertise and skills across many different sectors. The Group may experience difficulties in finding the appropriate skills at the right time and in the right place that it needs to deploy its strategy and carry out its new programs effectively. In order to limit this risk, it continually strives to acquire, hold onto, redeploy and renew the skills that it will need in the future. Safran has developed partnerships

with top business and engineering schools and scientific universities to recruit employees for its core businesses and it has also worked on promoting the Safran employer brand. In addition, professional and geographical mobility programs, systems that detect high potential employees, training, monitoring and career development are all used to boost the Group's attractiveness as an employer. The Group's human resources policy is outlined in section 5.3.3.

## 4.1.7 MARKET AND DERIVATIVE RISKS

The main risks arising on the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a four-year timeframe.

### FOREIGN CURRENCY RISK MANAGEMENT

Most Aerospace Propulsion and Aircraft Equipment revenue is denominated in US dollars, which is practically the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 5 billion for 2012 (USD 4.28 billion in 2011).

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting profitability and allowing it to adapt its cost structure to an unfavorable monetary environment.

Dollar-denominated assets and liabilities exposed to fluctuations in the EUR/USD exchange rate are disclosed in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

#### HEDGING POLICY

Two basic principles underscore the foreign currency risk management policy defined by Safran for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance.

#### HEDGING MANAGEMENT

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and options.

Optimization measures are also used with a view to improving the minimum exchange rate parity and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

This strategy chiefly involves the use of forward purchases, accumulators and sales of options.

#### HEDGING PORTFOLIO

The Group's hedging strategy is described in section 3.1 (Note 27, "Management of market risks and financial derivatives").

The Group has hedged its entire USD exposure for 2013 and 2014 at 1.29 and 1.28, respectively, and has also launched portfolio optimization measures for these years designed to improve the minimum exchange rate parity.

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The Group has continued its progressive hedging strategy for its 2015 exposure. At February 20, 2013, on top of an existing portfolio of USD 3.3 billion in forward hedges at an average rate of 1.26, the Group has set up USD 1.3 billion in accumulators for 2015, enabling it to supplement its day-to-day hedging operations at an average rate of 1.23, provided that the EUR/USD exchange rate remains below 1.42 in 2013. If the EUR/USD exchange rate were to climb above 1.42, the positions contracted at 1.23 would be maintained, but the accumulators would stop working until the spot exchange rate fell back below this threshold. Conversely, if the spot exchange rate were to fall below 1.23 (accumulator rate), the Group would not benefit from the improvement in the exchange rate and would be obliged to sell the USD at 1.23 (only for these products and only for the remaining hedging balance/term).

Based on the performance of these products, and given that the level at which accumulators are no longer effective is set at 1.42, the Group aims to achieve a hedged rate of 1.26 in 2015.

In mid-2012, the Group began hedging its projected 2016 exposure. On top of an existing portfolio of USD 1.0 billion in forward hedges at an average rate of 1.33, the Group set up USD 1.7 billion in accumulators for 2016, enabling it to supplement its day-to-day hedging operations at an average rate of 1.20, provided that the EUR/USD exchange rate parity remains below 1.38 in 2013 and for a part of 2014. If the EUR/USD exchange rate were to climb above 1.38, the positions contracted at 1.20 would be maintained, but the accumulators would stop working until the spot exchange rate fell back below this threshold. Conversely, if the spot exchange rate were to fall below 1.20 (accumulator rate), the Group would not benefit from the improvement in the exchange rate and would be obliged to sell the USD at 1.20 (for these products only).

Based on the performance of these products, the Group aims to achieve a hedged rate of 1.26 in 2016 on total exposure of USD 2.7 billion.

For the record, the estimated annual exposure of approximately USD 5.2 billion depends on budgeted sales figures, and is regularly reviewed for each year covered by the foreign currency risk management policy.

A one-cent change in the EUR/USD exchange rate parity on the hedged rate has an impact of €30 million on adjusted profit from operations.

The following tables present the sensitivity of the main income statement aggregates to a 5% increase or decrease in the EUR/USD exchange rate (average and closing exchange rates). The first table shows adjusted data, the second consolidated data. The sensitivity analysis takes account of:

- the translation effect, i.e., the impact of changes in the EUR/USD exchange rate on the translation into euros of the results of entities whose functional currency is the US dollar;
- the transaction effect, i.e., the impact of changes in the EUR/USD exchange rate on USD transactions conducted by entities whose functional currency is the euro, and on the value of the EUR/USD hedging portfolio.

The sensitivity of equity to a 5% increase or decrease in the EUR/USD closing exchange rate affecting the net investment hedge of some of its US entities is presented in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

#### Adjusted data (in € millions)

	2011		2012	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.39		1.29	
Average exchange rate used for sensitivity analysis	1.32	1.46	1.22	1.35
Closing rate	1.29		1.32	
Closing exchange rate used for sensitivity analysis	1.23	1.35	1.25	1.39
Revenue	218	(197)	281	(254)
Profit (loss) from operations	6	(6)	11	(10)
Financial income (loss)	6	(5)	17	(15)
Profit (loss) before tax	12	(11)	28	(25)

#### Non-adjusted consolidated data (in € millions)

	2011		2012	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.39		1.29	
Average exchange rate used for sensitivity analysis	1.32	1.46	1.22	1.35
Closing rate	1.29		1.32	
Closing exchange rate used for sensitivity analysis	1.23	1.35	1.25	1.39
Revenue	386	(349)	480	(434)
Profit (loss) from operations	172	(155)	207	(187)
Financial income (loss)	(1,038)	801	(814)	643
Profit (loss) before tax	(866)	645	(608)	456

## INTEREST RATE RISK MANAGEMENT

The Group's exposure to fluctuations in interest rates covers two types of risk:

- price risk in respect of fixed-rate financial assets and liabilities; interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk in respect of floating-rate financial assets and liabilities; interest rate fluctuations have a direct impact on the Group's profit or loss.

Within the framework of its interest rate risk management policy, the Group arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

### EURO INTEREST RATE RISK

The interest rate payable on the €750 million bond issue, which had been converted to a floating rate using floating-rate borrower/fixed-rate lender swaps, was converted back to a fixed rate in 2011. As a result, besides the floating-rate borrower/fixed-rate lender swaps for €750 million with a residual maturity of one to three years, the Group also held fixed-rate borrower/floating-rate lender swaps for the same maturity and amount. Interest rate swaps with a residual maturity of less than one year expired in 2012. The notional amount of each leg of the swaps was €250 million.

In 2012, a fixed-rate borrower/floating-rate lender interest rate swap maturing in December 2016 was taken out for €75 million, with the aim of fixing as of January 1, 2013 the interest rate on a portion of the financing for the employee savings plan.

Exposure to euro interest rate risk is presented in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

### USD INTEREST RATE RISK

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market has also been partially converted to a floating rate. At December 31, 2012, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been maintained at a fixed rate.

These swaps are eligible for fair value hedge accounting.

Exposure to USD interest rate risk is presented in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

### SENSITIVITY

A 1% rise in interest rates would decrease the cost of debt by €1 million (versus a neutral impact in 2011).

## MANAGEMENT OF COMMODITY RISK

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

Commodity hedges, together with the fair value of the related hedging instruments, are disclosed in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

## EQUITY RISK MANAGEMENT

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, which are the only listed securities classified as available-for-sale financial assets that it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity at end-2012 (€3 million at end-2011).

## COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

- short-term investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or over-the-counter with investment-grade counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

The maturity schedule for trade and other receivables is set out in section 3.1 (Note 16, "Trade and other receivables").

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## LIQUIDITY RISK MANAGEMENT

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with, and financing requirements of subsidiaries met by, the parent company on an arm's length basis. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Surplus cash is managed with two principles in mind:

- safeguarding the amounts invested at all times;
- optimizing investment yields whenever possible, without jeopardizing the safety of the investments themselves.

Since some of the Group's liquidity lines have not been drawn, Safran is relatively insensitive to liquidity risk.

A number of financial covenants apply to the EIB borrowings set up in 2003, 2005 and 2010.

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

Undrawn confirmed liquidity facilities at December 31, 2012 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively. These two facilities are subject to a financial ratio (net debt/EBITDA of less than 2.5).

This covenant also applies to the senior unsecured notes issued on the US private placement market.

The terms "net debt", "EBITDA" and "total equity" used in connection with EIB borrowings, the US private placement and syndicated credit lines are defined as follows:

- net debt: borrowings (excluding borrowings subject to specific conditions) less marketable securities and cash and cash equivalents;
- EBITDA: the sum of profit (loss) from operations and the net charge to depreciation, amortization and provisions for impairment of assets (calculated based on adjusted data);
- total equity: equity attributable to owners of the parent and minority interests.

## 4.1.8 LEGAL RISKS

In the same way as other industrial groups, Safran is exposed to technical and commercial risks as a result of its activities. From a legal standpoint, Safran is particularly exposed to the risk of non-compliance with commercial regulations and anti-trust law. To address such ethical risks, Safran has deployed an action plan entitled "Sustaining a culture of integrity" outlined in section 5.2 and focusing in particular on containing the impact of non-compliance risks.

Aside from the main risks identified in this respect and disclosed in section 3.1 of this Registration Document in Note 30 ("Off-balance sheet commitments") and in Note 31 ("Disputes and litigation"), based on an analysis of the legal risks to which the Group is exposed, no other probable or material risks were identified.

## 4.1.9 ENVIRONMENTAL RISKS

All industrial activities generate risks, particularly Health, Safety and Environment (HSE) risks. Safran's HSE policy is implemented within the framework of an improvement drive which aims to bolster its strategy of anticipating and preventing potential risks in all of its activities.

Chapter 5 on Corporate Responsibility presents a range of HSE programs and initiatives and analyses performed by the Group have not identified any uncontrolled risks.

## 4.1.10 DATA CONFIDENTIALITY RISKS

Safran's Defence business as well as its advanced innovation and product technology expose it to the risk of breaches of security in relation to its premises or IT systems (illegal attempts to gain access to confidential information, threats to the physical security of installations, etc.).

In order to limit the impact of this risk, the Group has highlighted the assets most at risk and deployed a policy to protect its sites and information systems (compliant with national regulations and subject to audits and inspections by regulators). Group safety officers also organize awareness-raising initiatives for employees.



## 4.2

## GENERAL RISK MANAGEMENT POLICY

The Group adopts a "Comprehensive Risk Management" approach which has been validated by the Group Risk Committee.

## 4.2.1 GROUP RISK COMMITTEE

The Group Risk Committee is made up of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers, and headed up by the Group Risk Management and Insurance Director.

Its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;

- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk Department.

The Risk Committee met twice in 2012.

## 4.2.2 RISK AND INSURANCE DEPARTMENT

The Group Risk and Insurance Department reports to the Deputy Chief Executive Officer, Finance. This department is responsible for implementing the Group's risk management policy. Its duties include:

## 1) MAPPING GROUP RISKS

The Risk and Insurance Department summarizes risk appraisal results at Group level and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Determining the degree of control is also essential in characterizing risk.

The Risk and Insurance Department ensures that action plans are put in place to improve risk management and recommends a compromise between the risk exposure retained by the Group and the exposure transferred to the insurance and/or reinsurance markets as appropriate.

## 2) ROLLING OUT THE RISK MANAGEMENT POLICY

In order to achieve optimal risk coverage, the risk management policy is based on:

## FIRST-TIER ENTITIES

Each first-tier entity appoints a Risk Manager, who prepares a risk map for his/her entity that is subsequently reviewed during the entity Risk Committee meetings. In all instances, risk management draws on a common methodology using risk analysis as the starting point. A risk owner is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk Department (major risk map and the corresponding degree of control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

The Risk and Insurance Department requires first-tier entities to roll out risk management processes in newly-acquired entities and to organize Risk Committee meetings at least twice a year.

The Group Risk Management and Insurance Director regularly attends these committee meetings.

The Risk and Insurance Department coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved annually by the Group Risk Committee.

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#### FUNCTIONAL DEPARTMENTS AND PROCESSES

The Risk Department prepares a mapping of major risks by Group functional and central department based on interviews. These maps are then approved by functional departments. For each identified risk, a risk owner is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

Risk management is also supported by the Internal Audit and Control Departments (see section 6.5.5).

#### 3) DEVELOPING RISK MANAGEMENT GUIDANCE, ANALYZING AND RECOMMENDING IMPROVEMENTS TO THE RISK MANAGEMENT SYSTEM

The Risk and Insurance Department develops methodological techniques and processes to ensure consistent handling of risks between companies, assists with their use and encourages the sharing of best practices. The Group has a risk manual organized by process, level of impact, frequency, probability and control. Detailed guidance is also prepared for the analysis of certain risks.

#### 4) PROMOTING RISK AWARENESS AND A STRONG RISK CULTURE ACROSS THE GROUP

A "Risks and management" training course, launched in 2007 and organized jointly by the Risk Department and Group Risk Managers in liaison with Safran Corporate University, has promoted risk awareness among almost 880 managers within the Group, including 170 in 2012.

#### 5) IMPLEMENTING THE CRISIS PREVENTION AND MANAGEMENT SYSTEM

This system is based on the implementation of coordinated procedures for managing warnings and crises, at the level of the Group, companies or individual sites.

#### 6) IMPLEMENTING THE PREVENTIVE SAFRAN'S DOCUMENTS INTEGRITY PROGRAM (PSIP)

The aim of this program is to help manage documentation and legal liability risks resulting from the Group's products and/or services. The program is also designed to protect employees from the consequences of an accident due partly or wholly to the Group's products and/or services.

Over 2,000 employees received PSIP-related training in 2012.

#### 7) TAKING OUT INSURANCE COVERAGE

The Risk and Insurance Department identifies the accident risks to which Group entities are exposed and, after careful consideration, takes out the necessary insurance coverage using either insurers in the market or a Group self-insurance arrangement.

It coordinates all Group insurance-related matters for damage caused either to or by the Group, with the exception of personal insurance and loan insurance.

## 4.3 INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

- A "comprehensive industrial risks" policy covering all Group entities for damage to industrial installations (buildings, machines, inventories, etc.). The maximum payout under the policy is €300 million, or up to €800 million for certain individual sites, excluding market-imposed sub-limits for certain risks such as flooding, earthquakes and natural catastrophes. It includes business interruption insurance.
- "Product third-party liability" policies covering the financial consequences of product failure in the event of an accident following delivery to a third party:
  - Aviation products  
The policies provide coverage totaling USD 2 billion per annum that can be used during the year for aviation products. Coverage for helicopter products is capped at USD 1 billion, while coverage for terrorism totals USD 1 billion.

- "Land" products (excluding aviation businesses)

The policies provide coverage of €235 million per annum that can be used during the year.

Total premiums paid by the Group under all policies in 2012 represented 0.15% of adjusted consolidated revenue for that year.

Soreval, a captive reinsurance company based in Luxembourg, participates in the risk coverage scheme.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

# CORPORATE SOCIAL RESPONSIBILITY

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62,558

employees worldwide  
at December 31, 2012

7,596

new hires worldwide  
in 2012

30%

lower frequency rate of  
occupational accidents  
resulting in lost worktime  
in 2012 compared to 2011

20%

fewer occupational  
accidents in 2012  
compared to 2011

More than  
3,000

employees trained in  
corruption prevention  
since 2010

## CORPORATE SOCIAL RESPONSIBILITY

Safran's social responsibility policy features six strategic focuses based on the main guidelines of the ISO 26000 standard:

- developing innovative products and processes with a lower environmental impact;
- always aiming for excellence in safety and the protection of individuals and property;
- developing human potential;
- involving our suppliers and partners;
- perpetuating the Group's integrity culture;
- guaranteeing better relations with stakeholders.

The CSR policy is overseen by the Deputy Chief Executive Officer, Corporate Office, Dominique-Jean Chertier, and implemented by an internal representative.

This representative coordinates and implements CSR policy at Group level, working with an internal steering committee which is currently being formed.

## ETHICAL AND SOCIAL ENGAGEMENT

Safran has a set of values and ethical standards that are espoused by all of its employees. It is corporate policy to ensure that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

## SAFRAN'S HUMAN RESOURCES POLICY

The Group's human resources (HR) policy focuses on four strategic areas:

- grooming the best talent to serve innovation;
- promoting social responsibility;
- driving international expansion;
- taking a proactive approach to the Group's transformation.

## HEALTH - SAFETY - ENVIRONMENT (HSE)

Safran ambitiously aims for excellence in the field of occupational health and safety and the environment, as well as for its products and services. This reflects the Group's own values and is consistent with its sustainable development commitments.

## CSR REPORTING METHODOLOGY AND STATUTORY AUDITORS' REPORT

Safran has elected to have a selection of its labor, environmental and social indicators reviewed by the Statutory Auditors, Ernst & Young Audit and Mazars, in accordance with the CSR reporting requirements set out in article 225 of the Grenelle 2 Act and its implementing legislation. The Statutory Auditors obtained reasonable assurance for eight of the social indicators (identified by the symbol ☒ in this section) and limited assurance for a selection of eight HSE indicators and eight social indicators, as well as reviewing ten themes.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the Statutory Auditors' report in section 5.7.2.

## 5.1

## SAFRAN'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Operating in the aerospace, defence and security industries and boasting strong innovative capacities, Safran prepares for the future by developing increasingly efficient products. As such, the Group meets its customers' economic requirements while addressing labor, environmental and social issues.

Safran must also integrate sustainability into its strategy and business operations to meet the expectations of its stakeholders: employees, partners, customers, shareholders, suppliers and all the communities affected by its business.

This corporate social responsibility policy is based on values and ethical standards shared by all employees: civic responsibility, people development and recognition, meeting commitments and teamwork are core values in Safran's corporate culture.

Safran's corporate responsibility shows in its commitments:

- rolling out the Group's far-reaching health, safety and environmental policy designed to develop a culture of anticipation and prevention in managing risks for all of its stakeholders;
- developing Group businesses in full accordance with the highest standards in business ethics;
- developing a strong HR policy focused on anticipating needed expertise, preserving the health of employees and fostering sound employer-employee relations;
- implementing ambitious projects that promote diversity: Safran advocates integrating and maintaining employees with disabilities in the workforce, capitalizes on the experience

of seniors, champions social integration – especially of young people from underprivileged neighborhoods – and encourages equality between men and women;

- establishing a sponsorship policy through two foundations and solidarity initiatives led with major partners.

Safran's Executive Management decided to lay down a formal CSR strategy and governance system in 2012.

For the second consecutive year, the Group consolidated all labor, environmental and social information into a single section. In so doing, Safran aims to highlight the consistency of its initiatives and incorporate social responsibility as a strategic factor in the Group's future and growth.

This practice follows on from the proactive approach initiated by the Group in 2011 and meets the requirements of article 225 of the Grenelle 2 Act and its implementing legislation.

Most of the information set out below is consolidated to cover the Group worldwide and analyzes the data from the consolidation scope of subsidiaries that must comply with these legal and regulatory requirements (Sagem, Snecma and Turbomeca) as well as some other tier-one subsidiaries (Aircelle, Herakles, Hispano-Suiza, Labinal, Messier-Bugatti-Dowty and Morpho). The summary of data is presented in sections 5.8.1 and 5.8.2. However, for greater reliability and due to some legislative requirements, some human resources information is restricted to a smaller scope, encompassing only France or Europe<sup>(1)</sup>.

## 5.1.1 STRATEGIC CSR FOCUSES

Safran's social responsibility policy features several strategic focuses based on the main guidelines of ISO 26000 and recognizes:

- opportunities inherent to Group strategy: economic performance, innovation and internationalization;
- a number of existing measures and commitments;
- the needs and interests of Group stakeholders.

Based on these criteria, Safran defined the following six strategic CSR focuses:

- developing innovative products and processes with a lower environmental impact;
- always aiming for excellence in safety and the protection of individuals and property;

- developing human potential;
- involving our suppliers and partners;
- perpetuating the Group's integrity culture;
- guaranteeing better relations with stakeholders.

Safran's corporate social responsibility policy applies Group-wide and takes into account all of its stakeholders: business partners, public partners, internal stakeholders, observers and civil society.

Transparency therefore takes on strategic importance in reporting and dialogue with Group stakeholders.

(1) See the Methodology Note on the reporting of social and Health, Safety and Environmental (HSE) indicators in section 5.7.1.

## 5.1.2 CSR GOVERNANCE

The CSR policy is overseen by the Deputy Chief Executive Officer, Corporate Office, Dominique-Jean Chertier, and implemented by an internal representative. This representative coordinates and implements CSR policy at Group level, working with an internal steering committee.

## 5.2 PERPETUATING THE INTEGRITY CULTURE

### 5.2.1 COMMITMENTS: ETHICAL GUIDELINES AND GROUP VALUES

Safran has a set of values and ethical standards that are espoused by all of its employees. It is corporate policy to ensure that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

#### GROUP VALUES

Safran operates according to seven core values, which provide the foundation of its identity and its image in the eyes of its stakeholders.

These values, promoted at each Group site, are:

- focus on customers;
- meeting the commitments set out in the Ethical Guidelines;
- innovation;
- responsiveness;
- teamwork;
- people development and recognition;
- civic responsibility.

#### GROUP ETHICS

##### ETHICAL GUIDELINES

In 2005, Safran introduced Ethical Guidelines setting forth the principles and standards common to the Group as a whole, to be used as a basis for employee conduct under all circumstances. The guidelines, which are summarized below, are not intended to replace or revise the laws and regulations in force, but to provide points of reference and guidance for the conduct of professional activities.

##### Behaviour outside the Group

###### ■ Upholding the law

In all the countries in which the Group operates, its personnel must uphold the law. Care should be taken, as it may be difficult to understand the law in a legal and cultural environment that is very different than that in which the employee has previously worked. When there is a question or there is any doubt, the employee should immediately consult with a superior or the Legal Department.

Personnel working in a subsidiary jointly owned by a Group company and a foreign company must uphold the law of the

country in which the subsidiary is based, and the country or countries in which it operates and where its shareholders are based.

Integrity, honesty and transparency should guide each of the Group's employees in their work. Employees are expected to deal with customers, suppliers and other business partners in the Group's interest and in compliance with laws and regulations.

All personnel must take particular care to uphold laws on anti-corruption, competition, export and re-export control, labor and employment, safety, health and environmental protection.

###### ■ Engaging in proper business practices

##### Zero tolerance of corruption

Safran, its companies and employees do not tolerate any form of corrupt practices, be they active or passive, direct or indirect, for the benefit of those in the public or private sector.

The Group's companies apply all international conventions on combating corruption and the anti-corruption laws in force in the countries where they do business.

The Group, its companies and its employees never use a third party to perform any task that they are ethically or legally forbidden to perform themselves. Engaging a third party for the purpose of bribing a person or a legal entity violates anti-corruption laws. Prior to entering any contractual relationship with a business partner, the Group's companies must follow a methodical and documented procedure.

#### **Gifts and hospitality**

Business courtesies, such as gifts and hospitality, given to or received from customers, suppliers and other partners are commonly used to build goodwill and acknowledge appreciation in business relationships. However, these courtesies must not exceed a nominal value and may not influence, or give the appearance of influencing, any business decision. Good judgment, discretion and prudence should always guide the Group in these situations. Business courtesies are prohibited by law under certain circumstances and in certain countries. The Group's personnel must comply with the policies and laws that apply in each country where Safran does business.

#### **Complying with export laws**

As a global company, Safran purchases goods and services from a diverse group of suppliers. The Group also provides goods and services to customers all over the world. It is therefore critical that the Group strictly complies with all applicable regulations that govern its export activities.

Before engaging in any export activity, Group employees must verify the eligibility of both the delivery location and the recipient. They must also obtain, when applicable, all required licenses and permits, including government authorizations and approvals for government-controlled products or technologies. These authorizations can be obtained from the relevant management in cooperation with Safran's export control organization.

Import activities are also subject to various laws and regulations, and it is the responsibility of the Group's employees to comply with all of the applicable standards. Any breach of these regulations on imports and exports has serious consequences for the Group. It is the Group's responsibility to know and comply with the laws and regulations that apply to its activities.

#### **Competing fairly**

As part of its commitment to fair competition, the Group must strictly comply with applicable competition laws in the countries where it does business. In general, these laws prohibit agreements or practices likely to restrain or alter competition or trade. Examples of prohibited agreements include: price fixing, abusive behaviour, bid rigging, allocating markets, territories or customers amongst competitors, or boycotting or discriminating among certain customers or suppliers unless legally justified.

The exchange or disclosure of commercially sensitive information relating to competitors, customers or suppliers may also violate applicable laws.

#### **■ Behaviour towards customers**

Each employee must uphold the principles of fairness and integrity in his or her dealings with customers.

The business of the Group, to a large extent, concerns air transport safety; no compromise can be tolerated for any reason; any situation that may seem questionable to an employee must immediately be referred to a superior or the Quality manager.

#### **■ Relations with shareholders**

The Group ensures that its shareholders receive, on a timely basis, and in an effective manner, complete, relevant, accurate and precise information that is consistent with previous published information. It takes particular care to implement international corporate governance standards and principles.

#### **■ Relations with suppliers**

The Group selects suppliers on the basis of objective criteria and demands high performance from them, in order to ensure that the Group's expectations and those of its customers are fully met. Under no circumstances will the Group use suppliers that make use of child or forced labor. In 2010, the Group signed a charter governing relations between major contractors and SMEs, drawn up on the initiative of the French Ministry of Economic Affairs, Industry and Employment.

#### **■ Integrity**

Under no circumstances may employees damage the reputation of the Group or compromise the integrity of its assets or its information systems.

Paid work of any kind that employees may perform outside the scope of their employment with the Group must not cause conflicts of interest with their duties within the Group.

Similarly, considerable caution is required when purchasing shares, directly or via an intermediary, in companies doing business with the Group. Such restrictions do not apply to listed companies, unless confidential information is used, which may be construed as insider trading.

#### **■ Sustainable development**

Today more than ever, protecting the environment is a critical concern for all Group employees, starting with product design and running through to the industrial process as a whole.



#### ■ Political and religious activities

The Group does not finance any political parties and any political activities must be carried out exclusively outside the workplace and working hours.

Any religious practices in which employees may be involved must be practiced exclusively outside the workplace and working hours, except in the case of a legal obligation.

#### Behaviour inside the Group

##### ■ Information control

Employees must ensure the protection of information acquired in the course of or in connection with the performance of his or her duties. Employees are to pay particular attention to respect the internal rules of protection and applicable requirements during both written and verbal communication.

##### ■ Protecting the confidential nature of certain information

In the course of their duties, all employees have access to confidential information, which represents a key asset of the Group. Confidential or classified information is sensitive information which must not be disclosed or communicated outside of the Group. Similarly, Group employees may have information concerning the national security of the country in which the Group company is located. Care must therefore be taken to ensure that such information is protected from third parties.

Any information that could influence the value of the Group's stock price must remain confidential, until it has been communicated by the Group to the public. Any personal use of such information would constitute insider trading and could expose the employee to both civil and criminal liability.

##### ■ Respect for other people

The safety and health of individuals are prime objectives for the Group.

The Group is an equal opportunity employer. Recruitment and promotion are based exclusively on professional qualities and performance. The Group respects the dignity and private life of each of its employees. Furthermore, one of the Group's key values is to create the necessary conditions for all employees to achieve fulfillment in their chosen profession. All Group companies comply with the rules of protection of personal data known as the "Binding Corporate Rules" (BCR), applicable to the treatment and transfer of data outside of the European Union.

##### ■ Compliance with the Ethical Guidelines

Each employee is required to review, understand and comply with the Group's Ethical Guidelines.

In the event of a question or any doubt regarding appropriate conduct, it is the responsibility of the employee to immediately contact a superior or the Group's Legal Department.

Each employee has an affirmative obligation to comply with these Ethical Guidelines.

## 5.2.2 ZERO TOLERANCE OF CORRUPTION

### DEFINITION

Safran defines corruption as offering, promising or giving any undue pecuniary or other advantage, whether directly or through intermediaries, to a third party, in order that said third party act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of business.

Jean-Paul Herteman, Chairman and Chief Executive Officer of the Safran Group, has set out this unequivocal commitment to rejecting corruption.

*"Safran firmly believes that lasting growth requires full dedication from each employee in complying with the Group's Ethical*

*Guidelines and business integrity policy. Safran's ethical excellence extends beyond moral considerations or regulatory compliance. It derives from individuals' outstanding professional behaviour in any circumstances and with all stakeholders."*

#### **Safran conducts business in compliance with the anti-corruption and export control laws.**

In order to ensure the application of the Ethical Guidelines, Safran has defined common requirements in the form of business-compliance related procedures applicable to all Group companies. These requirements are broken down into a series of specific operational procedures for each Group subsidiary, and are adjusted to take account of the regulations applicable to each subsidiary's specific organization, products and markets.

## AN ANTI-CORRUPTION PROGRAM THAT MEETS THE HIGHEST INTERNATIONAL STANDARDS

Following an audit conducted between September 1 and December 15, 2012, Safran obtained anti-corruption certification from the French Agency for the Diffusion of Technological Information (*Agence pour la Diffusion de l'Information Technologique* – ADIT). This certification is based on standards approved by France's Central Service for the Prevention of Corruption (*Service Central de Prévention de la Corruption*), an interministerial body under the Minister of Justice, and is valid until December 2015. Anti-corruption certification recognizes the effectiveness of Safran's business compliance program, thereby validating the Group's efforts over the past several years to bring its rules and procedures in line with the highest international standards.

In line with its commitment to combat all forms of corruption, Safran and all Group companies have signed the Common Industry Standards for Anti-Corruption developed by the Aerospace and Defence Industries Association of Europe (ASD), which promote and reinforce integrity among its members.

Safran is a member of the Strategy Committee of the IFBEC (International Forum of Business Ethical Conduct). This organization is made up of leading US and European companies in the aerospace and defence sectors, and promotes industry-wide ethical standards and good business practices through the Global Principles on Business Ethics, which have been signed by Jean-Paul Herteman, Safran's Chairman and Chief Executive Officer.

Safran has defined a rigorous continuous improvement program to prevent corruption and foster a culture of honesty and fairness while addressing two main concerns: i) promoting responsible behaviour among employees and management and ii) protecting Group assets through risk management.

The program falls under the responsibility of the Executive Vice-President, International Development, as part of a dedicated structure, the Business Compliance and Export Control Department.

As a member of the Group's fraud committee, the department head coordinates the anti-corruption program at Group level and participates in national and international anti-corruption initiatives to promote best practices and dialogue between companies and civil society: the French Aerospace Industries Association (GIFAS), Aerospace and Defence Industries Association of Europe (ASD), International Forum on Business Ethical Conduct (IFBEC), International Chamber of Commerce (ICC), the French employer's association MEDEF, the French business ethics organization *Cercle Éthique des Affaires*, etc.

## RAISING EMPLOYEE AWARENESS

All Group employees and Executive Committee members, both directly and indirectly concerned, receive regular, adapted information: more than 50 documents per year, including a trade compliance report every two months, an information bulletin on ethical trade, country regulation guides, dedicated intranet service, etc.

A program of on-site instructional training courses was developed for Group companies worldwide. Preventing corruption was a topic incorporated into several Safran Corporate University training programs, aimed specifically at staff involved in purchasing. These courses are designed to impart on each employee adequate knowledge of regulations applicable to their businesses and full understanding of Group procedures and how they are applied at their company.

## SUPPORTING THE PROGRAM: ORGANIZATION, PROCEDURES AND CONTROL

### A NETWORK OF 75 COMPLIANCE OFFICERS

The 30 Trade Compliance Officers (TCOs), delegated by their company's Chairman and Chief Executive Officer, are responsible for guaranteeing the strict compliance of business transactions with Group procedure and instructions in relation to anti-corruption. TCOs report to the Group Head of Business Compliance and Export Control, who is responsible for providing them with the support and information necessary and useful to their work.

TCOs work with a network of 45 Trade Compliance Correspondents (TCCs) who ensure that measures are applied at each subsidiary or division of their company.

The TCOs and TCCs must ensure that the persons exposed to and concerned by such risk within their organizations (business, marketing, legal, financial, human resources, supply chain) receive information and training on Safran's business compliance program and carry out any necessary reviews to ensure compliance with procedures.

TCOs and TCCs meet each year to harmonize their knowledge, exchange good practices and contribute to improving the business compliance program and related procedures.

#### PROCEDURES ON SELECTING AND VALIDATING BUSINESS PARTNERS – GIFTS, HOSPITALITY AND TRAVEL

These procedures clearly and precisely describe the roles of employees and the rules to apply in performing their duties. They are updated regularly and widely distributed among managers and the employees concerned. The Group's external partners also receive these procedures.

- The international business compliance procedure lays down strict rules on managing contractual relations with the business partners of Group companies, including those engaged in offset agreements: consultants, service providers, distributors or investment or venture capital partners. The procedure is updated each year following a review in order to improve and take account of any changes to anti-corruption regulations and disseminate best practices identified.
- It describes rigorous standards applied by the Group worldwide with respect to the selection, qualification, ethical evaluation, tracking and payment of business partners. More specifically, it defines a validation process for business partners that is centralized by the International Executive Management (IEM) independently and without business pressure. All business partners of Group companies

are systematically subject to due diligence by certified independent experts.

- The procedure for "gifts, hospitality and travel" given to or received from customers, suppliers and other stakeholders stipulates that they must be used exclusively to acknowledge appreciation in business relationships and in no way give rise to a conflict of interest or influence a professional decision.
- A clause on ethics is included in Safran's general purchasing terms and conditions signed by all Group suppliers.

#### APPROPRIATE CONTROLS

Monitoring Group companies' implementation of and compliance with current procedures is carried out by means of regular reviews by the IEM relating to the compliance of consultants' files and audits carried out by the Group's Audit and Internal Control Department. These audits aim to ensure that accounting procedures are being complied with (in particular that bills issued by the business partners are properly checked), that all payments made to them correspond to actual services and that the amounts paid do not exceed market rates.

## 5.2.3 COMPLYING WITH EXPORT LAWS

Group companies purchase goods and services from different suppliers. They also provide goods and services to customers all over the world. It is therefore critical that Safran complies, without exception, with all applicable regulations that govern its activities in the export and import of military or dual-use technology.

Safran follows procedures that guarantee strict compliance with legislation governing export control.

This compliance standard was especially useful for companies obtaining certification from the French Directorate General of Weapons Procurement as of the application of the transposition law of the European Directive on intra-Community transfers of defence equipment (June 30, 2012). Once the notification process is launched, at least five tier-one entities are expected to obtain the certification.

#### COMPLIANCE STANDARD

A Safran compliance standard sets out the Group's requirements with regard to the control of exports and re-exports to third countries. It is structured around nine key compliance issues:

- implementation of a dedicated organizational structure;
- development of an internal export control program by each Group company;
- training and awareness-raising;
- identification of export restrictions;
- establishment of license/agreement application;
- compliance with the terms and conditions of approved licenses;
- monitoring and audit of the export control program;
- monitoring of technology transfers (data and software);
- treatment of any cases of non-compliance.

#### ORGANIZATION

Commitment by the Group's Executive Management to complying with the laws in force has enabled Safran to implement a dedicated compliance structure. This structure includes:

- the Business Compliance and Export Control Department, under the responsibility of the Executive Vice-President, International Development, sometimes referred to as the International CEO, is assisted by a global network of export control officers. They work together to ensure that the Group's compliance standard is applied consistently. The Business Compliance and Export Control Department defines overall policy, ensures that each company is applying Group standards, assists Group companies in their transactions, and represents the Group before the relevant government and professional bodies. It is involved in a number of working groups with national authorities in France and in all countries from which the Group exports. In 2012, GIFAS collaborated with the French Directorate General of Weapons Procurement

on the transposition of the European Directive on intra-Community transfers. The export control committee of the ADS also carried out its own work on the project. The Group plans to continually improve its compliance standard and take part in debates on the topic;

- 58 Empowered Officials (members of the Management Committee) appointed at all of the Group's legal entities that import or export products, who, by delegation of the Chairman and Chief Executive Officer of their company, are personally liable for the compliance of their company's exports with the Company's commitments in this respect;
- 58 Export Control Officers (ECO) appointed in each company by the Chairman and Chief Executive Officer to assist the Empowered Official. This person is assisted by a network of 350 Export Control Managers (ECM) in the main operational departments concerned;
- a Group Export Compliance Committee, responsible for recommending to the Executive Management team any actions, organizational methods and directives that would enable it to ensure the Group's compliance with the relevant national and international laws and regulations. The Committee also keeps Executive Management up to date on the progress of the actions in place and of any risks or problems that have arisen.

## TRAINING AND AWARENESS-RAISING

International Executive Management notifies all Group employees exposed to and concerned by exports of any regulatory developments and any breaches of these regulations.

Safran organizes targeted training sessions for project managers and buyers, offered by Safran Corporate University, and provides its companies with training materials that they can adapt to the regulations applicable to their company structure, products and market. More than 3,000 employees in France and the US have received this training since 2010.

Safran has developed a unique export control intranet to help raise employee awareness, bring practical assistance to employees worldwide and ensure that they comply with French, European and non-European regulations regarding the export of military and dual-use goods. The site notably provides users with rapid access to lists of countries subject to embargoes and persons or entities with whom trade is forbidden.

## CONTROL

The Audit and Internal Control Department performs frequent audits of Group companies to obtain evidence that the compliance standard is being applied. In certain crucial cases, Safran calls on independent firms to carry out additional audits. All of the Group's main companies have been audited since 2010, and improvement plans are systematically defined and put in place.

In complex cases, Safran also ensures that its companies detect, assess and account for any cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future.

The Group's companies or Safran informs the relevant authorities in each case of non-conformity. To date, none of the cases brought to the attention of the authorities have been subject to penalties, which demonstrates their faith in the control system put in place by Safran.

## 5.3

# DEVELOPING HUMAN POTENTIAL

## 5.3.1 PRESENTATION OF STRATEGIC FOCUSES

To keep in line with its growth and ambitions, the Group must attract the best talent and guide its employees in meeting the challenges they face.

The Safran Group's HR policy focuses on four strategic areas:

- grooming the best talent to serve innovation;
- promoting corporate social responsibility;
- driving international expansion;
- taking a proactive approach to the Group's transformation.

The human resources (HR) function has implemented major reforms to meet these goals, which include pooling HR activities, overhauling department organization, training teams and improving processes. These improvements aim to boost the collective performance of the HR function, thus offering managers and employees greater

support, more solutions and a better understanding of the organization.

## GROOMING THE BEST TALENT TO SERVE INNOVATION

Safran's rapid growth in a highly competitive international market has led to the recruitment of young graduates trained in new technologies and renowned experts in cutting-edge fields to prepare for its future projects.

Recruiting the best profiles and offering them attractive career paths is the focus of Safran's HR policy.

Meeting its recruitment needs has become a strategic priority for Safran, leading the Group to launch a massive employer branding campaign to boost its reputation and highlight its appeal as an employer in the eyes of its top recruitment targets.

The campaign powered a new Group tagline, "*Key missions, Key technologies, Key talents*", to include the men and women of Safran, who make up the Group's third fundamental pillar.

Safran puts forth extensive efforts to develop talent and support professional integration by training young people under work-study programs and internships at various levels of qualification. It initiated an action plan to improve the number of young hires trained within the Group. Steps were taken with the GIFAS to devise shared apprenticeship schemes between Safran and its SME sub-contractors.

These measures reflect Safran's endeavors to attract the best talent and offer rewarding professional development through its Group-wide HR policy:

- a skills management scheme coordinated by operational managers and the Human Resources Department to anticipate and prepare for major industry developments;
- a Group-wide career management plan to mark out career paths for managers or technical experts in the Aerospace, Defence and Security sectors;
- an active mobility program featuring *Talent Search*, a one-stop recruitment platform for all business lines, simplifying transfers between Group companies;
- professional training programs with identified business areas: technical, programs, sales, purchasing, finance, etc.;
- leadership and talent development programs offered through Safran Corporate University to guide the transition to managerial positions.

## PROMOTING CORPORATE SOCIAL RESPONSIBILITY

Respect for other people and a special focus on employment are fundamental values in the Group's social responsibility policy, which complies with the conventions of the International Labour Organization (ILO). Social cohesion is therefore a major stake underpinning the harmonious growth of the Group.

This objective is based on the application of Group-wide management methods, namely:

- employee profit-sharing plans adapted to the specific context of the country;
- employee shareholding plans associating employees with Group targets;
- processes designed to develop employer-employee relations internationally with the setting up of a European Works Council and a commitment to participate in European-level negotiations on a framework agreement that promotes the professional integration of young people.

More specifically in France, the Group has been developing several key areas: (i) preserving the health of its employees, (ii) training, (iii) developing the career and skills management program and (iv) promoting diversity and equal opportunity.

- The prevention of accidents in the workplace and the preservation of the physical and mental health of employees feature among Safran's ethical commitments. This took concrete form with:
  - the rollout of the agreement on occupational stress prevention signed in 2011,
  - comprehensive weekly and monthly reports of accidents resulting in lost worktime included in the reporting submitted to Executive Management,
  - company agreements on the prevention of dangerous or arduous work signed at several Group companies,
  - continued Group-wide negotiations on the prevention of harassment and violence in the workplace.
- Similarly, the promotion and management of diversity and equal opportunity are considered factors that bolster Group cohesion and performance. In France, these goals fostered a new Group agreement to promote the employment of disabled workers signed on April 6, 2012 and an amendment to the agreement on the employment of seniors pending negotiations on France's future "Generation contract".

## DRIVING INTERNATIONAL EXPANSION

The international nature of the Group requires the implementation of an appropriate HR policy.

This involves:

- including international managers in the Executive Management scheme, with career committees and manager reviews to identify high potential candidates extended to international subsidiaries. Developing international Safran Corporate University programs enables culture-sharing and a better understanding by managers of the true international nature of the Group;
- enhancing international mobility, with the creation of a Group Mobility Charter and an international job pool;
- improving and harmonizing assistance provided to expatriates and developing other ways of working abroad;
- implementing health and welfare plans to accompany all forms of international mobility;
- rolling out new employee shareholding plans abroad: the international Group employee savings plan, free share plans, etc.

## CORPORATE SOCIAL RESPONSIBILITY

### / DEVELOPING HUMAN POTENTIAL /

The Group's many sites across the globe and the diversity of its businesses and products offer vast opportunities for geographic mobility.

With operations in nearly 60 countries, the Group gives some of its employees the option of gaining professional experience abroad. It will continue enriching the international dimension of its teams by employing a growing number of international employees at its French companies, developing career opportunities at its subsidiaries worldwide and promoting intercultural exchange in implementing strategic projects.

## TAKING A PROACTIVE APPROACH TO THE GROUP'S TRANSFORMATION

In 2009, the Group embarked on large-scale initiatives to upgrade its management techniques and processes. These initiatives are designed to install more efficient operating procedures and to accompany the creation of a consolidated group, within which the different companies share common procedures.

These modernization projects fostered cross-business organizations, including Shared Services Centres (payroll, non-production purchasing, accounting, IT, finance, etc.). The Group began transferring these centers to a single site in 2012.

One of the main objectives of these Shared Services Centres is to serve the entire Group building on their high level of skills and expertise.

Safran set up a special unit in 2012 to consolidate its gains from modernizing its management systems and streamline how they will be applied globally.

The Group intends to pool the best practices from each cross-business organization on productivity, HR development and the quality of service provided for companies.

The HR function is also fully involved in this move to create a unified group and is working to adapt its own organizational structure through the creation of three new departments focused on (i) recruitment, careers and mobility, (ii) the development of talent and (iii) employee relations.

The function is also being modernized, with a new Shared Services Centre which took over the administrative duties and payroll at the end of 2012 for close to 38,000 employees, representing virtually all Group employees in France.

A unified human resources management application is currently being rolled out in France and in North America eventually to establish a cohesive, global system for human resources management.

In a Group that is constantly evolving, accompanying organizational changes represents a major challenge for HR teams, which need to:

- provide the necessary legal support to strengthen the required procedures;
- define and negotiate the status of employees affected by these changes;
- organize, coordinate and monitor staff mobility related to these changes.

Accompanying the Group's organizational changes also requires a good understanding of Safran's medium-term needs with regards to its businesses and expertise.

## 5.3.2 HEADCOUNT

### BREAKDOWN BY BUSINESS

The Group had 62,558 ☒ employees (excluding work-study contracts) at December 31, 2012.

The following table presents a breakdown of employees by business at that date:

	France	International	Total
Aerospace Propulsion	19,082	4,189	23,271
Aircraft Equipment	9,931	12,943	22,874
Security	1,327	6,400	7,727
Defence	6,442	740	7,182
Holding company and other	1,196	308	1,504
<b>2012 GROUP</b>	<b>37,978</b>	<b>24,580</b>	<b>62,558</b>

☒ Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

## BREAKDOWN BY COUNTRY

The Group's expansion continued apace both in France and abroad. In May 2012, the Group set up Herakles following the merger of Snecma Propulsion Solide and SME. It acquired Cassis International through Morpho in July 2012, to join the e-Documents division. The trusted service management pioneer and leader has 75 employees with its registered office located in Singapore.

At end-2012, the Group's workforce had grown 4.6% since the previous year and represented more than 24,580 employees working outside France in 57 countries.

The following table presents a breakdown of employees by geographic area at December 31, 2012 ☒:

		2012 Group	% of total
Europe	France	37,978	60.7%
	United Kingdom	2,130	3.4%
	Belgium	1,475	2.4%
	Germany	1,067	1.7%
	Russia	295	0.5%
	Other <sup>(1)</sup>	1,628	2.6%
Africa and the Middle East	Morocco	2,070	3.3%
	South Africa	286	0.5%
	United Arab Emirates	107	0.2%
	Other <sup>(2)</sup>	52	0.1%
North America	United States	5,754	9.2%
	Mexico	4,135	6.6%
	Canada	1,093	1.7%
South America	Brazil	850	1.4%
	Other <sup>(3)</sup>	377	0.6%
Asia	India	1,517	2.4%
	China	913	1.5%
	Singapore	534	0.9%
	Other <sup>(4)</sup>	119	0.2%
Oceania	Australia	178	0.3%
<b>TOTAL</b>		<b>62,558</b>	<b>100%</b>

(1) Albania, Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey and Ukraine.

(2) Algeria, Bahrain, Egypt, Kenya, Kuwait, Lebanon, Oman, Qatar and Saudi Arabia.

(3) Chile, Colombia, Peru and Uruguay.

(4) Hong Kong, Indonesia, Japan, Malaysia, Philippines, South Korea, Taiwan, Thailand and Vietnam.

### OTHER INFORMATION ON HEADCOUNT

At December 31, 2012, 37% of Group employees were engineers or managers. In France, the breakdown of employees by professional category shifted in favor of engineers and managers: 41% managerial-grade staff (cadres), 29% technicians, 4% supervisors, 6% office staff and 21% line workers.

More than 25% of Group employees and 20% of engineers and managers worldwide are women. Close to 21% of French engineering and managerial-grade staff are women.

Over 21% of employees are involved in research and development activities.

Excluding acquisitions, the Group boasts net job creation for 2012, thanks to brisk external recruitment and stable departures. Over 12 months, the Group hired 7,596 ☒ people, including

2,879 job creations. Safran hired over 1.61 ☒ employees for each departure, and 47% of new hires were for newly created positions.

### MORE SPECIFICALLY IN FRANCE

The use of fixed-term employment contracts remains very limited and concerned less than 1% of employees at the end of 2012, while permanent employment contracts represent 90.5% of recruitment.

Temporary staff represented about 4.75% of the workforce (excluding work-study contracts) in 2012, primarily in the Aircraft Equipment and Defence businesses, which make use of this type of labor due to significant fluctuations in business levels. Efforts are being combined to limit the number of temporary staff.

☒ Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).



## 5.3.3 HR POLICIES

### RECRUITMENT AND INTEGRATION

Safran continued to recruit in 2012 in order to bring in the fresh skills needed to maintain its leading position in the innovation of new generations of aircraft and new technologies related to the Group's businesses, with 3,193 new hires in France. Among the new hires, 64% were for managerial-grade positions and more than 22% were women. Young graduates accounted for close to 40% of our managerial-level hires. Safran recruited 4,403 employees abroad, of which nearly 27% were managers.

Virtually 70% of engineering and managerial-level new hires had a scientific or technical background, mainly in the following areas:

- mechanical engineering;
- materials;
- aerodynamics, energy, thermal sciences;
- electronics and automation;
- software development (onboard software);
- systems architecture;
- methods;
- development testing.

In pursuing its innovation policy, the Group is seeking to diversify its recruitment channels. While a large portion of its intake in the scientific sector is made up of engineers, it also targets academics with a master's degree or PhD.

Recruiting the best profiles and offering them attractive career paths is the focus of Safran's HR policy.

Aligned with its development, the Group put forth extensive resources to apply this policy, culminating in a new recruitment communication drive. The launch of this large-scale, multi-channel (press, print and online) campaign prompted the Group to redesign all the content of its recruitment website, which now features a new name: **safran-talent.com**. The new site reflects the Group's employer branding strategy to make its areas of expertise readily understandable and attractive while conveying a powerful image of Safran's corporate culture. An extensive promotional scheme was introduced at the Group's target schools to raise awareness about the values and advantages of the employer brand. Lastly, the main social networks (Facebook, LinkedIn, Viadeo) featured a new relation-building program.

At the same time, Safran continued to step up its presence at target schools and universities in France and abroad through a number of events designed to offer students guidance in building their career path (conferences, career round tables, visits to industrial sites, forums, the setting up of Chairs, etc.). Today, a network of over 230 Safran ambassadors is proactively working with students to share with them about the Group's business lines and opportunities. Safran also strengthened its partnerships, furthering its involvement

in educational programs and participating in the target schools' management bodies.

Upstream recruitment operations were pooled to form Talent Search in France. Working with the departments seeking to hire, this Shared Services Centre handles the sourcing and preselection of candidates on behalf of Group companies.

### DEVELOPING CAREER PROSPECTS

To expand career prospects, the Group-wide career management plan encourages mobility, training and retraining opportunities. Safran Corporate University is also involved, through courses preparing managers to take over new responsibilities.

A Group-wide career management plan was defined to align career-related bodies (career committees and business line committees) and meetings (individual interviews, career interviews, progress reports, etc.) according to a timetable applicable to all Group companies. The scheme will be rolled out in 2013. Some employee categories already receive guidance at Group level (Experts, Black Belts and Master Black Belts, Managers of Managers, expatriates).

The Group has also adopted a centralized system to optimize the management of its senior executives and high-potential managers. The aim is to identify, train and retain internal talent for succession planning purposes.

### MOBILITY

In 2012, over 500 employees benefited from an internal transfer between two Group companies in France.

To improve the mobility process, a centralized team of mobility and career advisors anticipates and offers guidance through business line development, applying the HR initiatives of business line committees. Mobility and career advisors, in collaboration with company business line directors and HR departments, design and coordinate individual mobility and recruitment initiatives. The Group's job exchange platform (*Bourse des Emplois*) allows employees to submit applications online or to send a mobility request specifying the sector and employment pool. A new Mobility Charter and practical employee guidelines will be published as an improved version of the job exchange platform goes live in the first quarter of 2013 in France and in mid-2013 in the United States.

At December 31, 2012, the Group had 400 French expatriates (including 122 expatriations and 124 repatriations during the year) and 90 other international transfers.

These 400 expatriates provide commercial and technical services for customers in 49 countries, primarily in Europe (30%), North America (26%) and Asia (25%).



An expertise center was formed in 2012 to gradually merge the management of expatriates, boosting the transparency and consistency of mobility processes. This structure will develop the Group's capacity to deploy expatriates and meet future challenges as it moves into new international markets.

The Group's international subsidiaries benefited from this expertise in preparation for their upcoming implementation of mobility policies for expatriation from countries other than France.

Gaining international experience is an important part of the Safran career path.

The efforts made in 2012 to boost the mobility of younger employees paid off, as the Group now has 107 international volunteers under the French VIE (International Volunteer) program.

Standard contractual arrangements and expatriation packages have been defined at Group level and deployed in all entities to facilitate mobility. International mobility expertise is being coordinated to ensure compliance with the Group's international mobility policy (employment contract, taxation and pay) and support for the implementation of international career management and repatriation programs.

## CAREER AND SKILLS MANAGEMENT PROGRAM

The analysis of the quantitative and qualitative developments needed in the business lines helps define the actions to be put in place to accompany strategic developments within the Group related to new markets, new technologies and customer requirements.

In 2012, this analysis was used to define initiatives in certain priority areas:

- in R&D: systems architecture, software and electronics;
- in production: methods and supply chain;
- in programs/customer relations: sales/marketing and programs;
- in support functions: finance, management and human resources.

These initiatives cover all the main aspects of human resources management, namely:

- training by creating and bolstering career paths, allowing employees to develop their skills, manage professional change and improve their employability;
- mobility and career management with greater visibility and support through developments and transitions between businesses and improved employee information;
- more targeted recruitment of Group employees and relations with schools to better attract talent.

This information was shared with the trade unions at a career and skills management program committee meeting. It demonstrates the efforts of employee representatives to integrate the program as a key part of the Group's HR policy, providing all employees with a clear view of the development of the Group's business lines and the possibility of planning their career in line with the future needs of the Group.

## TRAINING – SAFRAN CORPORATE UNIVERSITY

By developing Safran Corporate University, the Group has given itself the means to achieve its cultural, technological and organizational transformation. Designed as a cultural melting pot, the university is at the heart of international development and exercises a fundamental influence on all Group members, customers and partners.

The purpose of Safran Corporate University is to provide the knowledge, expertise and people skills necessary to guide the Group's development and growth. The establishment is open to all Group employees. Its role is to promote shared corporate culture and values, and thereby steer training to respond to the Group's strategic requirements and priorities in terms of employee expertise.

Safran invests an average 4% of payroll costs in training.

Nearly 70% of French employees receive training at least once a year.

Safran Corporate University covers all of the business lines, offering training in 16 different areas and representing a total of 1.4 million training hours worldwide in 2012.

A substantial portion of training efforts is focused on developing the technological skills required by major projects.

The development of managerial skills in an international context represents a second major priority.

The quest for customer satisfaction and enhanced economic and industrial performance are the growth drivers that underpin the training program.

In line with the Group's international expansion, Safran Corporate University is active on the three continents where Safran has the strongest foothold (Europe, North America and Asia). Programs are available in about ten countries, in French, English or the local language.

With the local university teams, training is adapted to the region's cultural aspects and relevant needs at the Group sites. This diversity also provides an opportunity to integrate local experience into the programs taught worldwide and enhance the Group's knowledge of its markets.

These exchanges represent an important force in the local response to the training needs of Safran's companies and partners.

At the Dallas campus opened to cover North America (United States, Mexico and Canada), about 30 sessions were organized in 2012, representing about 9,000 hours of training.

Safran Corporate University is also a vector for disseminating Group culture, identity and values throughout all of its companies and countries.

Safran Corporate University's main Campus is currently under construction and due to open in the autumn of 2013. The Campus will provide a proper base for the university, which has been a cultural melting-pot since its creation. The 13-hectare site located in Massy, near Paris, France, will feature a capacity of 600 participants for employee training programs or seminars all year long. Safran's major events (orientation days, seminars, conferences, etc.) and meetings with customers and Group partners will be held there, with access to an amphitheater seating more than 400.

The University's goal is to implement an ambitious Group training policy and to use the resources and efforts involved to meet strategic challenges in order to support the development of the Group's business, technology and international presence. One of the keys to the success of this training system is the commitment of Group management executives, managers and experts to designing and leading these programs.

Safran Corporate University addresses three major challenges that apply to the Group:

- **Improving employee skills and professionalism in all of the Group's business lines**

Business programs allow employees to develop their skills in relation to a particular business throughout their professional career. Safran Corporate University provides this skills development for all employees and contributes to building the Group's human capital, adapting it to tomorrow's businesses and ensuring its continued growth.

The University aims to set up career training programs in line with these needs. Such programs are now available and being rolled out at all business lines. Some of the courses offered by Safran Corporate University will allow employees to obtain a certificate or a diploma. These courses are common to all Group companies in order to encourage the sharing of ideas and best practices.

- **Aiming for excellence in management and leadership**

The Leadership programs provide the necessary career training for senior executives and more generally, for all

Group leaders and managers. These programs are designed to help develop common management practices within the Group and to offer managers every chance of success in their assignments, as they manage change and build the Group of tomorrow.

More than 2,000 Green Belts and Black Belts have been trained since 2010, reflecting the university's campaign to implement the Lean Sigma approach.

Safran's leadership guidelines lay the groundwork for all programs and reflect five managerial priorities: mobilizing employees based on a shared vision, setting the example, daring to innovate, fostering team benefits and promoting individual responsibility.

- **Enhancing the employability of workers**

Transitional programs aim to assist employees whose jobs are likely to change considerably in order to help them develop new skills or change career paths.

Additional specially adapted training programs and specific procedures, involving the assessment of skills, the validation of professional experience, etc., will be put in place to accompany these career changes and developments and prepare employees for tomorrow's jobs.

These programs represent a key component of the employee policy and the career and skills management program.

## 5.3.4 COMPENSATION AND BENEFITS

### COMPENSATION TRENDS

For the second time since the Sagem-Snecma merger in 2005, all French companies signed salary agreements in 2012. These agreements provided for an average increase in compensation of between 2.85% and 3.2% of payroll, depending on the Company, and comprised general and individual increases for employees, and specific increases for managerial-grade staff.

In addition, several Group companies set aside budgets for promoting compensation equality between men and women as part of their annual compensation policy.

### INVOLVING EMPLOYEES IN GROUP PERFORMANCE

#### STATUTORY EMPLOYEE PROFIT-SHARING

In France, statutory profit-sharing is paid under the terms of the Group statutory employee profit-sharing agreement signed on June 30, 2005. A new calculation method was developed in application of an amendment signed on June 29, 2012 to guarantee a more appropriate correlation between profit-sharing and Group earnings. The agreement, which is based on the

principle of solidarity, provides for the pooling of statutory profit-sharing reserves generated by each Group company in France. For a given year, all employees receive an identical percentage of their salary, regardless of their company's earnings. However, the salary used in the calculation is at least 1.2 times the annual social security ceiling (i.e., €43,646 for a full-time employee working for the full year in 2012). The salary floor ensures solidarity between the different pay levels.

For the extended scope of consolidated companies (as defined in Note 33 of section 3.1), the total statutory profit-sharing expense recorded for the last two years is as follows:

<i>(in € millions)</i>	<b>Statutory employee profit-sharing</b>
2011	45
<b>2012</b>	<b>73</b>

#### OPTIONAL EMPLOYEE PROFIT-SHARING

All French entities have optional profit-sharing plans based primarily on economic performance criteria supplemented, where appropriate, by other company performance indicators.

The total amount of optional profit-sharing payments may not exceed 5% of payroll, although this percentage may be increased to 7% or even 8% in the event of exceptional company performance. For the extended scope of consolidated companies (as defined in Note 33 of section 3.1), total optional profit-sharing payments, including payments by Group companies outside France, for the last two years are as follows:

(in € millions)	Optional employee profit-sharing
2011	109
<b>2012</b>	<b>131</b>

#### EMPLOYEE PROFIT-SHARING BONUS AND SHAREHOLDING PLANS

In accordance with French legislation on profit-sharing and given the higher dividend paid per share in respect of 2011 compared with the average dividend paid over the two previous years, a flat bonus of €205 (gross) was allocated to each employee.

The total profit sharing bonus expense recorded in the consolidated financial statements (Note 5 of section 3.1) for the last two years is as follows:

(in € millions)	Employee profit-sharing bonus
2011	19
<b>2012</b>	<b>8</b>

In order to motivate employees further to contribute to its targets and future success and performance, the Group set up a leveraged employee shareholding plan in France at the end of 2011, in which employees could invest all or part of their profit-sharing bonus.

The plan was in the form of an offer to purchase Safran treasury shares reserved for employees through a leveraged fund set up specifically for this purpose within the Group employee savings plan. Employees could subscribe to Safran shares under preferential conditions compared with free shares (i.e., 20% less than the average of the closing share price between November 11, 2011 and December 8, 2011 for employees of Group companies headquartered in France and between March 21, 2012 and April 19, 2012 for employees of Group companies headquartered outside France). These shares are subject to a five-year lock-up period.

For each share purchased by employees, a bank mandated by the Group contributes nine additional shares. Employees are guaranteed a return at least equal to the amount they invested.

In addition, all amounts invested are indexed to the share price so that employees accrue a return on their investment if the share price rises above the undiscounted reference share price. As consideration for the bank top-up and guarantees (capital and indexation) included in this plan, employees have waived their right to the 20% discount granted by Safran and to any dividends payable on the shares over the period.

The plan was rolled out to Group employees outside France in the first quarter of 2012.

The operation met with resounding success, as nearly 18,000 employees worldwide seized the opportunity to subscribe.

Safran earned an award in 2012 for the development of its employee shareholding plan from the 2012 Employee Shareholding Awards (*Grands Prix de l'Actionnariat Salarié 2012*). This development was achieved through both one-off operations, such as the recent employee shareholding offer or the grant of 100 free shares to employees of the Group's European companies in 2009, and long-term plans, such as the Group employee savings plan and the international Group employee savings plan.

#### EMPLOYEE SAVINGS PLANS

Group employees in France benefit from a comprehensive employee savings plan that allows them to contribute to a company savings plan:

- the Safran collective retirement savings plan (PERCO), recently set up under a Group agreement signed in 2012, allows employees to contribute to a retirement savings plan via six corporate mutual funds (FCPE) with different management strategies;
- the Group employee savings plan, implemented by a Group agreement in 2006, features medium-term savings via a range of five FCPEs with different management strategies. The Group employee savings plan endorses employee share ownership in particular, by allocating company contributions to an FCPE invested in Safran shares.

Rapidly after the Group was created, employee share ownership broadened to an international dimension with the international Group employee savings plan set up under a Group agreement signed in 2006. It provides employer financial support to employees of foreign subsidiaries who wish to contribute to a savings plan based on Safran shares.

In 2012, over 14,000 employees in some 50 Group companies in Belgium, Canada, Germany, Mexico, the UK and the US had access to this plan, which will be progressively rolled out to other countries.

## 5.3.5 EMPLOYEE POLICY

### WORKING HOURS

The Safran Group complies with all legal requirements governing working hours at each site.

In France, most Group companies have signed an agreement on working hours with the following provisions:

- monthly workers: an average of 35 to 39 hours worked per week over the year with compensatory time allotted;
- managerial-grade staff: a system of a set number of hours or days worked over the year with compensatory time allotted;
- senior executives, who are not subject to the legal requirements on work time, conventionally benefit from additional days off.

## CORPORATE SOCIAL RESPONSIBILITY

### / DEVELOPING HUMAN POTENTIAL /

Different Group sites have introduced special systems to organize employee work time, such as shift work, including night shifts, and flexible time.

The Group believes that working hours should respect the balance between employees' professional and personal lives.

In France, approximately 5% of Group employees worked part-time as at December 31, 2012.

## EMPLOYER-EMPLOYEE RELATIONS

Main events in this area in 2012 for the Safran Group in France and in Europe were:

- the signature of Group-wide agreements on:
  - the collective retirement savings plan (PERCO), in February,
  - the employment of disabled workers, in April,
  - the new calculation method for the correlation between profit-sharing and Group earnings, in June,
  - the extension of measures to promote development opportunities for seniors, in December;
- the commitment to participate in European-level negotiations on a framework agreement to promote the professional integration of young people;
- the launch of negotiations to revise the agreement on the Safran European Works Council;
- continued negotiations on the prevention of harassment and violence in the workplace;
- the start of negotiations on training;
- meetings with the Group's union representatives to discuss various issues (statutory bargaining round, training, etc.);
- meetings of the Group and European Works Councils in ordinary and extraordinary sessions.

Each Group company also pursues a dynamic negotiation policy based on its economic and social profile. Salary agreements were signed at all Group companies in 2012 in the statutory bargaining round.

## RELATIONS WITH THE LOCAL COMMUNITY

The Group's entities maintain close relations with their local and regional communities and help to raise the Group's profile through active participation in social and economic initiatives at the local level.

The Group devotes considerable resources to training young people under work-study programs and internships at various levels of qualification. In France in 2012, Safran welcomed 3,182 young people under work-study contracts (apprenticeship and professional training contracts) and 2,951 internships, representing 16% of the French workforce.

An action plan was also initiated in 2012 to improve the number of young hires trained within the Group. Steps were also taken with GIFAS to devise shared apprenticeship schemes between Safran and its SME sub-contractors.

The Safran Group pools the payment of apprenticeship tax for qualification levels of "Bac+5" (five years' post-secondary education) and above across all companies, given the national dimension of these qualifications, in order to ensure overall consistency with the Group's strategic focus. The payment of this tax for other qualification levels is entrusted to each company, as their better understanding of the local environment enables them to support the entities that train individuals whose expertise matches recruitment profiles within their employment pool.

Safran has developed partnership initiatives with French public research institutes (CEA, CNRS) in scientific and technology sectors, with engineering and business schools, as well as with scientific universities both in France and abroad. At end-2012, the Group had 147 industrial agreements for training through research (*Conventions Industrielles de Formation par la Recherche – CIFRE*) and Diplomas of Technology Research (*Diplôme de Recherche Technologique – DRT*), a rise of nearly 14% since 2010.

## EMPLOYEE-RELATED ACTIVITIES MANAGED BY THE WORKS COUNCIL

In France, the contribution paid by Group companies to their Works Councils for employee-related activities varies between 1% and 5% of the total payroll, depending on the Company and the site.

## 5.3.6 DIVERSITY AND EQUAL OPPORTUNITIES

Safran has engaged in a policy of combating discrimination and promoting equal opportunities for several years, instituting its Diversity Charter, applicable to all Group companies in November 2010.

In 2012, the Group pressed ahead with its commitment to diversity, broken down into the following four areas:

- integrating and maintaining employees with disabilities in the workforce;

- promoting professional equality between men and women;
- integrating young people;
- developing opportunities for seniors within the Group.

Awareness-raising and communication initiatives, along with the specific targets in place, reflect Safran's determination to boost its social responsibility in this area and report on advances made.

## INTEGRATING AND MAINTAINING EMPLOYEES WITH DISABILITIES IN THE WORKFORCE

Measures taken to promote the employment of workers with disabilities at Group subsidiaries differ from country to country, as national legislation varies considerably. Safran is dedicated to complying with all laws, regulations and any local recommendations that apply to employing workers with disabilities.

In France at December 31, 2012, the Group had 1,507 workers with disabilities (i.e., 4% of the French workforce), 66 work-study contracts and 15 internships.

To advance the driving force initiated with the agreement signed in 2010 and 2011 with Agefiph, a French association promoting the employment of people with disabilities, Safran signed a three-year Group agreement with all trade unions in April 2012 to promote the employment of workers with disabilities, applicable from 2012 to 2014.

Through this agreement approved by the Paris regional directorate for enterprises, competition, consumer affairs, labor and employment (*Direction Régionale des Entreprises, de la Concurrence, de la Consommation, du Travail et de l'Emploi*), the Group continued its mobilization, with concrete steps to recruit more employees with disabilities and improve their professional development and working conditions.

This action focuses on five areas:

- a plan to hire at least 72 workers with disabilities: half the target was reached at December 31, 2012, with 37 disabled workers recruited since January 1, 2012;
- the development of integration and training programs;
- the introduction of a formal Group process on the retention of employees with disabilities and career guidance;
- the development of the Group's collaboration with companies that employ only people with disabilities and provide them with special facilities and support;
- communication and awareness-raising initiatives on disabilities for all those involved with the company.

## PROMOTING PROFESSIONAL EQUALITY BETWEEN MEN AND WOMEN

Gender equality, employee diversity and variety in profiles foster innovation and are key drivers in Safran's performance and development. These issues are overriding aims in Safran's employee policy.

Initiatives focus mainly on ensuring equal compensation, a discrimination-free recruitment policy and career opportunities at all levels of the hierarchy. In France, the Group has signed equal pay and career opportunity agreements in its main subsidiaries that include objectives, progress indicators and progress reviews.

Worldwide, 25% of Group employees are women, with 20% among managers. Given the Group's high proportion of production- or

technical-based jobs, women continue to be underrepresented. The Group is engaged in a proactive policy to attract women, develop gender balance in teams and provide women with access to high-level positions.

Safran's initiatives in France include its partnership with "*Elles bougent*" (Women on the move), an association which aims to promote industrial professions among female high school and university students and encourage them to pursue their studies in these fields.

Through this partnership, Safran has helped young women learn about its technical and scientific jobs as early as possible in their education. The Group hopes to stimulate interest and meet its target of recruiting at least 25% women in the years to come.

Steps have also been taken to foster access for women to high-level positions at the Group.

In France in 2012, the Group participated in the first Women in Industry awards (*Trophée des Femmes dans l'Industrie*), in partnership with the magazine *Usine Nouvelle*.

In Morocco, Safran hosted a conference on women, industry and development (*Femmes, industrie et développement*) in Rabat in March 2012, which drew political and economic Moroccan opinion leaders, Group employees and the media. The Group is a leading employer in Morocco with six subsidiaries in Casablanca and Rabat, which represent over 2,000 employees, of which 56% are women.

For several years, Safran has been a partner to the Women's Forum, an international event bringing together influential men and women. This partnership advanced in 2012, when Safran held a workshop on the role of women in innovation, "Produce in Europe to grow internationally", inviting about 30 women from Group companies to join in debates and conferences. The workshop provided the opportunity for the Group to promote its industrial strategy, thereby maintaining its technological roots in France and Europe while developing internationally.

## INTEGRATING YOUNG PEOPLE

Safran's diversity program focuses on an active and cohesive employment policy for young people from underprivileged neighborhoods and on social and professional integration for disadvantaged groups.

The Group continued its action in 2012, signing the two-year national commitment on employment in priority neighborhoods. Six hundred people will be taken on over the period, including 100 hires, 200 work-study contracts and 300 internships.

In 2012, Safran also continued partnerships with locally active associations, namely "*IMS - Entreprendre pour la Cité*", a network of 200 companies supporting corporate responsibility.

Safran furthered the partnership forged with the Frateli Association, which develops mentoring programs between high-potential students from disadvantaged backgrounds and young professionals. Over 20 employees are now mentors.

Safran joined forces with one of its target schools, Supélec, to promote the social integration of high school students from low-income backgrounds from the Essonne department, by

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participating in a program entitled "A top school: why not me?" (*Une grande école : pourquoi pas moi?*), which aims to increase the chances for students from underprivileged neighborhoods to enroll in ambitious study programs.

The Group also partnered the "Aerospace of the heart" (*Aéronautique du cœur*) project initiated by Boeing, which works to integrate individuals from the "Integration projects" (*Chantiers de l'insertion*) program launched by the "Restaurants of the heart" (*Restos du Cœur*) organization through internships.

## PROLONGING THE WORKING LIVES OF SENIORS

The Group has developed a proactive career management policy for seniors.

Close to 30% of the Group's employees worldwide are aged 50 or over. Holding onto these employees, capitalizing on their vast professional experience and giving them confidence in their professional future is a major priority for the Group.

More specifically in France, Safran signed an agreement on the employment of seniors and in 2012 continued to roll out measures in line with this agreement, mainly including:

- a commitment to avoid age discrimination in the fields of recruitment, training, compensation and career development;
- the creation of special leave for employees aged 50 and over to carry out a professional project or work in the voluntary sector. The special leave is granted for up to six months and is subsidized by the Company;
- introduction of subsidized part time allowing any willing employees with ten years' service in the Company to work 80% of the time and be paid for 90%;
- measures aimed at preventing dangerous or arduous work and improving working conditions and health of seniors in the workplace (medical check-ups, remote working arrangements, etc.);
- other measures also in place aimed at refreshing and capitalizing on the skills of seniors and improving their career management opportunities.

These measures were extended by amendment in December 2012 pending Group-level negotiations on France's new "Generation contract".

## 5.4

# AIMING FOR EXCELLENCE IN HEALTH, SAFETY AND ENVIRONMENT

## 5.4.1 OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL POLICY (HSE)

As an international leader in technology, Safran aims for excellence in the field of occupational health and safety and the environment, as well as for its products and services. This reflects the Group's own values and is consistent with its sustainable development commitments.

In line with one of its seven values – civic responsibility – Safran is committed to developing a culture of anticipation and prevention for managing occupational health and safety and environmental risks that benefits its employees, partners, suppliers and customers as well as all communities affected by its operations wherever Safran is present. Safran is dedicated to strengthening relations with all of its stakeholders while upholding transparency and reliability.

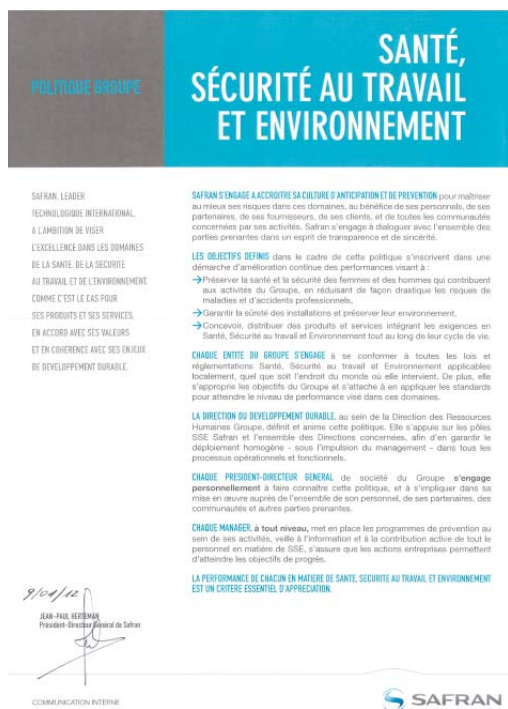
The objectives defined in this policy, put forward by the Sustainable Development Department and validated by the Chairman and Chief Executive Officer, are in line with the Group's strategic CSR focuses presented in section 5.1.1:

- always aiming for excellence in safety and the protection of individuals and property;
- developing innovative products and processes with a lower environmental impact.

In 2012, the Group's Sustainable Development Department continued to spearhead the occupational health and safety and environmental policy and the implementation of policy fundamentals defined in 2008 in line with the Group's strategic CSR focuses:

- management of risks and their impacts;
- compliance with Group HSE requirements;
- integration of HSE into day-to-day actions;
- demonstration of HSE leadership;
- consideration of HSE issues in any changes made;
- measurement of HSE performance;
- experience sharing;
- shared supervision.





### 5.4.1.1 ORGANIZATION

In 2012, the Group consolidated and set its HSE structure, organizing the Sustainable Development Department into two major units:

- a Steering unit that comprises three regions (Americas; Europe-North Africa; Asia-Oceania-Middle East-Sub-Saharan Africa), thus encompassing all of Safran's sites and facilities worldwide. In order to develop local synergies, each region is broken down into divisions covering several geographic sites that may belong to different companies;
- a Segments/Programs unit providing assistance to all Group programs and applications and for external requests from its partners and stakeholders.

The Sustainable Development Department also calls on local division coordinators, company specialists, site prevention officers, occupational health services and a network of decentralized experts.

The Department's health advisor covers the entire Group to coordinate occupational health services and prevention and ergonomics programs.

At Group level, the Sustainable Development Department liaises with other departments in coordinating overall HSE policy. At division level, the prevention officers, in conjunction with the local HSE departments, ensure that improvement programs are implemented to reduce HSE risks, and also oversee employee

training and awareness-raising programs. Each company appointed an HSE specialist in charge of guiding and assisting its management executives. Over 350 prevention officers contribute to rolling out and improving HSE policy with all Group employees and stakeholders.

Set up in 2008, a "REACH group" project team (Registration, Evaluation, Authorisation and restriction of Chemical substances) draws on the Product Environment Correspondent network to coordinate all the Group initiatives in this area. This Group-wide project is overseen by the Group's Sustainable Development Department and Industrial Management Department. This dual supervision gives the project greater operational scope. The role of the Product Environment Correspondents is to facilitate the implementation of measures in response to growing environmental imperatives applicable primarily to products.

### 5.4.1.2 OBJECTIVES

The Group's HSE policy is underpinned by the international rollout of Safran HSE risk management programs and guidelines:

- implementing common HSE objectives for all entities aimed at reducing risks and reinforcing operational control;
- coordinating and improving HSE synergies, which requires the commitment and involvement of Group and company departments. Each Chairman adapts the Group's HSE policy and is involved in its implementation. Each manager initiates prevention programs adapted to his or her business in order to achieve the progress objectives.

The Group's HSE objectives are rolled out across Group entities by the operating divisions, advised and assisted by the relevant HSE prevention officers. The HSE objectives for 2012 cover the following areas:

#### OCCUPATIONAL HEALTH

- Psychosocial risks: based on research conducted with the University of Liège, targeted action plans were developed to boost our performance in this area.
- Ergonomics: the Group assessed its requirements in order to allocate resources accordingly. A Group-wide Ergonomics program was introduced and an ergonomics specialist hired.
- The EVREST (Assessment of Occupational Health) health observatory program: data sets on the work and health of employees are collected and monitored over several years. Indicators are monitored annually, and specific areas are subject to quantitative analysis. This helps better understand the relationship between employee health and work.

#### OCCUPATIONAL SAFETY

- The frequency rate of occupational accidents resulting in lost worktime: the 2012 target is a Group value of less than 4.4. The occupational safety target is adapted to each company in line with its businesses and past performance and is one factor that determines the variable portion of compensation for executive and senior management. The performance of each manager is also assessed based on an HSE target.

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- Risk analysis: the TESSE risk analysis system is used in the United Kingdom, Canada and Morocco.

#### ENVIRONMENTAL PROTECTION

- Climate: an assessment of greenhouse gas emissions was consolidated between 2008 and 2011. In application of French regulations, the system for measuring and defining emissions reduction plans was implemented at the sites concerned. An overview of these plans was reported to the competent authorities and published on the Company websites.
- Protection of natural resources: each company draws up a natural resource conservation plan with measurable targets.
- Chemical risk: the Group's Reaching system improves safety in introducing new chemicals.

#### HSE MODERNIZATION

- Group HSE guidelines: these guidelines are rolled out at all companies. All entities with over 50 employees perform a self-assessment, which is reported in the SCORE (Safran COrporate REporting) system. The guidelines cover ISO 14001 and OHSAS 18001 requirements.
- Managerial involvement: all operating divisions aim for Level 2 maturity in the management commitment and leadership standard.
- Professional training: 50 new HSE training programs are available through Safran Corporate University.
- Local divisions: the program has been launched at all divisions.
- HSE specialist appointed at each company.
- Acciline: Acciline accident management software is used at French companies with over 100 employees.
- SCORE: version V6 of Safran's reporting system is used at all sites included in the reporting scope. The new version makes it easier to manage continuous improvement plans.
- CORP (Customized Regulatory Compliance): the system checks regulatory compliance for French companies.

specific requirements. A maturity matrix is used to assess performance (maturity level) and set specific improvement targets. Each Group entity evaluates its maturity level on a 1-to-4 scale. The maturity level applies to each standard assessed. Standards may apply differently depending on the entity's business activities;

- the Safran HSE guidelines were validated by a third party, demonstrating its equivalence to the ISO 14001 and OHSAS 18001 standards;
- in 2012, the Safran HSE guidelines were rolled out to all Group entities;
- labels are attributed according to each entity's maturity level: bronze (Level 1 for all standards), silver (Level 2 for all standards) and gold (Level 3 for all standards). In 2012:
  - four entities were attributed the bronze label,
  - one entity was attributed the silver label.

The Group is aiming for Maturity Level 3 (on a scale of 1 to 4) for all standards at all entities within three years.

#### CERTIFICATION AUDITS

At December 31, 2012:

- 39 entities were ISO 14001 certified by a third party;
- 6 entities were OHSAS 18001 certified by a third party;
- 21 entities were certified equivalent to ISO 14001 based on the Safran HSE guidelines;
- 2 entities were certified equivalent to ISO 14001 and OHSAS 18001 based on the Safran HSE guidelines;
- 70 inter-company internal audits were carried out in 2012 based on the Safran HSE guidelines. These internal audits enabled the entities to correct and enhance their HSE management systems;
- 58 HSE auditors, whose internal certification is kept up to date and validated by the Sustainable Development Department, conduct reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year. All auditors took four training courses in 2012 for qualification expertise in the ISO 14001 and OHSAS 18001 standards and the Safran guidelines. In 2013, training programs in French and English will be available.

### 5.4.1.3 GUIDELINES AND CERTIFICATIONS

#### GUIDELINES

Structuring risk management and enhancing performance by applying the Safran HSE guidelines:

- the guidelines were consolidated in 2012 and currently include an HSE manual that covers ISO 14001 and OHSAS 18001 requirements and 27 HSE standards setting out Safran's

#### 5.4.1.4 SCOPE

In 2012, the scope of HSE reporting included all entities whose businesses and products may present HSE risks. The data cover some 59,205 employees working at 130 entities worldwide. SCORE has been the reporting database since 2005.

The scope was extended in 2012 to include the Herakles sites.



## 5.4.2 OCCUPATIONAL HEALTH AND SAFETY

### 5.4.2.1 HEALTH: "PRESERVE THE HEALTH OF THE MEN AND WOMEN WHO CONTRIBUTE TO THE GROUP'S ACTIVITIES"

Based on a reporting scope of 59,205 employees, the total number of occupational illnesses reported in 2012 stood at 113. The ratio of occupational illnesses was 1.9 per thousand employees in 2012 (2.75 in 2011 and 3 in 2010). Similar to previous years, 70% of the reported occupational illnesses were attributed to musculoskeletal symptoms (MSS). This level is in line with the nationwide statistics published for France. The number of illnesses linked to prior exposure to asbestos remained stable (18 in 2012).

With the Group's increasingly international dimension, expatriate employees benefit from especially close health monitoring and a medical assistance provider.

Following the different pandemic alerts (bird flu, swine flu), Safran devised a health crisis management plan that is updated on a regular basis. Company crisis manuals and Business Continuity Plans (BCP) were also created. Campaigns are regularly organized to raise awareness about crisis management.

Wherever possible, occupational health services roll out the EVREST health observatory program. The program is currently applied at 34 Group facilities, covering 80% of the workforce in France and Belgium. Widely used in France and Belgium, EVREST allows the Group to compile data on employee occupational health over time and determine areas for improvement.

For several years, the Group has worked actively to prevent psychosocial risks in general and occupational stress in particular. In a number of entities it has rolled out a stress prevention policy based on a diagnostic review followed by an action plan.

In 2004, the Group introduced a four-step approach to analyzing psychosocial risks (stress) consisting of:

- setting up an analysis of ways to prevent psychosocial risks, securing the involvement of site and line managers as well as trade unions and forming a steering committee to supervise this initiative;
- training the steering committee members in psychosocial risks and raising employee awareness;
- performing diagnostic reviews of psychosocial risks using the Working Conditions and Control Questionnaire® (WOCQ). A framework agreement was signed with the University of Liège, a pioneering figure in this area and the brains behind the WOCQ. Sites with few staff that do not have the resources to roll out such tools can draw on internal questionnaires or the EVREST health observatory for their diagnostic reviews;
- performing analyses and implementing action plans. These may be global, cross-functional or by sector and result from the work of sector-based focus groups.

On January 19, 2011, the Group signed an agreement on stress prevention in the workplace with five trade unions representing the Group's employees in France. This agreement plans to:

- roll out the occupational stress prevention program to all Group facilities;

- round out the approach with:
  - awareness-raising and/or training for all those involved as well as managers,
  - initiatives to detect and care for employees suffering from stress.

This agreement also provides for an extension of existing measures to protect employee health and assistance with changes in the organization as part of a change enablement program.

In 2012, 55 sites used the WOCQ, covering over 35,000 employees in France and Belgium. UK, German and Canadian sites performed similar analyses using adapted methodology. More than 3,000 managers have benefited from awareness-raising campaigns or training on occupational stress management since the program was initiated in 2011. Over 1,700 employees were involved in awareness-raising campaigns in application of the Group agreement in 2012.

### 5.4.2.2 SAFETY: "PRESERVE THE SAFETY OF THE MEN AND WOMEN WHO CONTRIBUTE TO THE GROUP'S ACTIVITIES"

#### ACCIDENT ANALYSIS AND PREVENTION

The frequency rate of occupational accidents resulting in lost worktime changed little between 2005 and 2008, falling within a narrow range of 6 to 7. The Group aims to halve this rate over the period 2009-2013, for a performance of 3.3 in 2013.

Based on a safety reporting scope of 59,205 employees, the number of occupational accidents resulting in lost worktime (362 recorded over 12 months) fell considerably in 2012 (down 20% like-for-like on 2011, following a 15% drop between 2010 and 2011). The frequency rate of occupational accidents resulting in lost worktime came out at 3.5 (down 30%) versus the 2012 target of 4.4, while the severity rate fell 23%.

A detailed weekly report on accidents resulting in lost worktime that occurred during the week was added to the regular reporting submitted to Executive Management in 2012. An in-depth analysis of the most significant accidents is also submitted to Executive Management on a regular basis.

Safran deplores one fatal occupational accident in 2012 that occurred while the employee was on duty.

	2010	2011	2012
Frequency rate	6.2	5.0	3.5
Severity rate	0.19	0.18	0.14

Frequency rate: Number of accidents resulting in more than 24 hours of lost worktime per million hours worked.

Severity rate: Number of days' sick leave as a result of occupational accidents per thousand hours worked.

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#### RISK ASSESSMENT

In 2007, the Safran Group approved TESSE, a tool to appraise workstations risk and track employee exposure. The application was used at all French sites in 2010 and 2011. At the end of 2012, the application had been rolled out at 58 Safran sites in France and the rest of the world. This represents an important approach towards improving the understanding, analysis, use and traceability of HSE data.

In 2012, an English version of the application was released, and the system went live at Group sites in the UK, Canada and Morocco.

#### ERGONOMICS

After implementing tools to analyze the ergonomics of workstations, the Group offers the sites the training necessary to their rollout, in order to increase the focus placed on ergonomics in the analysis of workstation risks and reduce any arduousness or danger at workstations as much as possible. An ergonomics rollout program was introduced in 2012 and is overseen at Group level. Ergonomics is covered in the Safran HSE guidelines and represents one of the Group's top HSE priorities.

#### FIRE PROTECTION AND PREVENTION

Since 2007, the Sustainable Development Department has been working with an international fire protection and prevention firm to update the Group's fire risk map, under a multi-annual contract that was renewed for 2013. It covers 77 of the Group's main sites worldwide.

Under the past agreement which covered 2010-2012, 89 audits were performed throughout Safran sites, including 29 in 2012. The sites receive technical assistance from the Group in terms of fire prevention: over 285 site requests have been handled, of which 89 in 2012, representing 800 hours of assistance.

These include 68 reviews of existing fire protection and prevention initiatives, of which 22 in 2012, and of new investments in buildings

or facilities to equip them with automatic sprinklers. The fire prevention policy was updated in 2012, with the specific stipulation that any investment of over €20 million must include the installation of a fire protection sprinkler system.

Since 2007, 1,063 recommendations have been issued, of which 166 in 2012.

The IT application for managing this risk allows each site, company and the Group via consolidation, to:

- identify, assess and understand potential risks and damage;
- identify and assess the remedial and preventive measures taken to manage these risks;
- address any recommendations made;
- manage improvements;
- define the strategy for mitigating identified risks.

#### TRAINING

A number of general and/or technical training programs are dispensed in all areas of HSE and available to all categories of employees. In 2012, over 17,000 employees took HSE training, totaling more than 120,000 hours (9% of the Group's total number of training hours). Over 130 Group-wide programs were available through Safran Corporate University in 2012.

Several initiatives were also undertaken in 2012:

- 14 sessions provided training for 203 managers on the ongoing HSE improvement drive. This training was held in French, English, Spanish and Portuguese and took place in France, Brazil, Germany, the United States, Canada, Singapore and China. Since 2006, 625 managers have received training on the Group's HSE policy.  
This training will continue in 2013 in France and abroad.
- A two-day forum in March 2012 brought over 150 HSE prevention officers together to share their experience.

## 5.4.3 ENVIRONMENT

### 5.4.3.1 PRODUCTS AND PROCESSES

Safran handles all environmental and health risks as part of its ongoing HSE improvement drive. These include risks related to industrial production as well as risks resulting from the use of its products on the market. Risks are assessed at every stage of the products' lifecycle from design to end-of-use and/or decommissioning. Safran enforces a continuous improvement policy to protect the environment and manage environmental risks.

Rules governing the choice and use of chemical substances are defined in Group procedures and are sent to all Group suppliers. Since 2009, the Group has been harmonizing its procedures in line with its guidelines on the selection of chemical substances in order to devise a list of processes applicable to any new program. A committee was set up to approve and oversee Group policy on the introduction and use of chemicals. Eco-design is covered in the Safran HSE guidelines to integrate safety requirements and product reliability along with the development of eco-friendly products.

As part of its medium-term HSE objectives, the Group defined the following environmental goals in 2008 (reference year):

- 5% reduction in energy consumption or replacement with renewable energies;
- 10% reduction in waste, excluding metallic chips;
- 10% reduction in waste sent to landfill;
- 15% reduction in greenhouse gas emissions.

These objectives are still being pursued. Companies have been asked to draw up a natural resource conservation plan with measurable targets in line with their activities.

### 5.4.3.2 ECO-DESIGN

In response to environmental challenges such as climate change, resource shortages or the use of chemicals, Safran is mobilized to promote sustainable development in the Aerospace, Defence and Security sectors. In partnership with its customers, the Group is involved in large-scale French and European programs to develop more environmentally friendly products.

Integrating health, safety and environmental factors into design is crucial in leading this campaign. As such, by using eco-design tools, the Group can evolve towards products with a significantly reduced environmental impact.

The Turbomeca TM800 is a concrete example of this approach. The TM800, a future, new generation helicopter engine, is the culmination of extensive R&D efforts to develop a new, more efficient

architecture, choose new, more health- and environmentally-friendly materials and substantially reduce fuel consumption and noise pollution. Other products derived through eco-design include: ever more fuel efficient engines developed over the past 40 years, the LEAP engine to replace the CFM56 as the future engine for single-aisle jets, thrust reversers, Aircelle nacelles and Morpho's new SIM card, SIMply Green.

Environmental factors are not only integrated into product design, but also the construction of new buildings (Coriolis in Montluçon and César in Buchelay) and improvements to existing processes (foundry in Gennevilliers).

### 5.4.3.3 REDUCING GREENHOUSE GAS EMISSIONS

Three Group companies, classified as combustion facilities (boilers for industrial use and heating installations, cracking furnaces) with a rated thermal input exceeding 20MW, were concerned by the allocation of greenhouse gas emissions allowances for the 2008 to 2012 period.

The decline in emissions at Snecma (Villaroche) reflects the reduced use of its co-generation facility. Messier-Bugatti-Dowty's direct CO<sub>2</sub> emissions relate to its carbon-based materials manufacturing processes and not chiefly to combustion processes. The greenhouse gas emissions produced by Herakles (Saint-Médard-en-Jalles) come from the industrial heating systems used in utility processes.

Company	Location	Activity	CO <sub>2</sub> emissions reported in 2010 (metric tons)	CO <sub>2</sub> emissions reported in 2011 (metric tons)	2008-2012 annual allowance (metric tons)
Snecma	Villaroche (France)	Manufacture of engines	9,820	11,586	27,918
Messier-Bugatti-Dowty	Villeurbanne (France)	Manufacture of carbon brakes	11,271	11,393	22,722
Herakles	Saint-Médard-en-Jalles (France)	Manufacture of propellants	17,042	14,716	17,370
<b>TOTAL</b>			<b>38,133</b>	<b>37,695</b>	<b>68,010</b>

### 5.4.3.4 SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS

In accordance with its aim of fighting global warming, Safran measures its carbon footprint and energy consumption in scopes 1 and 2.

In 2009, the Group measured the carbon footprint of 65 key facilities. The results were used as a basis for the three-year action plan (2009 to 2011). The materials purchased to manufacture Group products represented 50% of greenhouse gas emissions. As for the remaining 50%, the Group activities that leave the largest carbon footprint are energy consumption, freight and employee travel (in decreasing order of importance).

In 2010, an initiative was launched to reduce greenhouse gas emissions at key facilities and each site was asked to propose action plans. The Group's Sustainable Development Department selected proposals submitted by 16 sites covering a total of 47 action plans, including 14 energy saving plans, 12 freight impact reduction plans and 12 industrial waste treatment plans.

In 2010, four additional sites were added to the 65 sites already committed to carbon footprint reduction: Fougères (France) for Sagem Industries, Osny (France), Flintbek (Germany) and Taubate (Brazil) for Morpho.

A new carbon footprint campaign covering 69 sites was launched in 2011 to improve data management and prepare the Group to meet France's Grenelle 2 environmental requirements.

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In this year's publication, data on greenhouse gas emissions are reported in metric tons of CO<sub>2</sub> equivalent and cover direct emissions (scope 1) and indirect emissions from energy consumption (scope 2). 2010 serves as the reference year, in accordance with regulations in force. Data were collected in 2011 in line with legal requirements and Group methodology introduced in 2008. Figures were taken from energy bills or meter readings. Data cover the French facilities of the Group's tier-one entities. Herakles was not taken into account as it was not included in the Group's scope of consolidation in 2010.

Each company has initiated a three-year action plan for scopes 1 and 2 to focus on optimizing heating, lighting, and office systems and processes. Cooling systems are covered in separate monitoring and reduction plans. The data collection scope encompasses Safran entities in France included in the assessment of greenhouse gas emissions (headcount of 31,478). 2011 data cover the worldwide scope (headcount of 47,983).

	SCOPE 1 (Eq. t CO <sub>2</sub> /employee)	SCOPE 2 (Eq. t CO <sub>2</sub> /employee)
Safran 2010 (France)	4.7	5.4
Safran 2011 (World)	4.3	3.0

#### 5.4.3.5 ADAPTING TO CLIMATE CHANGE

The Group believes that its business activities and the location of its operations do not expose it to climate change risks and has therefore not defined a specific strategy on adapting to climate change. However, climate change is considered one of the natural risks discussed in section 5.4.3.13.

#### 5.4.3.6 ASBESTOS

The Group is concerned by asbestos legislation, in terms of both the protection of users of its products and the protection of employees and service providers.

Replacement solutions have been implemented for products containing asbestos that are marketed by Group companies.

With respect to the presence of materials containing asbestos in buildings, since 1997 several specialized firms have investigated and assessed asbestos risks, according to the nature and condition of such materials. These investigations covered non-friable materials, thereby anticipating future legal requirements.

Additional investigations on equipment were carried out to check for asbestos-based materials. Any necessary replacement is handled in accordance with current legislation and standards. All risks identified have either been treated by direct removal or are subject to monitoring programs, in accordance with regulations in the countries in which the facilities are located.

This issue is tracked in the Safran HSE guidelines that have been rolled out across the Group.

#### 5.4.3.7 CONDITION OF SOIL AND GROUNDWATER

The Group has enlisted independent experts to perform studies and analyses to assess any potential risk of soil and groundwater pollution at its industrial facilities. Preventive or rehabilitation measures are implemented wherever necessary.

In connection with the acquisition of SME, Safran entered into an environmental guarantee agreement with SNPE for the treatment of pollution resulting from past operations at the Bouchet Research Center, Saint-Médard-en-Jalles and Toulouse facilities (all France). The agreement provides for two scoping and analysis phases over 18 months, and a five-year work phase. The French Directorate General for Health (*Direction générale de la santé* – DGS) and the French Agency for Food, Environmental and Occupational Health and Safety (*Agence nationale de sécurité sanitaire de l'alimentation, de l'environnement et du travail* – ANSES) issued a recommendation setting the threshold for ammonium perchlorate in water at 4 ppb/liter. To remain below the threshold, some water supply sources around the Saint-Médard-en-Jalles site were shut down. In application of additional local legislation in 2012, the Saint-Médard-en-Jalles and Toulouse entities drafted water management plans in line with France's national methodology for polluted sites and soil. The Saint-Médard-en-Jalles facility collects wash water and process wastewater for biological treatment. The Toulouse site operates a perchlorate production unit that recycles process wastewater and where shop flooring was waterproofed.

The Sustainable Development Department carries out environmental reviews of buildings, activities, soil and groundwater at each site and contributes to the due diligence for disposals and acquisitions of assets. These reviews also encompass the HSE risk appraisal procedure.

#### 5.4.3.8 HAZARDOUS SUBSTANCES

For several years, the reduction and elimination of hazardous substances in the products and processes implemented in Group companies has been a key area for progress in the Group's HSE policy. A specific structure and resources were deployed in 2008 to ensure compliance with new regulations relating to dangerous substances.

In 2010, in addition to work on compliance with REACH regulations, the measures taken included:

- designing and deploying guidelines on the use of dangerous chemical substances that incorporate different regulations and techniques in the Aerospace, Defence and Security sectors;
- preparing the standard relating to the most critical substances from a Group perspective, using original, rigorous methodology;
- consolidating the database (REACHING) for all substances used by the Group;
- requesting information from suppliers on the chemical content of products they deliver to Safran;

- developing and rolling out replacement solutions for substances deemed as critical in liaison with the different departments involved: the Materials and Procedures, Purchasing, Quality and Technical departments, etc.

European CLP (Classification Labelling Packaging) regulations concerning dangerous substances and mixtures came into force in 2010, and the Group prepared a multi-annual action plan for training employees and raising their awareness of chemical hazards. Applications have been updated, communication initiatives have been stepped up and the necessary changes have been identified and implemented. In 2010, the different Group companies notified the European Chemicals Agency (ECHA) of substances placed on the market pursuant to regulatory requirements. In 2011 and 2012, Safran focused on consolidating all the measures initiated in 2010 and updating them to incorporate any regulatory changes, particularly in REACH regulations.

In 2012, the Group set up a committee on the introduction of chemicals.

### 5.4.3.9 WASTE

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary non-hazardous industrial waste and hazardous industrial waste. Waste may be recycled and transformed, stored or incinerated. The main companies producing large amounts of hazardous industrial waste (in excess of 1,000 metric tons per year) are Snecma (Corbeil and Gennevilliers), Herakles (Toulouse), Messier-Bugatti-Dowty (Bidos, Walton, Montreal), Turbomeca (Tarnos).

<b>Waste</b> (metric tons/employee)	<b>2010</b>	<b>2011</b>	<b>2012</b>
Ordinary waste <sup>(1)</sup>	0.41	0.37	0.36
Hazardous industrial waste <sup>(2)</sup>	0.41	0.40	0.43
Transformed ordinary waste*	0.16	0.17	0.16
Transformed hazardous industrial waste*	0.05	0.07	0.09

(1) Headcount covered: 51,342 employees.

(2) Headcount covered: 55,466 employees.

\* Energy recovery and recycling.

<b>Waste</b> (% of total processed)	<b>2010</b>	<b>2011</b>	<b>2012</b>
Percentage recycled	34	38	31
Percentage transformed into energy	50	44	38
Percentage sent to landfill	16	18	30

### 5.4.3.10 WATER CONSUMPTION, MEASURES FOR IMPROVEMENT AND AQUEOUS DISCHARGES

The majority of Safran industrial processes (excluding Herakles) have little or no impact on water quality. Processing effluents that could represent a risk are discharged into surface water via treatment plants that are constantly monitored. In the absence of a treatment plant, they are collected and treated as industrial waste. Several French sites are governed by legislation and covered by additional local regulations concerning the discharge of hazardous substances into water.

Most of the Group's facilities mainly use drinking water. Total water consumption per employee increased in 2012 with the inclusion of the Herakles facilities, which are heavy water consumers.

Large volumes of water are used to produce carbon-carbon brake disks and pads, resulting in high ratios for Messier-Bugatti-Dowty in Villeurbanne (France) and Messier-Bugatti USA in Walton (United States).

The largest water consumers in 2012 were Turbomeca in Bordes and Herakles in Toulouse (both in France), a direct result of their production processes (cooling test cells, perchlorate manufacturing). Excluding surface water, which is essentially used in processes, water consumption per employee stood at 54 cu.m.

<b>Water<sup>(1)</sup></b> (cu.m/employee)	<b>2010</b>	<b>2011</b>	<b>2012</b>
Water supply network	28	26	26
Surface water	28	26	82
Groundwater	34	32	28
<b>TOTAL SAFRAN GROUP</b>	<b>90</b>	<b>84</b>	<b>136</b>

(1) Headcount covered: 57,208 employees.

### 5.4.3.11 ENERGY CONSUMPTION, MEASURES FOR IMPROVEMENT AND ENERGY EFFICIENCY

Electricity is the prime energy source, representing almost half of total energy consumption, followed by natural gas. Premises are mainly heated by natural gas. Hydrocarbons are used less and less for heating and are now reserved for engine testing and backup equipment.

Energy (metric tons of oil equivalent/employee)	2010	2011	2012
Electricity <sup>(1)</sup>	1.45	1.38	1.37
Gas <sup>(2)</sup> excluding use as a raw material and in industrial processes	1.39	1.16	0.92
Fuel <sup>(3)</sup> excluding heavy fuel oil and heating oil	0.42	0.34	0.27

(1) Headcount covered: 57,169 employees.

(2) Headcount covered: 54,721 employees.

(3) Not including transport. Headcount covered: 58,385 employees.

The following table does not include the energy impact of transporting goods.

The conversion factor used for electricity consumption (1 MWh = 0.0859 metric tons of oil equivalent) is taken from "The new methodology for preparing energy consumption reports in France" published in February 2002.

The Safran Group's per-employee energy intensity was down 14% in 2012 compared with 2011, despite higher business volumes.

### 5.4.3.12 CLASSIFIED FACILITIES

#### SEVESO FACILITIES (HIGH-HAZARD THRESHOLD)

Eight of Safran's facilities in France fell within the high-hazard threshold of the Seveso Directive in 2012: Snecma (Vernon), Messier-Bugatti-Dowty (Molsheim), Turbomeca (Bordes), Herakles (Saint-Médard-en-Jalles, Toulouse, the Bouchet Research Center, St Hélène and Candale). These sites comply with and apply prevailing legislation: Security Management System (*Système de Gestion de la Sécurité* – SGS), Internal Operations Plan (*Plan d'Opération Interne* – POI), Technological Risk Prevention Plans (*Plans de Prévention des Risques Technologiques* – PPRT), etc.

#### FACILITIES CLASSIFIED FOR ENVIRONMENTAL PROTECTION (INSTALLATIONS CLASSÉES POUR L'ENVIRONNEMENT – ICPE)

A number of entities operate facilities that are subject to authorization, declaration or registration requirements in line with French legislation.

In accordance with French laws, some of these facilities (under Seveso or ICPE classifications) are required to establish financial guarantees so that the site will meet safety standards if the business is discontinued.

### 5.4.3.13 NATURAL RISKS

The Safran HSE guidelines cover these natural risks in the environment/permit/neighborhood standard. Maturity Level 2 requires entities to assess the impact of these risks (see section 5.4.1.3).

### 5.4.3.14 BIODIVERSITY

The Group has made a commitment to comply with the environmental regulations in effect for all of its development projects. Safran occasionally carries out analyses to determine the impact of its activities on local biodiversity for the purpose of obtaining a license.

### 5.4.3.15 LAND USE

Although it seeks to optimize their use, Safran is not directly involved in extracting natural resources.

Moreover, the Group takes into consideration the issue of artificial land use in its development.

## 5.4.4 CONCLUSIONS

In 2012, Safran improved its results in accident analysis and prevention, reducing the frequency rate of occupational accidents resulting in lost worktime\* by approximately 30% and the severity rate\*\* by 23% compared with 2011.

The Group did not record any significant environmental accidents with an impact on health or the environment in 2012. Environmental factors improved or stabilized, despite higher business volumes.

This demonstrates the effectiveness of the plans and initiatives implemented by the Group over the past few years and its steadfast commitment to the sustainable development of its businesses. In addition to the examples mentioned above, other measures include intercompany travel plans, recycling carbon fiber scraps, biodegradation of propellants, an electricity-saving project, replacing equipment and optimizing energy use at sites, etc.

\* Frequency rate: Number of accidents resulting in more than 24 hours of lost worktime per million hours worked.

\*\* Severity rate: Number of days' sick leave as a result of occupational accidents per thousand hours worked.

Safran continues to be involved in several major initiatives outside the Group:

- Safran is a founding member of the International Aerospace Environmental Group (IAEG), whose prime objectives include setting shared environmental standards for the international aerospace industry and heightening the reliability of the logistics chain;
- Safran participates in a number of European programs (Clean Sky, SESAR, PAMELA, etc.) that aim to substantially improve the environmental performance of air transport over the full life cycle;
- Safran is involved in a number of strategic organizations such as the Civil Aviation Research Council (CORAC) and the Advisory Council for Aviation Research and Innovation in Europe (ACARE).

The Safran Group is also a stalwart member of the French Aerospace Industries Association (GIFAS) which provides a forum for various professional associations and public institutions to:

- focus on the implementation and consequences of EU regulations such as REACh and CLP;
- draft professional guides (namely on performing assessments of greenhouse gas emissions that cover radiation protection);
- find substitutes for chemicals;
- promote occupational safety (radiation protection, dangerous or arduous work, etc.).

Safran will pursue its HSE objectives in the years to come:

- strengthening managerial involvement through the Group guidelines;
- developing and rolling out the ergonomics program;
- reducing the frequency rate of accidents resulting in lost worktime and work-related travel accidents;
- completing its organizational changes;
- targeting environmental measures for each company.

## 5.5 INVOLVING OUR SUPPLIERS AND PARTNERS

### 5.5.1 SOCIALLY RESPONSIBLE PURCHASING

The Group's purchasing policy is perfectly in line with its CSR policy. It is rolled out:

- in compliance with the Group's Ethical Guidelines and best practices set out in its mediation guidelines;
- in compliance with Safran's commitments with ministries, organizations and other partners;
- through close cooperation among Group companies, a Safran purchasing network and culture, smooth coordination among all Group members in contact with suppliers and the involvement of the purchasing team in all product life-cycle phases.

This rollout includes:

- a "Purchasing and CSR" project launched in 2012 to:
  - assess the degree of CSR development in purchasing organizations within the Group,
  - capitalize on company feedback,
  - identify priority purchasing categories and develop the corresponding action plans,

- provide training for about one hundred buyers and decision-makers on CSR principles;

- Safran Buyers' Day, an event organized in October 2012 to encourage buyers to continue their work to turn our purchasing policy into a competitive advantage, while maintaining balanced relations with our suppliers.

The measures taken by Safran (application of the European REACh directive, raw materials recycling, purchasing from ESAT [employment assistance organizations for the disabled], purchase of eco-labeled office supplies, IT equipment recycling, fleet of electric vehicles, etc.) are currently being rolled out. In 2013 we will also assess our suppliers' CSR performance and ask them to sign a CSR charter.

Given the growing importance of the French industrial fabric in the Group's activities, Safran joined the association Pacte PME in its commitment to supporting the development of French SMEs, in particular innovative companies. The Group is also a member of its Board of Directors.



## 5.5.2 SUB-CONTRACTING

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Like other industrial groups, Safran uses sub-contractors. Sub-contracting generally comes in one of three forms:

- cooperation sub-contracting, consisting of activities entrusted to major partners at the request of the customer;
- specialty sub-contracting of activities for which the Group does not possess the necessary expertise, for technical or economic reasons;

- capacity sub-contracting, corresponding to maximum sizing of Group production and development and based around cyclical activities.

## 5.6

## INVESTING IN CORPORATE SPONSORSHIP

Safran boasts an active corporate sponsorship policy that is implemented:

- either through one of its two corporate foundations;
- or directly by the Group, through solidarity initiatives led with prestigious public and private partners.

Since 2005, Safran has supported nearly 400 projects through its sponsorship policy.

All of its sponsorship programs champion two major issues: social cohesion and equal opportunities.

### 5.6.1 SAFRAN CORPORATE FOUNDATION FOR INTEGRATION

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Set up in 2005, the Foundation is devoted to the social and professional integration of young adults with a physical, mental or social disability.

The Foundation's Board of Directors places the long-term results for those who benefit from initiatives as the prime focus in its choice of programs.

Most of the Foundation's action concerns France, although some high-leverage partnerships have also been established in other countries: in Morocco with the organization EMA which develops schools in underprivileged areas of Casablanca, in Brazil with the International Youth Foundation which promotes the employment of young high-risk individuals, and in India with the organization Namasté which promotes the professional integration of women with no income.

Safran employees are increasingly encouraged to further their involvement in the Foundation through projects implemented in collaboration with Group and company HR departments. Two significant examples include:

- the program led with the Frateli Association to offer increasingly operational and diversified guidance to high-potential students from underprivileged backgrounds through program mentors, who are highly experienced Safran employees;
- the multi-year project to design innovative wheelchairs, launched in the summer of 2011 in partnership with the Fondation Garches and different engineering and design schools (Centrale Lyon, ISTY, Strate College), with the involvement of Safran staff, essentially engineers. The short-term goal is to design one or more prototypes, after which the project's partners plan to produce and market one of the models.



## 5.6.2 SAFRAN CORPORATE FOUNDATION FOR MUSIC

The Foundation was created in 2004 and supports young, particularly promising musicians in their training and professional development through scholarships in France or abroad, assistance in buying an instrument, financing music recording projects, etc.

The Foundation also participates in organizing music events and contests to win the "Safran Corporate Foundation for Music Award", which went to the pianist Guillaume Vincent in 2012.

## 5.6.3 SOLIDARITY SPONSORSHIP

Since 2008, the Group has lent its support to a number of solidarity programs that are jointly implemented with the Sponsoring Department.

These programs feature two fundamental dimensions:

- combining both social and cultural aspects;
- encouraging sound, long-term partnerships with prestigious public and private establishments, such as:
  - the Ministry of National Education: annual concerts at the Salle Gaveau for around 700 students from schools in disadvantaged neighborhoods in the Paris region, accompanied by their teachers and senior management from the ministry,
  - the *Orchestre de l'Alliance* (Alliance Orchestra): support for major national causes as part of the *Saisons de la Solidarité* (Seasons of Solidarity) program, with concerts at the Salle Gaveau; all proceeds are donated (in 2012 the donations were made to the AFM [French Muscular Dystrophy Association] Telethon),
  - the French Senate and the French Ministry for Urban Affairs: the *Talents des Cités* (Inner-city Talent) initiative sponsored by Safran since 2011 to support young entrepreneurs from underprivileged neighborhoods,

- the French Embassy in the United States: a multi-year partnership formed in 2011 with the embassy's cultural departments to organize concerts to promote young virtuosos both at prestigious Washington D.C. venues and on tours at US universities,
- the Duke Ellington School for the Arts, a public high school in Washington, D.C.: support for the establishment's dual objective to foster excellence (exceptional talent) and solidarity (students from disadvantaged backgrounds),
- Mexico City Papalote Museum: program initiated with the Mexican Ministry of Education.

Each initiative is promoted internally and externally through Safran's intranet and website, as well as other communication media.

A brochure in French and English is published annually, and updates on initiatives are provided several times a year in an electronic newsletter (in French and English), which is sent to the Group's staff and main external contacts.

Safran employees are increasingly involved in these programs, both in France and around the world.

## 5.7

CSR REPORTING METHODOLOGY  
AND STATUTORY AUDITORS' REPORT5.7.1 METHODOLOGY NOTE ON LABOR AND HEALTH, SAFETY AND  
ENVIRONMENTAL (HSE) REPORTING

The labor and HSE indicators in this section have been defined by experts from the Group's support functions and businesses.

As part of its ongoing improvement drive, Safran is gradually introducing a set of labor and HSE indicators that meet legal obligations and follow the changes in the Group and its businesses.

The indicators and reporting period presented herein cover the 2012 calendar year, from January 1 to December 31, unless otherwise indicated.

Safran has elected to have a selection of its labor and HSE indicators reviewed by the Statutory Auditors, Ernst & Young Audit and Mazars, in accordance with the CSR reporting requirements set out in article 225 of the Grenelle 2 Act and its implementing legislation.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the Statutory Auditors' report in section 5.7.2.

## 5.7.1.1 REPORTING SCOPE

## LABOR INDICATORS

The labor reporting scope covers Safran and all of its subsidiaries in which the Group has more than 50% direct or indirect control, excluding joint ventures (companies controlled jointly by Safran and another group), unless otherwise indicated below.

The labor indicators at December 31, 2012 cover all subsidiaries from all business lines included in the reporting scope.

Indicators on training, work-study programs, internships, disabled workers and absenteeism only pertain to France, but the Group is working to expand the reporting scope of these indicators.

## HSE INDICATORS

The HSE reporting scope encompasses Safran and some of its subsidiaries in which the Group has more than 50% direct or indirect control. The scope covers the health and safety issues of 130 entities (including the Herakles entities), totaling 59,205 Group employees and representing 95% of the Group's workforce (62,558 employees). Adjustments may have been made to the scope of each indicator in line with its relevance for the entity and the entity's ability to provide data.

## CHANGES IN SCOPE OF CONSOLIDATION

Changes in scope are due to acquisitions, the set-up of new companies, disposals, liquidations or changes in subsidiary investments. The following rules were defined for labor and HSE indicators:

- acquisition: data on the acquired entity are included in the consolidation scope at the date on which control is acquired by the Group;
- set-up: data on the new entity are included in the scope as of the inception date;
- disposal/liquidation: data on the entity sold or liquidated are excluded from the consolidation scope at the actual disposal or liquidation date.

Reporting systems must be implemented for set-ups and acquisitions. Additional time may therefore be required for consolidated reporting.

### 5.7.1.2 DATA COLLECTION

Labor and HSE indicators are based on several data collection systems used by the Group. Each system falls under the responsibility of a specific department.

#### LABOR INDICATORS

Employee data are reported on a quarterly basis, with the exception of data on absenteeism, which are reported monthly.

Employee data are collected at each subsidiary controlled directly by Safran (tier-one entities). These tier-one entities are responsible for collecting the employee data from their respective subsidiaries in which they have over 50% control. Data reported in the scope of France derive from the same reporting system, Cognos RH, which is updated through a common pay system used by all subsidiaries. International employee data are collected using a standard model. The Group's Human Resources Department consolidates employee data for French and international companies based on the information reported by tier-one entities, following consistency checks.

#### HSE INDICATORS

Safety indicators are reported on a monthly basis, while health and environmental indicators are reported on an annual basis. Health and safety data published in 2012 correspond to the data available at the end of the year. Environmental data are published on a rolling year basis from October 1, 2011 to September 30, 2012. Scope 1 and 2 data on greenhouse gas emissions correspond to the stabilized 2010 data for French entities, in order to meet regulations in effect. Scope 1 and 2 data for 2011 cover operations worldwide, including France. 2012 data will be compiled in 2013. Data are entered by representatives appointed at each entity in the special SCORE (Safran Corporate Reporting) data collection system. Data are validated and checked under the supervision of the head of the entity. The Group's Sustainable Development Department is responsible for consolidating data. Indicators are defined in SCORE, which has been rolled out Group-wide since 2005.

### 5.7.1.3 DETAILS ON CERTAIN INDICATORS

The definitions of labour indicators, presented below, are provided in the model used worldwide and available for representatives.

The definitions and calculation methods of HSE indicators are provided in the reporting system available for representatives. The main assumptions are presented below by group.

#### HEADCOUNT

The headcount includes all employees under permanent or fixed-term employment contracts covered in the scope. Employees are counted in terms of individuals and at the end of the month. Headcount excludes other types of contracts such as work-study contracts, industrial agreements for training through research (*Conventions Industrielles de Formation par la Recherche – CIFRE*), Diplomas of Technology Research (*Diplôme de Recherche Technologique – DRT*) or seasonal employment contracts.

The data on the employee age pyramid cover 96% of Safran's workforce, as some subsidiaries qualify this information as confidential when it applies to a very small number of employees.

#### MANAGERIAL GRADE STAFF (MANAGERS AND ENGINEERS)/EMPLOYEES

Employees identified as managerial grade staff (managers and engineers):

- coordinate a set of resources (equipment, human, financial) placed under their charge, with the degree of independence and responsibility required to achieve targets. Management may oversee a team, projects, a process, a technique or a customer or supplier portfolio;
- and/or hold an engineering degree from a university or specialized selective higher-education establishment. Engineers are essentially responsible for solving technological issues related to the design, manufacture or application of products, systems or services, primarily in R&D and production.

All other employees who are not identified as managers or engineers fall into the "Employees" category.

#### EXTERNAL RECRUITMENT

External recruitment refers to hiring new employees from outside the Group on fixed-term or permanent employment contracts. It does not include acquisitions or other types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

## CORPORATE SOCIAL RESPONSIBILITY

### / CSR REPORTING METHODOLOGY AND STATUTORY AUDITORS' REPORT /

#### PERMANENT DEPARTURES

A permanent departure (dismissal, resignation, retirement, end of fixed-term contract and other) refers to any employee who leaves the Group scope, excluding disposals of businesses and the termination of other types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

#### REPLACEMENT RATE

The replacement rate is determined by dividing external new hires by permanent departures.

#### ABSENTEEISM

As defined by the social performance assessment, absenteeism corresponds to the total number of paid or unpaid hours absent (illness, occupational accidents, work-related travel accidents, maternity leave, contractual leave for family events, parental leave, leave for sick children, absence due to other causes, strikes, etc.) divided by the theoretical number of hours worked.

Data pertain to France, excluding SME and its subsidiaries, AES and SLCA for the 2012 calendar year.

#### DISABLED WORKERS

This indicator includes employees declared as disabled workers in France, excluding work-study contracts, as defined by article L.5212-13 of the French Labor Code (*Code du travail*) and articles 394 and 395 of the French Code of Military Pensions (*Code des pensions militaires*).

#### WORK-STUDY CONTRACTS AND INTERNSHIPS

This indicator includes work-study contracts (apprenticeships and professional training contracts) and internships established in 2012 in France.

#### TRAINING

The indicator on training hours covers all types of training in France, including individual training entitlements (*Droit Individuel à la Formation* – DIF).

#### ACCIDENT ANALYSIS AND PREVENTION

The frequency rate of occupational accidents equals the number of accidents resulting in the equivalent of one day or more of lost worktime per million hours worked.

The severity rate corresponds to the number of days' sick leave as a result of occupational accidents per thousand hours worked.

The hours worked used for the calculation correspond to actual hours worked.

#### CO<sub>2</sub> EMISSIONS

Emissions refer to scope 1 and 2 as defined in article 75 of the Grenelle 2 Act, covering 31,478 employees in 2010 and 47,983 employees in 2011.

#### TRAINING ON OCCUPATIONAL STRESS

The figure of 3,000 managers trained on occupational stress management was estimated based on the number of conferences, each attended by 50 to 80 participants, and the number of training sessions, each attended by 10 to 15 participants, since the program was launched in 2011.

#### EVREST

The Evrest program was only rolled out in France and Belgium in 2012. The indicator covers sites involved in the program for more than one year.

#### WASTE

Categories of waste are defined according to local regulations. In order to harmonize reporting practices across the Group, non-contaminated metallic chips are reported separately.

#### WATER

Reported water consumption involves three types of sources:

- the water supply network refers to water supplied through a public or private operator;
- surface water refers to water pumped directly from the surface of the natural environment (river, lake, etc.);
- groundwater refers to water pumped directly from the water table.

## 5.7.2 INDEPENDENT VERIFIERS' ATTESTATION AND ASSURANCE REPORT ON SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

*This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

### YEAR ENDED DECEMBER 31, 2012

To Executive Management,

Pursuant to your request and in our capacity as independent verifiers of Safran, we hereby report to you on the consolidated social, environmental and societal information presented in the management report issued for the year ended December 31, 2012 in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*).

### MANAGEMENT'S RESPONSIBILITY

The Board of Directors is responsible for the preparation of the management report including the consolidated social, environmental and societal information (the "Information") in accordance with the requirements of article R.225-105-1 of the French Commercial Code, presented as required by the entity's internal reporting standards (the "Guidelines"), available for consultation at the Group's head office and for which a summary is provided in the management report.

### OUR INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de déontologie*) and article L.822-11 of the French Commercial Code. In addition, we maintain a comprehensive system of quality control including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### INDEPENDENT VERIFIERS' RESPONSIBILITY

It is our role, on the basis of our work:

- to attest whether the required Information is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of article R.225-105 of the French Commercial Code (*Code de commerce*) and Decree no. 2012-557 dated April 24, 2012 (Attestation of presentation);
- to provide reasonable assurance on whether the Information selected by the Group and identified by ☒ in Section 5 of the management report is fairly presented, in all material respects, in accordance with the Guidelines (reasonable assurance);

- to provide limited assurance on whether the other Information is fairly presented, in all material respects, in accordance with the Guidelines (limited assurance).

We called upon our Corporate Social Responsibility experts to assist us in the performance of our work.

#### 1. ATTESTATION OF PRESENTATION

Our engagement was performed in accordance with professional standards applicable in France:

- We compared the Information presented in the management report with the list as provided for in article R.225-105-1 of the French Commercial Code;
- We verified that the Information covers the consolidated scope, namely the entity and its subsidiaries within the meaning of article L.233-1 and the controlled entities within the meaning of article L.233-3 of the French Commercial Code within the limits specified in the methodology note presented on page 214 of the management report;
- In the event of the omission of certain consolidated Information, we verified that an appropriate explanation was given in accordance with Decree no. 2012-557 dated April 24, 2012.

On the basis of our work, we attest that the required Information is presented in the management report.

#### 2. ASSURANCE REPORT

##### Nature and scope of the work

We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements) and French professional guidance.

We performed the following procedures to obtain:

- Reasonable assurance that the Information selected by the Group and identified by ☒ in Section 5 of the management report is fairly presented, in all material respects, in accordance with the Guidelines;
- Limited assurance that nothing has come to our attention that causes us to believe that the other Information presented in Section 5 of the management report is not fairly presented, in all material respects, in accordance with the Guidelines.

Our work consisted in the following:

- We assessed the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, the good practices in the sector.
- We verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the Information. We conducted interviews with those responsible for social and environmental reporting.

## CORPORATE SOCIAL RESPONSIBILITY

### / CSR REPORTING METHODOLOGY AND STATUTORY AUDITORS' REPORT /

- We selected the consolidated Information to be tested<sup>(1)</sup> and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group's business and characteristics, as well as its societal commitments.
  - Concerning the quantitative consolidated information that we deemed to be the most important:
    - at the level of the consolidating entity and the controlled entities, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information;
    - at the level of the sites that we selected<sup>(2)</sup> based on their business, their contribution to the consolidated indicators, their location and a risk analysis:
      - we conducted interviews to verify that the procedures were correctly applied;
      - we performed tests of detail based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.
  - Concerning the qualitative consolidated information that we deemed to be the most important, we conducted interviews and reviewed the related documentary sources in order to corroborate this information and assess its fairness. As regards fair practices and occupational safety, interviews were only carried out at the level of the consolidating entity.
- As regards the other consolidated information published, we assessed its fairness and consistency in relation to our knowledge of the company and, where applicable, through interviews or the consultation of documentary sources.
- Finally, we assessed the relevance of the explanations given in the event of the absence of certain information.

- As regards the Information selected by the Group and identified by ☑ in Section 5 of the management report, the degree of accuracy of measurement and the performance of work of the same nature as – but more detailed than – that performed on the other Information, in particular as concerns the number of tests, enable us to express reasonable assurance.

#### Conclusion

##### ■ Reasonable assurance

In our opinion, the Information selected by the Group and identified by ☑ in Section 5 of the management report is fairly presented, in all material respects, in accordance with the Guidelines.

##### ■ Limited assurance

We express a qualification on the following Data:

- The distribution of the amounts of ordinary and non-hazardous waste by destination (recycling, energy recovery, or landfilling) revealed anomalies for several sites. These anomalies are either related to difficulties in understanding Group definitions, a lack of knowledge of local waste treatment schemes, or user errors in the reporting tool, and could not all be corrected during consolidation work. This is a potentially significant source of uncertainty in the data reported at Group level.
- The calculation of working hours used to calculate the frequency rate of work-related accidents and the severity rate of accidents is based on a methodology that varies across audited sites. This heterogeneity results in an uncertainty on the value reported at Group level, without affecting the calculation of the number of accidents or the lost time due to these accidents.

Based on our work described in this report, except for the effects of the matter(s) described above, nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines.

Paris La Défense, March 27, 2013

The Statutory Auditors

*French original signed by:*

#### Mazars

Gaël Lamant  
Partner

Emmanuelle Rigaudias  
Partner CSR and Sustainable  
Development

#### Ernst & Young et Autres

Jean-Roch Varon  
Partner

Christophe Schmeitzky  
Partner CSR and Sustainable  
Development

(1) Data reviewed with a reasonable assurance: Headcount, Breakdown (by country, by gender, by total number of managers and other employees) and evolution (recruitments and departures); Number and percentage of recruited women. Data reviewed with a limited assurance: Absenteeism, Frequency rate of work accidents; Severity rate of accidents; Number of work-related illnesses; Number of employees assigned to HSE; Training; Diversity and disability; Generated and recovered waste; Water consumption; Energy consumption; CO<sub>2</sub> emissions. Topics reviewed with a limited assurance: Employer-employee relations; Stress awareness campaign; Implementation of the TESSE program; Anti-discrimination policy; Eco-design; Sponsorship initiatives; Purchases and subcontracting; Corruption prevention.

(2) Legal entities selected for the verification of labor indicators: Sagem Défense Sécurité (France), Turbomeca (France), Messier-Bugatti-Dowty (France), Snecma (France), Safran Engineering Services (France), Hispano-Suiza (France and Poland), Morpho Track (USA), Morpho (France), Technofan (France), Labinal (France), Herakles (France). Sites selected for the verification of environmental and safety indicators: Snecma (Evry-Corbeil, Villaroche and Châtellerauld), Messier-Bugatti-Dowty (Walton); Technofan (Blagnac), Turbomeca (Tarnos), Hispano-Suiza (Sedziszow), Morpho (Haarlem).

## 5.8

## SUMMARY OF LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS

## 5.8.1 SUMMARY OF LABOR INDICATORS

HEADCOUNT ☒

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier- Bugatti- Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
<b>TOTAL HEADCOUNT</b>	<b>59,805</b>	<b>62,558</b>	<b>3,460</b>	<b>2,511</b>	<b>1,433</b>	<b>10,645</b>	<b>6,841</b>	<b>7,727</b>	<b>1,457</b>	<b>7,182</b>	<b>13,086</b>	<b>6,334</b>
<b>Europe</b>	<b>42,780</b>	<b>44,573</b>	<b>2,948</b>	<b>2,511</b>	<b>1,433</b>	<b>3,773</b>	<b>4,550</b>	<b>2,785</b>	<b>1,203</b>	<b>6,786</b>	<b>12,063</b>	<b>5,096</b>
France	36,426	37,978	2,209	2,511	955	3,338	3,429	1,327	1,149	6,442	11,691	4,880
United Kingdom	2,056	2,130	739			18	1,121	76			1	175
Belgium	1,448	1,475						4			221	
Germany	1,047	1,067				308		627		85	6	41
Russia	272	295						114	54		127	
Other <sup>(1)</sup>	1,531	1,628			478	109		637		259	17	
<b>Africa and the Middle East</b>	<b>2,278</b>	<b>2,515</b>	<b>512</b>			<b>1,226</b>		<b>337</b>	<b>4</b>		<b>197</b>	<b>239</b>
Morocco	1,898	2,070	512			1,226		150			182	
South Africa	251	286						46			1	239
United Arab Emirates	100	107						99	4		4	
Other <sup>(2)</sup>	29	52						42			10	
<b>North America</b>	<b>10,404</b>	<b>10,982</b>				<b>5,099</b>	<b>1,568</b>	<b>2,389</b>	<b>187</b>	<b>330</b>	<b>388</b>	<b>564</b>
United States	5,718	5,754				1,891	346	2,204	184	219		509
Mexico	3,601	4,135				3,208	393	87	3		388	
Canada	1,085	1,093					829	98		111		55
<b>South America</b>	<b>1,255</b>	<b>1,227</b>						<b>1,005</b>				<b>222</b>
Brazil	920	850						635				215
Other <sup>(3)</sup>	335	377						370				7
<b>Asia</b>	<b>2,907</b>	<b>3,083</b>				<b>547</b>	<b>723</b>	<b>1,157</b>	<b>62</b>	<b>66</b>	<b>438</b>	<b>90</b>
India	1,488	1,517				547		951	4		3	12
China	838	913					368	36	46		434	29
Singapore	507	534					355	71	2	66		40
Other <sup>(4)</sup>	74	119						99	10		1	9
<b>Oceania</b>	<b>181</b>	<b>178</b>						<b>54</b>	<b>1</b>			<b>123</b>
Australia	181	178						54	1			123

(1) Albania, Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey and Ukraine.

(2) Algeria, Bahrain, Egypt, Kenya, Kuwait, Lebanon, Oman, Qatar and Saudi Arabia.

(3) Chile, Colombia, Peru and Uruguay.

(4) Hong Kong, Indonesia, Japan, Malaysia, Philippines, South Korea, Taiwan, Thailand and Vietnam.

☒ Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).



## CORPORATE SOCIAL RESPONSIBILITY

### / SUMMARY OF LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS /

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier- Bugatti- Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
<b>TOTAL HEADCOUNT</b>	<b>59,805</b>	<b>62,558</b> <input checked="" type="checkbox"/>	<b>3,460</b>	<b>2,511</b>	<b>1,433</b>	<b>10,645</b>	<b>6,841</b>	<b>7,727</b>	<b>1,457</b>	<b>7,182</b>	<b>13,086</b>	<b>6,334</b>
Men	<b>44,798</b>	<b>46,662</b> <input checked="" type="checkbox"/>	2,768	2,031	1,229	5,661	5,652	5,567	850	5,270	10,786	5,374
Women	<b>15,007</b>	<b>15,896</b> <input checked="" type="checkbox"/>	692	480	204	4,984	1,189	2,160	607	1,912	2,300	960
Managers	<b>21,187</b>	<b>22,904</b> <input checked="" type="checkbox"/>	966	874	569	3,608	2,004	3,850	1,012	3,110	4,205	2,059
Employees	<b>38,618</b>	<b>39,654</b> <input checked="" type="checkbox"/>	2,494	1,637	864	7,037	4,837	3,877	445	4,072	8,881	4,275
Under 25	<b>5.2%</b>	<b>5.5%</b>	4.2%	2.3%	4.7%	13.2%	3.7%	6.2%	2.3%	1.1%	5.9%	1.1%
25 to 29	<b>13.0%</b>	<b>13.6%</b>	13.2%	10.3%	17.1%	23.4%	10.7%	20.6%	11.0%	7.2%	11.5%	7.9%
30 to 34	<b>15.0%</b>	<b>15.2%</b>	18.4%	14.8%	18.2%	19.2%	14.5%	20.9%	10.7%	15.1%	9.9%	14.7%
35 to 39	<b>13.1%</b>	<b>13.3%</b>	13.2%	13.7%	11.7%	13.3%	13.4%	15.7%	14.2%	16.5%	9.3%	16.4%
40 to 44	<b>10.7%</b>	<b>10.5%</b>	10.6%	9.9%	9.0%	9.4%	11.8%	12.8%	10.7%	12.4%	7.0%	14.5%
45 to 49	<b>13.5%</b>	<b>12.5%</b>	12.9%	15.5%	7.7%	8.4%	13.9%	10.1%	17.7%	12.9%	15.1%	14.4%
50 to 54	<b>15.4%</b>	<b>14.8%</b>	14.0%	20.3%	13.0%	6.4%	16.4%	7.6%	14.1%	17.4%	21.2%	15.1%
55 to 59	<b>11.6%</b>	<b>11.8%</b>	11.0%	10.9%	15.5%	4.5%	12.0%	4.6%	13.1%	14.5%	17.2%	13.1%
60 to 65	<b>2.3%</b>	<b>2.6%</b>	2.4%	2.3%	2.9%	1.7%	3.4%	1.5%	6.1%	2.6%	2.9%	2.5%
Over 65	<b>0.2%</b>	<b>0.2%</b>	0.1%	0.1%	0.1%	0.4%	0.2%	0.1%	0.6%	0.2%	0.0%	0.3%

☒ Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

## RECRUITMENT AND DEPARTURES

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier- Bugatti- Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
External new hires – male managers	2,131	<b>2,485</b> ☑	99	43	116	563	174	453	118	235	496	146
External new hires – male employees	2,394	<b>2,793</b> ☑	187	68	84	566	440	416	19	88	675	178
External new hires – female managers	635	<b>731</b> ☑	34	25	25	151	55	113	72	50	151	42
External new hires – female employees	2,006	<b>1,587</b> ☑	57	19	12	777	102	272	48	43	180	39
<b>TOTAL EXTERNAL NEW HIRES</b>	<b>7,166</b>	<b>7,596</b> ☑	<b>377</b>	<b>155</b>	<b>237</b>	<b>2,057</b>	<b>771</b>	<b>1,254</b>	<b>257</b>	<b>416</b>	<b>1,502</b>	<b>405</b>
Permanent departures – dismissal		<b>732</b> ☑	26	5	1	191	86	222	3	86	27	44
Permanent departures – resignation		<b>2,232</b> ☑	50	11	27	834	263	672	18	121	137	73
Permanent departures – retirement		<b>550</b> ☑	7	11	17	27	52	15	11	89	210	81
Permanent departures – end of fixed-term contract		<b>447</b> ☑	21	18	9	106	80	120	19	32	18	9
Permanent departures – other		<b>756</b> ☑	57	84	11	60	49	26	15	126	296	26
<b>TOTAL PERMANENT DEPARTURES</b>	<b>4,255</b>	<b>4,717</b> ☑	<b>161</b>	<b>129</b>	<b>65</b>	<b>1,218</b>	<b>530</b>	<b>1,055</b>	<b>66</b>	<b>454</b>	<b>688</b>	<b>233</b>
Replacement rate for permanent departures	1.68	<b>1.61</b> ☑	2.34	1.20	3.65	1.69	1.45	1.19	3.89	0.92	2.18	1.74

☑ Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

## CORPORATE SOCIAL RESPONSIBILITY

### / SUMMARY OF LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS /

## DIVERSITY AND EQUAL OPPORTUNITIES

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti-Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Number of disabled workers (France)	1,421	<b>1,507</b>	72	72	34	100	161	32	25	230	557	223
Percentage of disabled workers (France)	3.9%	<b>4.0%</b>	3.3%	2.9%	3.6%	3.0%	4.7%	2.4%	2.2%	3.6%	4.8%	4.6%
Percentage of external new hires of women worldwide	36.9%	<b>30.5%</b> <input checked="" type="checkbox"/>	24.1%	28.4%	15.6%	45.1%	20.4%	30.7%	46.7%	22.4%	22.0%	20.0%

## WORK-STUDY CONTRACTS AND INTERNSHIPS (FRANCE)

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti-Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Professional training contracts	146	<b>540</b>	64	81	5	82	67	11	10	65	55	84
Apprenticeships	1,810	<b>2,642</b>	134	98	89	106	264	63	120	368	1,147	237
<b>TOTAL WORK-STUDY CONTRACTS</b>	<b>1,956</b>	<b>3,182</b>	<b>198</b>	<b>179</b>	<b>94</b>	<b>188</b>	<b>331</b>	<b>74</b>	<b>130</b>	<b>433</b>	<b>1,202</b>	<b>321</b>
Percentage of work-study contracts	5.4%	<b>8.4%</b>	9.0%	7.1%	9.8%	5.6%	9.7%	5.6%	11.3%	6.7%	10.3%	6.6%
Number of internships	1,834	<b>2,951</b>	195	132	72	181	218	89	100	409	1,300	255

## ABSENTEEISM (FRANCE)

	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti-Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Absenteeism	3.8%	<b>4.0%</b>	4.3%	3.0%	3.7%	3.8%	4.1%	4.0%*	2.9%	5.2%*	3.5%	4.0%

\* The high absenteeism at these entities is due to contractual leave (1.3% and 2.2% respectively).

☒ Data reviewed by the Statutory Auditors with reasonable assurance (see Statutory Auditors' report in section 5.7.2).

## TRAINING (FRANCE)

Number of training hours/area	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti-Dowty and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Accounting/Finance		15,535	529	967	418	387	1,474	847	1,740	1,013	5,525	2,635
Customers/Marketing		6,909	801	387	148	293	665	486		1,696	1,851	582
Group knowledge		33,776	1,242	171	904	186	1,953			218	14,905	14,198
Health, Safety and Environment		125,695	7,783	15,876	5,824	7,882	15,917	1,881	657	19,867	36,096	13,912
Human resources		30,385	2,248	887	288	1,022	1,633	2,252	3,800	6,015	8,421	3,820
Industrial		179,040	4,194	11,981	2,953	8,335	15,940	1,090	327	27,029	93,401	13,790
International development		4,776	676	61	30	290	650	631	45	748	1,303	342
IT		140,731	6,367	4,720	3,590	10,751	10,993	6,450	5,810	17,149	59,085	15,815
Languages		67,523	3,196	2,262	218	7,500	7,621	3,982	3,358	3,516	24,214	11,657
Leadership		139,387	8,715	7,762	2,903	17,229	12,870	9,463	3,127	21,688	43,579	12,051
Legal		3,525	8	197	11	48	535	137	100	1,420	910	159
Personal performance and interpersonal skills		24,306	1,257	1,366	891	2,551	2,584	1,285	1,301	1,966	6,752	4,353
Purchasing		9,661	737	494	310	133	873	91	2,843	921	1,981	1,278
Quality		50,784	2,123	1,975	1,527	3,909	6,753	241	276	9,666	14,803	9,511
Research & Development		75,469	6,830	2,007	1,514	13,619	3,592	533	800	9,273	31,250	6,051
Risk		9,956	194	394	492	27	1,124	411	629	842	3,195	2,648
Transitions		10,146	660	1,586	66	306	577	236	147	939	2,535	3,094
Other		571	248	323								
<b>TOTAL TRAINING HOURS</b>	<b>831,991</b>	<b>928,175</b>	<b>47,808</b>	<b>53,416</b>	<b>22,087</b>	<b>74,468</b>	<b>85,753</b>	<b>30,016</b>	<b>24,960</b>	<b>123,965</b>	<b>349,806</b>	<b>115,896</b>

## CORPORATE SOCIAL RESPONSIBILITY

### / SUMMARY OF LABOR AND HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS /

Number of training initiatives/area	2011 Group	2012 Group	o/w Aircelle and its subsidiaries	o/w Herakles and its subsidiaries	o/w Hispano-Suiza and its subsidiaries	o/w Labinal and its subsidiaries	o/w Messier-Bugatti and its subsidiaries	o/w Morpho and its subsidiaries	o/w Safran and its subsidiaries	o/w Sagem Défense Sécurité and its subsidiaries	o/w Snecma and its subsidiaries	o/w Turbomeca and its subsidiaries
Accounting/Finance		809	32	24	24	52	90	40	27	28	251	241
Customers/Marketing		270	32	17	8	12	33	22		38	82	26
Group knowledge		2,523	35	15	91	27	419			17	1,066	853
Health, Safety and Environment		17,370	1,365	1,008	807	1,029	2,644	366	18	2,978	5,433	1,722
Human resources		1,858	137	36	32	52	80	57	21	283	721	439
Industrial		7,633	114	525	106	806	1,015	51	6	1,313	2,687	1,010
International development		736	58	3	1	20	194	52	1	272	113	22
IT		12,529	501	393	335	589	1,358	686	367	2,417	4,490	1,393
Languages		3,554	161	95	2	275	334	334	27	368	1,357	601
Leadership		5,861	431	345	94	776	369	737	44	1,029	1,509	527
Legal		509	1	11	1	4	165	7	7	229	74	10
Personal performance and interpersonal skills		1,213	68	68	35	122	145	67	39	120	337	212
Purchasing		367	43	35	16	5	33	6	21	27	126	55
Quality		7,606	343	145	164	448	1,172	17	15	1,331	2,747	1,224
Research & Development		4,740	320	95	52	834	169	72	8	378	2,234	578
Risk		2,039	23	29	171	3	238	85	19	223	714	534
Transitions		242	20	23	2	19	17	10	4	29	66	52
Other		14	6	8								
<b>TOTAL TRAINING INITIATIVES</b>		<b>69,873</b>	<b>3,690</b>	<b>2,875</b>	<b>1,941</b>	<b>5,073</b>	<b>8,475</b>	<b>2,609</b>	<b>624</b>	<b>11,080</b>	<b>24,007</b>	<b>9,499</b>
% of payroll allocated to training	4.0%	4.2%	3.9%	3.6%	4.2%	4.1%	4.3%	4.1%	1.5%	3.9%	4.8%	4.4%

## 5.8.2 SUMMARY OF HEALTH, SAFETY AND ENVIRONMENTAL (HSE) INDICATORS

	2012 Group	o/w Aircelle	o/w Herakles	o/w Hispano- Suiza	o/w Labinal	o/w Messier- Bugatti Dowty	o/w Morpho	o/w Sagem Défense Sécurité	o/w Snecma	o/w Turbomeca
Frequency rate of occupational accidents resulting in lost worktime (12 months)	<b>3.5</b>	2.9	5.4	2.8	2.8	4.4	1.6	2.8	5.5	2.3
Severity rate (12 months)	<b>0.14</b>	0.2	0.22	0.06	0.12	0.19	0.02	0.09	0.21	0.05
Ordinary industrial waste generated (t/empl.) (Oct. 2011 to Sep. 2012)	<b>0.36</b>	0.49	0.58	0.5	0.1	0.58	0.39	0.19	0.39	0.31
Hazardous industrial waste generated (t/empl.) (Oct. 2011 to Sep. 2012)	<b>0.43</b>	0.18	1.15	1.03	0	1.2	0.03	0.12	0.7	0.49
Transformed ordinary industrial waste (t/empl.) (Oct. 2011 to Sep. 2012)	<b>0.16</b>	0.29	0.41	0.08	0.04	0.39	0.17	0.09	0.1	0.11
Transformed hazardous industrial waste (t/empl.) (Oct. 2011 to Sep. 2012)	<b>0.09</b>	0.05	0.11	0.03	0	0.38	0	0.02	0.11	0.03
Total water (cu.m/empl.) (Oct. 2011 to Sep. 2012)	<b>136</b>	33	1,368	14	11	184	24	24	54	294
Water supply network (cu.m/empl.) (Oct. 2011 to Sep. 2012)	<b>26</b>	29	41	14	10	77	19	12	19	23
Surface water (cu.m/empl.) (Oct. 2011 to Sep. 2012)	<b>82</b>	0	1,176	0	0	0	0	12	23	228
Groundwater (cu.m/empl.) (Oct. 2011 to Sep. 2012)	<b>28</b>	4	151	< 1	1	107	5	< 1	12	43
Electricity consumption (toe/empl.) (Oct. 2011 to Sep. 2012)	<b>1.37</b>	1.29	3.26	1.25	0.2	2.93	0.75	1.27	1.6	0.9
Natural gas and LPG (toe/empl.) (Oct. 2011 to Sep. 2012)	<b>0.92</b>	0.76	4.35	0.16	0.01	1.6	0.14	0.5	1.2	0.24
Scope 1 emissions (Eq. t CO <sub>2</sub> /empl.) 2010 (France)	<b>4.7</b>	2.8	N/A	0.2	0.1	9.2	0.3	1.6	7.7	3.8
Scope 1 emissions (Eq. t CO <sub>2</sub> /empl.) 2011 (world)	<b>4.3</b>	2.9	11.8	0.7	0.1	5.6	1.2	1.7	8.7	3.3
Scope 2 emissions (Eq. t CO <sub>2</sub> /empl.) 2010 (France)	<b>5.4</b>	2.5	N/A	2.9	0.2	11.5	0.6	4.5	6.7	3.5
Scope 2 emissions (Eq. t CO <sub>2</sub> /empl.) 2011 (world)	<b>3</b>	4.2	4.9	5.7	0.5	10.9	2.4	1.4	1.8	1.8
Occupational illnesses declared in 2012	<b>113</b>	2	11	1	12	22	10	7	27	7

# CORPORATE GOVERNANCE

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15 members

including

4 representatives  
of the French  
State

5 independent  
members

2 employee  
shareholder  
representatives

## MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors is composed of the following members:

- Jean-Paul Herteman, Chairman and Chief Executive Officer;
- Francis Mer, Vice-Chairman of the Board of Directors;
- Marc Aubry, Director representing employee shareholders;
- Giovanni Bisignani, Director (independent);
- Christophe Burg, Director representing the French State;
- Jean-Lou Chameau, Director (independent);
- Odile Desforges, Director (independent);
- Jean-Marc Forneri, Director (independent);
- Christian Halary, Director representing employee shareholders;
- Xavier Lagarde, Director;
- Michel Lucas, Director;
- Elisabeth Lulin, Director (independent);
- Astrid Milsan, Director representing the French State;
- Laure Reinhart, Director representing the French State;
- Michèle Rousseau, Director representing the French State.

### BOARD ADVISOR

- Caroline Grégoire-Sainte Marie.

## TERMS OF OFFICE EXPIRING IN 2013

- Francis Mer;
- Jean-Marc Forneri;
- Michel Lucas;
- The four Directors representing the French State, i.e., Christophe Burg, Astrid Milsan, Laure Reinhart and Michèle Rousseau.

## COMPOSITION OF EXECUTIVE MANAGEMENT

- Jean-Paul Herteman, Chairman and Chief Executive Officer;
- Dominique-Jean Chertier, Deputy Chief Executive Officer, Corporate Office;
- Ross McInnes, Deputy Chief Executive Officer, Finance;
- Marc Ventre, Deputy Chief Executive Officer, Operations.

## CORPORATE GOVERNANCE CODE OF REFERENCE

Safran abides by the "Corporate Governance Code of Listed Corporations", drawn up jointly by the French employers' associations AFEP<sup>(1)</sup> and MEDEF<sup>(2)</sup>, with reference to the consolidated version of April 2010. The French version of the code can be consulted at [www.code-afep-medef.com](http://www.code-afep-medef.com). Where certain recommendations included in this code, or guidelines adopted subsequently for its enforcement, are not implemented, this is justified in the Report of the Chairman of the Board of Directors (see section 6.5.3 - Application of the AFEP-MEDEF Corporate Governance Code).

### 6.1

## BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

On April 21, 2011, the Shareholders' Meeting approved a governance structure with a Board of Directors, replacing the former structure composed of a Supervisory Board and an Executive Board.

### 6.1.1 BOARD OF DIRECTORS

#### MEMBERS OF THE BOARD OF DIRECTORS

Since April 21, 2011, the Board of Directors of Safran has consisted of fifteen members – including four representatives of the French State and two employee shareholder representatives – appointed by the Ordinary Shareholders' Meeting.

Since July 2011, Board membership has been as follows:

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
<b>Jean-Paul Herteman</b> 62 years (French national)	<b>Chairman of the Board of Directors and CEO</b>	April 21, 2011 2015 AGM	20,242 <sup>(3)</sup>	Chairman and CEO of Safran, 2, bd du Général Martial-Valin, 75015 Paris, France
<b>Francis Mer</b> 73 years (French national)	<b>Vice-Chairman of the Board of Directors</b> Chairman of the Strategy and Major Projects Committee and member of the Appointments and Compensation Committee	April 21, 2011 2013 AGM	1,500	Vice-Chairman of the Board of Directors of Safran, 2, bd du Général Martial-Valin, 75015 Paris, France
<b>Marc Aubry</b> 50 years (French national)	<b>Director representing employee shareholders</b>	April 21, 2011 2016 AGM	2,448 <sup>(4)</sup>	Design engineer for space engine turbopumps at Snecma's Vernon site, Forêt de Vernon, BP 802 27208 Vernon Cedex, France

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.

(3) Indirectly via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

(4) Including 2,408 shares via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
<b>Giovanni Bisignani</b> 66 years (Italian national)	<b>Director</b> (independent) Member of the Appointments and Compensation Committee and the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	500	De Vere Gardens 12 14 London W8 5AE, UK
<b>Christophe Burg</b> 49 years (French national)	<b>Director representing the French State</b> Member of the Strategy and Major Projects Committee and the Appointments and Compensation Committee	April 21, 2011 2013 AGM	None	Project manager, Strategy Department at the French Defence Procurement Agency, 7-9, rue des Mathurins, 92220 Bagneux, France
<b>Jean-Lou Chameau</b> 60 years (French and American national)	<b>Director</b> (independent)	April 21, 2011 2015 AGM	1,000	Chairman of Caltech 1200 East California Blvd, M/C 204 - 31, Pasadena, CA 91125, United States
<b>Odile Desforges</b> 63 years (French national)	<b>Director</b> (independent) Member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	500	3, rue Henri Heine, 75016 Paris, France
<b>Jean-Marc Forneri</b> 53 years (French national)	<b>Director</b> (independent) Chairman of the Audit and Risk Committee	April 21, 2011 2013 AGM	1,062	Chairman of Bucéphale Finance, 17, avenue George V, 75008 Paris, France
<b>Christian Halary</b> 59 years (French national)	<b>Director representing employee shareholders</b>	April 21, 2011 2016 AGM	15,568 <sup>(5)</sup>	Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité, 21, av. du Gros-Chêne, 95610 Éragry-sur-Oise, France
<b>Xavier Lagarde</b> 65 years (French national)	<b>Director</b> Member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	160,726 <sup>(6)</sup>	Chairman of Club Sagem, 77, rue Leblanc, 75015 Paris, France
<b>Michel Lucas</b> 73 years (French national)	<b>Director</b> Chairman of the Appointments and Compensation Committee	April 21, 2011 2013 AGM	1,500	Chairman and CEO of Banque Fédérative du Crédit Mutuel, 34, rue du Wacken, 67000 Strasbourg, France
<b>Elisabeth Lulin</b> 46 years (French national)	<b>Director</b> (independent) Member of the Audit and Risk Committee	April 21, 2011 2017 AGM	501	Chief Executive Officer of Paradigmes et cætera, 23, rue Lecourbe, 75015 Paris, France
<b>Astrid Milsan</b> 41 years (French national)	<b>Director representing the French State</b> Member of the Audit and Risk Committee, the Appointments and Compensation Committee, and the Strategy and Major Projects Committee	July 27, 2011 2013 AGM	None	Deputy Director, Services, Aerospace and Defence Investments at the State Investments Agency (APE), French Ministry of Economic Affairs, Finance and Employment, 139, rue de Bercy, 75012 Paris, France

(5) Including 3,518 via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

(6) Including 55,138 via Club Sagem and via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
<b>Laure Reinhart</b> 57 years (French national)	<b>Director representing the French State</b> Member of the Strategy and Major Projects Committee	April 21, 2011 2013 AGM	400	Deputy CEO of OSEO Innovation, 27-31, avenue du Général Leclerc, 94710 Maisons-Alfort, France
<b>Michèle Rousseau</b> 55 years (French national)	<b>Director representing the French State</b> Member of the Audit and Risk Committee	April 21, 2011 2013 AGM	None	Chief Executive Officer Seine Normandy Water Agency, 51, rue Salvador Allende, 92000 Nanterre, France

Under the twentieth resolution of the Extraordinary General Meeting of April 21, 2011, the shareholders appointed **Caroline Grégoire-Sainte Marie** as a Board Advisor for a four-year term.

## INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

<b>JEAN-PAUL HERTEMAN</b> <b>CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF SAFRAN</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1950, Jean-Paul Herteman is a graduate of <i>École Polytechnique</i> and <i>École Nationale Supérieure de l'Aéronautique et de l'Espace</i>.</p> <p>He began his career with the French Defence Procurement Agency (<i>Délégation générale pour l'armement</i>) in 1975, where he was firstly a test engineer, then head of the Materials department in the Toulouse Aviation Testing Center.</p> <p>In 1984, he joined Snecma as head of the Materials and Process research programs. He was appointed Assistant Director of Quality at Snecma in 1987, then Director of Quality two years later. On this basis he chaired the Quality commission of the French aerospace industries association (GIFAS) from 1990 to 1993.</p> <p>Head of the technical design office at Snecma in 1993, he became Deputy Technical Director the following year. In 1995 and 1996, he was CFM56 Program Director and Vice-President of CFM International. In mid-1996, he became Technical Director at Snecma, and then took over as CEO of the Rocket Engine Division (formerly Société Européenne de Propulsion) in 1999. He was appointed as Chairman and CEO of Snecma Moteurs (now Snecma) in 2002.</p> <p>In 2004, Jean-Paul Herteman was appointed Executive Vice-President of the Snecma group and Executive Vice-President of the Aerospace Propulsion branch. Upon the creation of the Safran Group in 2005, he was confirmed in his duties. In 2006, he became Executive Vice-President, responsible for the Defence Security branch.</p> <p>He was appointed Chairman of the Safran Executive Board in July 2007 and carried out the duties of this position between September 2007 and the change of the Company's governance structure in 2011, when he was appointed Chairman and Chief Executive Officer of Safran.</p> <p>In 2009, he was elected President of GIFAS and in that capacity, acted as Chairman of the French Defence Industries Advisory Council (CIDEF) from the beginning of 2010 to the end of 2011.</p> <p>In November 2009, he was appointed as a member of the Board of Directors of the French Center for Scientific Research (CNRS).</p> <p>Chief weapons engineer (reserve corps) and former pilot of the technical corps, Jean-Paul Herteman is a member of the Steering Board of the Civil Aviation Research Council (CORAC) created in 2008 by the French Minister of Ecology, Energy, Sustainable Development and Territorial Development and of the European Security Research and Innovation Forum (ESRIF).</p> <p>He has been Vice-Chairman of the advisory authority on French Defence Agency issues (<i>Conseil général de l'armement</i>) since March 2010.</p> <p>He was appointed President of the AeroSpace and Defence Industries Association of Europe (ASD) on October 12, 2012.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Chairman and CEO: Safran</li> <li>Director: Snecma</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Vice-Chairman: Conseil général de l'armement</li> <li>Chairman: GIFAS; ASD (Belgium) since October 2012</li> <li>Director: CNRS</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Executive Board: Safran, up to April 2011</li> <li>Director: Sagem Sécurité, up to October 2009; Sagem Morpho, Inc. (USA), up to May 2008</li> <li>Permanent representative of Safran on the Board of Directors of: Sagem Défense Sécurité, up to February 2010</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Chairman: CIDEF, up to December 2011</li> </ul>

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

<b>FRANCIS MER</b> <b>DIRECTOR</b> <b>VICE-CHAIRMAN OF THE BOARD OF DIRECTORS,</b> <b>MEMBER AND CHAIRMAN OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE,</b> <b>MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1939, Francis Mer is a graduate of <i>École Polytechnique</i> and the <i>Corps des Mines</i> engineering school.</p> <p>He joined the Saint-Gobain Pont-à-Mousson group in 1970 and was head of Corporate Planning for Saint-Gobain Industries in 1971, before becoming Director of Corporate Planning for Compagnie Saint-Gobain Pont-à-Mousson in 1973. He became CEO of Saint-Gobain Industries in 1974. In 1978, he was appointed as Executive Vice-President of Saint-Gobain and was responsible for industrial policy. In 1982, he went on to become Chairman and CEO of Pont-à-Mousson SA and Director of the Pipe and Mechanics Division of Saint-Gobain.</p> <p>In 1986, the French government, acting as shareholder, decided to merge Usinor and Sacilor and appointed Francis Mer as Chairman of the new steel group. In 1995, Usinor Sacilor was privatized and Francis Mer was again appointed Chairman by the new Board of Directors. In 2002, he was appointed co-Chairman of the Arcelor group.</p> <p>Between May 2002 and March 2004, Francis Mer was French Minister of Economy, Finance and Industry. Francis Mer was also Chairman of the French Steel Federation (FFA), from 1988 to 2002, Eurofer (Association of European Steel Manufacturers), from 1990 to 1997, the International Iron and Steel Institute, from 1997 to 1998, and the National Association of Technical Research (ANRT) from 1991 to 2002. In 2004, he was Chairman of the Foundation for Political Innovation.</p> <p>Francis Mer was Chairman of the Supervisory Board of Safran between 2007 and the change in the corporate governance structure in 2011, when he was appointed Vice-Chairman of the Board of Directors.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Vice-Chairman of the Board of Directors: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director: LFB SA; Borusan Holding (Turkey)</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Supervisory Board: Safran, up to April 2011</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Supervisory Board: Oenoholding, up to April 2008</li> <li>Director: Rhodia<sup>(1)</sup>, up to October 2011; Adecco<sup>(1)</sup> (Switzerland), up to April 2011</li> </ul>

(1) Listed company.

<b>MARC AUBRY</b> <b>DIRECTOR – REPRESENTING EMPLOYEE SHAREHOLDERS</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1963, Marc Aubry is an engineer from <i>École Nationale Supérieure d'Hydraulique et de Mécanique de Grenoble</i> (ENSHMG) (major in water resources and planning) and has a post-graduate degree (DEA) in environment and engineering geophysics (major in hydrology).</p> <p>Marc Aubry has worked with the Group for nearly 24 years. Since 1990, he has occupied the position of Design Engineer in charge of the development of dynamic sealing for space engine turbopumps.</p> <p>He is a local CFDT trade union delegate of Snecma Vernon, central CFDT trade union delegate of Snecma and CFDT trade union coordinator of the Safran Group.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director representing employee shareholders: Safran</li> <li>• Vice-Chairman of the Supervisory Board of the corporate mutual fund: Safran Investissement</li> </ul> <p><b>Non-Group:</b></p> <p>None</p>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p>None</p>



## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

<b>GIOVANNI BISIGNANI</b> <b>DIRECTOR – INDEPENDENT</b> <b>MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE AND</b> <b>THE APPOINTMENTS AND COMPENSATION COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1946, Giovanni Bisignani graduated from the Sapienza University of Rome (Law, Economics and Business) where he later became assistant professor. He also attended the International Teachers Program at the Harvard Business School in Boston, United States.</p> <p>Giovanni Bisignani started his career at First National Citibank. He then returned to Italy and, from 1976 to 1989, held several high-level positions at the energy company ENI and with the Italian industrial conglomerate IRI. From 1994 to 1998, he was President of Tirrenia di Navigazione, and from 1998 to 2001, he was CEO of SM Logistics – a member of the Serra Merzerio group, partially owned by GE.</p> <p>He subsequently served as Administrative Director, then CEO and Managing Director, of Alitalia from 1989 to 1994, Chairman of the Association of European Airlines (AEA) in 1992 and Chairman of Galileo International from 1993 to 1994. In 2001, he launched OPODO, the first European travel portal, owned by Air France, British Airways and Lufthansa.</p> <p>Giovanni Bisignani was Director General and CEO of the International Air Transport Association (IATA) between 2002 and 2011. During his term of office, Mr. Bisignani made a series of structural reforms which led to profound changes in the air transport sector. In 2004, he launched the “Simplifying the Business” initiative which led to the elimination of paper tickets. He also introduced the first global standard for airline safety management – since 2006, all IATA members have had to comply with IOSA certification (IATA Operational Safety Audit). He thus reinforced security in relation to the management of funds processed annually by IATA's financial systems amounting to USD 315 billion. Also under his guidance, IATA was able to reach a consensus on environmental issues within the air transport industry, which remains the only sector to have set firm targets to achieve a significant reduction in its carbon emissions by 2050.</p> <p>He is a member of the World Economic Forum's Global Agenda Council on Aviation, Travel &amp; Tourism (Switzerland).</p> <p>Since 2012, Giovanni Bisignani has been a visiting Professor at the School of Engineering at Cranfield University (UK) where he received the honorary “Doctor honoris causa” degree.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Director: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director: UK NATS (UK); Aircastle Limited (UK) since May 2012</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Chairman and CEO: IATA (Canada) until June 2011</li> </ul>

<b>CHRISTOPHE BURG</b> <b>DIRECTOR – REPRESENTING THE FRENCH STATE</b> <b>MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE AND</b> <b>THE APPOINTMENTS AND COMPENSATION COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1963, Christophe Burg is a graduate of <i>École Polytechnique</i> and <i>École Nationale Supérieure de l'Aéronautique et de l'Espace</i>.</p> <p>He began his career as a Research Engineer for the Aircraft Manufacturing Division (Ministry of Defence) in 1987. In 1989, he became manager of "Front Sector Optronics" equipment for the Rafale, then head of the Rafale Weapons Systems unit at the Aircraft Manufacturing Division in 1992.</p> <p>In 1996, he moved to the French Embassy in London to take up the post of Deputy Armament Attaché.</p> <p>In 1999, he started working for the French Defence Procurement Agency (DGA), first as Assistant Deputy Director and Head of the Electronics Bureau (1999-2002), then as Deputy Director for the "Aeronautics-Missiles-Space" sector (2002-2004).</p> <p>In 2004, he became implementation manager and, as of February 2005, Head of the European Cooperation and Development subdivision, at the DGA.</p> <p>In 2006, Christophe Burg was appointed Head of Industrial Affairs and Economic Intelligence at the DGA.</p> <p>Since 2012, he has been an advisor to the Strategy Department of the DGA.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Director representing the French State: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director representing the French State: DCNS; Nexter; SNPE; Société de Gestion de Participations Aéronautiques (Sogepa); Sogéade Gérance SAS</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Member of the Supervisory Board representing the French State: Safran, up to April 2011</li> </ul> <p><b>Non-Group:</b></p> <p>None</p>

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

JEAN-LOU CHAMEAU DIRECTOR – INDEPENDENT	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1953, Jean-Lou Chameau obtained an engineering diploma at <i>École Nationale Supérieure d'Arts et Métiers</i> in 1976, and then continued his studies at Stanford University, where he graduated with a Master's in civil engineering in 1977, followed by a PhD in seismic engineering in 1980.</p> <p>Jean-Lou Chameau started his teaching career at Purdue University, where he taught from 1980 to 1991, before joining Georgia Tech as professor and head of the School of Civil and Environmental Engineering. He left this position in 1994 to become Chairman of the international geotechnical engineering company, Golder Associates Inc. He returned to teach at Georgia Tech two years later, where he became dean of the College of Engineering, the largest of its kind in the United States. In 2001, he was promoted to the position of provost, which he occupied up to 2006.</p> <p>In 2006, he was appointed President of the California Institute of Technology (Caltech), one of the largest scientific and engineering institutions in the world. Caltech is recognized for the exceptional standard of its research, teachers and students. Caltech boasts 32 Nobel Prize winners and is also renowned for the management of its large laboratories, in particular the Jet Propulsion Laboratory; NASA's center for robotic exploration of the solar system.</p> <p>Jean-Lou Chameau is a member of the National Academy of Engineering, a great honor for an engineer in the United States, and of the <i>Académie des Technologies</i> in France.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chairman: California Institute of Technology (Caltech)</li> <li>• Director: Caltech (USA); MTS Systems Corporation<sup>(1)</sup> (USA); John Wiley &amp; Sons<sup>(1)</sup> (USA)</li> <li>• Other offices: Interwest Advisory Committee (USA); Council on Competitiveness (USA); Academic Research Council of Singapore (Singapore)</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• <i>École Polytechnique</i>, Internet2</li> </ul>

(1) Listed company.

<b>ODILE DESFORGES</b> <b>DIRECTOR – INDEPENDENT</b> <b>MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1950, Odile Desforges graduated with an engineering diploma from <i>École Centrale de Paris</i>. She began her career as a Research Analyst at the French Transport Research Institute (<i>Institut de recherche des transports</i>). In 1981, she joined the Renault group as planning officer for the Automobile Planning Department before becoming product engineer on the R19, then M1 segment (1984-1986). In 1986, she moved to the Purchasing Department as Head of the Exterior Equipment department. She was later appointed Director of Body Hardware Purchasing for the joint Renault Volvo Purchasing Organization in 1992, and for Renault alone in 1994. In March 1999, she became Executive Vice-President of the Renault VI-Mack group, in charge of 3P (Product Planning, Product Development, Purchasing Project). In 2001, she was appointed President of Volvo Trucks' 3P Business Unit.</p> <p>In 2003, Odile Desforges became Senior Vice-President, Renault Purchasing, Chair and CEO of the Renault Nissan Purchasing Organization (RNPO) and member of the Renault Management Committee. From 2009 to June 2012, she was Director of Engineering and Quality, and a member of Renault's Executive Committee.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Director: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director: Sequana<sup>(1)</sup> since July 2012, GIE REGIENOV</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Chair: Renault Nissan Purchasing Organization (RNPO), up to February 2009</li> <li>Director: RNTBCI, up to June 2012; Renault Nissan BV (Netherlands), up to June 2012; Renault España SA (Spain), up to December 2012</li> </ul>

(1) Listed company.

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

<b>JEAN-MARC FORNERI</b> <b>DIRECTOR – INDEPENDENT</b> <b>MEMBER OF THE AUDIT AND RISK COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1959, Jean-Marc Forneri graduated from <i>École Nationale d'Administration</i> (ENA), before obtaining a Master's in Business Law and completing the French bar (CAPA) exam, at the Aix-en-Provence School of Political Science (IEP).</p> <p>He began his career at the General Finance Inspectorate in 1984. Then in 1987, he became an Advisor to the Minister of Finance and rapporteur for the Commission on Estate Taxes (French Ministry of Finance).</p> <p>Between 1988 and 1994, he was Director and CEO of Skis Rossignol.</p> <p>He was then appointed Managing Partner of Worms et Cie, where he was responsible for the investment bank.</p> <p>In 1996, he was appointed Chairman of Credit Suisse First Boston France and Vice-Chairman of Credit Suisse First Boston Europe, where he was an advisor on major mergers and acquisitions projects.</p> <p>In 2004, he founded Bucéphale Finance, a corporate finance advisory services firm, where he became Chairman.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chairman: Bucéphale Finance SAS</li> <li>• Member of the Supervisory Board: Grand Port Maritime de Marseille (GPM); Société Casino Municipal d'Aix Thermal</li> <li>• Director: Balmain; Intercontinental Exchange, Inc. (USA)<sup>(1)</sup></li> <li>• Manager: Perseus Participations</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Supervisory Board: Safran, up to April 2011</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Bonnasse Lyonnaise de Banque, up to May 2008</li> </ul>

<sup>(1)</sup> Listed company.

CHRISTIAN HALARY DIRECTOR – REPRESENTING EMPLOYEE SHAREHOLDERS	
EXPERTISE AND EXPERIENCE	<p>Born in 1953, Christian Halary holds a post-graduate degree (DEA) in microwave frequency technology. He began his career in 1980, first as a Research Engineer, then as Engineer responsible for product development, at Sagem SA.</p> <p>Christian Halary has been a Group employee for 33 years. In 2005 he was appointed Engineer responsible for product development at Sagem Défense Sécurité.</p> <p>Since 2009 he has been Head of the Renovation Calculator business in the Safran Electronics division of Sagem Défense Sécurité.</p>
CURRENT OFFICES	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director representing employee shareholders: Safran</li> <li>• Chairman of the Supervisory Board of the corporate mutual funds: Partifond; Interfond; Avenir Sagem; Safran Investissement</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Management Committee: Club Sagem</li> </ul>
OFFICES THAT EXPIRED IN THE LAST FIVE YEARS	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Supervisory Board representing employee shareholders: Safran, up to April 2011</li> </ul> <p><b>Non-Group:</b></p> <p>None</p>

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

<b>XAVIER LAGARDE</b> <b>DIRECTOR</b> <b>MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1948, Xavier Lagarde is an engineer from <i>École Nationale Supérieure d'Ingénieurs de Constructions Aéronautiques</i> (ENSICA), which became <i>Institut Supérieur de l'Aéronautique et de l'Espace</i> (ISAE) in 2007 following its link-up with <i>École Nationale Supérieure de l'Aéronautique et de l'Espace</i> (ENSAE). He also obtained a Master of Sciences in Aeronautics from the California Institute of Technology (Caltech).</p> <p>He joined Sagem in 1974 as a Research Engineer at the Avionics R&amp;D Unit at the Pontoise Center. He later became Head of development for new generation inertial navigation systems. In 1981, he became the head of this unit which is responsible not only for development of inertial navigation systems and equipment but also the preparation of fighter aircraft missions and weapon systems.</p> <p>In 1987, Xavier Lagarde became Deputy Director of the Sagem R&amp;D Center in Argenteuil, specialized in inertial technologies and optronics, navigation, observation and weapon aiming equipment and systems primarily dedicated to naval and ground applications. In 1989, he became Director of the R&amp;D Center in Éragny dedicated to missile guidance systems and equipment, disk memories for civil applications and bubble memories for military and space applications. From 1989 to 2001, he was Director of Human Resources of the Sagem group and, from 1999 to 2000, also Executive Director of Société de Fabrication d'Instruments de Mesure (SFIM).</p> <p>In 2001, Xavier Lagarde was appointed Industrial and Quality Director of Sagem. In 2005, he held the position of Quality Director at Safran. The following year, he became Executive Vice-President of the Communications branch of Safran, which was sold in 2008. Then, from 2009 to 2011, he was Executive Vice-President of the Group's Quality, Audit and Risk Department. He was a member of the Executive Board of Safran between 2007 and 2011 before becoming a member of the Board of Directors of Safran. Xavier Lagarde has also served on the Labour Relations Tribunal in Paris since 2005.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Safran</li> <li>• Chairman and CEO: Sagem Mobiles</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chairman: Club Sagem</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Executive Board: Safran, up to April 2011</li> <li>• Chairman of the Board of Directors: Soreval (Luxembourg), up to May 2012; Safran Conseil, up to May 2008</li> <li>• Chairman and CEO: Sagem Télécommunications, up to August 2012</li> <li>• Director: Safran Consulting, up to June 2012; Aircelle, up to April 2011; Sagem Communications, up to January 2008</li> <li>• Permanent representative of Sagem Télécommunications on the Board of Directors of: Sagem Industries, up to December 2011</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Supervisory Board: Gores Broadband SA, up to January 2010</li> </ul>



<b>MICHEL LUCAS</b> <b>DIRECTOR</b> <b>CHAIRMAN AND MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1939, Michel Lucas obtained an engineering diploma from <i>École Centrale de Lille</i>, then a degree in mathematical and physical science, before becoming a certified member of the French Institute of Actuaries in Paris and then graduating from the <i>Institut des Hautes Finances</i>, also in Paris.</p> <p>He joined Crédit Mutuel de Strasbourg in 1971. Between 1971 and 1985, he worked as Advisor to the Chairman of Crédit Mutuel and, between 1973 and 1998, as Head of the IT Department of Crédit Mutuel.</p> <p>In 1998, Michel Lucas became CEO of the Crédit Mutuel group, while retaining his existing functions. That same year, he was also appointed Chairman of the Executive Board of CIC, and subsequently Chairman and CEO in 2011, following a change in the corporate governance system.</p> <p>Michel Lucas is also Chairman of the Confédération Nationale du Crédit Mutuel, Chairman of the Fédération du Crédit Mutuel Centre Est Europe, Chairman of the Caisse Fédérale de Crédit Mutuel and Chairman and CEO of the Banque Fédérative du Crédit Mutuel.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chairman and CEO: Banque Fédératrice du Crédit Mutuel; Crédit Industriel et Commercial<sup>(1)</sup>; Carmen Holding Investissement</li> <li>• Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel (BFCM); Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale de Crédit Mutuel; Groupe des Assurances du Crédit Mutuel; Assurances du Crédit Mutuel Vie SA; Assurances du Crédit Mutuel IARD SA; Assurances du Crédit Mutuel Vie SAM; Banque du Crédit Mutuel Ile-de-France; International Information Developments; Direct Phone Services; Républicain Lorrain; Est Républicain<sup>(1)</sup>; Dernières Nouvelles d'Alsace; Liberté de L'Est</li> <li>• Chairman of the Supervisory Board: Banque Européenne du Crédit Mutuel; Euro Information Production (GIE)</li> <li>• Chairman: Crédit Mutuel Cartes de Paiements; Europay France</li> <li>• Vice-Chairman of the Supervisory Board: CIC Iberbanco; Banque de Luxembourg (Luxembourg)</li> <li>• Director: ACMN Iard; Astrée (Tunisia); Assurances Générales des Caisses Desjardins (Canada); Banque de Tunisie (Tunisia); Banque Marocaine du Commerce Extérieur; CIC Banque Transatlantique; Banque Transatlantique Belgium (Belgium); Caisse de Crédit Mutuel "Grand Cronenbourg"; CRCM Midi-Atlantique; CIC Lyonnaise de Banque; Dauphiné Libéré; Est Bourgogne Média; Le progrès SA</li> <li>• Member of the Supervisory Board: CM-CIC Asset Management; Manufacture Beauvillé; CM-CIC Services (EIG), CM-CIC Capital Finance</li> <li>• Member of the Management Committee: Euro Information; Euro Information Développement; EBRA</li> <li>• Permanent representative of BFCM on the Management Committee: Sofredis</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Vice-Chairman of the Supervisory Board: Safran, up to April 2011</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chairman of the Executive Board: Crédit Industriel et Commercial<sup>(1)</sup>, up to May 2011</li> <li>• Chairman of the Supervisory Board: Fonds de Garantie des Dépôts</li> <li>• Member of the Supervisory Board: CIC Investissements; Société Alsacienne de Publications "L'Alsace"</li> <li>• Vice-Chairman of the Supervisory Board: Mastercard Europe Région (Belgium)</li> <li>• Chief Executive Officer: Confédération Nationale du Crédit Mutuel, Fédération du Crédit Mutuel Centre Est Europe; Caisse Fédérale de Crédit Mutuel</li> <li>• Member of the Board of Directors: CIC Information; Crédit Mutuel Paiements Électroniques; Sofredis</li> </ul>

(1) Listed company.

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

<b>ELISABETH LULIN</b> <b>DIRECTOR – INDEPENDENT</b> <b>MEMBER OF THE AUDIT AND RISK COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1966, Elisabeth Lulin is a graduate of <i>École Normale Supérieure, Institut d'Études Politiques de Paris</i> and <i>École Nationale d'Administration</i>. She also holds a degree in literature.</p> <p>Elisabeth Lulin began her career at the General Finance Inspectorate (1991-1994) before joining the Prime Minister's office as Research Analyst, then Technical Advisor.</p> <p>From 1996 to 1998, she served as Head of the Marketing and External Communication Unit at France's National Institute of Statistics and Economic Studies (INSEE).</p> <p>Alongside these duties, Elisabeth Lulin has also held various teaching posts. She taught at <i>École Supérieure de Commerce de Paris</i>, and was a lecturer at the <i>Institut d'Études Politiques de Paris</i> (1998-1999) and at the <i>Conservatoire des Arts et Métiers</i> (1995-1999). She is also a member of the editorial committee of <i>Sociétal</i>, a quarterly economic and social review.</p> <p>From September 2010 to March 2012, she served as senior advisor of Monitor group, a strategy consulting firm.</p> <p>Elisabeth Lulin is currently Chief Executive Officer of Paradigmes et cætera, a research and consulting firm dedicated to benchmarking and innovation, which she founded in 1998.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chief Executive Officer: Paradigmes et cætera</li> <li>• Director: Société Générale<sup>(1)</sup>; Bongrain SA<sup>(1)</sup></li> <li>• Chair of the Board of Directors of <i>École Nationale Supérieure de Création Industrielle</i> (ENSCI)</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chair of the Executive Board: <i>Institut Aspen France</i>, up to May 2010</li> <li>• Member of the Board of Directors of the <i>Institut Français des Administrateurs</i>, up to May 2012</li> </ul>

(1) Listed company.

<b>ASTRID MILSAN</b> <b>DIRECTOR – REPRESENTING THE FRENCH STATE</b> <b>MEMBER OF THE AUDIT AND RISK COMMITTEE,</b> <b>MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE,</b> <b>MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1971, Astrid Milsan studied at <i>École Nationale d'Administration</i>, before graduating from the <i>Institut d'Études Politiques de Paris</i> and obtaining a Master's in Law from the <i>Université de Droit de Paris II - Assas</i>.</p> <p>She began her career as reporting counselor (<i>conseiller rapporteur</i>) at the Versailles Administrative Court of Appeal between 1996 and 1998.</p> <p>Between 1998 and 2001, she worked as Project Finance and Privatization manager at Bankgesellschaft in Berlin, and then in London and Berlin. In 2003, she moved to HSBC in London where she worked in Corporate Finance, Mergers &amp; Acquisitions (Europe and Asia) and in the Transport &amp; Logistics team.</p> <p>Later, in 2003, she joined the Finance division (legal and financial engineering for State market transactions) of the French State Investment Agency (APE).</p> <p>In 2006, she was appointed Head of Corporate Finance and Development and Secretary General of the Interministerial Committee on Industrial Restructuring (CIRI) at the Treasury, within the French Ministry of Economic Affairs, Finance and Employment. The following year she became Deputy Director of Corporate Finance and Competitiveness (financial market regulation, Replacement Government Commissioner to the collegium of the French financial markets authority – AMF) at the Treasury.</p> <p>She was appointed Deputy Director of Energy and other investments at the State Investment Agency (APE) in 2009, and then Deputy Director of the Services, Aerospace and Defence sub-division of APE in 2011.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Director representing the French State: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director representing the French State: DCNS; Établissement Public de Financement et de Restructuration (EPFR); Imprimerie Nationale; SNPE; Société de Gestion de Participations Aéronautiques (Sogepa); Sogead, Sogead Gérance SAS</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Member of the Supervisory Board representing the French State: RTE, up to 2011; Oseo Financement, up to 2009</li> <li>Director representing the French State: Areva NC, up to 2011; la Française des Jeux, up to 2011; Eramet<sup>(1)</sup>, up to 2011; Laboratoire français de fractionnement et de biotechnologies, up to 2011; Oseo, up to 2009; IDES, up to 2009; Oseo Innovation, up to 2009</li> </ul>

(1) Listed company.

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

<b>LAURE REINHART</b> <b>DIRECTOR – REPRESENTING THE FRENCH STATE</b> <b>MEMBER OF THE STRATEGY AND MAJOR PROJECTS COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1955, Laure Reinhart studied at <i>École Normale Supérieure</i>. She obtained a degree in mathematics and a doctorate in applied mathematics from <i>Université de Paris VI</i>.</p> <p>She began her career in 1979 at INRIA (French Research Institute for Computer Science and Automation) where she successively held the posts of Researcher in scientific computing, Head of industrial relations, and Director of industrial relations and technology transfer. In 1992, she became Director at the Rocquencourt research center where she was responsible for managing the center's research, research orientation and technology transfer activities.</p> <p>In 1999, Laure Reinhart joined Thales as Head of operations at the central research and development laboratory, then Head of public research partnerships in France and Europe and of technical cooperation with companies in the R&amp;D domain. She was also responsible for coordinating the company's actions in the areas of competitiveness and technical communication.</p> <p>In 2006, she was appointed Director of Strategy within the Directorate-General of Research and Innovation in the French Ministry for Higher Education and Research where she implemented the new strategy.</p> <p>She then joined Oseo in 2008 as Deputy Chief Executive Officer in charge of Innovation.</p> <p>Between 2007 and 2008, she participated in the committee working on France's White Paper on Defence and National Security.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director representing the French State: Safran</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Deputy CEO in charge of Innovation: Oseo</li> <li>• Director: INPI (<i>Institut National de la Propriété Industrielle</i>); INRIA (<i>Institut National de Recherche en Informatique et en Automatique</i>); IHEST (<i>Institut des Hautes Études pour la Science et la Technologie</i>)</li> <li>• President of three associations: Ile de Science, the Scientipole Initiative and Scientipole Growth</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Director representing the French State: Agence pour la diffusion de l'information technologique, up to October 2008</li> </ul>

<b>MICHÈLE ROUSSEAU</b> <b>DIRECTOR – REPRESENTING THE FRENCH STATE</b> <b>MEMBER OF THE AUDIT AND RISK COMMITTEE</b>	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1957, Michèle Rousseau graduated with an engineering diploma from <i>École des Mines de Paris</i>. She began her career in 1983 as Head of the Environment Division at DRIRE, Nord-Pas de Calais.</p> <p>Subsequently, she worked as Head of the industrial environment division at the French Ministry for the Environment between 1987 and 1990, before moving to the General Directorate of Industrial Strategies at the French Ministry for Industry, where she was Deputy Head of industrial IT and professional electronics between 1990 and 1995. In 1995, she was appointed Assistant Director of Safety of Nuclear Installations and was responsible for supervising EDF's network of nuclear plants.</p> <p>In 1999, she joined the French innovation agency, ANVAR (<i>Agence Nationale pour la Valorisation de la Recherche</i>), as Deputy Director General, responsible for conducting policy on assisting innovative projects set up by SMEs.</p> <p>In 2001, Michèle Rousseau was appointed Head of gas, electricity and coal at the General Directorate of Energy and Raw Materials within the French Ministry of Economic Affairs, Finance and Industry. In the same year she went on to become Head of demand and energy markets and the General Directorate of Energy and Raw Materials. She was also appointed as Government Commissioner for EDF and GDF. In 2004, she represented the French State on the independent commission charged with evaluating EDF's financing needs.</p> <p>In 2005, she was appointed Secretary General of the Ministry for Ecology, Energy and Sustainable Development, then in 2008, Assistant Director to the Commissioner General for Sustainable Development.</p> <p>Since 2011, she has served as Chief Executive Officer at Agence de l'Eau Seine-Normandie.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Director representing the French State: Safran</li> </ul> <p><b>Non-Group:</b></p> <p>None</p>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director representing the French State: Institut Français du Pétrole, up to January 2013; Aéroports de Paris<sup>(1)</sup>, up to May 2012; Agence Européenne de l'Environnement, up to 2011</li> </ul>

(1) Listed company.

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

## INFORMATION RELATING TO THE BOARD ADVISOR

The role of the Board Advisor is to monitor the strict application of the bylaws, attend Board meetings and take part in decision making in a consultative capacity. The Board Advisor is also invited to all Audit and Risk Committee meetings.

CAROLINE GRÉGOIRE-SAINTE MARIE ADVISOR TO THE BOARD OF DIRECTORS	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1957, Caroline Grégoire-Sainte Marie is a graduate of <i>Institut d'Études Politiques de Paris</i> and of the <i>Université de Droit de Paris I</i>. She also took part in the international management programs (INSEAD - IMD) organized by Hoechst/Roussel and Lafarge.</p> <p>She began her career in 1981 at Rank Xerox France as Management Controller.</p> <p>In 1987, she joined pharmaceutical company Hoechst where she occupied various financial/management positions, before being made Financial Director and member of the Executive Board of Albert Roussel Pharma GmbH in 1994.</p> <p>In 1996, Caroline Grégoire-Sainte Marie was appointed Director of Finance and IT at Volkswagen France where she became a member of the Management Committee.</p> <p>She then joined the Lafarge group in 1997, as Financial, Legal and Development Officer and a member of the Management Committee of Lafarge Specialty Products. In 2000, she became Head of the Mergers &amp; Acquisitions department, a member of the Management Board of Lafarge Cement, a member of the International Operating Committee and a member of the Boards of Directors of Materis SA and Lafarge India. In 2004, she was appointed Chair and CEO of Lafarge Cement in Germany and the Czech Republic, and she became a member of the Board of Directors of Präsidium BDZ/VDZ.</p> <p>From 2007 to 2009, she was Chair and CEO of Tarmac France and Belgium, part of the Anglo-American Plc. group. She is also Vice-President and a member of the Executive Committee of the Fédération de l'Industrie du Béton (FIB).</p> <p>Between 2009 and 2011, Caroline Grégoire-Sainte Marie was Chair of FransBonhomme, the French leading distributor of plastic pipes and fittings.</p> <p>She has been an independent Director of Groupama since 2011 and of the FLSmidth and Eramet groups since 2012.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director: FLSmidth &amp; Co<sup>(1)</sup> (Denmark) since March 2012; Eramet<sup>(1)</sup> since May 2012; Groupama</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <p>None</p> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Chair and CEO: FransBonhomme, up to 2011; Tarmac France and Tarmac Belgique, up to 2009</li> </ul>

(1) Listed company.

## OTHER PERSONS PARTICIPATING IN BOARD OF DIRECTORS' MEETINGS

### THE GOVERNMENT COMMISSIONER

**Louis-Alain Roche, Controller-General of the French Armed Forces,**

appointed Government Commissioner to Safran and its subsidiaries by decision of the Ministry of Defence of August 27, 2009 in accordance with the laws and regulations applicable to companies supplying military equipment under public contracts or more generally engaged in the manufacturing or trading of such equipment.

### THE REPRESENTATIVES OF THE CENTRAL WORKS COUNCIL

**Isabelle Besson:** executive in the Communications Department of Safran,

**Nabil Grine:** account manager of Safran's establishment located at 2, boulevard du Général Martial-Valin, 75015 Paris, France, appointed by the Central Works Council on April 26, 2012, like its representatives on Safran's Board of Directors in accordance with article L.2323-65 of the French Labor Code (*Code du travail*).

## DIRECTORSHIPS EXPIRING IN 2013

The terms of office of seven Directors will expire at the close of the 2013 Annual General Meeting. These Directors are:

- Francis Mer;
- Jean-Marc Forneri;
- Michel Lucas; and
- the four Directors representing the French State, i.e., Christophe Burg, Astrid Milsan, Laure Reinhart and Michèle Rousseau.

The Annual General Meeting of May 28, 2013 will be called to:

- Re-appoint Jean-Marc Forneri as a Director, as described in section 8.2 of this Registration Document.
- Appoint Monique Cohen as a Director, as described in section 8.2 of this Registration Document.
- Appoint Christian Streiff as a Director, as described in section 8.2 of this Registration Document.
- Record the appointment by Ministerial Decree of four Directors representing the French State, as described in section 8.2 of this Registration Document.

## ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The roles and responsibilities of the Board of Directors are described in sections 6.5.1 and 7.1.2.1.

## BOARD OF DIRECTORS' INTERNAL RULES

The Board of Directors' meeting of April 21, 2011 approved the Internal Rules that govern the operating procedures and organization of the Board of Directors.

These Internal Rules are available on the Company's website (<http://www.safran-group.com>, in the Finance section).

## OTHER INFORMATION

### INFORMATION ON SERVICE CONTRACTS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS OR EXECUTIVE MANAGEMENT AND THE COMPANY OR ONE OF ITS SUBSIDIARIES

There are no service contracts between the members of the Board of Directors or Executive Management and Safran or any of its subsidiaries providing for the award of benefits.

### DISCLOSURE OF FAMILY TIES AND THE ABSENCE OF CONVICTIONS INVOLVING MEMBERS OF THE BOARD OF DIRECTORS OR EXECUTIVE MANAGEMENT

To the best of the Company's knowledge:

- there are no family ties between members of the Board of Directors or Executive Management;
- no member of the Board of Directors or Executive Management:
  - has been convicted of fraud,
  - has been a manager in a company when it filed for bankruptcy or was placed in receivership or liquidation,
  - has been officially charged and/or received sanctions from a legal or regulatory authority,
  - has been prohibited by a court of law from being a member of an administrative, management or supervisory body, or from participating in the management or performance of a company's business.

### CONFLICTS OF INTEREST AT BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT LEVEL

The Company has not been notified of any:

- potential conflicts of interest between the duties, with respect to Safran, of any of the members of the Board of Directors or Executive Management and their private interests and/or other duties;
- arrangements or agreements with the principal shareholders, customers, suppliers or other parties for the appointment of members of the Board of Directors or Executive Management.

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

The management of conflicts of interest within the Board of Directors is organized as follows (Articles 7.2 to 7.5 of the Board of Directors' Internal Rules):

- all members of the Board of Directors must inform the Board of Directors of any actual or potential conflicts of interest between themselves (or any other individual or corporation with which they have a business relationship) and the Company, or any of the companies in which the Company invests, or any of the companies with which the Company is planning to conclude an agreement of any sort;
- in the event that a member of the Board of Directors suspects the existence of a conflict of interests, or a potential conflict of interests, he/she must immediately inform the Chairman of the Board of Directors whose responsibility it is to decide whether or not to inform the Board of Directors and thus to instigate the conflicts of interest management process;
- in the event that the member of the Board of Directors discussed in the previous paragraph is the Chairman of the Board of Directors him/herself, then he/she should inform the Vice-Chairman of the Board of Directors or, failing that, the Board of Directors;
- the member of the Board of Directors concerned must abstain from voting on decisions relating to the conclusion of the agreement in question and from taking part in any discussions preceding the vote;
- in addition, the Chairman of the Board of Directors, the members of the Board of Directors, the CEO and, where appropriate, the Deputy CEO(s) will not be obliged to transmit, to any member(s) of the Board of Directors whom they have serious reason to suspect may be subject to conflicts of interest, information or documents relating to the agreement or operation causing the conflict of interest in question, and they will inform the Board of Directors of the non-transmission.

## 6.1.2 COMMITTEES OF THE BOARD OF DIRECTORS

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In its meeting of April 21, 2011, the Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The Board of Directors may, in its sole discretion, set up further Board committees.

The role, organization, operating procedures and work of each committee are set out in section 6.5.1.



## 6.1.3 EXECUTIVE MANAGEMENT

At its meeting on April 21, 2011, the Board of Directors opted to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and appointed Jean-Paul Herteman to take on these functions and the title of Chairman and Chief Executive Officer for the duration of his term as Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2014.

At this same meeting, the Board of Directors appointed Francis Mer as Vice-Chairman of the Board of Directors for the duration of his term as Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2012.

This appointment was made in accordance with Article 15.3 of the bylaws which states that a Vice-Chairman must be appointed if the same person holds the positions of Chairman and Chief Executive Officer.

Finally, during its meeting of April 21, 2011, the Board of Directors appointed the following members of staff as non-Director Deputy Chief Executive Officers:

- Dominique-Jean Chertier;
- Ross McInnes;
- Marc Ventre;

with immediate effect and until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2014.

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer.

More specifically, Dominique-Jean Chertier, Deputy Chief Executive Officer, Corporate Office, is responsible for the Corporate Office, which deals with: Social Affairs, Human Resources, Property and Legal Affairs, Institutional and European Affairs, Corporate Communication (excluding financial communication), Health & Safety, Sustainable Development and Industrial Protection. He is also responsible for audit and internal control.

Ross McInnes, Deputy Chief Executive Officer, Finance, is in charge of the Finance Department (Management Control, Accounting, Financial Communication, Cash Management, Financing, Tax Issues), and the Risk and Insurance Department.

Marc Ventre, Deputy Chief Executive Officer, Operations, is responsible for managing the Group's operations, i.e., its industrial, commercial and after-sales support activities and its programs.

Members of Executive Management	Functions	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Jean-Paul Herteman 62 years	<b>Chief Executive Officer</b>	April 21, 2011, 2015 AGM	20,242 <sup>(*)</sup>	Chairman and Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris
Dominique-Jean Chertier 62 years	<b>Deputy Chief Executive Officer, Corporate Office</b>	April 21, 2011 June 30, 2013 <sup>(**)</sup>	5,556 <sup>(*)</sup>	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris
Ross McInnes 59 years	<b>Deputy Chief Executive Officer, Finance</b>	April 21, 2011, 2015 AGM	2,591 <sup>(*)</sup>	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris
Marc Ventre 62 years	<b>Deputy Chief Executive Officer, Operations</b>	April 21, 2011, 2015 AGM	9,448 <sup>(*)</sup>	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris

(\*) Indirectly via units in the Safran Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2013).

(\*\*) The Board of Directors' meeting of March 21, 2013 noted the resignation of Dominique-Jean Chertier as Deputy Chief Executive Officer with effect from June 30, 2013 and decided to appoint Stéphane Abrial to replace him with effect from July 1, 2013.

## INFORMATION ON THE DEPUTY CHIEF EXECUTIVE OFFICERS

DOMINIQUE-JEAN CHERTIER	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1950, Dominique-Jean Chertier has a post-graduate degree (DEA) in the arts and is a graduate of the School of Information Sciences and Communication (Celsa). He started his professional career in 1976 as Assistant to the Director, Administration Services and Personnel at Renault International, where his duties included conducting audit assignments in the subsidiaries outside France and assignments regarding the establishment of Renault in the United States and Portugal.</p> <p>In 1982, he joined Sacilor as Head of Employee Management Relations in the Group, to negotiate and implement personnel restructurings related to the French Steel Plan. He became Director of Human Resources at Air Inter in 1986. He was responsible, in particular, for personnel management related to the renewal of the aircraft fleet and the launch of the Airbus A320, a complete overhaul of the employee classification grid, as well as the development of contractual policy. During the period between 1992 and 2002, as Director General of the French national association for employment in trade and industry (Unédic), Dominique-Jean Chertier managed a large number of transformations including reforms of the unemployment insurance information systems and the treasury system, putting in place of statutory audits of the accounts and launching of the reorganization of the unemployment authorities' (Assedic) networks.</p> <p>In March 2002, he joined the Snecma group as Vice-President, Human Resources but left this position in May to become an advisor to the French Prime Minister on social affairs. He returned to Snecma in October 2003 as Executive Vice-President, responsible for Social and Institutional Affairs, where he coordinated the definition of the employment policy and internal and external communications for the whole group. He also developed the group's relations with public institutions. In May 2005, when the Safran Group was created, he became Executive Vice-President, responsible for Social and Institutional Affairs. He was also a member of the Executive Board between 2007 and April 2011.</p> <p>He was a member of the Economic and Social Council (CES), up to September 2010 and also Chairman of the Board of Directors of Pôle Emploi (the French unemployment agency), up to December 2011. He is a member of the Employment Policy Council (COE). He has been on the Board of Directors of Air France since September 15, 2004 and a member of Air France's Audit and Accounting Committee since November 23, 2004.</p> <p>On April 21, 2011 he was appointed Deputy Chief Executive Officer, Corporate Office of Safran.</p> <p>In April 2012, he was appointed Director and member of the Audit Committee of Adecco (Switzerland).</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Chairman and CEO: Établissements Vallaroché</li> <li>Director: Safran Human Resources Support, Inc. (USA)</li> <li>Permanent representative of Établissements Vallaroché on the Board of Directors: Vallaroché Conseil</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Director: Air France; Adecco<sup>(1)</sup> (Switzerland), since April 2012</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>Member of the Executive Board: Safran, up to April 2011</li> <li>Chairman of the Board of Directors: Safran Human Resources Support, Inc. (USA), up to October 2010</li> <li>Director and Chairman of the Board: Safran Employment Services, Inc. (USA), up to December 2011</li> <li>Director: Safran Conseil, up to November 2009</li> <li>Permanent representative of Établissements Vallaroché on the Board of Directors: Safran Consulting (formerly Safran Conseil), up to June 2012</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Board of Directors: Pôle Emploi, up to December 2011</li> </ul>

(1) Listed company.

ROSS MCINNES	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1954, Ross McInnes has dual French and Australian nationality and is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson bank, first of all in London then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America) in which he held several positions as Vice-President in the corporate finance arm, in Chicago and then in Paris.</p> <p>In 1989, he chose to move to large multinational corporations and became Chief Financial Officer of Ferruzzi Corporation of America. This group owned, in particular, Eridania Beghin Say, of which he was appointed Chief Financial Officer in 1991, then a member of the Board of Directors in 1999. The following year, Ross McInnes joined Thomson-CSF (now Thales) as Executive Vice-President and Chief Financial Officer and assisted in the group's transformation, up to 2005. He then moved to PPR (Pinault-Printemps-La Redoute) as Senior Vice-President for Finance and Strategy, before joining the Supervisory Board of Générale de Santé in 2006. At the request of the Supervisory Board, he served as acting Chairman of the Management Board of Générale de Santé from March to June 2007. He then held the position of Vice-Chairman of Macquarie Capital Europe, specialized in particular in infrastructure investments.</p> <p>In March 2009, Ross McInnes joined Safran as special Advisor to the Chairman of the Executive Board, before becoming Executive Vice-President, Economic and Financial Affairs in June of that year. He was a member of the Executive Board of Safran between July 2009 and April 2011.</p> <p>On April 21, 2011, he was appointed Deputy Chief Executive Officer, Finance.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Aircelle; Turbomeca; Messier-Bugatti-Dowty; Sagem Défense Sécurité; Morpho; Snecma; Vallaroché Conseil; Safran USA, Inc. (USA)</li> <li>• Permanent representative of Safran on the Board of Directors: Établissements Vallaroché</li> <li>• Permanent representative of Établissements Vallaroché on the Board of Directors: Soreval (Luxembourg)</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Faurecia<sup>(1)</sup> (also Chairman of the Audit Committee); Financière du Planier; Eutelsat Communications<sup>(1)</sup> (also Chairman of the Audit Committee) since February 2013</li> <li>• Permanent representative of Santé Europe Investissements Sarl on the Board of Directors: Générale de Santé<sup>(1)</sup> (also member of the Audit Committee); Santé SA (Luxembourg)</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Executive Board: Safran, up to April 2011</li> <li>• Permanent representative of Safran on the Board of Directors: Messier-Dowty SA, from January 2011 to April 2011</li> <li>• Director: Messier-Dowty SA, up to January 2011; SME, from April to September 2011</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Chairman: Chartreuse &amp; Mont-Blanc SAS, up to May 2009</li> <li>• Vice-Chairman: Macquarie Capital Europe Ltd (UK), up to May 2009</li> <li>• Director: Limoni SpA (Italy), up to February 2013, Santé SA (Luxembourg), up to May 2010; Macquarie Autoroutes de France SAS, up to May 2009; Eiffarie SAS, up to June 2009; Société des Autoroutes Paris-Rhin-Rhône, up to June 2009; AREA – Société des Autoroutes Rhône-Alpes, up to June 2009; Adélac SAS, up to June 2009; Chartreuse &amp; Mont-Blanc Global Holdings SCA (Luxembourg), Chartreuse &amp; Mont-Blanc GP Sarl (Luxembourg), Chartreuse &amp; Mont-Blanc Holdings Sarl (Luxembourg), up to May 2009; Bienfaisance Holding, up to June 2009</li> <li>• Member of the Supervisory Board: Générale de Santé, up to May 2010; Pisto SAS, up to May 2009</li> <li>• Permanent representative of Établissements Vallaroché on the Board of Directors: La Financière de Bienne, up to January 2010</li> <li>• Board Advisor: Générale de Santé<sup>(1)</sup>, up to June 2011</li> </ul>

(1) Listed company.

## CORPORATE GOVERNANCE

### / BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT /

MARC VENTRE	
<b>EXPERTISE AND EXPERIENCE</b>	<p>Born in 1950, Marc Ventre is a graduate of <i>École Centrale de Paris</i> and holds a Master of Science from the Massachusetts Institute of Technology. He joined Snecma in 1976, where he held various positions related to materials science, in the Quality department at the Corbeil site. From 1979 to 1980, he worked at General Electric Aircraft Engines in Cincinnati in the United States, where he represented Snecma in connection with the development of the CFM56 engine, produced jointly by the two joint venture partners.</p> <p>From 1981 to 1988, after an assignment at the site in Villaroche, Marc Ventre became head of the Quality department at the Snecma plant in Gennevilliers.</p> <p>He was Deputy Director of Production at Snecma from 1988 until 1991 when he was appointed as Director of the Snecma plant in Gennevilliers. In 1994, he took up the position of Director of Production and Procurement at Snecma thus covering all the industrial sites and procurement of all supplies by Snecma during the restructuring of Snecma's industrial plants and the ramp-up of CFM56 engine production.</p> <p>In 1998, he became Chairman and Chief Executive Officer of Hispano-Suiza, then of Snecma Services from 2000 to 2003, before being appointed Chairman and Chief Executive Officer of Snecma. At the end of 2006, he joined Safran as Executive Vice-President of the Aerospace Propulsion branch including the activities of Snecma, Turbomeca, Microturbo, Snecma Propulsion Solide and Techspace Aero.</p> <p>He was a member of the Executive Board of Safran between July 2009 and April 2011.</p> <p>Marc Ventre is also a member of the office and Board of the French Aerospace Industries Association (GIFAS) and in January 2011 was appointed head of the Civil Aviation Research Council (CORAC). He was Chairman of the Governing Board of Clean Sky, up to December 31, 2010. He has also served as President of the Alumni Association and remains a Director of <i>École Centrale de Paris</i>.</p> <p>On April 21, 2011, he was appointed Deputy Chief Executive Officer, Operations of Safran.</p>
<b>CURRENT OFFICES</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Director: Techspace Aero (Belgium)</li> <li>• Permanent representative of Safran on the Board of Directors: Snecma; Turbomeca; Aircelle; Herakles (formerly SME); Labinal; Hispano-Suiza and Messier-Bugatti-Dowty.</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Supervisory Board: Radiall<sup>(1)</sup></li> <li>• Director: Nexcelle, LLC (USA)</li> </ul>
<b>OFFICES THAT EXPIRED IN THE LAST FIVE YEARS</b>	<p><b>Safran Group:</b></p> <ul style="list-style-type: none"> <li>• Member of the Executive Board: Safran, up to April 2011</li> <li>• Director: Snecma Services, up to February 2009</li> <li>• Permanent representative of Safran on the Board of Directors: Snecma Propulsion Solide, up to April 2012; Europropulsion, up to July 2011</li> </ul> <p><b>Non-Group:</b></p> <ul style="list-style-type: none"> <li>• Permanent representative of Safran on the Board of Directors: Arianespace Participation and Arianespace SA, up to September 2011</li> </ul>

(1) Listed company.

## 6.2

EXECUTIVE CORPORATE OFFICER  
COMPENSATION6.2.1 PRINCIPLES AND RULES FOR DETERMINING  
THE COMPENSATION OF EXECUTIVE MANAGEMENTFIXED AND VARIABLE COMPENSATION,  
BENEFITS-IN-KIND

Since May 1, 2011, the compensation of the Chief Executive Officer and Deputy Chief Executive Officers, set by the Board of Directors, upon the recommendations of the Appointments and Compensation Committee has been comprised of a fixed and a variable component. Two thirds of the variable component is determined on the basis of financial objectives and one third on individual objectives for each fiscal year. Management executives receive a company car as a benefit-in-kind.

## FIXED COMPENSATION

At the Board of Directors' meeting of May 26, 2011, the Executive Corporate Officers' fixed annual compensation was set as follows:

- Jean-Paul Herteman, Chairman and Chief Executive Officer: €730,000 (up to January 1, 2014)
- Dominique-Jean Chertier (Deputy Chief Executive Officer, Corporate Office): €480,000 (up to January 1, 2014)
- Ross McInnes (Deputy Chief Executive Officer, Finance): €420,000 (up to January 1, 2013)
- Marc Ventre (Deputy Chief Executive Officer, Operations): €400,000 (up to January 1, 2013)

At its meeting of December 12, 2012, the Board of Directors set the fixed annual compensation of Ross McInnes and Marc Ventre as follows:

- Ross McInnes (Deputy Chief Executive Officer, Finance): €500,000 (up to January 1, 2016)
- Marc Ventre (Deputy Chief Executive Officer, Operations): €500,000 (up to January 1, 2016)

## VARIABLE COMPENSATION

The Board of Directors decided to define financial objectives with reference to EBIT, free cash flow and working capital (WC). The Board weighs these three performance metrics every fiscal year. The Board also establishes the threshold and maximum levels for each metric, as well as an aggregate maximum level.

Individual objectives (four to five maximum) are determined by the Board of Directors for each fiscal year. These objectives are not based on the responsibilities related to the executive corporate officers' position but on specific objectives relative to key performance criteria.

## Variable compensation for 2012

For 2012, at its meetings of February 22 and May 23, 2012, the Board of Directors determined the financial performance criteria based on the following components:

- Weighting:
  - EBIT: 60%,
  - WC: 20%, and,
  - free cash flow: 20%;
- threshold levels (based on annual budgets):
  - 80% of EBIT target,
  - 135% of budgeted WC (no variable compensation on this metric if the value of WC is higher than 135% of budgeted WC), and
  - 65% of free cash flow target.

Calculation methods based on threshold and maximum levels used:

- the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met);
- the following maximum levels are applied to each metric:
  - if 130% (or more) of the EBIT target is achieved, the highest percentage of variable compensation will be payable for this metric,
  - if 65% (or less) of the WC target is achieved, the highest percentage of variable compensation will be payable for this metric, and
  - if 130% (or more) of the free cash flow target is achieved, the highest percentage of variable compensation will be payable for this metric.

Total variable compensation can reach 100% of fixed compensation and up to 130% if performance, which can be assessed based on both individual and financial objectives, is exceeded and substantiated.

At its meetings of February 22 and May 23, 2012, the Board of Directors also determined the management executives' individual objectives and the various payment methods. These objectives are quantifiable and measurable, they are not solely financial, and mainly relate to the Group's main strategic challenges in terms of programs and external growth. They cannot be disclosed in this Registration Document for reasons of strategic and competitive sensitivity.

At its meeting of February 20, 2013, the Board of Directors reviewed the achievement of objectives set for the variable compensation payable to the management executives for 2012, upon consultation with the Appointments and Compensation Committee.

## CORPORATE GOVERNANCE

### / EXECUTIVE CORPORATE OFFICER COMPENSATION /

Based on 2012 results, the Group's financial performance criteria were exceeded. The individual achievement rate for quantitative criteria was specifically determined but is not disclosed for confidentiality reasons.

The achievement rate of the variable compensation objectives set for 2012 resulted in the following variable compensation payments:

- Jean-Paul Herteman (Chairman and Chief Executive Officer): €706,000
- Dominique-Jean Chertier (Deputy Chief Executive Officer, Corporate Office): €512,000
- Ross McInnes (Deputy Chief Executive Officer, Finance): €441,000
- Marc Ventre (Deputy Chief Executive Officer, Operations): €420,000

#### Variable compensation for 2013

For 2013, at its meetings of December 12, 2012, the Board of Directors determined the financial performance criteria based on the following components:

- Weighting:
  - EBIT: 60%,
  - WC: 10%, and
  - free cash flow: 30%;
- threshold levels (based on annual budgets):
  - 80% of EBIT target,
  - 135% of budgeted WC (no variable compensation on this metric if the value of WC is higher than 135% of budgeted WC), and
  - 65% of free cash flow target.

Calculation methods based on threshold and maximum levels used:

- the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met);
- the following maximum levels will be applied to each metric:
  - if 130% (or more) of the EBIT target is achieved, the highest percentage of variable compensation will be payable for this metric,
  - if 65% (or less) of the WC target is achieved, the highest percentage of variable compensation will be payable for this metric, and
  - if 130% (or more) of the free cash flow target is achieved, the highest percentage of variable compensation will be payable for this metric.

Total variable compensation can reach 100% of fixed compensation and up to 130% if performance, which can be assessed based

on both individual and financial objectives, is exceeded and substantiated. This compensation structure applies to other senior executives who are eligible for bonus payments within the Group.

In its meeting of December 12, 2012, the Board of Directors also determined individual objectives that were not solely financial and whose achievement was quantifiable and measurable. The different components of variable compensation mainly relate to the Group's main strategic challenges in terms of programs and external growth. They cannot be disclosed in this Registration Document for reasons of strategic and competitive sensitivity.

#### SPECIFIC SUPPLEMENTARY PENSION PLAN

No specific supplementary pension plan has been set up for Executive Management.

In the event that a supplementary pension plan is set up for all Group senior executives, the Chairman and Chief Executive Officer would be covered by this plan provided the performance conditions, identical to those governing the removal from office, are met, in accordance with the Board of Directors' decision of April 21, 2011.

Shareholders voted against the resolution dealing with this related-party commitment at the May 31, 2012 Ordinary and Extraordinary Shareholders' Meeting.

#### OTHER

In their former capacity as employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously members of the defined contribution supplementary pension plans set up for the Company's executives.

At its meeting of July 27, 2011, the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, and Dominique-Jean Chertier, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by these supplementary pension plans in accordance with the provisions of article L.225-42-1 of the French Commercial Code (*Code de commerce*), in the same conditions as the personnel concerned. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

Shareholders voted against the resolution dealing with this related-party commitment at the May 31, 2012 Ordinary and Extraordinary Shareholders' Meeting.

However, the Company continued to meet these commitments which were validly authorized by the Board of Directors in accordance with article L.225 -41 of the French Commercial Code.

## COMPENSATION OR BENEFITS PAID IN RESPECT OF THE TERMINATION OF OFFICE OR A CHANGE OF DUTIES

According to the Board of Directors decision of April 21, 2011, taken pursuant to article L.225-42-1 of the French Commercial Code, in the case of early termination of the term of office of Jean-Paul Herteman as Chairman and Chief Executive Officer, for any reason whatsoever, save serious or gross misconduct (including the consequences of a merger with another company or absorption by another company, a health incident or strategic differences with the other Board members), he will be entitled to a termination payment equal to two years of fixed and variable compensation.

The reference compensation will be equal to the average fixed and variable compensation received during the three years preceding his termination.

This payment will be made only if the variable compensation received over the three fiscal years preceding his termination is equal to or higher than 80% of the target variable compensation.

Otherwise, the amount of the termination payment will be reduced or eliminated as decided by the Board of Directors.

Shareholders voted against the resolution dealing with this related-party commitment at the May 31, 2012 Ordinary and Extraordinary Shareholders' Meeting.

## SUMMARY TABLES SHOWING THE INDIVIDUAL COMPENSATION OF EXECUTIVE MANAGEMENT

### JEAN-PAUL HERTEMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Summary of compensation, stock options and shares granted		2011	2012
Compensation due for the year		€1,472,136	€1,480,748
(broken down in the table below)	incl. a fixed component of €730,000		incl. a fixed component of €730,000
Value of options granted during the year	No options granted		No options granted
Value of performance shares granted during the year	No performance shares granted		No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year <sup>(1)</sup>	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€730,000	€730,000	€730,000	€730,000
Variable compensation	€708,100	€700,000 <sup>(2)</sup>	€706,000	€708,100 <sup>(1)</sup>
Extraordinary compensation	None	None	None	None
Attendance fees	€28,293 <sup>(3)</sup>	None	€40,657	€28,293 <sup>(3)</sup>
Benefits-in-kind <sup>(4)</sup>	€5,743	€5,743	€4,091	€4,091
<b>TOTAL</b>	<b>€1,472,136 incl. a fixed component of €730,000</b>	<b>€1,435,743 incl. a fixed component of €730,000</b>	<b>€1,480,748 incl. a fixed component of €730,000</b>	<b>€1,470,484 incl. a fixed component of €730,000</b>

(1) As Chairman of the Executive Board, up to April 21, 2011 and as Chairman and Chief Executive Officer from April 21, 2011.

(2) For 2010.

(3) From April 21, 2011 to December 31, 2011, for his terms of office as Director and Chairman of the Board of Directors.

(4) Company car.

## CORPORATE GOVERNANCE

### / EXECUTIVE CORPORATE OFFICER COMPENSATION /

#### DOMINIQUE-JEAN CHERTIER, DEPUTY CHIEF EXECUTIVE OFFICER, CORPORATE OFFICE

Summary of compensation, stock options and shares granted	2011	2012
Compensation due for the year	€959,502	€996,846
(broken down in the table below)	incl. a fixed component of €480,000	incl. a fixed component of €480,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance	No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year <sup>(1)</sup>	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€480,000	€480,000	€480,000	€480,000
Variable compensation	€465,600	€449,400 <sup>(2)</sup>	€512,000	€465,600 <sup>(1)</sup>
Extraordinary compensation	€9,056 <sup>(3)</sup>	€22,676 <sup>(4)</sup>	None	€9,056 <sup>(3)</sup>
Attendance fees	None	None	None	None
Benefits-in-kind <sup>(5)</sup>	€4,846	€4,846	€4,846	€4,846
<b>TOTAL</b>	<b>€959,502</b> <b>incl. a fixed component of €480,000</b>	<b>€956,922</b> <b>incl. a fixed component of €480,000</b>	<b>€996,846</b> <b>incl. a fixed component of €480,000</b>	<b>€959,502</b> <b>incl. a fixed component of €480,000</b>

(1) As Executive Vice-President, Social, Institutional and Legal Affairs, up to April 21, 2011 and as Deputy Chief Executive Officer, Corporate Office, from April 21, 2011.

(2) For 2010.

(3) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(4) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(5) Company car.

#### ROSS MCINNIS, DEPUTY CHIEF EXECUTIVE OFFICER, FINANCE

Summary of compensation, stock options and shares granted	2011	2012
Compensation due for the year	€901,745	€865,091
(broken down in the table below)	incl. a fixed component of €428,333	incl. a fixed component of €420,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year <sup>(1)</sup>	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€428,333	€428,333	€420,000	€420,000
Variable compensation	€459,583	€417,200 <sup>(2)</sup>	€441,000	€459,583 <sup>(1)</sup>
Extraordinary compensation	€9,056 <sup>(3)</sup>	€22,676 <sup>(4)</sup>	None	€9,056 <sup>(3)</sup>
Attendance fees	None	None	None	None
Benefits-in-kind <sup>(5)</sup>	€4,773	€4,773	€4,091	€4,091
<b>TOTAL</b>	<b>€901,745</b> <b>incl. a fixed component of €428,333</b>	<b>€872,982</b> <b>incl. a fixed component of €428,333</b>	<b>€865,091</b> <b>incl. a fixed component of €420,000</b>	<b>€892,730</b> <b>incl. a fixed component of €420,000</b>

(1) As Executive Vice-President, Economic and Financial Affairs, up to April 21, 2011 and as Deputy Chief Executive Officer, Finance, from April 21, 2011.

(2) For 2010.

(3) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes; 2012 Company contribution.

(4) Payments for 2010 under statutory and optional profit-sharing schemes; 2011 Company contribution.

(5) Company car: €4,091 in 2011 and €4,091 in 2012.



## MARC VENTRE, DEPUTY CHIEF EXECUTIVE OFFICER, OPERATIONS

Summary of compensation, stock options and shares granted	2011	2012
Compensation due for the year	€871,747	€824,003
(broken down in the table below)	incl. a fixed component of €412,500	incl. a fixed component of €400,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation (gross)	2011		2012	
	Amounts due for the year <sup>(1)</sup>	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€412,500	€412,500	€400,000	€400,000
Variable compensation	€447,500	€432,500 <sup>(2)</sup>	€420,000	€447,500 <sup>(1)</sup>
Extraordinary compensation	€7,056 <sup>(3)</sup>	€20,676 <sup>(4)</sup>	None	€7,056 <sup>(3)</sup>
Attendance fees	None	None	None	None
Benefits-in-kind <sup>(5)</sup>	€4,691	€4,691	€4,003	€4,003
<b>TOTAL</b>	<b>€871,747</b> <b>incl. a fixed component of €412,500</b>	<b>€870,367</b> <b>incl. a fixed component of €412,500</b>	<b>€824,003</b> <b>incl. a fixed component of €400,000</b>	<b>€858,559</b> <b>incl. a fixed component of €400,000</b>

(1) As Executive Vice-President, Aerospace Propulsion branch, up to April 21, 2011 and as Deputy Chief Executive Officer, Operations from April 21, 2011.

(2) For 2010.

(3) Payments for the period from January 1 to April 21, 2011 under statutory and optional profit-sharing schemes.

(4) Payments for 2010 under statutory and optional profit-sharing schemes.

(5) Company car: €4,661 in 2011 and €4,003 in 2012.

## SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS AND TERMINATION BENEFITS OF THE EXECUTIVE MANAGEMENT TEAM

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits liable to be due for termination of office, change in duties, or non-competition agreements
Jean-Paul Herteman	Chairman and CEO	No <sup>(1)</sup>	No <sup>(4)</sup>	Yes <sup>(2)</sup>
Dominique-Jean Chertier	Deputy Chief Executive Officer	Suspended <sup>(3)</sup>	No <sup>(4)</sup>	No
Ross McInnes	Deputy Chief Executive Officer	Suspended <sup>(3)</sup>	No <sup>(4)</sup>	No
Marc Ventre	Deputy Chief Executive Officer	Suspended <sup>(3)</sup>	No <sup>(4)</sup>	No

(1) His employment contract terminated on April 21, 2011.

(2) Commitment in respect of the termination of the duties of Chief Executive Officer (see section 6.2.1 – Principles and rules for determining the compensation of Executive Management).

(3) Employment contract suspended since April 21, 2011.

(4) No specific supplementary pension plan has been set up for Executive Management, whose members benefit from the Group's collective supplementary pension plans (see sections 6.2.1, page 254 and 8.5.1).

## 6.2.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

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### COMPENSATION, ATTENDANCE FEES

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Only the two Directors representing employee shareholders have an employment contract with the Company and their salaries, received under their employment contracts with Safran, are not disclosed.

The other members of the Board of Directors, except for the Chairman and CEO, Jean-Paul Herteman, only receive attendance fees as compensation.

The attendance fees are provided for in Article 17 of the Company's bylaws. The total amount of attendance fees was set by the Shareholders' Meeting of May 31, 2012 at €670,000 for 2012.

The methods of allocation of the total amount of attendance fees are set by the Board of Directors' Internal Rules. Directors waive the right to a portion of these fees in favor of the Board Advisor(s), representing 4.5% of the total amount. A fixed portion of these fees, representing half of the balance (total amount minus the Board Advisors' portion), is split among Directors based on the number of shares they own, the Chairman and Vice-Chairman having each one share and a half and the Directors one share. The remaining half of the balance is allocated according to (i) committee membership and (ii) the rate of attendance by members at Board of Directors' meetings and the meetings of the committees to which they belong. In accordance with legal provisions, attendance fees allocated to representatives of the French State are paid to the French Treasury.

At its meeting of February 20, 2013, the Board of Directors decided to allocate the attendance fees for 2012 pursuant to these rules.

### STOCK OPTIONS

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None.

### PERFORMANCE SHARES

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None.

### FREE SHARE GRANTS

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Among the members of the Board of Directors, only the representatives of the employee shareholders benefited, in their capacity as employees of the Company, from the grant of 100 existing Safran shares free of consideration, delivered in April 2011, in relation to the share grant plans set up by the Executive Board on April 3, 2009 to employees of Group companies within the scope of the European Works Council.

## SUMMARY TABLE OF ATTENDANCE FEES PAID TO NON-EXECUTIVE DIRECTORS

Members of the Board of Directors (excluding representatives of the French State)	Amount of attendance fees (gross)	
	For the period from April 21 to December 31, 2011 (paid in 2012) <sup>(1)</sup>	2012 (paid in 2013) <sup>(2)</sup>
Francis Mer <sup>(3)</sup>	€44,195	€63,508.92
Marc Aubry	€21,336	€30,659.48
Giovanni Bisignani	€34,058	€48,940.91
Jean-Lou Chameau	€21,336	€30,659.48
Odile Desforges	€27,697	€39,800.19
Jean-Marc Forneri <sup>(4)</sup>	€30,877	€44,370.55
Christian Halary <sup>(5)</sup>	€21,336	€30,659.48
Xavier Lagarde	€27,697	€39,800.19
Michel Lucas <sup>(6)</sup>	€30,877	€44,370.55
Elisabeth Lulin	€27,697	€39,800.19
<b>TOTAL ATTENDANCE FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS EXCLUDING REPRESENTATIVES OF THE FRENCH STATE</b>	<b>€287,106</b>	<b>€412,569.95</b>
Payment to the French Treasury for State representatives <sup>(7)</sup>	€129,870	€186,622.91
<b>Total attendance fees paid to non-executive Directors</b>	<b>€416,976<sup>(8)</sup></b>	<b>€599,192.86<sup>(9)</sup></b>

- (1) In light of the change in corporate governance decided by the Shareholders' Meeting of April 21, 2011, the shareholders set the amount of attendance fees of €670,000 for 2011, in the 21<sup>st</sup> resolution, as follows:
- the amount of attendance fees allocated to the Supervisory Board for the first part of 2011, up until the date of the Shareholders' Meeting was set at €203,700; and
  - the amount of attendance fees allocated to the Board of Directors for the second part of 2011, starting on the date of the Shareholders' Meeting was set at €466,300.
- (2) Before 21% withholding tax for natural persons tax-domiciled in France (in accordance with article 117 quater of the French Tax Code (Code général des impôts)) and social security contributions of 15.5%.
- (3) Francis Mer was paid attendance fees of €14,934 (gross) for his duties as Chairman of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €59,129 for 2011.
- (4) Jean-Marc Forneri was paid attendance fees of €9,710 (gross) for his duties as member of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €40,587 for 2011.
- (5) Christian Halary was paid attendance fees of €10,755 (gross) for his duties as member of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €32,091 for 2011.
- (6) Michel Lucas was paid attendance fees of €12,844 for his duties as member of the Supervisory Board for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to him to €43,721 for 2011.
- (7) The French Treasury was paid attendance fees of €47,198 for four members of the Supervisory Board representing the French State for the period January 1 to April 21, 2011, bringing the total amount of attendance fees paid to the French Treasury to €177,068 for 2011.
- (8) Plus attendance fees of €28,293 paid to Jean-Paul Herteman, as executive Director and attendance fees of €20,984 paid to Caroline Grégoire-Sainte Marie, as Board Advisor.
- (9) Jean-Paul Herteman was paid attendance fees of €40,657.14, as executive Director, and Caroline Grégoire-Sainte Marie was paid attendance fees of €30,150, as Board Advisor, bringing the total amount of attendance fees to €670,000 for 2012.

## SUMMARY TABLE OF FREE SHARES GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS

Members	Date of share grant plan	Total number of free shares granted (due to their status as Safran employees)	Share value	Vesting date	Availability date
Marc Aubry	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013
Christian Halary	April 3, 2009	100	€7.54	April 3, 2011	April 3, 2013

## 6.3

## SHARE TRANSACTIONS PERFORMED BY CORPORATE OFFICERS AND OTHER MANAGERS

The transactions performed in 2012 in Safran shares and related financial instruments by Safran's corporate officers, management executives, other managers and persons having close personal links with them, referred to in a) to c) of article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), and of which the Company is aware, are as follows:

Person making the disclosure	Nature of the transaction	Value date	Number of shares	Price per share
Marc Aubry	Acquisition <sup>(1)</sup>	January 27, 2012	450 <sup>(3)</sup>	€23.265
Bruno Cotté	Acquisition <sup>(1)</sup>	January 27, 2012	450 <sup>(3)</sup>	€23.265
Christian Halary	Acquisition <sup>(1)</sup>	January 27, 2012	450 <sup>(3)</sup>	€23.265
Yves Leclère	Acquisition <sup>(1)</sup>	January 27, 2012	450 <sup>(3)</sup>	€23.265
Philippe Petitcolin	Acquisition <sup>(1)</sup>	January 27, 2012	450 <sup>(3)</sup>	€23.265
Marc Aubry	Acquisition <sup>(2)</sup>	February 28, 2012	79 <sup>(3)</sup>	€23.265
Dominique-Jean Chertier	Acquisition <sup>(2)</sup>	February 28, 2012	110 <sup>(3)</sup>	€24.62
Jean-Pierre Cojan	Acquisition <sup>(2)</sup>	February 28, 2012	330 <sup>(3)</sup>	€24.62
Bruno Cotté	Acquisition <sup>(2)</sup>	February 28, 2012	66 <sup>(3)</sup>	€24.62
Yves Leclère	Acquisition <sup>(2)</sup>	February 28, 2012	330 <sup>(3)</sup>	€24.62
Ross McInnes	Acquisition <sup>(2)</sup>	February 28, 2012	110 <sup>(3)</sup>	€24.62
Philippe Petitcolin	Acquisition <sup>(2)</sup>	February 28, 2012	330 <sup>(3)</sup>	€24.62
Dominique-Jean Chertier	Acquisition <sup>(4)</sup>	March 30, 2012	38 <sup>(3)</sup>	€27.555
Jean-Pierre Cojan	Acquisition <sup>(4)</sup>	March 30, 2012	116 <sup>(3)</sup>	€27.555
Bruno Cotté	Acquisition <sup>(4)</sup>	March 30, 2012	23 <sup>(3)</sup>	€27.555
Xavier Lagarde	Acquisition <sup>(4)</sup>	March 30, 2012	107 <sup>(3)</sup>	€27.555
Yves Leclère	Acquisition <sup>(4)</sup>	March 30, 2012	116 <sup>(3)</sup>	€27.555
Ross McInnes	Acquisition <sup>(4)</sup>	March 30, 2012	38 <sup>(3)</sup>	€27.555
Philippe Petitcolin	Acquisition <sup>(4)</sup>	March 30, 2012	116 <sup>(3)</sup>	€27.555
Xavier Lagarde	Sale	March 31, 2012	12,067	€27.555
Christian Halary	Acquisition <sup>(2)</sup>	April 26, 2012	107 <sup>(3)</sup>	€28.00
Marc Aubry	Acquisition <sup>(6)</sup>	June 5, 2012	36 <sup>(3)</sup>	€26.545
Dominique-Jean Chertier	Acquisition <sup>(6)</sup>	June 5, 2012	73 <sup>(3)</sup>	€26.545
Jean-Pierre Cojan	Acquisition <sup>(6)</sup>	June 5, 2012	65 <sup>(3)</sup>	€26.545
Bruno Cotté	Acquisition <sup>(6)</sup>	June 5, 2012	14 <sup>(3)</sup>	€26.545
Christian Halary	Acquisition <sup>(6)</sup>	June 5, 2012	31 <sup>(3)</sup>	€26.545
Jean-Paul Herteman	Acquisition <sup>(6)</sup>	June 5, 2012	265 <sup>(3)</sup>	€26.545
Xavier Lagarde	Acquisition <sup>(6)</sup>	June 5, 2012	88 <sup>(3)</sup>	€26.545
Yves Leclère	Acquisition <sup>(6)</sup>	June 5, 2012	285 <sup>(3)</sup>	€26.545
Ross McInnes	Acquisition <sup>(6)</sup>	June 5, 2012	33 <sup>(3)</sup>	€26.545
Philippe Petitcolin	Acquisition <sup>(6)</sup>	June 5, 2012	179 <sup>(3)</sup>	€26.545
Marc Ventre	Acquisition <sup>(6)</sup>	June 5, 2012	128 <sup>(3)</sup>	€26.545
Marc Aubry	Acquisition <sup>(2)</sup>	June 25, 2012	55 <sup>(3)</sup>	€28.03
Dominique-Jean Chertier	Acquisition <sup>(2)</sup>	June 25, 2012	96 <sup>(3)</sup>	€28.03
Jean-Pierre Cojan	Acquisition <sup>(2)</sup>	June 25, 2012	290 <sup>(3)</sup>	€28.03
Bruno Cotté	Acquisition <sup>(2)</sup>	June 25, 2012	58 <sup>(3)</sup>	€28.03
Xavier Lagarde	Acquisition <sup>(2)</sup>	June 25, 2012	532 <sup>(3)</sup>	€28.03

## CORPORATE GOVERNANCE

### / SHARE TRANSACTIONS PERFORMED BY CORPORATE OFFICERS AND OTHER MANAGERS /

Person making the disclosure	Nature of the transaction	Value date	Number of shares	Price per share
Yves Leclère	Acquisition <sup>(2)</sup>	June 25, 2012	290 <sup>(3)</sup>	€28.03
Ross McInnes	Acquisition <sup>(2)</sup>	June 25, 2012	96 <sup>(3)</sup>	€28.03
Philippe Petitcolin	Acquisition <sup>(2)</sup>	June 25, 2012	290 <sup>(3)</sup>	€28.03
Marc Aubry	Acquisition <sup>(5)</sup>	June 29, 2012	63 <sup>(3)</sup>	€29.20
Dominique-Jean Chertier	Acquisition <sup>(5)</sup>	June 29, 2012	63 <sup>(3)</sup>	€29.20
Jean-Pierre Cojan	Acquisition <sup>(5)</sup>	June 29, 2012	63 <sup>(3)</sup>	€29.20
Bruno Cotté	Acquisition <sup>(5)</sup>	June 29, 2012	59 <sup>(3)</sup>	€29.20
Christian Halary	Acquisition <sup>(5)</sup>	June 29, 2012	55 <sup>(3)</sup>	€29.20
Yves Leclère	Acquisition <sup>(5)</sup>	June 29, 2012	63 <sup>(3)</sup>	€29.20
Ross McInnes	Acquisition <sup>(5)</sup>	June 29, 2012	63 <sup>(3)</sup>	€29.20
Philippe Petitcolin	Acquisition <sup>(5)</sup>	June 29, 2012	63 <sup>(3)</sup>	€29.20
Christian Halary	Sale	September 20, 2012	400	€28.20
Marc Aubry	Sale	October 26, 2012	443 <sup>(3)</sup>	€30.16
Christian Halary	Sale	October 29, 2012	330 <sup>(3)</sup>	€30.195
Christian Halary	Sale	November 5, 2012	203 <sup>(3)</sup>	€30.81
Marc Aubry	Acquisition <sup>(6)</sup>	December 17, 2012	22 <sup>(3)</sup>	€32.47
Dominique-Jean Chertier	Acquisition <sup>(6)</sup>	December 17, 2012	52 <sup>(3)</sup>	€32.47
Jean-Pierre Cojan	Acquisition <sup>(6)</sup>	December 17, 2012	48 <sup>(3)</sup>	€32.47
Bruno Cotté	Acquisition <sup>(6)</sup>	December 17, 2012	10 <sup>(3)</sup>	€32.47
Christian Halary	Acquisition <sup>(6)</sup>	December 17, 2012	17 <sup>(3)</sup>	€32.47
Jean-Paul Herteman	Acquisition <sup>(6)</sup>	December 17, 2012	182 <sup>(3)</sup>	€32.47
Xavier Lagarde	Acquisition <sup>(6)</sup>	December 17, 2012	66 <sup>(3)</sup>	€32.47
Yves Leclère	Acquisition <sup>(6)</sup>	December 17, 2012	199 <sup>(3)</sup>	€32.47
Ross McInnes	Acquisition <sup>(6)</sup>	December 17, 2012	24 <sup>(3)</sup>	€32.47
Philippe Petitcolin	Acquisition <sup>(6)</sup>	December 17, 2012	127 <sup>(3)</sup>	€32.47
Marc Ventre	Acquisition <sup>(6)</sup>	December 17, 2012	89 <sup>(3)</sup>	€32.47

(1) Leveraged transaction.

(2) Optional employee profit-sharing.

(3) Number of subscribed shares corresponding to units in the Safran Group corporate mutual fund.

(4) Statutory employee profit-sharing.

(5) Company contribution.

(6) Automatic investment of dividend and interim dividend in the Group employee savings plan.

## 6.4 AUDIT FEES

Pursuant to article R.233-14, paragraph 17 of the French Commercial Code, the following table shows the amount of the fees paid to the Group's Statutory Auditors as included on the consolidated income statement for the fiscal year, a distinction being made between fees charged for the statutory audit of the consolidated financial statements and those charged for advice and services falling within the scope of assistance directly related to the statutory audit engagement with regard to the consolidated financial statements. The fees shown for subsidiaries are those consolidated according to the full consolidation method.

	Ernst & Young				Mazars				TOTAL			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
<i>(in € millions)</i>												
<b>Audit</b>												
1) Statutory audit, certification, review of parent company and consolidated financial statements												
1.a) Safran (issuer)	0.50	0.65	14%	16%	0.50	0.65	11%	15%	1.00	1.30	12%	16%
1.b) Subsidiaries	2.78	2.86	77%	72%	3.69	3.01	78%	72%	6.47	5.87	78%	72%
2) Other engagements and services directly related to the statutory audit engagement												
2.a) Safran (issuer)	0.09	0.19	2%	5%	0.09	0.19	2%	4%	0.18	0.38	2%	5%
2.b) Subsidiaries	0.07	0.26	2%	7%	0.42	0.38	9%	9%	0.49	0.64	6%	7%
<b>Sub-total</b>	<b>3.44</b>	<b>3.96</b>	<b>95%</b>	<b>100%</b>	<b>4.70</b>	<b>4.23</b>	<b>100%</b>	<b>100%</b>	<b>8.14</b>	<b>8.19</b>	<b>98%</b>	<b>100%</b>
<b>Other services rendered by the network to fully consolidated subsidiaries</b>												
3.a) Legal, tax, employee-related	0.02	-	1%	-	-	-	-	-	0.02	-	-	-
3.b) Other (provide details if >10% of audit fees)	0.13	-	4%	-	-	-	-	-	0.13	-	2%	-
<b>Sub-total</b>	<b>0.15</b>	<b>-</b>	<b>5%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.15</b>	<b>0.00</b>	<b>2%</b>	<b>-</b>
<b>TOTAL</b>	<b>3.59</b>	<b>3.96</b>	<b>100%</b>	<b>100%</b>	<b>4.70</b>	<b>4.23</b>	<b>100%</b>	<b>100%</b>	<b>8.29</b>	<b>8.19</b>	<b>100%</b>	<b>100%</b>

## NOTE 1 – STATUTORY AUDIT, CERTIFICATION, REVIEW OF PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

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These services include, but are not limited to, the engagements defined by applicable laws and regulations and set out in sections 2, 5 and 6 of the manual of professional standards drafted by the French institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* – CNCC).

They mainly concern the professional services rendered by the Statutory Auditors and other persons responsible for audits, members of their networks, certifying the parent company and consolidated financial statements of the parent company and fully consolidated subsidiaries in France and abroad.

## NOTE 2 – OTHER ENGAGEMENTS AND SERVICES DIRECTLY RELATED TO THE STATUTORY AUDIT ENGAGEMENT

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Other engagements and services directly related to the audit engagement and rendered by the Statutory Auditor or a member of its network concern services entering into the scope of services usually rendered in conjunction with the statutory audit engagement (drafting of specific reports and statements, due diligence procedures on the acquisition or divestment of an activity or of companies to be included in or removed from the scope of consolidation).

## NOTE 3 – LEGAL AND TAX SERVICES

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The services concerned are assignments for the provision of legal or tax assistance in general on a non-recurring basis and by agreement. These engagements mainly concern assistance with fulfilling tax requirements not related to the statutory audit engagement carried out outside France.

## NOTE 4 – OTHER SERVICES

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These services cover all other specific assignments in general on a non-recurring basis and by agreement.

## 6.5

REPORT OF THE CHAIRMAN  
OF THE BOARD OF DIRECTORSREPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS  
TO THE ANNUAL GENERAL MEETING OF MAY 28, 2013,  
PURSUANT TO THE PROVISIONS OF ARTICLE L.225-37  
OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*)

To prepare this report, the Chairman of the Board of Directors consulted the Audit and Internal Control Department and the Group Risk and Insurance Department. This report was reviewed by the Audit and Risk Committee on March 18, 2013 before being submitted to the Board of Directors, which approved it at its meeting on March 21, 2013.

6.5.1 COMPOSITION, ORGANIZATION AND WORK  
OF THE BOARD OF DIRECTORSTHE COMPANY'S CORPORATE  
GOVERNANCE STRUCTURE

Shareholders at the Ordinary and Extraordinary Shareholders' Meeting on April 21, 2011 approved the adoption of a governance structure with a Board of Directors and appointed its members.

## REFERENCE CORPORATE GOVERNANCE CODE

Safran refers to the "Corporate Governance Code of Listed Corporations", drawn up jointly by two French employers' associations, AFEP<sup>(1)</sup> and MEDEF<sup>(2)</sup>, and last updated in April 2010.

Where certain recommendations included in this code are not implemented, this is justified in section 6.5.3 "Application of the AFEP-MEDEF Corporate Governance Code" of this report.

MEMBERS OF THE BOARD OF  
DIRECTORSMEMBERSHIP STRUCTURE OF THE BOARD  
OF DIRECTORS

The composition of the Safran Board of Directors is subject to the provisions of French ordinary law applicable to *sociétés anonymes* (corporations). However, since the French State owns more than 10% of the share capital, pursuant to article 12 of French Law 49-985 of July 25, 1949, a number of seats are reserved for the French State in proportion to its stake.

There are 15 members on the Board of Directors. They include four representatives of the French State appointed by Ministerial Decree and two representatives of employee shareholders.

One Board Advisor appointed by shareholders in a General Shareholders' Meeting also attends Board of Directors' meetings in an advisory capacity, along with a Government Commissioner appointed by decision of the Ministry of Defence in accordance with the regulations applicable in the Company's activities, and two representatives of the Central Works Council in accordance with the French Labor Code (*Code du travail*).

The Statutory Auditors are invited to the Board meetings during which the annual and interim financial statements and the documents prepared for General Shareholders' Meetings are reviewed. They may also be invited to any other Board meeting.

In accordance with the Board of Directors' Internal Rules, depending on the matters discussed, the Chairman of the Board of Directors may invite any person to attend Board of Directors' meetings that he deems may be able to provide Board members with helpful information on an agenda item.

As of December 31, 2012, the Board of Directors was composed of the following members:

- Jean-Paul Herteman (Chairman), a French national;
- Francis Mer (Vice-Chairman), a French national;
- Marc Aubry (representative of employee shareholders), a French national;
- Giovanni Bisignani (Independent Director), an Italian national;

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.



- Christophe Burg (French State representative), a French national;
- Jean-Lou Chameau (independent Director), a French and American national;
- Odile Desforges (independent Director), a French national;
- Jean-Marc Forneri (independent Director), a French national;
- Christian Halary (representative of employee shareholders), a French national;
- Xavier Lagarde, a French national;
- Michel Lucas, a French national;
- Elisabeth Lulin (independent Director), a French national;
- Astrid Milsan (French State representative), a French national;
- Michèle Rousseau (French State representative), a French national;
- Laure Reinhardt (French State representative), a French national.

No changes in the composition of the Board of Directors took place in 2012.

An advisor to the Board of Directors was appointed by the Ordinary and Extraordinary Shareholders' Meeting of April 21, 2011.

#### **FEMALE REPRESENTATION ON THE BOARD OF DIRECTORS**

The Board of Directors has five female members. The proportion of women on the Board of Directors is one-third of the members. This is higher than the proportion recommended by the AFEP-MEDEF Code, which sets a target of at least 20% for female board members in 2013.

#### **DURATION OF THE TERMS OF OFFICE OF THE MEMBERS OF THE BOARD OF DIRECTORS**

The members of the Board of Directors are appointed by the Ordinary General Meeting for five-year terms.

By way of exception to the five-year term, the terms of office of the Company's first Directors, appointed by the Annual General Meeting held on April 21, 2011 (other than Directors representing employee shareholders whose term of office is five years) are set for different periods in order to make the staggered re-election of Directors possible.

#### **COMPULSORY SHAREHOLDINGS**

In accordance with Article 14.5 of the Company's bylaws, each Director – other than the representatives of the French State and Directors representing employee shareholders – shall be required to own a certain number of shares in the Company in accordance with the terms and conditions set down in the Board of Directors' Internal Rules.

Article 11.1 of the Board of Directors' Internal Rules established a shareholding obligation of at least 500 shares.

#### **CONFIDENTIALITY TRANSACTIONS IN THE COMPANY'S SHARES**

Members of the Board of Directors and all individuals who attend Board meetings are under obligations of confidentiality and discretion with respect to information provided to them in this context.

#### **INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS**

Independent Directors are those who do not have any relationship whatsoever with the Company, the Group or its Management that may compromise their freedom of opinion.

A Director is deemed independent when he meets all of the following conditions (Article 2.4 of the Board of Directors' Internal Rules and Article 8.4 of the AFEP-MEDEF Code); thus a Director cannot:

- have been during the five years preceding his/her first appointment as a Director of the Company, an employee or corporate officer of the Company or one of the Group's companies, and be, at the time of his/her appointment, an employee of the Company or an employee or corporate officer of one of the Group's companies;
- be a corporate officer of a company in which the Company holds, directly or indirectly, a directorship or serves as a member of the Supervisory Board;
- be a corporate officer of a company in which an employee appointed as such or a corporate officer of the Company (currently or within the last five years) holds a directorship or serves as a member of the Supervisory Board;
- be a significant client, supplier, investment bank, or financing bank of the Company or the Group, or for which the Company or the Group represents a significant portion of the activity;
- participate, for Directors who have duties in one or more banks, in (i) preparing or soliciting offers for services from one or more of these banks with the Company or one of the Group's companies, (ii) the work of one of these banks in event of the performance of a mandate entrusted to this bank by the Company or one of the Group's companies or (iii) voting on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity;
- have any close family tie with a corporate officer of the Company or one of the Group's companies;
- have been the Statutory Auditor of the Company in the past five years;
- be a member of the Board of Directors or have been a member of the Company's Supervisory Board for over twelve years. However, members only lose their status as independent Directors at the end of the term of office during which they have exceeded the 12-year term;
- be the reference shareholder of the Company.

Based on these criteria, five of the fifteen members of the Board of Directors are classified as independent members. These members are Giovanni Bisignani, Jean-Lou Chameau, Odile Desforges, Jean-Marc Forneri and Elisabeth Lulin, i.e., one-third of the Directors in office.

## ORGANIZATION AND WORK OF THE BOARD OF DIRECTORS

### BOARD OF DIRECTORS' INTERNAL RULES

In addition to the provisions of the law and the bylaws that govern its functioning, the Board of Directors has a set of Internal Rules that clarify certain conditions relating to its meetings, list the operations that require its prior approval, define the duties and the operating rules of its special committees and set out the rules for the allocation of attendance fees to Board members, based on the budget previously set by the Annual General Meeting.

These Internal Rules are available on the Company's website (<http://www.safran-group.com>, in the Finance section).

### POWERS OF THE BOARD OF DIRECTORS LIMITS IMPOSED ON THE POWERS OF EXECUTIVE MANAGEMENT

The Board of Directors exercises the rights granted by law and regulations, summarized in particular in section 7.1.2.1.

In addition, in accordance with Article 19.3 of the bylaws and Article 4 of the Board of Directors' Internal Rules, the following transactions have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures of the Company and Group:

- decisions related to significant operations in France or abroad;
- decisions to withdraw from such operations in France or abroad;
- material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.

The Board of Directors is always called upon to approve, in advance, each of the following transactions or decisions, if such transaction or decision leads to an investment, divestment or commitment for an amount equal to or more than €50 million, for the Company or one of the Group's companies:

- acquisition or disposal of property;
- acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issues of shares, partnership shares, or bonds, excluding ordinary treasury management transactions;
- any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding ordinary treasury management transactions;
- in the event of litigation, signature of any agreement and transaction, acceptance of any settlement;
- creation of collateral on company assets.

The Board of Directors is always called upon to approve, in advance, each of the following transactions or decisions for an amount equal to or more than €150 million, for the Company or one of the Group's companies:

- granting or contracting of any loan, credit or advance;
- acquiring or disposing of any receivable by any means.

The Board of Directors is called upon to approve in advance any industrial or commercial project deemed significant by the Chief Executive Officer and presented as such by the Strategy and Major Projects Committee.

Furthermore, the following transactions will require prior authorization from the Board of Directors with at least one Director representing the French State voting in favor, provided that the French State owns more than 10% of the Company's share capital:

- any disposal by the Group of strategic military and aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any sale by the Company of securities of Herakles, Microturbo, Europropulsion and Sagem Défense Sécurité;
- any decision to grant to a third party special management rights or rights to information over strategic military or aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any decision to grant to a third party rights to be represented on the management bodies of Herakles, Microturbo, Europropulsion and Sagem Défense Sécurité.

Furthermore, in accordance with legal provisions, prior authorization must be given by the Board of Directors for guarantees, endorsements and sureties granted in the Company's name.

Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Chairman and Chief Executive Officer; any commitment exceeding this ceiling must be specifically authorized by the Board.

For 2012, the blanket ceiling was set at €500 million (with no ceiling for the guarantees, endorsements and sureties for tax and customs authorities).

On December 12, 2012, the Board of Directors decided to renew the €500 million blanket ceiling for 2013 (with no ceiling for the guarantees, endorsements and sureties for tax and customs authorities).

### INFORMATION ON THE BOARD OF DIRECTORS

The agenda for Board of Directors' meetings is put forward by the Secretary of the Board to the Chairman and takes account of the work of the Board's special committees and proposals made by members of the Board of Directors.

Before each meeting, members of the Board of Directors receive the agenda and all documents necessary to inform them on the matters to be discussed during the meeting, as well as the draft minutes of the previous meeting.

Prior to the meeting, they may request any additional documents they consider useful.

In addition, the Chairman continually keeps the Board of Directors informed, by any means, of all significant events concerning the Group. Its members receive a copy of the Company's press releases and a press review, as well as a monthly stock market performance report on the Safran share.

#### **BOARD OF DIRECTORS' MEETINGS**

A provisional timetable of meetings is approved at the end of each year for the following year.

The Board of Directors meets at least once every quarter.

Meetings may be convened by any means. The Board of Directors state that Directors may participate in meetings by videoconference or other means of telecommunications.

The presence of at least half of the members is necessary in order to validate majority decisions. Decisions are voted by the majority of members present or their representatives; in the event of a split decision, the Chairman shall have the casting vote.

Under their responsibility, the members of the Board of Directors may be represented by another Board member, by means of a proxy, each member having only one such proxy.

Minutes are drawn up for each Board of Directors' meeting and forwarded to all members of the Board of Directors with a view to their adoption at the next meeting.

#### **ACTIVITIES OF THE BOARD OF DIRECTORS IN 2012**

The Board of Directors met eight times in 2012, with an average attendance rate of 92.08%.

In accordance with the provisions of the Internal Rules, certain deliberations of the Board of Directors were prepared based on recommendations and proposals of special Board committees, within the scope of their remit. These committees reported on their findings and submitted their opinions and proposals to the Board.

The main activities of the Board of Directors in 2012 were as follows:

##### **In terms of corporate governance**

At its meetings on February 22, May 23 and December 12, 2012, the Board improved and established the methods used for determining management compensation upon consultation with the Appointments and Compensation Committee.

##### **In terms of industrial and commercial matters**

At each Board meeting, an update is provided on the Group's industrial and commercial situation as well as the progress on programs under development.

##### **In terms of strategy**

At every Board of Directors' meeting, the Chairman provides an update on significant projects and programs being launched, progress made with regard to external growth plans, ongoing negotiations and the difficulties encountered.

Detailed presentations were given by the members of management involved in the specific acquisition projects at their various stages of development. These were then followed by discussions among the Board members, and where applicable, decisions, after the Chairman of the Strategy Committee reported on the work of this Committee and its recommendations.

##### **In terms of economic and financial matters**

Throughout the year, the Board was briefed by the Chairman and the managers, notably at the quarterly business report presentations, on the business highlights, business conditions in the aviation industry, business trends, the Group's financial position, the financial guarantees granted to clients, and disputes and outstanding cases.

Currency hedging was reported on regularly.

The Board approved the half-year financial statements and the half-year financial report, the provisional budget documents and authorized the Deputy Chief Executive Officer, Finance to implement the new share buyback program authorized by the Annual General Meeting of May 31, 2012.

The Board also reviewed the Group's quality improvement program and the areas in which progress could be made, the status of the main indicators relating to the 2012 budget, the assumptions retained for the 2013 budget and the detailed review of this budget, as well as the medium-term plan and the audit plans.

##### **In terms of employee policy**

The Deputy Chief Executive Officer, Corporate Office, regularly kept the Board of Directors up-to-date on progress made with various projects to modernize the running of the Group and the Group's employee policy.

#### **COMMITTEES OF THE BOARD OF DIRECTORS**

The Internal Rules of the Board of Directors provide for the Board's decisions regarding certain matters to be prepared by special committees that review matters within their remit and submit their opinions and proposals to the Board.

The Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The role, organization and operating procedures of each committee are set out in the Board of Directors' Internal Rules.

In its area of expertise, each committee carries out in-depth work and analysis prior to the Board of Directors' discussions and is used to prepare the Board's decisions. It makes proposals and recommendations to the Board, and gives its opinion on the matters under review.

As such, each committee may propose to the Board of Directors to conduct internal or external studies that may be able to provide the Board of Directors with helpful information for its decisions.

Each committee may also call on one or more members of the Company's Executive Management.

At each Board of Directors' meeting, the Chairman of each committee reports – or any other committee member designated if the Chairman is unable to do so – to the Board on its work, proposals and recommendations.

### The Audit and Risk Committee

#### ■ Composition

The Audit and Risk Committee has at least three members, including its Chairman. These members are selected from among the Directors, other than the Chairman of the Board of Directors, who do not have management duties with the Company.

The majority of members on this Committee, including its Chairman, must be independent Directors.

In addition, at least one of the Committee's independent members has specific financial or accounting skills.

The Audit and Risk Committee meets at least four times a year, and the Statutory Auditors are always invited to its meetings, except where a joint meeting is held with another Committee.

At December 31, 2012, the Audit and Risk Committee had four members: Jean-Marc Forneri, Chairman, Elisabeth Lulin, Astrid Milsan and Michèle Rousseau. The Board Advisor attends all of the Audit and Risk Committee's meetings in an advisory capacity.

#### ■ Duties and main activities in 2012

The Audit and Risk Committee's main duties involve examining the financial statements and addressing issues related to the preparation and auditing of accounting and financial information.

The Audit and Risk Committee is responsible for:

- reviewing the draft half-year and annual parent company and consolidated financial statements before they are submitted to the Board of Directors, and in particular:
  - ensuring that the accounting policies adopted to prepare the parent company and consolidated financial statements are relevant and are applied continuously, and
  - examining any problems encountered related to applying accounting policies;
- reviewing the financial documents issued by the Company in connection with the end of the annual and half-year reporting periods;
- reviewing draft financial statements prepared for the requirements of special transactions, such as contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain transactions proposed by Executive Management and submitted to the Board of Directors (certain of which for prior authorization), such as:
  - capital increases,
  - investments,
  - acquisitions or divestments;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of decisions taken to handle major transactions;

- ensuring the auditing of the full-year and consolidated financial statements, by the Statutory Auditors;
- reviewing the methods and procedures used for reporting purposes and for the restatement of accounting information from the Group's foreign companies.

The Audit and Risk Committee is also tasked with verifying the effectiveness of the Company's external audit.

The Audit and Risk Committee is responsible for:

- issuing a recommendation on the Statutory Auditors proposed for appointment by the Company's Annual General Meeting;
- ensuring that the Company's Statutory Auditors are independent;
- reviewing the compensation of the Company's Statutory Auditors – which should not call into question their independence or objectiveness;
- reviewing each year with the Statutory Auditors:
  - the audit plans and their findings,
  - their recommendations and the follow-up thereof.

The Audit and Risk Committee reports to the Board of Directors on a regular basis on its work and immediately informs the Board of any problems that may arise. These reports are added to the minutes of the relevant Board of Directors' meetings or are included in an appendix to these minutes.

In 2012, the Audit and Risk Committee met seven times: on February 20, April 4, June 8 (joint meeting with the Strategy and Major Projects Committee), July 26, October 3, October 22 and December 10, to address all the topics mentioned above. The Statutory Auditors (except for the joint meeting of June 8), the Board Advisor and the Head of Audit and Internal Control attended each of these meetings. The Committee focused on monitoring key topics for Safran:

- preparing the annual and half-year accounts, and proposing the appropriation of profit; preparing the medium-term plan;
- preparing forecast financial statements for the parent company (*comptes prévisionnels*);
- preparing the budget;
- preparing the Group's financing plans;
- preparing, monitoring and carrying out strategic projects, particularly acquisitions. However, joint meetings with the Audit and Risk Committee and the Strategy and Major Projects Committee can be held to discuss key strategic projects for the Group;
- foreign currency hedging;
- guarantees, endorsements and sureties;
- risk management;
- monitoring Internal Control and Internal Audit work, and directing their future work;
- monitoring the Statutory Auditors' work;
- preparing financial communications, in particular draft press releases.

## The Appointments and Compensation Committee

### ■ Composition

The Appointments and Compensation Committee has at least three members, including its Chairman.

At December 31, 2012, the Appointments and Compensation Committee had five members: Michel Lucas, Chairman, Astrid Milsan, Giovanni Bisignani, Christophe Burg and Francis Mer.

### ■ Duties and main activities in 2012

#### *With respect to appointments*

The Appointments and Compensation Committee has the following role:

- assisting the Board of Directors in its choice of:
  - members of the Board of Directors,
  - members of the committees of the Board of Directors, and
  - the Chief Executive Officer, as well as the Deputy Chief Executive Officer(s), where applicable;
- selecting potential members of the Board of Directors who meet the independence criteria and submitting the list of potential members to the Board of Directors;
- preparing succession plans for:
  - members of the Company's Executive Management, and
  - the Chairman and Vice-Chairman of the Board, the Chief Executive Officer, as well as the Deputy Chief Executive Officer(s), where applicable.

#### *With respect to compensation*

The Appointments and Compensation Committee is also responsible for making recommendations and proposals to the Board of Directors, for Board members concerned, as regards:

- the allocation of attendance fees;
- all other components of compensation, including the conditions applying at the end of their terms of office;
- possible compensation for the Board Advisor(s);
- any modifications or changes to pension and welfare plans;
- benefits-in-kind and various financial benefits; and
- where appropriate:
  - granting of stock options, and
  - free share grants.

More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors as regards:

- the compensation policy for senior executives; and

- profit-sharing provisions, by any means, for the Company's employees and more generally the Group's companies, including:
  - employee savings plans,
  - supplementary pension systems,
  - the issue of securities carrying rights to shares reserved for employees,
  - granting of stock options, and free share grants and any other employee share ownership arrangements.

The Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors on the performance criteria to be used, where appropriate, when granting any stock options, as well as for any free share grants.

In 2012, the Appointments and Compensation Committee met four times: on February 20, March 26, May 15 and December 3, to address all the topics mentioned above.

## The Strategy and Major Projects Committee

### ■ Composition

The Strategy and Major Projects Committee has at least three members, including its Chairman.

At December 31, 2012, the Strategy and Major Projects Committee had seven members: Francis Mer, Chairman, Astrid Milsan, Giovanni Bisignani, Christophe Burg, Odile Desforges, Xavier Lagarde and Laure Reinhart.

### ■ Duties and main activities in 2012

The Strategy and Major Projects Committee analyzes and expresses its opinion on:

- the Company's and the Group's major strategic orientations (including the medium-term business plan);
- the Group's development policy;
- and the major industrial product development projects or programs that are planned to be carried out by the Company or one of the Group's companies;

presented by Executive Management to the Board of Directors.

The Strategy and Major Projects Committee examines and reviews:

- the proposed strategic and partnership agreements;
- the external growth transactions and transactions that impact Group structure; and more generally;
- any significant project of any kind whatsoever.

In addition, the Strategy and Major Projects Committee gives its opinion on any strategic issue that it is asked to address by the Board of Directors.

In 2012, the Strategy and Major Projects Committee met seven times: on February 22, April 10, May 23, June 8 (joint meeting with the Audit and Risk Committee), July 30, August 9 and September 12, to address all the topics mentioned above.

## CORPORATE GOVERNANCE

### / REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS /

#### ASSESSMENT OF THE WORK OF THE BOARD OF DIRECTORS

At its meeting of May 23, 2012, the Board of Directors decided to assess its own work and that of its committees after its members' first year in office.

Based on this self-assessment, the Directors and other participants (section 6.1.1) at the Board of Directors' meetings of Safran, and the members of the three committees, were able to assess the composition, operating procedures and work of the Board of Directors and of its three committees after one year in operation.

The analysis focused on three main areas:

- assessing the composition, duties and operating procedures of the Board of Directors and its three committees;
- verifying that important issues are properly prepared and discussed;
- assessing each member's actual contribution to the Board's work based on his/her skills and involvement in the discussions, recommendations and decisions.

At its meeting of October 24, 2012, following this self-assessment and the Board of Directors' review of the report at its meeting of July 30, 2012, the Board of Directors defined the following action plans, which were implemented immediately:

- drawing up a table listing the Board of Directors' decisions and their implementation;
- inviting Directors to meetings covering key topics for the Group (strategy, HR, etc.);
- upon specific requests, organizing site visits for the Directors concerned;
- carrying out a review on means of improving the operation of the Appointments and Compensation Committee taking into account the specificities governing its composition, as they relate to Safran employee shareholders. The terms of office of seven Directors will expire at the close of the Annual General Meeting of May 28, 2013 and the results of this review are taken into account, within the constraints described above, for re-elections and new appointments which are submitted to the shareholders for approval.

## 6.5.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF EXECUTIVE CORPORATE OFFICERS

### MEMBERS OF EXECUTIVE MANAGEMENT

The principles and rules for determining the compensation of members of Executive Management are described in section 6.2.1 of this Registration Document, along with information concerning their other benefits and commitments.

Having considered the advice and recommendations drawn up by the Appointments and Compensation Committee at its meeting of February 15, 2013, the Board of Directors met on February 20, 2013 to conduct a detailed review of the individual performances of the executive corporate officers in 2012.

On this basis, and bearing in mind the Group's economic performance, the Board then proceeded to allocate variable compensation, and thus set the total amount of variable compensation to be awarded to each of the executive corporate officers in respect of 2012, as indicated in section 6.2.1.

In its meeting of December 12, 2012, the Board of Directors determined individual targets for the members of Executive Management for 2013, upon consultation with the Appointments and Compensation Committee.

### MEMBERS OF THE BOARD OF DIRECTORS

With the exception of Jean-Paul Herteman, executive Director, and the Directors representing employee shareholders, who were linked to the Company by way of an employment contract in 2012, the members of the Board of Directors received only attendance fees as compensation, as described in greater detail in section 6.2.2 of this Registration Document.

## 6.5.3 APPLICATION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

Safran abides by the "Corporate Governance Code of Listed Corporations", drawn up jointly by the French employers' associations, AFEP<sup>(1)</sup> and MEDEF<sup>(2)</sup>, with reference to the consolidated version of April 2010. The French version of the code can be consulted at [www.code-afep-medef.com](http://www.code-afep-medef.com).

Where code recommendations, or directives issued subsequently for application thereof, have not been implemented, reasons are given in the following table.

AFEP-MEDEF Code recommendations	Safran practices - Reasons
<b>Proportion of independent members on the Board of Directors</b> The independent Directors should account for half the members of the Board in widely-held corporations and without controlling shareholders.	Of the 15 members of the Board of Directors, five are deemed to be independent, representing one-third, taking account of the fact that four seats are reserved for the French State and two for the representatives of employee shareholders, pursuant to the legal provisions in effect and the bylaws (see sections 6.5.1 and 7.1.2.1 of this Registration Document). The Company will strive to increase the proportion of independent Directors with the staggered re-election of its Directors.
<b>Duration of the terms of office of the members of the Board of Directors</b> The duration of the Board members' terms of office, set by the bylaws, should not exceed four years.	The terms of office of the members of the Board of Directors are set by the current bylaws at five years, given the long-term nature of the Company's activities. It was considered that the staggered re-election of Directors implemented in 2011 (see section 7.1.2.1) would result in frequent shareholders' decisions in line with the purpose and spirit of the recommendation of the AFEP-MEDEF Code.
<b>Proportion of independent members in the Audit and Risk Committee</b> The proportion of independent Directors on this Committee should be at least equal to two-thirds.	Due to the specificities governing the composition of the Board of Directors as described above, two out of four members, i.e., one-half of the Committee members, including its Chairman, have independent status. Under these conditions, it has been decided that the Board Advisor may attend and take part in every meeting of this Committee, in a consultative capacity.
<b>Proportion of independent members in the Appointments and Compensation Committee</b> The Appointments and Compensation Committee should have a majority of independent Directors.	Due to the specificities governing the composition of the Board of Directors as described above, one out of five members, i.e., 20%, is an independent Director.

## 6.5.4 PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS - INFORMATION REFERRED TO UNDER ARTICLE L.225-100-3 OF THE FRENCH COMMERCIAL CODE

### PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

The conditions for the participation of shareholders in General Meetings are governed by the legal provisions and regulations in effect and by Articles 30 *et seq.* of the Company's bylaws.

Any shareholder, regardless of the number of shares held, is entitled to attend General Meetings, on proof of identity and of his/her capacity as a shareholder, provided that the shareholder's shares are registered in his/her name in the Company's share register managed by BNP Paribas Securities Services, or in the securities accounts managed by the authorized intermediary, no later than midnight (CET) on the third business day preceding the meeting.

(1) AFEP: Association Française des Entreprises Privées.

(2) MEDEF: Mouvement des Entreprises de France.



## CORPORATE GOVERNANCE

### / REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS /

As regards voting rights, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or the provisions concerning double voting rights stipulated in Article 31.8 of the bylaws. Fully-paid up shares that have been registered in the name of the same holders for at least two years as of the date of the General Meeting shall carry double voting rights.

Under Article 31.12 of the bylaws, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself/herself and in the capacity as proxy for another shareholder that are attached to shares (i) that he/she holds directly or indirectly and (ii) that are owned by another shareholder for which he/she is acting as proxy. The conditions for applying this limit in the number of voting rights to which each shareholder is entitled are described in section 7.1.2.2.

The bylaws permit shareholders to use the e-voting system to vote at any Shareholders' Meeting (Article 30.2), by decision of the Board of Directors published in the notice of meeting.

## INFORMATION REFERRED TO UNDER ARTICLE L.225-100-3 OF THE FRENCH COMMERCIAL CODE

Information referred to under article L.225-100-3 of the French Commercial Code concerns material that could have an effect in the event of public offering, which should be stated in the management report.

The 2012 management report drawn up by Safran's Board of Directors, which is included in this Registration Document, meets this legal obligation. The required information can be found under the following headings in the Registration Document:

- agreement with the French State (section 7.1.4.2);
- breakdown of share capital and details of buyback program (sections 7.2.6 and 7.2.7);
- capping of voting rights (section 7.1.2.2);
- authorization, given at the Annual General Meeting of May 31, 2012 (tenth resolution), for the Board of Directors to issue free stock warrants in the event of a tender offer for the Company (sections 7.2.2.1 and 7.1.2.6).

## 6.5.5 INTERNAL CONTROL AND RISK MANAGEMENT

Operating a business involves incurring a level of risk; risk factors are described in section 4.1 of this Registration Document. Risk management is a key component in the management of Safran's activities.

The Safran framework for controlling the Group's information, activities, processes and assets includes all the appropriate resources, rules of conduct and procedures. In addition to relying on management principles, organizations, quality approach, implemented information systems, it is also based on a general compliance framework (section 6.5.5.1), a specific structure for managing major risks (section 6.5.5.2) and an internal control system (section 6.5.5.3). Key players are involved in the internal control system (section 6.5.5.4).

The Group emphasizes the importance of complying with applicable rules concerning:

- exports of military and dual-use goods;
- management of consultants;
- offering and accepting gifts and invitations;
- security of protected sites and activities;
- corporate social responsibility;
- safeguarding privacy.

For each of these facets, the Group has implemented specific procedures and arrangements.

### 6.5.5.1 GENERAL COMPLIANCE FRAMEWORK

#### ETHICAL GUIDELINES

The Group's Ethical Guidelines have been distributed to employees worldwide. They are part of the Group's procedure manual, and each company is responsible for their implementation in day-to-day operations.

Safran is built around values shared by all of its employees. These values serve as a guide for all the Group's activities, providing high standards for honesty, integrity and professionalism, and compliance with applicable laws and regulations.

They ensure the Group remains worthy of the trust placed in it by customers, employees, shareholders, suppliers and other partners.

#### PREVENTION AND DETECTION OF INTERNAL FRAUD

A sponsor of the anti-fraud system was appointed and a committee on fraud was established. The Group has a prevention, detection and assessment program for cases of potential internal fraud. A system for the centralizing of information on fraud or attempted fraud identified within Group companies is in place. This information is acted upon by the Group's Audit and Internal Control Department and Safety Department and necessary actions are taken.

#### STANDARDS AND REGULATIONS

Standards and regulations are monitored and followed up by specialist central departments which, within their respective areas of expertise, lead and coordinate a network of counterparts in the various Group companies.

ISO 9000-compliant quality management systems in the industrial companies provide valuable support to the internal control system.



For most of its activities, in France and in other countries, the Group is subject to controls imposed by civil and military authorities as well as by its customers. These controls round out the Group's own arrangements in this area.

### GROUP ORGANIZATIONAL STRUCTURE

Safran is an industrial group. Each subsidiary directly manages the operational side of its business activity and assumes responsibility for the internal control system to be implemented in accordance with Group procedures and Internal Rules.

The organizational structure is based on:

- a parent company, Safran, the issuer, responsible for the Group's strategic management, organization and development. This company has adopted a governance structure with a Board of Directors;
- companies operating by business line, whose strategies are defined by the Board of Directors of the parent company. Executive Management of the parent company ensures that the strategic orientations defined for each business line are implemented and complied with at the operational level.

First-tier entities are responsible for overseeing the second-tier entities with which they have operational ties.

Under the authority of the Board of Directors, the primary duties of Safran, the parent company, are to:

- devise and pursue the Group's strategy;
- define the corporate governance guidelines and the conditions of the control of Group companies. A certain number of rules laid down in procedures have been adopted concerning, in particular:
  - corporate governance in Group companies,
  - relations between subsidiaries and the parent company;
- provide services on behalf of all Group companies. The Group gradually sets up Shared Services Centres with responsibilities in the following areas: payroll administration and management, recruitment, non-production purchases, IT, and some accounting services;
- lead or coordinate actions to develop the Group's reputation and increase effectiveness.

### PROCEDURES RELATING TO GROUP OPERATIONS

The main procedures governing Group operations are collated in a documentation system, accessible via the Group intranet. This manual is organized by major process.

It primarily includes:

- with respect to the management process:
  - corporate governance rules: delegation of authority, governance of Group companies, internal control principles and Ethical Guidelines,

- risk management rules: risk management, crisis management, general safety, health, safety and environment, legal, and information systems,
- quality management rules;
- with respect to the operational process: sales-related rules;
- with respect to the support process: rules on procurement and asset management.

Every month, a list of updates to the manual is published. Entities have a duty to keep their own manual up-to-date so that it complies with Group rules.

### FINANCIAL AND ACCOUNTING PROCEDURES

Financial and accounting principles are grouped together in four different manuals:

- the Group IFRS accounting manual;
- rules for the preparation of consolidated financial statements and rules concerning inter-company transactions and quarterly consolidation instructions issued to all companies concerned;
- the consolidation package user guide. This package contains the controls necessary for ensuring consistency between the items used to draw up consolidated financial statements;
- other financial principles (available in a documentation system) related to tax, banking, cash and financing transactions.

In terms of accounting standards, the Group applies IFRS as adopted in the European Union.

### REPORTING AND MANAGEMENT CONTROL ARRANGEMENTS

Each week, Safran's Executive Management receives a report from each entity summarizing the main events concerning its activity.

The entities prepare monthly budget and financial reports on their activities (overview and comments). The Group's Economic and Financial Affairs Department provides Executive Management with an economic and financial overview.

Budget and planning meetings are organized regularly by the Economic and Financial Affairs Department and the management team of the company concerned:

- final quarter review and validation of the budget;
- current-year budget forecast updates three times per year;
- second quarter review and validation of the medium-term business development plan.

In addition, performance-level meetings are held regularly with representatives from the Group's principal first-tier entities.

### 6.5.5.2 ORGANIZATION AND COORDINATION OF RISK MANAGEMENT

#### DEFINITION AND OBJECTIVES

The purpose of risk management, embedded in organizational processes, is to identify the Group's major risk exposures, quantify their impact on the achievement of objectives, ensure that adequate measures and actions are implemented to bring critical risks to an acceptable level. Risk management is not a separate independent activity; it is the responsibility of each department and forms an integral part of organizational processes, including strategic planning, project management and change processes.

#### POSITION IN THE ORGANIZATION

The Risk and Insurance Department, which reports to the Deputy Chief Executive Officer, Finance, oversees the risk management process.

#### FRAMEWORK, APPRAISAL PRINCIPLE

The Risk and Insurance Department summarizes risk appraisal results at Group level and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Determining the degree of control is also essential in characterizing risk. Risk appraisals lead to action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability.

Each first-tier entity appoints a Risk Manager, who prepares a risk map for the entity that is subsequently reviewed during the entity's Risk Committee meetings. In all instances, risk management draws on a common methodology using risk analysis as the starting point. A Risk Manager is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

The Risk and Insurance Department develops methodological techniques and procedures, for the Group, to ensure consistent handling of risks between entities. The Group has a risk manual organized by process, level of impact, frequency, probability and control. Detailed guidance is also prepared for the analysis of certain risks.

Arrangements for crisis prevention and management are built on coordinated procedures implemented for managing warnings and crises, not only at Group but also at Company and facility level.

#### MANAGEMENT

The Group Risk Committee – made up of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers, led by the Risk Management and Insurance – approves the risk management policy, the Group's risk mapping and risk mitigation, and the cross-sector action plans of the Risk and Insurance Department, and makes sure that the risk management process works effectively and that there is an adequate level of risk-awareness. This Committee met twice in 2012.

The Risk and Insurance Department sets risk management maturity objectives for first-tier entities. One item of the first-tier entities' action plans, as requested by the Risk and Insurance Department, is to implement risk management in newly acquired entities.

It coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved by the Group Risk Committee.

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk and Insurance Department (major risk map with the corresponding degree of control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk and Insurance Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

The Risk and Insurance Department prepares the mapping of major risks by support/central departments of Safran, as parent company, based on interviews. These maps are then approved by the support/central departments of Safran. For each identified risk, a manager is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

#### AWARENESS AND TRAINING

Risk management leverages training and communication. A risk and management training course launched in 2007 and organized jointly by the Risk and Insurance Department and Group Risk Managers in liaison with Safran Corporate University has promoted risk awareness among close to 880 managers within the Group, including 170 in 2012.

The Risk and Insurance Department has also implemented the PSIP Program (Preventive Safran's documents Integrity Program). This program seeks to help mitigate documentary risk and legal accusations attributable to Group products/services while protecting employees from the consequences of an accident in which a product/service may be the target of an accusation.

### 6.5.5.3 ORGANIZATION AND COORDINATION OF INTERNAL CONTROL

#### DEFINITION AND OBJECTIVES

The Safran Group implements its internal control system on the basis of general principles advocated by the AMF. Internal control is defined as a process implemented by its Board of Directors, management and personnel, to provide reasonable assurance as to the realization of the following objectives:

- compliance with applicable laws and regulations;
- application of instructions and strategies set by Executive Management;
- proper functioning of the Company's internal processes, particularly those contributing to the protection of its assets;
- reliability of financial information.

Internal control thus contributes to the safeguarding of the Company's assets, the management of its activities, the effectiveness of its operations, the efficient use of its resources and the prevention of any organizational dysfunctions. Nevertheless, as with all control systems, it can only provide reasonable assurance that the objectives described above are fully achieved.

### POSITION IN THE ORGANIZATION

The internal control system is managed by the Audit and Internal Control Department, which reports to the Deputy Chief Executive Officer, Corporate Office.

### INTERNAL CONTROL FRAMEWORK

The Audit and Internal Control Department defined an internal control framework built around:

- one process relating to the control environment;
- ten operating processes;
- two IT processes (general IT and IT system security checks);
- processes adapted to Shared Services Centres' risks.

For each process, the Audit and Internal Control Department and Group specialists in each of these areas has drawn up a list of check points and tests aimed at measuring for each entity:

- the conformity of its control procedures and activities with the framework's requirements; and
- the operational effectiveness of these procedures.

Around 200 check points have been listed. They serve to ensure the integrity of the financial and accounting information and the security of this information. Every year, internal control tests, based on objectives related to scope, content, and time limit for carrying out action plans are performed.

### APPRAISAL PRINCIPLE

The Group has upheld the principle whereby each entity appraises its own internal control arrangements in relation to the framework (conformity and effectiveness). A testing program (effectiveness) is devised annually; it investigates all of the processes over two years in first-tier entities and over three years in second-tier entities. In 2012, the Audit and Internal Control Department devised a questionnaire with about fifty check points to be implemented in very small entities, including a series of check points that must be formally tested annually regardless of the entity's size.

The Group can order Internal Audits to verify that the appraisals carried out by the subsidiaries comply with the rules and principles it has put in place.

Any disparity relative to the requirements of the internal control framework in the evaluation of the conformity and effectiveness of procedures generates an action plan, with a project leader designated and a deadline established. The progress of such action plans is monitored monthly within the reporting system described below.

The internal control system was up and running in 101 companies, representing 95% of Safran's consolidated revenue in 2012.

First-tier entities must assess the internal control system of newly acquired companies with which they have operational ties in relation to the Safran framework within three months of the finalization of the acquisition.

### MANAGEMENT

The central team that manages the internal control system is assisted by a network of internal control managers in each first-tier entity, with each manager supported by counterparts situated in second-tier entities.

Every month, the central team and internal control managers communicate important news. Methodological insights into the internal control system may also be sent by the central team to internal control managers.

Each first-tier entity has an Internal Control Committee, comprising members of its management, to review progress made in evaluations and analyze results, including for the related second-tier entities.

Every year, the central team brings together internal control managers to conduct a review of obstacles encountered, suggest enhancements to the framework and define areas in which progress can still be made. The meeting also serves as a forum for exchanging best practices in terms of the organization of internal control. In 2012, the central team organized an information and discussion meeting with the internal control managers and the various representatives of the HR, legal, risk and safety departments on fraud and Safran anti-fraud procedures.

For 2013, the main areas for development identified by Safran are to continue adapting the internal control frameworks to changes in the Group's organization and structure, particularly to finalize the integration of the Shared Services Centres into the internal control system.

### THE REPORTING TOOL

Group companies use the same reporting system for the results and conclusions of their internal control evaluations. It is documented by nearly 400 stakeholders and allows:

- direct access to the Group framework, methodology and the procedures to follow;
- monitoring of rectifications resulting from recognized disparities in relation to the framework.

### AWARENESS AND TRAINING

A training course on internal control was set up within the framework of the Safran Corporate University in 2012, with a view to raising awareness of internal control issues among the financial and operating personnel. More than 100 individuals were trained in 2012.

## CORPORATE GOVERNANCE

### / REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS /

#### INTERNAL CONTROL QUALITY ASSURANCE

Every year, each Chairman and CEO of first-tier entities sends a representation letter to Safran's Chairman and Chief Executive Officer on the internal control system put in place in the entity and its subsidiaries.

Every year, the Statutory Auditors examine the adequacy of the internal control system on a selection of processes contributing to the preparation of financial and accounting information (see section 6.5.5.4 below).

The central team conducts quality controls of the first-tier entities' self-assessments to ensure compliance with the methodology when a new process has been implemented in the internal control system or if a process has changed significantly.

The internal auditors strive to assess the adequacy of the internal control system on matters audited, the proper application of the relevant frameworks and the veracity of the related tests' results.

#### INTERNAL AUDIT

The internal auditors from the Audit and Internal Control Department conduct compliance work and other work aimed at identifying ways to improve the efficiency of the Group, entities, programs, projects and processes.

The Internal Audit plan is prepared within the scope of an annual plan that is reviewed where appropriate and that is largely based on the mapping of Group risks.

Internal Audit has been certified compliant with the international standards of the Institute of Internal Auditors by the *Institut Français de l'Audit et du Contrôle Interne* (IFACI). Certification was confirmed in 2012 by IFACI further to a follow-up audit.

### 6.5.5.4 KEY PLAYERS IN INTERNAL CONTROL AND RISK MANAGEMENT

#### BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

##### The Board of Directors

The Board of Directors defines the primary features of the system for internal control and risk management, upon consultation and recommendation of the Audit and Risk Committee. The Chairman and Chief Executive Officer delegates his authority to the Deputy Chief Executive Officer, Operations to direct and monitor the activities of the entities with regard to:

- setting objectives and monitoring results with the Economic and Financial Affairs Department;
- implementing decisions regarding strategic issues concerning Group companies;
- operational supervision.

The Chairmen and CEOs of the first-tier entities assume full responsibility for the internal control systems implemented in their entities and, where appropriate, in related second-tier entities; the system implemented must comply with the internal control principles set out by the Group.

##### The Economic and Financial Affairs Department

The Economic and Financial Affairs Department centralizes and coordinates financing, treasury, taxation, the budget process, reporting, consolidation of accounts and risk management. It ensures compliance with the internal control procedures falling within the scope of its responsibilities. It also assists in carrying out any acquisitions and disposals decided by the Board of Directors.

##### The Corporate Office

The Audit and Internal Control Department reports to the Corporate Office.

#### DEPARTMENTS RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

##### Audit and Internal Control Department

The Audit and Internal Control Department contributes to the management of the Group's activities, the effectiveness of its operations, the efficient use of its resources and the appropriate consideration of material risks. Its main responsibilities are as follows:

- define and implement the annual audit plan;
- define, organize and coordinate the internal control system.

Taken together, these responsibilities aim at ensuring compliance with applicable laws and regulations, the application of instructions and strategies set by Executive Management, the proper functioning of internal processes, particularly those contributing to the protection of its assets, and the reliability of financial information.

##### Risk and Insurance Department

The Risk and Insurance Department is responsible for defining the methods and criteria to be used to organize risk management. Its main responsibilities are as follows:

- identifying risks that could affect the strategy, earnings or image of the Group;
- defining and organizing risk and crisis management within the Group;
- ensuring the implementation of the PSIP Program (Preventive Safran's documents Integrity Program);
- identifying and setting up insurance policies for the Group, with the exception of personal insurance and loan insurance.

#### INSPECTION BODIES

##### The Board of Directors' Audit and Risk Committee

This Committee reviews:

- the financial statements and accounting procedures presented by Executive Management;
- the results of audits and internal control procedures presented by the Audit and Internal Control Department;
- findings on the primary risks facing the Group presented by the Risk and Insurance Department;
- the results of the work carried out by the Statutory Auditors, whose independence it must also verify.

The report on internal control and risk management procedures is reviewed annually by the Audit and Risk Committee, then submitted to the formal approval of the Board of Directors.

The Group's Internal Control Guidelines are approved by the Chairman of the Audit and Risk Committee.

### Statutory Auditors

As part of the audit and certification of Safran's individual and consolidated financial statements, the Statutory Auditors examine the procedures of a certain number of company cycles contributing to the preparation of financial and accounting information. In particular, they base the work they conduct at selected entities on the Group's internal control framework.

They present their conclusions to the Board of Directors' Audit and Risk Committee.

The Statutory Auditors adopt the following approach:

- review of documentation on controls carried out by companies;
- tests to verify the operational effectiveness of the procedures implemented;
- review of completed action plans;
- review of results of tests performed by companies.

## 6.6

## STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

### STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH THE ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as Statutory Auditors of Safran and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management and relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

### INFORMATION CONCERNING INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman of the Board's report in accordance with article L.225-37 of the French Commercial Code.

### OTHER INFORMATION

We attest that the Chairman's report set out the other information required by article L.225-37 of the French Commercial Code.

Paris La Défense and Courbevoie, March 27, 2013.

The Statutory Auditors,

*French original signed by:*

**ERNST & YOUNG et Autres**

Vincent de La Bachelerie

Jean-Roch Varon

**MAZARS**

Thierry Colin

Gaël Lamant