

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

SAFRAN

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	5/8
2. Internal Controls	6	3/12
3. Support to Employees	7	6/14
4. Conflict of Interest	4	4/8
5. Customer Engagement	6	6/12
6. Supply Chain Management	5	3/10
7. Agents, Intermediaries and Joint Ventures	10	4/20
8. Offsets	4	0/8
9. High Risk Markets	4	4/8
10. State-Owned Enterprises	5	10/10
TOTAL		45/110
BAND		D

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
<p>The company has a publicly stated anti-corruption commitment, which details the company's stance against any form of corruption within the organisation. It is clear that this commitment was authorised and endorsed by the company's leadership.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.2] At Safran, ethical conduct is a fundamental value, shared by all employees.</p> <p>The Safran Leadership Model is based on five values that are actively espoused and promoted within the Group for consistent demonstration by each and every one of us.</p> <ul style="list-style-type: none"> > 1 Shared vision > 2 Leadership by example > 3 Succeeding as a team > 4 Empowerment > 5 Daring to innovate <p>Safran's Ethics Charter (GRP-0079) formally defines the Group's principles and guidelines for reference at any time.</p> <p>Over the last few years Safran has implemented a program to detect and prevent acts of corruption. This program is based on a "zero tolerance" policy regarding corrupt practices and the fight against corruption, including favoritism, influence peddling, and misappropriation of public funds; even if it means losing contracts and the associated revenues.</p> <p>All Group employees must stand up and be counted if we are to meet these commitments. Effective employee involvement is dependent upon truly understanding the risk and cost of corruption in our markets and operations. For this purpose, we have established our Code of Conduct.</p> <p>Through business ethics beyond reproach, we are true to our values, driving Safran growth and success. It is extremely important to me personally that we demonstrate exemplary behavior in this regard.</p> <p>Philippe Petitcolin CHIEF EXECUTIVE OFFICER</p> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf [p.218] 5.1.1.4 Zero tolerance of corruption</p> <p>The importance of ethical values in shaping Safran's policies and operations has been clearly and continuously articulated by Chief Executive Officer Philippe Petitcolin, who has expressed this commitment in his introductory message to the trade compliance courses held since 2017:</p> <p style="padding-left: 40px;">"Our business enables us to play a vital role in ensuring the security and safety of people, companies and countries. This entails vast responsibilities that we must never lose sight of. This is primarily a question of ethics, which we feel is a cardinal virtue. But it's also about our competitiveness and the sustainability of our</p>

businesses, at a time when governments are paying more and more attention to trade compliance and due diligence.

In 2012, Safran was the first French listed company to be certified to international corruption risk prevention standards, attesting to our own high ethical standards and the effectiveness of our trade compliance program.

Our strength, our pride, is to show zero tolerance for any violation of our business integrity. By practicing impeccable business ethics, we will remain faithful to our values and drive continued success for our Group. I firmly believe that we must lead by example in this area”

[...]

Setting the example at the highest level: “Tone at the Top”

The Board of Directors, the Chairman, the Chief Executive Officer and all Safran subsidiary chief executives have emphasized the need to lead by example. Maintaining business integrity and refusing all forms of corruption are non-negotiable, even if it means losing contracts and revenue. This is the only way for the Group to secure its sound, sustainable growth and retain the trust of its stakeholders. This commitment is reflected in a representation letter signed every year by all of the chief executives of the Group’s tier-one companies. The executives sign for their own companies and ensure that this letter is also signed by their subsidiaries.

Question
<p>1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:</p> <p>a) All employees, including staff and leadership of subsidiaries and other controlled entities;</p> <p>b) All board members, including non-executive directors.</p>
Score
2
Comments
<p>The company publishes a Code of Conduct, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery, and facilitation payments. There is evidence that this Code applies to all of those employed across the group, including subsidiaries and joint ventures.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf</p> <p>[p.4] 1/ Purpose Safran has developed a zero tolerance anti-corruption program and policy regarding public or private sector corruption, whether active or passive, direct or indirect. The purpose of this Code of Conduct is to define and illustrate prohibited behavior to avoid the substance or appearance of corruption or influence peddling.</p> <p>This Code refers to existing procedures, especially GRP-0026, concerning the selection and approval of third parties, and GRP-0153, concerning gifts, invitations and philanthropy.</p> <p>It is everyone's responsibility to read and apply this Code, and to routinely refer to it as required. Furthermore, if employees have any doubt or questions, they should feel free to ask their immediate supervisor or Trade Compliance Officer for appropriate guidance.</p> <p>2/ Scope of application Safran's Code of Conduct applies to all Group companies and subsidiaries, regardless of location.</p> <p>The Code of Conduct is suggested for adoption by companies in which Safran holds a minority stake, and to partners in our 50/50 joint ventures.</p> <p>It is up to each employee to read this Code of Conduct available on the Safran intranet or in hard copy (upon request) at Human Resources.</p> <p>The Code of Conduct is also available to Safran suppliers, trade partners and customers via the Safran website.</p> <p>[p.5] In the event of non-compliance, the French Anti-corruption Agency (AFA) may, depending on the case, issue a warning or bring the matter before the Sanctions Board, so that the company and its representatives can update the internal compliance procedures. This Board may also assess financial penalties and order publication of its decision.</p> <p>Safran's trade compliance program meets the requirements of all laws applicable to its businesses. Safran's goal is to foster a culture of integrity and honesty, ensuring all employees understand the absolute necessity of avoiding the risk and appearance of corruption in daily activities.</p> <p>[p.6] 4/ Definitions</p> <p>Infractions are designated in this Code of Conduct under the generic term of "Corruption" and include acts of influence peddling, misappropriation of public funds, and favoritism. Corruption may occur directly or indirectly, including through the action or complicity of third parties.</p> <p>Corruption</p>

is defined as an act by which a person in a given function, public or private, solicits/proposes, or agrees/gives a gift, an offer or a promise in order to accomplish, delay or avoid the accomplishment of an act that is, directly or indirectly, within the scope of that person's functions.

Corruption covers various practices, including:

- Bribes: unwarranted proposal or payment of cash, gifts, loans, travel expenses, a job, or a donation, in return for a favorable decision.
- Facilitation payments: small, non-official amounts unduly paid to secure a routine action by a public agent.

Misappropriation of funds

is defined as the act, by a person holding a position of public authority, or tasked with a public service mission, of receiving, demanding or ordering the payment (in the form of rights, contributions, taxes or duties) of a sum that the person knows is not owed, or that exceeds what is actually owed.

Influence peddling

is defined as "the act, by a person holding public authority, tasked with a public service mission, or elected as a public official, to solicit or agree to, illicitly, at any given moment, directly or indirectly, proposals, promises, donations, gifts or any benefits of any kind whatsoever, for themselves or another person: either to accomplish or to abstain from accomplishing an act as a part of their function, their mission or their term, or facilitated by their function, mission or mandate; or to take advantage of their influence, real or assumed, in order to obtain from a public authority or administration distinctions, employment, contracts or any other favorable decision."

Favouritism

is defined as the act by a person holding public authority, tasked with a public service mission, or elected as a public official, or exercising the functions of a representative, administrator or agent of the State, regional communities, public establishments, mixed-economy companies in the national interest tasked with a public service mission and local mixed economy companies, or by any person acting on behalf of one of the aforementioned, to procure or attempt to procure an unjustified benefit for a person by an act infringing on legislative or regulatory provisions designed to guarantee free access and equal opportunity for candidates in public contracts and public service assignments.

[p.7] WHAT IS A PUBLIC AGENT?

The term "agent" designates all employees of a government administration, whether in France or abroad. There are several categories of agents, distinguished according to their status (tenured, non-tenured under public or private law) and their employer (federal or local government, public establishments).

- **Persons holding public authority**
Persons holding public authority include representatives of federal and local governments, civil servants, representatives of public authorities, public and ministerial officers, as well as all persons holding a position of authority, such as armed forces personnel.
- **Persons tasked with a public service mission**
These are persons carrying out a mission in the general interest, or holding prerogatives derogating from the generally applicable rules of law. For example, this concerns judicial administrators and liquidation representatives, receivers, interpreters, bailiff clerks, persons operating on behalf of public entities, public bodies, public services, or public advisory boards and commissions with decision making authority.
- **Persons holding elective office**
This category includes all elected persons acting in the name of and on behalf of voters, including national, state and local legislators (e.g. members of parliaments, congress, councils) and executives (e.g. president, governor, mayor, etc.).
- **Legal personnel**
This includes judges, court clerks, mediators and arbitrators.

The definition of "public agent" may vary by country, as shown in the following examples:

- United States: The Department of Justice (DOJ) uses a broad definition of foreign public agent. DOJ considers employees, executives or representatives of a company owned or controlled by a foreign country to be public agents.
- Saudi Arabia: Contract employees working for the government, executives and employees of public companies, persons carrying out public service missions, and bank employees.
- United Arab Emirates: Employees of companies with public share capital.
- China: Any person having a close relationship with a current or former civil servant.
- South Korea: Spouses of public agents, as well as certain types of persons whose profession is considered “public”, such as private school teachers or journalists.




[p.13] Facilitation payments

DEFINITION

These are payments used to facilitate or expedite the execution of routine administrative procedures or formalities that will normally be performed by civil servants (inspections, permit issuance, etc.).

They cover all elective (not required by law) payments typically in exchange for accelerating completion of a routine task, such as the issuance of authorizations, permits or visas, or the processing of administrative or customs forms.

While such practices may be tolerated in certain countries, facilitation payments are considered an act of corruption in most countries and are strictly prohibited by Safran.

 WHAT IS PROHIBITED	 WHAT REQUIRES THE AUTHORIZATION OF A SUPERVISOR	 WHAT IS AUTHORIZED
<ul style="list-style-type: none"> ➤ A bribe, even of a small amount, or a so-called “facilitation payment”, is considered to be an act of corruption 	<ul style="list-style-type: none"> ➤ All requests for facilitation payments should be reported to your supervisor, or, if applicable, to your company's Trade Compliance Officer 	<ul style="list-style-type: none"> ➤ No facilitation payment is authorized, except in the case of an extortion attempt that could endanger the life of the employee. In this case of duress, the employee should agree to the request, then report it immediately to his or her supervisor or Trade Compliance Officer

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.218] A robust program designed to the highest standards

Based on its uncompromising commitment to zero tolerance for any form of unethical behavior, particularly bribery or corruption, Safran has defined and implemented a disciplined program to prevent and detect risks of corruption, influence peddling, facilitating payments,(1) embezzlement, undue advantage, misuse of public funds and favoritism. In the following text, the generic term of “corruption” refers to these dishonest and immoral violations of the Group’s standards.

The program, which is continuously updated and improved, covers all of the related guidelines specified in international conventions and national legislation that are applicable to Safran’s business operations.

Its goal is to instill a culture of honesty across the organization that encourages every employee to embrace the imperative of demonstrating outstanding behavior in this regard.

It complies with the French Act of December 9, 2016 (Sapin II Act) relating to transparency, anti-corruption measures and modernization of the economy.

It is designed both to empower employees and to safeguard corporate assets with a disciplined risk management process based on eight pillars:

- setting the example at the highest level: “Tone at the Top”;
- dedicated corruption risk mapping;
- a Code of Conduct;
- a dedicated organization;

- appropriate procedures;
- an information and training program;
- a procedure control and monitoring system;
- an internal alert system.

[p.219] A Code of Conduct

In compliance with the Sapin II Act, the Code of Conduct reaffirms the engagement of the Group and its executive management in a corruption prevention and detection process. It defines and illustrates the types of behavior that are prohibited because they could be construed as corruption, based on the risks identified in the risk mapping exercise.

The Code of Conduct was finalized on January 22, 2018, following the issuance of recommendations by the Agence française anticorruption (AFA) on December 21, 2017. The Code of Conduct will be integrated into each facility's operating procedures manual, after consultation with employee representatives, and will be applicable to all Group employees in 2019.

[3] Ethical Guidelines

Accessed 02/07/2019

<https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf>

[p.1] Safran, its companies and employees will tolerate absolutely no form of corruption, whether active or passive, direct or indirect, for the benefit of players in the public or private sector. Group companies comply with all international agreements concerning the fight against corruption, as well as the anti-corruption laws applied in countries where we do business.

[p.4] Anti-corruption certification

Safran was the first company in the French stock market index CAC 40 to receive anticorruption certification from the information technology agency ADIT.

Following an audit carried out from September 1 to December 15, 2012, on December 23, 2012 Safran was awarded anti-corruption certification by ADIT (Agency in charge of providing technological information). This certification was conducted on the basis of standards approved by the SCPC (Central service in charge of preventing corruption), an inter-ministerial corruption prevention department reporting to the Minister of Justice.

The certification is valid until December 2015, and recognizes the effectiveness of the processes deployed by Safran and our efforts over the last few years to upgrade our rules and procedures to establish them on a par with best-in-class international standards.

[p.5] The certification audit, carried out in compliance with current international standards (ISAE 3000, International Standards on Assurance Engagements), entailed an evaluation of Safran's corporate culture and commitment to implementing the anti-corruption program (based on a clear policy and broadly circulated ethical guidelines, the deployment of Compliance Officers, an effective risk management policy, control and measurement activities to apply the program and wide circulation of relevant information both within the company and externally).

This certification has been applied to all Safran Tier-1 companies: Sagem (now named Safran Electronics & Defense) was certified in early 2014, and Snecma (now named Safran Aircraft Engines) and Turbomeca (now named Safran Helicopter Engines) by the end of the same year; Messier-Bugatti-Dowty (now named Safran Landing Systems) in 2015; Safran Electrical & Power and Safran Aero Boosters in 2016; Safran Nacelles and Safran Transmission Systems in 2017.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
0
Comments
<p>The company's anti-bribery and corruption programme is overseen by the Compliance, Ethics and Anti-Fraud Committee, which is a management-level committee. There is no evidence to suggest that any other committee at board level has oversight of the company's anti-bribery and corruption programme, or that an individual board member is responsible for overseeing the programme.</p>
Evidence
<p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf [p.217] 5.1.1.3 The Compliance, Ethics and Anti-Fraud Committee</p> <p>The permanent members of the Compliance, Ethics and Anti-Fraud Committee are the Corporate Secretary, the Chief Financial Officer, the Senior Executive Vice President, International and Public Affairs, the Executive Vice President, Human Resources, the Chief Legal Advisor, the Senior Vice President Group Compliance Officer, the Chief Security and Fraud Officer, the Head of Audit and Internal Control and the Head of Group Internal Control.</p> <p>The Committee is responsible for supervising compliance with the rules defined in the Ethical Guidelines (upholding the law, engaging in proper business practices, protecting people and assets, etc.), as well as for managing any updates and revisions to the process. This approach is sponsored by the Corporate Secretary, and the responsibilities are handled by the departments concerned (for example, the Group Department of International and Public Affairs manages trade compliance and export control). The Group's resources mainly include the Ethical Guidelines, anti-fraud policies, internal control procedures, processes and standards, and a fraud prevention, awareness, detection and assessment program. In particular, a system is in place to report cases of fraud or attempted fraud identified in Group companies. In response, appropriate remedial action is taken by the companies, the concerned operating departments and, as necessary, by the Group Audit and Internal Control Department and the Group Security Department. A fraud officer has been appointed and tasked with, among other things, defining internal investigative procedures and, when applicable, conducting the investigations. He reports to the Compliance, Ethics and Anti-Fraud Committee, which met three times in 2018.</p> <p>[p.254] 6.1.4.1 Roles and responsibilities of the Board of Directors</p> <p>The Board of Directors is responsible for defining the Company's business objectives, including its strategic objectives, and overseeing their implementation. Subject to the powers directly vested in Shareholders' Meetings, the Board is responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.</p> <p>In accordance with the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules, the roles and responsibilities of the Board of Directors include, but are not limited to:</p> <ul style="list-style-type: none"> ➤ calling the Annual General Meeting and setting its agenda; ➤ approving the Group's annual budget presented by the Chief Executive Officer, as well as any amendments thereto; ➤ approving the Group's medium-term business plan; ➤ approving the financial statements of the Company and the Group and drawing up the annual corporate governance report; ➤ authorizing related-party agreements and commitments governed by Article L.225-38 et seq. of the French Commercial Code (Code de commerce); ➤ selecting the Company's management structure in accordance with Articles 21.1 and 21.4 of the bylaws; ➤ appointing or removing from office: <ul style="list-style-type: none"> • the Chairman of the Board of Directors, • the Chief Executive Officer, and

- on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Board Committees set up in accordance with the applicable laws, the Company's bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees in accordance with the Board of Directors' Internal Rules;
- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board Advisors (censeurs);
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees, endorsements and sureties, including:
 - setting for each fiscal year:
 - a blanket ceiling, and
 - where appropriate, a maximum amount per transaction, and
 - authorizing in advance any transactions that would result in exceeding the above-mentioned blanket ceiling or the maximum amount per transaction.

In addition, the Board of Directors performs any checks and controls that it deems appropriate.

[p.291] The Board is assisted in its work by three standing committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee;
- the Innovation and Technology Committee.

The role, organization and operating procedures of each of these standing committees are set out in the Board of Directors' Internal Rules.

[p.292] Audit Committee Roles and Responsibilities

The main roles of the Audit and Risk Committee – which acts under the responsibility of the Board of Directors – are to examine the financial statements and address issues related to the preparation and auditing of accounting and financial information. It monitors the financial reporting process and issues any recommendations required to guarantee the integrity of the information concerned.

In this regard it is responsible for:

- reviewing the draft interim 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 consistently, and
 - examining any problems encountered related to applying accounting policies; In this respect, it also monitors the plans and measures put in place for applying the main planned changes in accounting policies; including the application of new international financial reporting standards.
- reviewing the financial documents issued by Safran in connection with the end of the annual and interim reporting periods;
- reviewing draft financial statements prepared for the requirements of specific transactions, such as asset contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain operations proposed by Executive Management and submitted to the Board of Directors (some of which for prior authorization), such as:
 - capital increases,
 - equity investments, and
 - acquisitions or divestments;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of the accounting treatment applied for major transactions;
- ensuring that the parent company and consolidated financial statements are audited by the Statutory Auditors;
- reviewing the methods and procedures used for reporting purposes and for adjusting accounting information from the Group's foreign companies.

[p.293] The Audit and Risk Committee is also tasked with verifying the effectiveness of Safran's internal control and risk management systems.

In this regard it is responsible for:

- assessing, with the people responsible for such activities, the Group's internal control systems;
- reviewing, with the people responsible for such activities at Group level and with the assistance of Internal Audit:
 - internal control objectives and contingency and action plans,
 - the findings of audits and actions carried out by the relevant managers within the Group, and
 - the recommendations made and follow-up of such audits and actions, by the relevant managers;
- reviewing Internal Audit methods and results;
- checking that the procedures used by Internal Audit lead to the preparation of financial statements that:
 - present a fair view of the Company, and
 - comply with accounting rules;
- reviewing the relevance of risk analysis and monitoring procedures, ensuring the implementation of a procedure for identifying, quantifying and preventing the main risks arising in the Group's businesses; and
- reviewing and managing the rules and procedures applicable to conflicts of interest.

Lastly, the Audit and Risk Committee is tasked with ensuring the effectiveness of Safran's external audits and monitoring the work of the Statutory Auditors. In this regard it is responsible for:

- overseeing the Statutory Auditor selection procedure and issuing a recommendation on the Statutory Auditors to be put forward for appointment or re-appointment by shareholders at the Annual General Meeting;
- ensuring that the independence criteria for the Statutory Auditors are respected, drawing on information exchanges and substantiations provided by the Auditors for this purpose;
- reviewing the fees paid to the Statutory Auditors, which should not call into question their independence or objectivity;
- regularly reviewing with the Statutory Auditors:
 - the audit plans and their findings, and
 - their recommendations and the follow-up thereof; > factoring in the observations and findings issued following any audits performed by the French Accounting Oversight Board (Haut Conseil du Commissariat aux Comptes - H3C);
- without prejudice to the powers of the Board of Directors, approving the provision of non-audit services as authorized under the applicable regulations, including examining and validating the related methods and procedures and ensuring they are respected;
- hearing the presentation of the Statutory Auditors on their audit engagement and reporting to the Board of Directors on (i) the findings of their audit of the financial statements, (ii) how their audit contributed to the integrity of the Company's financial information, and (iii) the role that the Committee played in overseeing this process, notably based on the additional report that is prepared by the Statutory Auditors on an annual basis.

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 difficulties that it may encounter. These reports are added to the minutes of the relevant Board of Directors' meetings or are included in an appendix to these minutes.

[11] 2018 Integrated Report

Accessed 02/07/2019

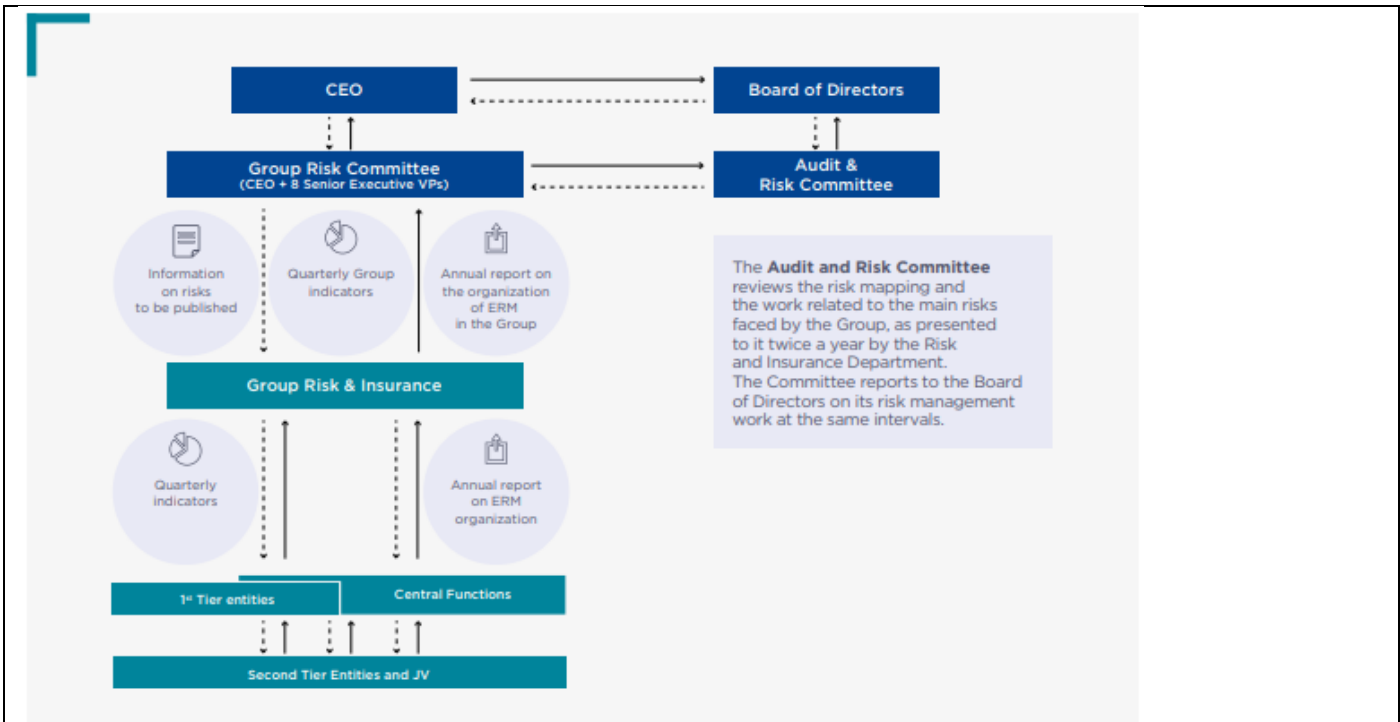
https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf

[p.43]

ERM SYSTEM

The Group Risk Committee periodically updates the identification, appraisal, processing and, therefore, control, of major risks.

[...]



[p.46]



[p.50] Compliance, Ethics and Anti-Fraud Committee

This Committee is responsible for supervising employee compliance with the rules defined in the Ethical Guidelines (upholding the law, engaging in proper business practices, protecting people and assets, etc.), as well as any updates and revisions. This approach is sponsored by the Corporate Secretary, and the responsibilities are handled by the relevant departments (for example, the Group Department of International and Public Affairs manages trade compliance and export control). The Group's resources mainly include the Ethical Guidelines, anti-fraud policies, internal control procedures, processes and standards, and a fraud prevention, awareness, detection and assessment program.

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
1
Comments
<p>There is evidence that a managerial-level individual has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. The company states that the Group Compliance Officer is responsible for leading the company's risk prevention programme and is a member of the Compliance, Ethics and Anti-Fraud Committee.</p> <p>However, the company receives a score of '1' because there is no publicly available evidence that this individual has a direct reporting line to the board or a designated board committee. Although the Group Compliance Officer is a member of the Compliance, Ethics and Anti-Fraud Committee, this is a managerial committee and not a board-level committee.</p>
Evidence
<p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddr_2018_uk_mel_3-040419_100dpi.pdf</p> <p>[p.218] In addition, Safran is deeply involved in a wide range of collective, industry or thematic initiatives dedicated to strengthening and sharing best business integrity practices. As a member of the Compliance, Ethics and Anti-Fraud Committee, the Group Compliance Officer leads the entire corruption risk prevention process, leads discussions and promotes best practices with companies, national and international authorities and civil society. He or she also participates in or contributes to initiatives led by national and international professional organizations, such as (i) the French Aeronautical and Space Industries Group (GIFAS); (ii) the AeroSpace and Defence Industries Association of Europe (ASD); (iii) the International Chamber of Commerce, the International Forum of Business Ethical Conduct (IFBEC); (iv) French employers' federation MEDEF, in which Safran chairs the International Ethics Committee; (v) the Business and Industry Advisory Committee (BIAC) to the OECD, of which Safran is Vice-Chair of the anti-corruption task force; (vi) the B20 Germany, acting as Vice-President of the Responsible Business Conduct & Anti-Corruption Cross-thematic Group; (vii) the Ethics Circle of the European Business Ethics Network (EBEN), where Safran sits on the Board; and (viii) the association of European Compliance & Integrity Officers.</p> <p>[...]</p> <p>Twice a year, the Group Compliance Officer reviews trade compliance issues in a presentation to the Executive Committee. Trade compliance in the tier-one companies is also periodically reviewed with their chairmen.</p> <p>[p.219] The Group Compliance Officer is assisted by a network of 22 Trade Compliance Officers (TCOs) appointed in all the companies that do business independently. Delegated by their Chairman or Chief Executive Officer, the TCOs are responsible for guaranteeing that their company's business transactions fully comply with Group anti-corruption procedures. They report to the Group Compliance Officer, who provides them with all of the support and useful information they need to perform their duties.</p> <p>TCOs work with a network of 147 Trade Compliance Managers or Correspondents (TCMs or TCCs) who ensure that the measures taken by the TCOs are applied in each of their company's subsidiaries or divisions. They also lead training courses, after being accredited as trainers by the Group Compliance Officer.</p>

2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
1
Comments
<p>There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of its anti-bribery and corruption programme. The company states that this review is conducted biannually and the results are provided to group management.</p> <p>However, the company receives a score of '1' because there is no evidence that these results are reviewed at board level or by a designated board committee. The company also has a broader Enterprise Risk Management system, and the results of this risk mapping are provided to the Audit and Risk Committee. However, based on publicly available information, it is not clear that the Enterprise Risk Management process includes a review of bribery and corruption risks.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.5] Specifically, the program applies French law No. 2016-1691 of December 9, 2016 addressing the fight against corruption, transparency, and economic modernization, mandating the following:</p> <p>1- Corruption Risk Map, regularly updated and designed to identify, analyze and rank the Group's external risks.</p> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf [p.199] 4.1 RISK MANAGEMENT</p> <p>4.1.1 Methodology</p> <p>Safran's risk management system helps the Group deal with the requirements for certifying products and services to be used in airline and aerospace operations. It also enables it to keep abreast of the Group's global operational and financial challenges. Aircraft programs are generally based on long cycles involving costly research and development and related capital expenditure. Most of these programs have useful lives of up to 40 years and profitability is measured in the medium or long term. The Group's Enterprise Risk Management (ERM) effectively enhances Safran's profitability.</p> <p>This system is now sufficiently mature to be able to identify the Group's major risk exposures, quantify their impact on the achievement of objectives, ensure that adequate measures are implemented to bring exposure to an acceptable level and thus contribute directly to the Group's strategic objectives.</p> <p>Moreover, the principles of enterprise risk management (ERM) are consistent with the recommendations of the French financial markets authority (Autorité des marchés financiers - AMF), the provisions of the AFEP-MEDEF Corporate Governance Code (as revised in June 2018), and professional standards (COSO ERM).</p> <p>It is deployed across all of its businesses in accordance with the governance rules applicable to the Group's different divisions and entities.</p> <p>Risk management draws on a methodological approach common to all entities and rolled out through a network of experts.</p>

The risk management policy falls under the responsibility of each entity and of the central corporate departments, and is embedded in all of Safran's organizational processes.

Each risk factor identified is analyzed and forms the basis for various risk scenarios charted along three axes: impact, probability of occurrence and level of control.

The impact and probability of each risk are assessed in terms of their direct and indirect potential impact on the Group's businesses based the most realistic, worst-case scenario allocated to the risk. The level of control, essential in characterizing the risk and the way it is to be managed, is then determined.

Risks are managed through action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability, particularly involving regularly updated insurance policies.

An owner is designated for each risk identified and is responsible for drafting action plans and ensuring their implementation. The objective is to provide continuous risk oversight to ensure optimum treatment.

The entire risk management approach is periodically reviewed and events that occurred within the Group over a given period are systematically compared with analyses and risk mappings for the same period. This back-testing enables Safran to ensure that risks have been identified, assessed and managed in an exhaustive and effective manner and to enhance and strengthen the process if necessary.

[p.219] A dedicated corruption risk map

Safran's compliance program is informed by a dedicated risk map, integrated into the Group's risk map (see section 4.1.1), that tracks all of the companies' specific corruption-related issues and risks (see section 4.3.1.3), with a focus on:

- market trends in the Group's host countries;
- applicable changes in legislation and standards;
- each company's situation, based on the maturity of its corruption risk prevention program, the results of internal and external audits performed during the year, and the completed or ongoing improvements in its procedures and organization.

Twice a year, all of the tier-one subsidiaries update their dedicated corruption risk maps, which the companies and Group management use as their primary tool for mutually defining pathways to improvement, resource requirements and the training plan.

[11] 2018 Integrated Report

Accessed 02/07/2019

https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf

[p.38] COMMERCIAL COMPLIANCE, A DECISIVE FACTOR

The countries where Safran operates apply strict production and commercialization controls. Safran ensures its activities are conducted to the highest standards of honesty, integrity and professional conduct. The Compliance, Ethics and Anti-Fraud Committee supervises compliance by Safran employees with the general compliance framework defined in the Group's Ethical Guidelines.



[p.42] SAFRAN'S ENTERPRISE RISK MANAGEMENT (ERM) SYSTEM

The primary objective of the ERM system is to ensure the security of aeronautical operations involving the Group's products and services.

The aerospace industry is historically, naturally and culturally sensitive to risk management. Safran's ERM system therefore contributes directly to the processes for obtaining the necessary certifications. Furthermore, as the aerospace industry is intrinsically capital intensive, its programs involve extremely costly research and development activities and significant industrial investment. These efforts must be maintained throughout long cycles, potentially of up to 40 years. Safran's ERM system also participates directly in the efforts deployed by the Group to meet these challenges. Over time, Safran's ERM has expanded its scope of action and become progressively more sophisticated and proactive. It is now a comprehensive risk management system which contributes fully to securing the Group's profitability. Due to its activities throughout the world, Safran is currently exposed to a wide range of risks that could have a significant impact on its results, reputation or share price. Safran's ERM system has attained a level of maturity that enables it to identify major risk exposures, quantify their impact on attaining its objectives and ensure the implementation of appropriate mitigating actions to reduce exposure to an acceptable level. It is positioned upstream of decision-making processes and offers a unique competitive advantage, accompanying and supporting key Group decisions and actively contributing to the execution of its strategy. Furthermore, the principles of the comprehensive risk management policy are consistent with the recommendations issued by the French Financial Markets Authority (AMF), the provisions of the AFEP/MEDEF Code (revised version of June 2018) and professional standards (COSO ERM).

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MAIN RISKS

The risks identified by Safran as material are grouped into a limited number of categories and ranked by their degree of criticality (in terms of likelihood of occurrence and potential impact).

Risks relating to the environment in which the Group operates

- Changes in economic conditions
- Impact of the aviation cycle
- Competition

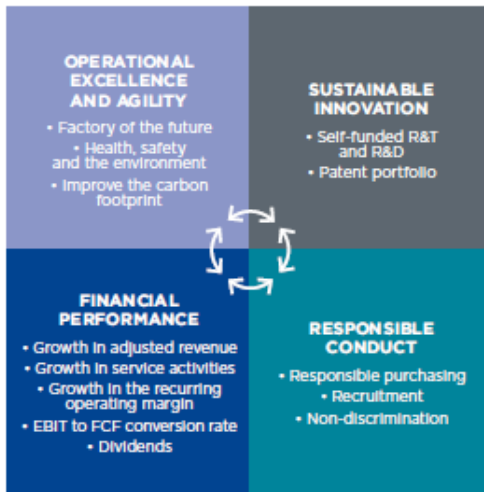
Risks relating to Group business sectors

- Aircraft accidents
- Delays, program development and industrialization
- Quality and safety of products and services
- Supplier and partner risks
- Health, safety and environmental risks
- Personal safety risks
- Data confidentiality risks

Financial market risks

- Foreign currency risk
- Interest rate risk
- Commodity risk
- Counterparty risk
- Liquidity risk

Legal and regulatory risks



Risks relating to the Group's development

- Technological risks
- Uncertainty regarding returns on investments
- Acquisition and restructuring risks

Risk of negative media coverage

Human Resources risks

Question
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
1
Comments
<p>There is some evidence that the company's anti-bribery and corruption programme is subject to internal and external audit. The company's internal audit function conducts a continuous review of the company's trade compliance system. The company also states that its entire anti-bribery and corruption programme was audited by an external company, the Agency in charge of Providing Technological Information ("ADIT), in May 2017. This certification lasts for three years, and the company states that this reflects high standards and international best practice.</p> <p>However, the company receives a score of '1' because several details about its audit procedures remain unclear. For instance, it is not clear whether the trade compliance system includes the anti-bribery and corruption programme. Moreover, it is not clear that the external audit completed in May 2017 is a regular undertaking that takes place at least every two years. Ownership and responsibility for the process is also unclear and there is no publicly available evidence that audit findings are presented to the Board or a designated board committee.</p>
Evidence
<p>[3] Ethical Guidelines Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf</p> <p>[p.1] Safran, its companies and employees will tolerate absolutely no form of corruption, whether active or passive, direct or indirect, for the benefit of players in the public or private sector. Group companies comply with all international agreements concerning the fight against corruption, as well as the anti-corruption laws applied in countries where we do business.</p> <p>[p.4] Anti-corruption certification</p> <p>Safran was the first company in the French stock market index CAC 40 to receive anticorruption certification from the information technology agency ADIT.</p> <p>Following an audit carried out from September 1 to December 15, 2012, on December 23, 2012 Safran was awarded anti-corruption certification by ADIT (Agency in charge of providing technological information). This certification was conducted on the basis of standards approved by the SCPC (Central service in charge of preventing corruption), an inter-ministerial corruption prevention department reporting to the Minister of Justice.</p> <p>The certification is valid until December 2015, and recognizes the effectiveness of the processes deployed by Safran and our efforts over the last few years to upgrade our rules and procedures to establish them on a par with best-in-class international standards.</p> <p>[p.5] The certification audit, carried out in compliance with current international standards (ISAE 3000, International Standards on Assurance Engagements), entailed an evaluation of Safran's corporate culture and commitment to implementing the anti-corruption program (based on a clear policy and broadly circulated ethical guidelines, the deployment of Compliance Officers, an effective risk management policy, control and measurement activities to apply the program and wide circulation of relevant information both within the company and externally).</p> <p>This certification has been applied to all Safran Tier-1 companies: Sagem (now named Safran Electronics & Defense) was certified in early 2014, and Snecma (now named Safran Aircraft Engines) and Turbomeca (now named Safran Helicopter Engines) by the end of the same year; Messier-Bugatti-Dowty (now named Safran Landing Systems) in 2015; Safran Electrical & Power and Safran Aero Boosters in 2016; Safran Nacelles and Safran Transmission Systems in 2017.</p> <p>[21] Exemplary enterprise (webpage) Accessed 02/07/2019 https://www.safran-group.com/commitments/exemplary-enterprise</p>

The fight against corruption

Safran is the first company in the French stock market index CAC 40 to have received anti-corruption certification from the French agency ADIT (Agence pour la Diffusion de l'Information Technologique).

This three-year certification reflects the pertinence of the processes applied by Safran. It also recognizes the efforts made to ensure that the rules and procedures applied meet international standards.

The Mazars/Audit certification guidelines, the basis for the certification audit, include both national and international laws and regulations (FCPA, UK Bribery Act, OECD Convention, the 10th principle in the United Nations Global Compact), as well as current best practices. These guidelines were validated by the Service Central de Prévention de la Corruption (SCPC), as well as by an international advisory board, and include more than 200 checkpoints.

The process to renew Safran SA's certification for its anti-corruption organization kicked off in May 2016, including its operational implementation during the financial year 2016, and was successfully completed on May 3, 2017.

The requirements for trade compliance, applicable to all Group companies, are defined in each company in terms of operational processes specific to their organization, products and markets

[1] The Fight Against Corruption

Accessed 02/07/2019

<https://www.safran-group.com/sites/group/files/the-fight-against-corruption.pdf>

[p.2] The Control and Audit department carries out regular audits of Group companies to ensure their compliance with accounting procedures. In particular, it checks the invoices issued by trade partners, makes sure that all payments to these partners are justified by actual deliverables, and checks that the amounts do not exceed market practices.

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.201] Internal Audit

The Internal Audit plan takes into account the Group's risk map. It is drawn up on an annual basis and revised whenever necessary. 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 and of its entities, programs, projects and processes, by addressing four types of major risks: strategic, financial, non-compliance and operations.

The Internal Audit function therefore contributes to:

- identifying, assessing and dealing with risks, via analyses and observations made in relation to the audited entities as well as the ensuing recommendations issued and the follow-up of action plans;

[p.202]

- continuously improving the internal control system, thanks to internal control compliance audits aimed at ensuring that the organizational structures and procedures in place are adequate and efficient;
- continuously assessing that compliance rules are respected by carrying out audits on the management, compliance and performance of subsidiaries and other entities included in the yearly audit plan.

The Group's Internal Audit function has been certified compliant with the international standards of the Institute of Internal Auditors.

[p.220] A procedure control and monitoring system

The program to monitor proper application of Safran's trade compliance procedures is helping to enhance risk mapping and drive continuous improvement in risk prevention performance. It is being implemented at three levels:

- trade compliance reviews led by the Group Compliance Officer. In 2018, 40 such reviews were performed, covering all of the tier-one companies and their subsidiaries. They verified that the companies had implemented and were complying with the applicable procedures and, when necessary, recommended avenues to improvement;

- the Audit and Internal Control department also performs audits addressing trade compliance, based on specific control points;
- in late 2012, Safran was the first CAC 40 company to be “anti-corruption” certified by the French Agency for the Diffusion of Technological Information (ADIT). The review was based on the Mazars/ADIT certification system, which incorporates current best practices and the full range of national and international laws and regulations (French legislation, the US Foreign Corrupt Practices Act, the UK Bribery Act, the OECD Anti-Bribery Convention, the tenth principle of the United Nations Global Compact, France’s Sapin II Act and ISO 37001). Certification was renewed in May 2017, underscoring the Group’s major drive in recent years to build a robust anti-corruption program aligned with the highest international standards.

Since 2014, Safran Electronics & Defense, Safran Aircraft Engines, Safran Helicopter Engines, Safran Landing Systems, Safran Aero Boosters and Safran Nacelles have been certified as well. Safran Transmission Systems is currently being certified, and some of the above mentioned companies are seeking recertification.

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
1
Comments
<p>There is evidence that the company commits to investigating incidents and to providing whistleblowers with updates on the outcome of investigations. The company indicates that it has a Fraud Officer tasked with undertaking internal procedures for investigations. Although the company does not specifically state that a central body receives and reviews summary information on investigations, there is evidence that the Fraud Officer reports to the Compliance, Ethics and Anti-Fraud Committee and that this group meets several times a year.</p> <p>However, the company receives a score of ‘1’ because the company only provides limited information on its systems for tracking, investigating and responding to bribery and corruption allegations or incidents on its website. It does not provide information on the whole investigation process from receipt to final outcome and it is unclear whether all investigations are handled by an independent team and/or report to an independent board member.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.22] 1/ Reporting behavior or situations contravening the Code of Conduct If any employee has questions or doubts regarding appropriate conduct or behavior, he/she should immediately consult either his/her supervisor, the Trade Compliance Officer, members of the Corporate Trade Compliance Department, or representatives of the Human Resources Department. In accordance with its ethical commitments, Safran has also set up a confidential ethics hotline whereby employees may anonymously report any behavior or situation believed to be contrary to this Code of Conduct. This new hotline is in addition to other ethics reporting means available within the Group. Employees now have a dedicated email address (below) to which they can report good faith concerns regarding violations of this Code of Conduct. All concerns will be duly registered and investigated.</p> <p>safran@alertethic.com</p> <p>2/ Penalties for violating the Code of Conduct This Code of Conduct is an integral part of Safran’s internal rules and procedures. Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures (see also herein Chapter 5, “Disciplinary penalties”).</p> <p>[6] Ethics alert system (webpage) Accessed 02/07/2019 https://www.safran-group.com/media/ethics-secure-email-address-reporting-your-concerns-20190627 Ethics: a secure email address for reporting your concerns</p> <p>Safran has a set of values and ethical standards that are shared by all employees. The Group takes every step to ensure that its business is conducted in accordance with the highest standards of honesty, integrity and professional excellence. Issued in 2005, the Ethical Guidelines formally set out the Group’s common principles and standards, so that every employee can refer to it in all circumstances.</p> <p>Purpose of the ethics alert system The purpose of the Safran ethics alert is to provide a secure, confidential and, if necessary, anonymous way for you to report situations or behaviors that could potentially contravene the principles of the Ethical Guidelines. It is available not only to Safran staff, but also to customers and suppliers. Safran is strengthening its internal alert system, in line with changes to legislation in various countries where we operate.</p> <p>A new dedicated email address Safran has provided its staff, temporary employees and external staff with a dedicated, multilingual email address: Safran@alertethic.com. This address should be used in good faith to raise any concerns relating to any</p>

contravention of the principles of the Group's Ethical Guidelines. This email address is managed by an independent, outside third party: the ADIT.

Safran ethics alert – general principles

Who can raise an alert?

All Safran members of staff as well as customers and suppliers to Group companies, irrespective of geographic location, have the right to report any incident or behavior that could undermine the interests of Safran or one or more of its employees, affect their reputation or constitute grounds for liability, in contravention of Safran's Ethical Guidelines and applicable laws and regulations.

Scope of the alert system

An alert may concern an employee or any situation or operation conducted within or outside the Group that could undermine its interests or its proper functioning.

An alert should be raised in the case of:

- Any fraud or attempted fraud.
- Any behavior or situation in contravention of the Safran code of conduct: "Prevention and Detection of Acts of Corruption¹".
- More broadly, any serious and manifest violation of applicable laws or regulations, including abuses of human rights and basic liberties or risks to human being health and safety or the environment, failure to perform due diligence checks of suppliers or any serious threat, or serious harm, to the public interest.

Alerts may not be raised in respect of:

- Facts, information or documents, irrespective of format or media used, that fall within the scope of laws or regulations governing the protection of national defense secrets, patient/medical confidentiality or legal client privilege.

Duty to act in good faith

The person initiating an alert must act in good faith, whichever channel they use.

Good faith means that an alert is raised with no malicious intent or expectation of personal gain and that the person has reasonable and factual evidence to uphold the veracity of their allegation.

Misuse of the alert system may expose the person to disciplinary measures and/or legal proceedings.

Protection of persons initiating alerts

No disciplinary or discriminatory measures may be taken against an employee who raises an alert, even if the facts are subsequently proven to be unfounded, provided they have acted in good faith.

Identity of persons initiating alerts

We recommend that employees raising an alert via the dedicated email address include their identity, which will be treated in the strictest confidentiality. In accordance with local legislation in some countries, however, alerts may be submitted anonymously.

Processing of alerts

Safran will ensure that all alerts are handled confidentially and that the employee initiating the alert and the person implicated in it are protected. Safran will also ensure that the laws and regulations governing the handling of alerts are duly observed.

Information for persons initiating alerts

The person who initiated the alert will be informed of the follow-up actions taken. How long this takes may vary, depending on what information is submitted with the alert and the progress on any subsequent investigations. A formal decision is given to the person who initiated the alert.

Information for the person implicated in an alert

Any Group employee implicated in an alert is presumed innocent until the allegations against them are substantiated. Once the nature of the alert has been initially established, the person implicated in the alert of the allegations will be informed confidentially.

(1) Violations are designated in the code of conduct under the generic term "corruption" and include influence peddling, misappropriation of public funds, illegal acquisition of interest and favoritism.

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.217] The Group's resources mainly include the Ethical Guidelines, anti-fraud policies, internal control procedures, processes and standards, and a fraud prevention, awareness, detection and assessment program. In particular, a system is in place to report cases of fraud or attempted fraud identified in Group companies. In response, appropriate remedial action is taken by the companies, the concerned operating departments and, as necessary, by the Group Audit and Internal Control Department and the Group Security Department. A fraud officer has been appointed and tasked with, among other things, defining internal investigative procedures and, when applicable, conducting the investigations. He reports to the Compliance, Ethics and Anti-Fraud Committee, which met three times in 2018.

[p.220] Internal alert system

In 2017, the Group initiated a project to expand its internal alert and whistle-blowing systems, which will be deployed in 2019.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
0
Comments
<p>There is no publicly available evidence that the company assures itself of the quality of its internal investigations. There is no information provided on the qualifications or the training of the company's Fraud Officer responsible for undertaking its investigations. Moreover, there is no publicly available information on the handling of complaints about the investigation process, such as those responsible for handling such complaints and whether that person is of an appropriately senior level or function within the company. There is also no evidence that the company reviews its investigations procedure at least every three years or in response to any changes in the regulatory environment.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.22] 1/ Reporting behavior or situations contravening the Code of Conduct If any employee has questions or doubts regarding appropriate conduct or behavior, he/she should immediately consult either his/her supervisor, the Trade Compliance Officer, members of the Corporate Trade Compliance Department, or representatives of the Human Resources Department. In accordance with its ethical commitments, Safran has also set up a confidential ethics hotline whereby employees may anonymously report any behavior or situation believed to be contrary to this Code of Conduct. This new hotline is in addition to other ethics reporting means available within the Group. Employees now have a dedicated email address (below) to which they can report good faith concerns regarding violations of this Code of Conduct. All concerns will be duly registered and investigated.</p> <p>safran@alertethic.com</p> <p>2/ Penalties for violating the Code of Conduct This Code of Conduct is an integral part of Safran's internal rules and procedures. Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures (see also herein Chapter 5, "Disciplinary penalties").</p> <p>[6] Ethics alert system (webpage) Accessed 02/07/2019 https://www.safran-group.com/media/ethics-secure-email-address-reporting-your-concerns-20190627 Ethics: a secure email address for reporting your concerns</p> <p>Safran has a set of values and ethical standards that are shared by all employees. The Group takes every step to ensure that its business is conducted in accordance with the highest standards of honesty, integrity and professional excellence. Issued in 2005, the Ethical Guidelines formally set out the Group's common principles and standards, so that every employee can refer to it in all circumstances.</p> <p>Purpose of the ethics alert system The purpose of the Safran ethics alert is to provide a secure, confidential and, if necessary, anonymous way for you to report situations or behaviors that could potentially contravene the principles of the Ethical Guidelines. It is available not only to Safran staff, but also to customers and suppliers. Safran is strengthening its internal alert system, in line with changes to legislation in various countries where we operate.</p> <p>A new dedicated email address Safran has provided its staff, temporary employees and external staff with a dedicated, multilingual email address: Safran@alertethic.com. This address should be used in good faith to raise any concerns relating to any contravention of the principles of the Group's Ethical Guidelines. This email address is managed by an independent, outside third party: the ADIT.</p> <p>Safran ethics alert – general principles</p> <p>Who can raise an alert?</p>

All Safran members of staff as well as customers and suppliers to Group companies, irrespective of geographic location, have the right to report any incident or behavior that could undermine the interests of Safran or one or more of its employees, affect their reputation or constitute grounds for liability, in contravention of Safran's Ethical Guidelines and applicable laws and regulations.

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- Any fraud or attempted fraud.
- Any behavior or situation in contravention of the Safran code of conduct: "Prevention and Detection of Acts of Corruption¹".
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Good faith means that an alert is raised with no malicious intent or expectation of personal gain and that the person has reasonable and factual evidence to uphold the veracity of their allegation.

Misuse of the alert system may expose the person to disciplinary measures and/or legal proceedings.

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No disciplinary or discriminatory measures may be taken against an employee who raises an alert, even if the facts are subsequently proven to be unfounded, provided they have acted in good faith.

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[p.220] Internal alert system

In 2017, the Group initiated a project to expand its internal alert and whistle-blowing systems, which will be deployed in 2019.

[3] Ethical Guidelines

Accessed 02/07/2019

<https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf>

[p.1] Safran, its companies and employees will tolerate absolutely no form of corruption, whether active or passive, direct or indirect, for the benefit of players in the public or private sector. Group companies comply with all international agreements concerning the fight against corruption, as well as the anti-corruption laws applied in countries where we do business.

[p.4] Anti-corruption certification

Safran was the first company in the French stock market index CAC 40 to receive anticorruption certification from the information technology agency ADIT.

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The certification is valid until December 2015, and recognizes the effectiveness of the processes deployed by Safran and our efforts over the last few years to upgrade our rules and procedures to establish them on a par with best-in-class international standards.

[p.5] The certification audit, carried out in compliance with current international standards (ISAE 3000, International Standards on Assurance Engagements), entailed an evaluation of Safran's corporate culture and commitment to implementing the anti-corruption program (based on a clear policy and broadly circulated ethical guidelines, the deployment of Compliance Officers, an effective risk management policy, control and measurement activities to apply the program and wide circulation of relevant information both within the company and externally).

This certification has been applied to all Safran Tier-1 companies: Sagem (now named Safran Electronics & Defense) was certified in early 2014, and Snecma (now named Safran Aircraft Engines) and Turbomeca (now named Safran Helicopter Engines) by the end of the same year; Messier-Bugatti-Dowty (now named Safran Landing Systems) in 2015; Safran Electrical & Power and Safran Aero Boosters in 2016; Safran Nacelles and Safran Transmission Systems in 2017.

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
0
Comments
<p>There is no publicly available evidence that the company's investigative procedure includes a commitment to report material findings to the Board. There is also no evidence that an appropriately senior individual is responsible for reporting criminal conduct to the relevant authorities.</p>
Evidence
<p>[2] Code of conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.22] 2/ Penalties for violating the Code of Conduct This Code of Conduct is an integral part of Safran's internal rules and procedures. Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures (see also herein Chapter 5, "Disciplinary penalties").</p> <p>[6] Ethics alert system (webpage) Accessed 02/07/2019 https://www.safran-group.com/media/ethics-secure-email-address-reporting-your-concerns-20190627 Purpose of the ethics alert system</p> <p>The purpose of the Safran ethics alert is to provide a secure, confidential and, if necessary, anonymous way for you to report situations or behaviors that could potentially contravene the principles of the Ethical Guidelines. It is available not only to Safran staff, but also to customers and suppliers. Safran is strengthening its internal alert system, in line with changes to legislation in various countries where we operate.</p> <p>[...]</p> <p>Processing of alerts Safran will ensure that all alerts are handled confidentially and that the employee initiating the alert and the person implicated in it are protected. Safran will also ensure that the laws and regulations governing the handling of alerts are duly observed.</p> <p>Information for the person implicated in an alert Any Group employee implicated in an alert is presumed innocent until the allegations against them are substantiated. Once the nature of the alert has been initially established, the person implicated in the alert of the allegations will be informed confidentially.</p> <p>(1) Violations are designated in the code of conduct under the generic term "corruption" and include influence peddling, misappropriation of public funds, illegal acquisition of interest and favoritism.</p> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddr_2018_uk_mel_3-040419_100dpi.pdf [p.217] The Group's resources mainly include the Ethical Guidelines, anti-fraud policies, internal control procedures, processes and standards, and a fraud prevention, awareness, detection and assessment program. In particular, a system is in place to report cases of fraud or attempted fraud identified in Group companies. In response, appropriate remedial action is taken by the companies, the concerned operating departments and, as necessary, by the Group Audit and Internal Control Department and the Group Security Department. A fraud officer has been appointed and tasked with, among other things, defining internal investigative procedures and, when applicable, conducting the investigations. He reports to the Compliance, Ethics and Anti-Fraud Committee, which met three times in 2018.</p> <p>[p.254] 6.1.4.1 Roles and responsibilities of the Board of Directors</p>

The Board of Directors is responsible for defining the Company's business objectives, including its strategic objectives, and overseeing their implementation. Subject to the powers directly vested in Shareholders' Meetings, the Board is responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

In accordance with the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules, the roles and responsibilities of the Board of Directors include, but are not limited to:

[...]

In addition, the Board of Directors performs any checks and controls that it deems appropriate.

[p.291] The Board is assisted in its work by three standing committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee;
- the Innovation and Technology Committee.

The role, organization and operating procedures of each of these standing committees are set out in the Board of Directors' Internal Rules.

[p.292] Audit Committee Roles and Responsibilities

The main roles of the Audit and Risk Committee – which acts under the responsibility of the Board of Directors – are to examine the financial statements and address issues related to the preparation and auditing of accounting and financial information. It monitors the financial reporting process and issues any recommendations required to guarantee the integrity of the information concerned.

[p.293] The Audit and Risk Committee is also tasked with verifying the effectiveness of Safran's internal control and risk management systems.

In this regard it is responsible for:

- assessing, with the people responsible for such activities, the Group's internal control systems;
- reviewing, with the people responsible for such activities at Group level and with the assistance of Internal Audit:
 - internal control objectives and contingency and action plans,
 - the findings of audits and actions carried out by the relevant managers within the Group, and
 - the recommendations made and follow-up of such audits and actions, by the relevant managers;
- reviewing Internal Audit methods and results;
- checking that the procedures used by Internal Audit lead to the preparation of financial statements that:
 - present a fair view of the Company, and
 - comply with accounting rules;
- reviewing the relevance of risk analysis and monitoring procedures, ensuring the implementation of a procedure for identifying, quantifying and preventing the main risks arising in the Group's businesses; and
- reviewing and managing the rules and procedures applicable to conflicts of interest.

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
0
Comments
The company does not publish any data on ethical or bribery and corruption investigations or disciplinary actions involving its employees.
Evidence
No evidence found.

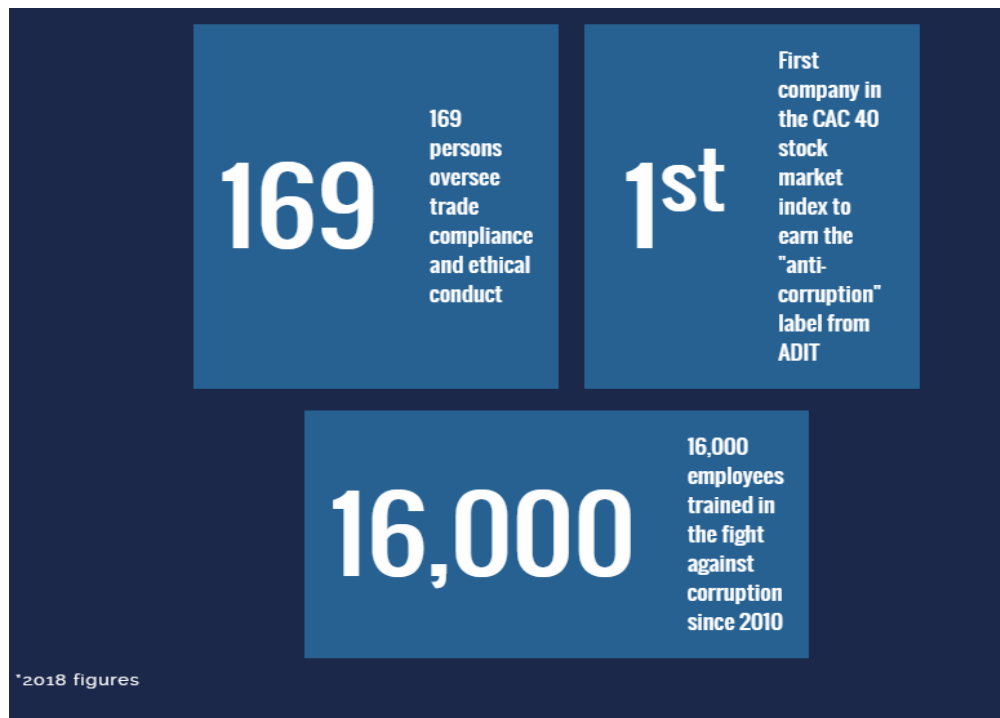
3. Support to Employees

Question
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?
Score
1
Comments
<p>There is evidence that the company provides a training module to all employees that outlines the basic principles of the anti-bribery and corruption policy. It is clear that training is provided to all group companies worldwide.</p> <p>However, the company receives a score of '1' because it is unclear how regularly this training is conducted or whether employees are required to refresh their training. There is also no publicly available information on the content of the training module, so it is unclear whether the training covers the whistleblowing options available to employees.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.5] Specifically, the program applies French law No. 2016-1691 of December 9, 2016 addressing the fight against corruption, transparency, and economic modernization, mandating the following:</p> <p>[...]</p> <p>A communications and training structure directed toward employees and management who may be exposed to incidents of corruption.</p> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf [p.219] An information and training program</p> <p>Members of the Executive Committee, company senior executives and Group employees who are either directly and indirectly concerned with preventing the risk of corruption are regularly provided with appropriate information, in the form of such documents as a bimonthly anti-corruption review, a weekly business ethics newsletter, country legislation reviews and analysis and dedicated intranet web pages. In all, 85 information memos were issued in 2018.</p> <p>[p.220] An on-site trade compliance training course was developed for Group companies worldwide. The issue of preventing and detecting corruption was cross-functionally incorporated into a wide range of Safran University training programs, particularly the courses for employees working in sales, marketing, purchasing and programs. As part of the Massive Online Open Courses (MOOCs) and other online learning systems, the interactive module on preventing the risk of corruption or the infringement of export control legislation that was deployed in late 2014 was updated in 2018. More than 16,000 people concerned by these issues have attended dedicated training courses since 2010, including more than 4,600 in 2018. Subsidiary executive committees are also briefed at least once a year. These courses are designed to give every employee concerned adequate knowledge of regulations applicable to his or her activities and a full understanding of Group procedures and how to apply them in performing his or her duties. The program is led by the Group's trade compliance team, as well as by the companies' Trade Compliance Officers, who have been accredited as trainers.</p> <p>A communication campaign on integrity in business transactions rolled out in late 2015 with the slogan "Adopt the Compliance Attitude" continued apace in 2018, helping to raise employee awareness of how to respond appropriately in different situations at risk.</p>

[21] Exemplary enterprise

Accessed 02/07/2019

<https://www.safran-group.com/commitments/exemplary-enterprise>



Question
<p>3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:</p> <ul style="list-style-type: none"> a) Employees in high risk positions, b) Middle management, c) Board members.
Score
1
Comments
<p>There is some evidence that that employees in certain positions receive different or tailored anti-bribery and corruption training.</p> <p>However, the company receives a score of ‘1’ because it does not make specific reference to all three categories of employee as referred to in the question. It is also unclear how frequently training is conducted.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.5] Specifically, the program applies French law No. 2016-1691 of December 9, 2016 addressing the fight against corruption, transparency, and economic modernization, mandating the following:</p> <p>[...]</p> <p>A communications and training structure directed toward employees and management who may be exposed to incidents of corruption.</p> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf [p.219] An information and training program</p> <p>Members of the Executive Committee, company senior executives and Group employees who are either directly and indirectly concerned with preventing the risk of corruption are regularly provided with appropriate information, in the form of such documents as a bimonthly anti-corruption review, a weekly business ethics newsletter, country legislation reviews and analysis and dedicated intranet web pages. In all, 85 information memos were issued in 2018.</p> <p>[p.220] An on-site trade compliance training course was developed for Group companies worldwide. The issue of preventing and detecting corruption was cross-functionally incorporated into a wide range of Safran University training programs, particularly the courses for employees working in sales, marketing, purchasing and programs. As part of the Massive Online Open Courses (MOOCs) and other online learning systems, the interactive module on preventing the risk of corruption or the infringement of export control legislation that was deployed in late 2014 was updated in 2018. More than 16,000 people concerned by these issues have attended dedicated training courses since 2010, including more than 4,600 in 2018. Subsidiary executive committees are also briefed at least once a year. These courses are designed to give every employee concerned adequate knowledge of regulations applicable to his or her activities and a full understanding of Group procedures and how to apply them in performing his or her duties. The program is led by the Group’s trade compliance team, as well as by the companies’ Trade Compliance Officers, who have been accredited as trainers.</p> <p>A communication campaign on integrity in business transactions rolled out in late 2015 with the slogan “Adopt the Compliance Attitude” continued apace in 2018, helping to raise employee awareness of how to respond appropriately in different situations at risk.</p>

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
1
Comments
<p>There is some evidence that the company reviews its anti-bribery and corruption communications and personnel training programme.</p> <p>However, the company receives a score of '1' because the review measures described in its publicly available evidence are limited to data collection and completion rates. Information memos are issued on an annual basis, but it is not fully clear whether the results of these measures are used to update specific parts of the company's anti-bribery and corruption programme. It is also unclear whether the company's anti-corruption certification by an external company, the Agency in charge of Providing Technological Information ("ADIT"), includes a review of training.</p>
Evidence
<p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf [p.219] An information and training program</p> <p>Members of the Executive Committee, company senior executives and Group employees who are either directly and indirectly concerned with preventing the risk of corruption are regularly provided with appropriate information, in the form of such documents as a bimonthly anti-corruption review, a weekly business ethics newsletter, country legislation reviews and analysis and dedicated intranet web pages. In all, 85 information memos were issued in 2018.</p> <p>[p.220] An on-site trade compliance training course was developed for Group companies worldwide. The issue of preventing and detecting corruption was cross-functionally incorporated into a wide range of Safran University training programs, particularly the courses for employees working in sales, marketing, purchasing and programs. As part of the Massive Online Open Courses (MOOCs) and other online learning systems, the interactive module on preventing the risk of corruption or the infringement of export control legislation that was deployed in late 2014 was updated in 2018. More than 16,000 people concerned by these issues have attended dedicated training courses since 2010, including more than 4,600 in 2018. Subsidiary executive committees are also briefed at least once a year. These courses are designed to give every employee concerned adequate knowledge of regulations applicable to his or her activities and a full understanding of Group procedures and how to apply them in performing his or her duties. The program is led by the Group's trade compliance team, as well as by the companies' Trade Compliance Officers, who have been accredited as trainers.</p> <p>A communication campaign on integrity in business transactions rolled out in late 2015 with the slogan "Adopt the Compliance Attitude" continued apace in 2018, helping to raise employee awareness of how to respond appropriately in different situations at risk.</p> <p>[3] Ethical Guidelines Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf [p.1] Safran, its companies and employees will tolerate absolutely no form of corruption, whether active or passive, direct or indirect, for the benefit of players in the public or private sector. Group companies comply with all international agreements concerning the fight against corruption, as well as the anti-corruption laws applied in countries where we do business.</p> <p>[p.4] Anti-corruption certification</p> <p>Safran was the first company in the French stock market index CAC 40 to receive anticorruption certification from the information technology agency ADIT.</p>

Following an audit carried out from September 1 to December 15, 2012, on December 23, 2012 Safran was awarded anti-corruption certification by ADIT (Agency in charge of providing technological information). This certification was conducted on the basis of standards approved by the SCPC (Central service in charge of preventing corruption), an inter-ministerial corruption prevention department reporting to the Minister of Justice.

The certification is valid until December 2015, and recognizes the effectiveness of the processes deployed by Safran and our efforts over the last few years to upgrade our rules and procedures to establish them on a par with best-in-class international standards.

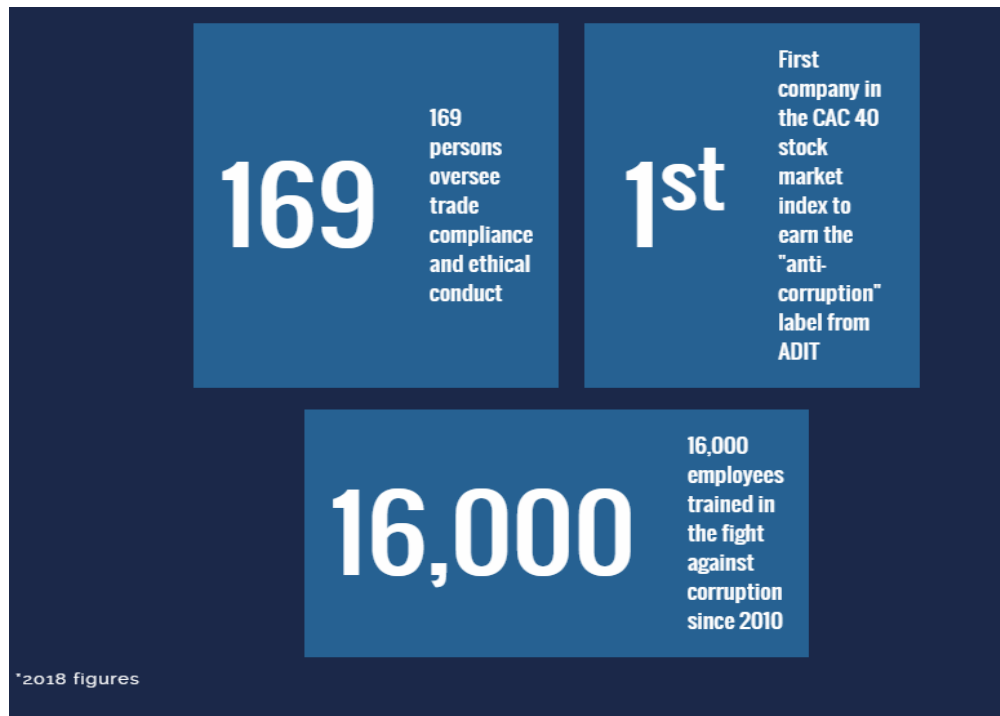
[p.5] The certification audit, carried out in compliance with current international standards (ISAE 3000, International Standards on Assurance Engagements), entailed an evaluation of Safran's corporate culture and commitment to implementing the anti-corruption program (based on a clear policy and broadly circulated ethical guidelines, the deployment of Compliance Officers, an effective risk management policy, control and measurement activities to apply the program and wide circulation of relevant information both within the company and externally).

This certification has been applied to all Safran Tier-1 companies: Sagem (now named Safran Electronics & Defense) was certified in early 2014, and Snecma (now named Safran Aircraft Engines) and Turbomeca (now named Safran Helicopter Engines) by the end of the same year; Messier-Bugatti-Dowty (now named Safran Landing Systems) in 2015; Safran Electrical & Power and Safran Aero Boosters in 2016; Safran Nacelles and Safran Transmission Systems in 2017.

[21] Exemplary enterprise

Accessed 02/07/2019

<https://www.safran-group.com/commitments/exemplary-enterprise>



Question																
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?																
Score																
0																
Comments																
<p>There is no evidence that the company's incentive schemes incorporate ethical or anti-bribery and corruption principles. Publicly available descriptions of the structure of company's Corporate Officer and Chief Executive Officer compensation packages do not refer to anti-bribery and corruption. The company briefly mentions that employee compensation accounts for individual commitment to issues such as workplace health and safety and compliance with international labour conventions, but there is no evidence to suggest that this includes anti-bribery and corruption principles.</p>																
Evidence																
<p>[11] 2018 Integrated Report Accessed 02/07/2019 https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf [p.15] Employees and Employee Representatives Main Expectations</p> <p>Compensation consistent with individual commitment and Group results, motivating career paths, skills development, commitment to workplace health and safety and compliance with international labor conventions.</p> <p>[p.51] A COMPENSATION POLICY SUPPORTING SHORT- AND LONG-TERM VALUE CREATION</p> <p>In the interests of the Group and its stakeholders, the compensation policy must be competitive in order to attract, motivate and retain the best profiles and talent (which may come from within or outside the Group) for key positions.</p> <p>Chairman of the Board of Directors' compensation policy and structure In line with his position as a non-executive Director and the specific duties conferred on him, the Chairman receives a fixed compensation. He does not receive any variable compensation or compensation under a long-term incentive plan. He does not receive attendance fees. The Chairman is covered by the supplementary pension schemes and personal risk insurance plan implemented by the Group. An equivalent variable compensation policy is adapted for certain Group executives and senior managers.</p> <p>Chief Executive Officer's compensation policy and structure The Chief Executive Officer's compensation package comprises fixed compensation, annual variable compensation and performance shares awarded under a long-term incentive plan. He is covered by the supplementary pension schemes and personal risk insurance plan implemented by the Group. The underlying aim is to closely align the CEO's interests with those of the Group and its shareholders, by achieving a balance between short-term and long-term performance, as assessed by the Board. Compensation subject to performance conditions accounts for the largest percentage of the overall compensation package.</p> <p>Chief Executive Officer's recurring compensation structure</p> <table border="1"> <caption>Chief Executive Officer's recurring compensation structure</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Subject to performance conditions</td> <td>≈ 69%</td> </tr> <tr> <td>In cash</td> <td>≈ 63%</td> </tr> <tr> <td>Not subject to performance conditions</td> <td>≈ 31%</td> </tr> <tr> <td>In performance shares (potential)</td> <td>≈ 38%</td> </tr> <tr> <td>Target long-term incentive*</td> <td>≈ 38%</td> </tr> <tr> <td>Target annual variable compensation</td> <td>≈ 31%</td> </tr> <tr> <td>Fixed annual compensation</td> <td>≈ 31%</td> </tr> </tbody> </table> <p><small>* Value at grant date in accordance with IFRS.</small></p>	Category	Percentage	Subject to performance conditions	≈ 69%	In cash	≈ 63%	Not subject to performance conditions	≈ 31%	In performance shares (potential)	≈ 38%	Target long-term incentive*	≈ 38%	Target annual variable compensation	≈ 31%	Fixed annual compensation	≈ 31%
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[20] Corporate Officer Compensation 2018-2019

Accessed 02/07/2019

https://www.safran-group.com/file/download/corporate_officer_compensation_2018-2019.pdf

[p.2] Annual variable compensation set for the Chief Executive Officer for 2019

The Chief Executive Officer's variable compensation for 2019 will be set based on the terms and conditions of the compensation policy applicable at the time, as approved by shareholders at the Annual General Meeting. It will be determined as follows:

- Two-thirds will be contingent on quantitative financial performance objectives based on:
 - recurring operating income (60% weighting);
 - free cash flow (30% weighting); and
 - working capital (10% weighting), comprising operating assets (Inventories) and unpaid receivables.
- One-third will be contingent on quantitative and qualitative individual objectives.

These objectives as set by the Board for 2019 are related to:

- the integration of Zodiac Aerospace within the Group: industrial and managerial optimization (quantitative and qualitative);
- business development: position the Group with regard to particular aircraft programs (qualitative);
- R&T strategy: long-term R&T roadmap (qualitative);
- digitalization: Group digital roadmap (qualitative);
- CSR-human capital: continuous corporate social responsibility and human capital measures and priority action plans:
 - Environment – Carbon footprint management system: pinpoint action plans to roll out as from 2020 (qualitative);
 - Safety: further reduction in the frequency rate of occupational accidents (quantitative);
 - Safety: ergonomics in industrial projects: Factory of the Future training roadmap (quantitative);
 - Human capital: gender balance plan with regard to executive positions (qualitative).

No further details can be provided on the Chief Executive Officer's individual objectives for reasons of strategic and competitive sensitivity.

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
0
Comments
<p>There is no evidence that the company commits to support and protect employees who refuse to act unethically. The company makes a clear commitment to business integrity, even if it means a loss of business. However, this is not accompanied or reinforced by a statement that the company will support and protect those who refuse to act unethically. There is also no evidence that the company assures itself of its employee’s confidence in this statement through anonymised surveys or other clearly stated means.</p>
Evidence
<p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ ddr_ 2018_ uk_ mel_ 3-040419_ 100dpi.pdf [p.218] Setting the example at the highest level: “Tone at the Top”</p> <p>The Board of Directors, the Chairman, the Chief Executive Officer and all Safran subsidiary chief executives have emphasized the need to lead by example. Maintaining business integrity and refusing all forms of corruption are non-negotiable, even if it means losing contracts and revenue. This is the only way for the Group to secure its sound, sustainable growth and retain the trust of its stakeholders. This commitment is reflected in a representation letter signed every year by all of the chief executives of the Group’s tier-one companies. The executives sign for their own companies and ensure that this letter is also signed by their subsidiaries.</p>

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
1
Comments
<p>There is evidence that the company has a policy of non-retaliation and non-discrimination against employees who make reports. The policy applies to all employees across the organisation, including those employed by the Group as third parties, suppliers and joint venture partners.</p> <p>However, the company receives a score of ‘1’ because there is no evidence that the company assures itself of its employees’ confidence in this commitment through surveys, usage data, or other clearly stated means.</p>
Evidence
<p>[6] Ethics alert system (webpage) Accessed 02/07/2019 https://www.safran-group.com/media/ethics-secure-email-address-reporting-your-concerns-20190627 No disciplinary or discriminatory measures may be taken against an employee who raises an alert, even if the facts are subsequently proven to be unfounded, provided they have acted in good faith.</p> <p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.4] 2/ Scope of application Safran’s Code of Conduct applies to all Group companies and subsidiaries, regardless of location.</p> <p>The Code of Conduct is suggested for adoption by companies in which Safran holds a minority stake, and to partners in our 50/50 joint ventures.</p> <p>It is up to each employee to read this Code of Conduct available on the Safran intranet or in hard copy (upon request) at Human Resources.</p> <p>The Code of Conduct is also available to Safran suppliers, trade partners and customers via the Safran website.</p> <p>[p.22] 1/ Reporting behavior or situations contravening the Code of Conduct</p> <p>If any employee has questions or doubts regarding appropriate conduct or behavior, he/she should immediately consult either his/her supervisor, the Trade Compliance Officer, members of the Corporate Trade Compliance Department, or representatives of the Human Resources Department.</p> <p>In accordance with its ethical commitments, Safran has also set up a confidential ethics hotline whereby employees may anonymously report any behavior or situation believed to be contrary to this Code of Conduct. This new hotline is in addition to other ethics reporting means available within the Group.</p> <p>Employees now have a dedicated email address (below) to which they can report good faith concerns regarding violations of this Code of Conduct. All concerns will be duly registered and investigated.</p> <p>safran@alertethic.com</p> <p>2/ Penalties for violating the Code of Conduct</p> <p>This Code of Conduct is an integral part of Safran’s internal rules and procedures. Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures (see also herein Chapter 5, “Disciplinary penalties”).</p> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf</p>

[p.220] Internal alert system

In 2017, the Group initiated a project to expand its internal alert and whistle-blowing systems, which will be deployed in 2019.

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
2
Comments
<p>There is evidence that the company has whistleblowing and advice channels that allow for anonymous and confidential reporting. Employees may raise concerns or ask questions about bribery and corruption-related issues through direct means – by consulting a supervisor or a compliance or human resources professional – or indirectly through a dedicated email address. This whistleblowing line is operated by an external party and accessible to all employees in all jurisdictions where the company operates, including those employed by the Group as third parties, suppliers and joint venture partners. There is also evidence that the company’s whistleblowing and advice line is available in all relevant languages.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.4] 2/ Scope of application Safran’s Code of Conduct applies to all Group companies and subsidiaries, regardless of location.</p> <p>The Code of Conduct is suggested for adoption by companies in which Safran holds a minority stake, and to partners in our 50/50 joint ventures.</p> <p>It is up to each employee to read this Code of Conduct available on the Safran intranet or in hard copy (upon request) at Human Resources.</p> <p>The Code of Conduct is also available to Safran suppliers, trade partners and customers via the Safran website.</p> <p>[p.22] 1/ Reporting behavior or situations contravening the Code of Conduct If any employee has questions or doubts regarding appropriate conduct or behavior, he/she should immediately consult either his/her supervisor, the Trade Compliance Officer, members of the Corporate Trade Compliance Department, or representatives of the Human Resources Department. In accordance with its ethical commitments, Safran has also set up a confidential ethics hotline whereby employees may anonymously report any behavior or situation believed to be contrary to this Code of Conduct. This new hotline is in addition to other ethics reporting means available within the Group. Employees now have a dedicated email address (below) to which they can report good faith concerns regarding violations of this Code of Conduct. All concerns will be duly registered and investigated.</p> <p>safran@alertethic.com</p> <p>2/ Penalties for violating the Code of Conduct This Code of Conduct is an integral part of Safran’s internal rules and procedures. Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures (see also herein Chapter 5, “Disciplinary penalties”).</p> <p>[6] Ethics alert system (webpage) Accessed 02/07/2019 https://www.safran-group.com/media/ethics-secure-email-address-reporting-your-concerns-20190627 Ethics: a secure email address for reporting your concerns</p> <p>Safran has a set of values and ethical standards that are shared by all employees. The Group takes every step to ensure that its business is conducted in accordance with the highest standards of honesty, integrity and professional excellence. Issued in 2005, the Ethical Guidelines formally set out the Group’s common principles and standards, so that every employee can refer to it in all circumstances.</p> <p>Purpose of the ethics alert system</p>

The purpose of the Safran ethics alert is to provide a secure, confidential and, if necessary, anonymous way for you to report situations or behaviors that could potentially contravene the principles of the Ethical Guidelines. It is available not only to Safran staff, but also to customers and suppliers. Safran is strengthening its internal alert system, in line with changes to legislation in various countries where we operate.

A new dedicated email address

Safran has provided its staff, temporary employees and external staff with a dedicated, multilingual email address: Safran@alertethic.com. This address should be used in good faith to raise any concerns relating to any contravention of the principles of the Group's Ethical Guidelines. This email address is managed by an independent, outside third party: the ADIT.

Safran ethics alert – general principles

Who can raise an alert?

All Safran members of staff as well as customers and suppliers to Group companies, irrespective of geographic location, have the right to report any incident or behavior that could undermine the interests of Safran or one or more of its employees, affect their reputation or constitute grounds for liability, in contravention of Safran's Ethical Guidelines and applicable laws and regulations.

Scope of the alert system

An alert may concern an employee or any situation or operation conducted within or outside the Group that could undermine its interests or its proper functioning.

An alert should be raised in the case of:

- Any fraud or attempted fraud.
- Any behavior or situation in contravention of the Safran code of conduct: "Prevention and Detection of Acts of Corruption¹".
- More broadly, any serious and manifest violation of applicable laws or regulations, including abuses of human rights and basic liberties or risks to human being health and safety or the environment, failure to perform due diligence checks of suppliers or any serious threat, or serious harm, to the public interest.

Alerts may not be raised in respect of:

- Facts, information or documents, irrespective of format or media used, that fall within the scope of laws or regulations governing the protection of national defense secrets, patient/medical confidentiality or legal client privilege.

Identity of persons initiating alerts

We recommend that employees raising an alert via the dedicated email address include their identity, which will be treated in the strictest confidentiality. In accordance with local legislation in some countries, however, alerts may be submitted anonymously.

Processing of alerts

Safran will ensure that all alerts are handled confidentially and that the employee initiating the alert and the person implicated in it are protected. Safran will also ensure that the laws and regulations governing the handling of alerts are duly observed.

Information for persons initiating alerts

The person who initiated the alert will be informed of the follow-up actions taken. How long this takes may vary, depending on what information is submitted with the alert and the progress on any subsequent investigations. A formal decision is given to the person who initiated the alert.

[14] 2018 Registration Document

Accessed 02/07/2019




https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.220] Internal alert system

In 2017, the Group initiated a project to expand its internal alert and whistle-blowing systems, which will be deployed in 2019.

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
2
Comments
<p>There is evidence that the company formally addresses conflict of interest as a corruption risk, and that it has a clear policy defining possible conflicts, including those actual, potential and perceived. This policy explicitly covers all of the categories of possible conflicts listed in the question guidance, specifically employee relationships, government relationships, financial interest and other employees. This policy applies to all employees. The management of conflicts of interest for board members is covered separately in the rules covering the board of directors.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.4] 1/ Purpose Safran has developed a zero tolerance anti-corruption program and policy regarding public or private sector corruption, whether active or passive, direct or indirect.</p> <p>The purpose of this Code of Conduct is to define and illustrate prohibited behavior to avoid the substance or appearance of corruption or influence peddling.</p> <p>[...]</p> <p>2/ Scope of application Safran's Code of Conduct applies to all Group companies and subsidiaries, regardless of location.</p> <p>The Code of Conduct is suggested for adoption by companies in which Safran holds a minority stake, and to partners in our 50/50 joint ventures.</p> <p>It is up to each employee to read this Code of Conduct available on the Safran intranet or in hard copy (upon request) at Human Resources.</p> <p>The Code of Conduct is also available to Safran suppliers, trade partners and customers via the Safran website.</p> <p>[p.11] A conflict of interest is when "an individual or legal entity – administration, enterprise, media or association – must choose between respecting its professional duties and its private interests."</p> <p>At the individual level, a conflict of interest occurs when the personal interest of an employee directly or indirectly conflicts with the Group's interests, noting personal interests may be of an economic, financial, political or professional nature.</p> <p>For example, a conflict of interest may occur if a Safran employee has a friend or family member with private interests related to the Group's business, or in the case of activities outside the Group, with a customer or supplier.</p> <p>It is important that each employee decision and associated action are based on Safran's need, and not on personal needs or interests. If an employee finds him or herself in a situation presenting a conflict of interest, he/she should immediately inform the respective supervisor.</p>

 WHAT IS PROHIBITED	 WHAT REQUIRES NOTIFICATION TO OR RECEIVING THE PRIOR AUTHORIZATION OF A SUPERVISOR	 WHAT IS AUTHORIZED ¹
<ul style="list-style-type: none"> ➤ An current employee having a direct personal interest in or with one of the Group's suppliers ➤ An employee holding a position with or an obligation to one of the Group's competitors (e.g., member of the competitor's board of directors) ➤ Personal or malicious use of Safran resources and influence, even without intent to harm; the mere appearance of a conflict of interest can have a negative impact. ➤ Recruiting a former public agent prior to expiration of a mandatory regulatory or Safran Code of Conduct waiting period. Example: validation by the French public ethics committee of any individual employment transition from a public employer to a private company. French conflict of interest laws provide for a three-year waiting period between the end of a person's public employment and transition to a private enterprise position whose function the person had previously exercised public oversight of. 	<ul style="list-style-type: none"> ➤ Holding a second job with a customer, supplier or competitor ➤ Holding a financial stake exceeding 5% in a company that has a business relationship with the Group (customers, suppliers, competitors) ➤ Intended participation in a decision to hire or promote a friend or family member ➤ Intended employment as an executive in an association outside Safran. This does not include religious or educational institutions and universities. 	<ul style="list-style-type: none"> ➤ Any lawful, ethical action that promotes Safran's interests consistent with this Code of Conduct.

[p.12] RECAP

It is not always possible to avoid a conflict of interest, so keep the following principles in mind:

- To identify personal conflicts of interest, routinely ask yourself if your decisions may be influenced by personal motives.
- Notification means openly reporting to Safran management any existing or potential family member interest in or with a Safran supplier, subcontractor, partner or competitor.
- Declaring any situation involving a conflict of interest means informing management as soon as possible about any real, potential or perceived situation posing such a conflict.
- Adopting strict principles of behavior means daily pursuit of the Group's exclusive interests in the course of your job duties (without regard to personal interests).

If in doubt, always seek advice from your immediate supervisor or your Trade Compliance Officer.

[p.22] Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures.

[3] Ethical Guidelines

Accessed 02/07/2019

<https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf>

[p.3] Integrity

Paid work of any kind that employees may perform outside the scope of their employment with Safran must not cause conflicts of interest with their duties within the Group. From the same standpoint, considerable caution is required when purchasing shares, directly or via an intermediary, in companies doing business with Safran. These restrictions do not apply to listed companies, except if confidential information is used, which may be construed as insider trading.

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.285] Managing conflicts of interest of members of the Board of Directors and Executive Management

Safran 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 major shareholders, customers, suppliers or other parties pursuant to which any members of the Board of Directors or Executive Management were selected.

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 Safran, or any of the companies in which Safran holds an interest, or any of the companies with which Safran is planning to enter into an agreement of any sort;

- [...]
- any member of the Board of Directors involved in an actual or potential conflict of interests related to an agreement that the Company is planning to enter into must abstain from voting on decisions relating to said agreement and from taking part in any discussions preceding the vote;

[17] Reglement Interieur du Conseil d'Administration

Accessed 02/07/2019

https://www.safran-group.com/file/download/safran_-_reglement_interieur_au_22_mars_2018.pdf

[p.11] ARTICLE 7 – OBLIGATION DE LOYAUTE ET GESTION DES CONFLITS D'INTERETS

[...]

- 7.2. Tout membre du conseil d'administration a l'obligation de faire part au conseil d'administration de toute situation de conflit d'intérêts, même potentiel, entre lui (ou toute personne physique ou morale avec laquelle il est en relation d'affaires) et la Société ou l'une des sociétés dans lesquelles la Société détient une participation ou l'une des sociétés avec lesquelles la Société envisage de conclure un accord de quelque nature que ce soit.

Translation:

[p.11] ARTICLE 7 – REQUIREMENT FOR LOYALTY AND MANAGEMENT OF CONFLICTS OF INTEREST

[...]

- 7.2. Any member of the board of directors has an obligation to inform the board of any potential conflict of interest situation between him (or any natural or legal person with whom he has a business relationship) and the company or any of the companies in which the company has an interest or any of the companies with which the Company intends to enter into any agreement of any kind.

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
1
Comments
<p>There is some evidence that the company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts both for employees and members of the Board.</p> <p>However, the company receives a score of '1' because there is no evidence that a specific body or individual has oversight and accountability for handling conflict of interest cases involving employees. There is also no evidence that the employee and board member declarations are held in a dedicated register that is accessible to those responsible for oversight of the process. The company also does not provide examples of criteria for recusals.</p>
Evidence
<p>[2] Code of conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf</p> <p>[p.12] It is not always possible to avoid a conflict of interest, so keep the following principles in mind:</p> <ul style="list-style-type: none"> ➤ To identify personal conflicts of interest, routinely ask yourself if your decisions may be influenced by personal motives. ➤ Notification means openly reporting to Safran management any existing or potential family member interest in or with a Safran supplier, subcontractor, partner or competitor. ➤ Declaring any situation involving a conflict of interest means informing management as soon as possible about any real, potential or perceived situation posing such a conflict. <p>[p.22] Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures.</p> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf</p> <p>[p.285] Managing conflicts of interest of members of the Board of Directors and Executive Management</p> <p>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):</p> <ul style="list-style-type: none"> ➤ 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 Safran, or any of the companies in which Safran holds an interest, or any of the companies with which Safran is planning to enter into 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 (or if the Chairman is unavailable, the Vice-Chairman, or failing that, the Lead Independent Director), whose responsibility it is to decide whether or not a conflict of interests exists and if so, to inform the Board of Directors and thus instigate the conflicts of interest management process; ➤ in the event that the member of the Board of Directors concerned is the Chairman of the Board of Directors him/herself, then he/ she must inform the Vice-Chairman of the Board of Directors or, failing that, the Lead Independent Director; ➤ any member of the Board of Directors involved in an actual or potential conflict of interests related to an agreement that the Company is planning to enter into must abstain from voting on decisions relating to said agreement 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 Chief Executive Officer and, where appropriate, the Deputy Chief Executive Officer(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, any 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.

[17] Reglement Interieur du Conseil d'Administration

Accessed 02/07/2019

[https://www.safran-group.com/file/download/safran - reglement interieur au 22 mars 2018.pdf](https://www.safran-group.com/file/download/safran_-_reglement_interieur_au_22_mars_2018.pdf)
ARTICLE 7 – OBLIGATION DE LOYAUTE ET GESTION DES CONFLITS D'INTERETS

[...]

- 7.2. Tout membre du conseil d'administration a l'obligation de faire part au conseil d'administration de toute situation de conflit d'intérêts, même potentiel, entre lui (ou toute personne physique ou morale avec laquelle il est en relation d'affaires) et la Société ou l'une des sociétés dans lesquelles la Société détient une participation ou l'une des sociétés avec lesquelles la Société envisage de conclure un accord de quelque nature que ce soit.
- 7.3. Dans l'hypothèse où un membre du conseil d'administration aurait un doute quant à l'existence d'un conflit d'intérêts, même potentiel, il devrait en informer immédiatement le président du conseil d'administration (ou en cas d'empêchement de celui-ci, le vice-président ou, à défaut, l'administrateur référent) qui devrait décider, sous sa responsabilité, s'il y a lieu ou non d'en informer le conseil d'administration et dès lors de respecter la procédure décrite dans le présent article.

Dans l'hypothèse où le membre du conseil d'administration visé dans l'alinéa précédent serait le président du conseil d'administration lui-même, celui-ci devrait en informer le vice-président du conseil d'administration ou, à défaut, l'administrateur référent.

- 7.4. Le membre concerné du conseil d'administration doit, lorsqu'il ne s'agit pas d'une convention courante conclue à des conditions normales, s'abstenir de participer au vote des délibérations du conseil d'administration relatives à la conclusion de l'accord en question ainsi qu'à la discussion précédant ce vote.

Translation:**[p.11] ARTICLE 7 – REQUIREMENT FOR LOYALTY AND MANAGEMENT OF CONFLICTS OF INTEREST**

[...]

- 7.2. Any member of the board of directors has an obligation to inform the board of any potential conflict of interest situation between him (or any natural or legal person with whom he has a business relationship) and the company or any of the companies in which the company has an interest or any of the companies with which the Company intends to enter into any agreement of any kind.
- 7.3. In the event that a member of the board of directors is in doubt as to the existence of a potential conflict of interest, he should immediately inform the chairman of the board of directors (or in the event this is not possible the vice-chairman or, failing that, the advisory director) who should decide, under his responsibility, whether or not it is necessary to inform the board of directors and therefore to respect the procedure described in this article.
- In the event that the member of the board of directors referred to in the preceding paragraph is the chairman of the board of directors himself, he should inform the vice-chairman of the board of directors or, failing that, the advisory director.
- 7.4. The relevant member of the board of directors shall, in the absence of a current agreement entered into on standard terms, abstain from participating in the voting of the deliberations of the board of directors concerning the conclusion of the agreement and the discussion preceding that vote.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
1
Comments
<p>There is evidence that the company has a policy that addresses the risks associated with the employment of public officials. This policy stipulates that any former public agents recruited by the company will be subject to a cooling-off period.</p> <p>However, the company receives a score of ‘1’ because its policy is insufficiently detailed. The company states that a cooling-off period of three years will apply in France, as dictated by French conflict of interest laws, but the company’s approach to cooling-off periods in other jurisdictions is not clear. There is also no evidence of additional controls regulating the employment of current or former public officials, for example whether senior compliance officer (or equivalent) approval is required for the initiation of employment discussions or whether it imposes restrictions on their activities once employed.</p>
Evidence
<p>[2] Code of conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.7] WHAT IS A PUBLIC AGENT?</p> <p>The term “agent” designates all employees of a government administration, whether in France or abroad. There are several categories of agents, distinguished according to their status (tenured, non-tenured under public or private law) and their employer (federal or local government, public establishments).</p> <ul style="list-style-type: none"> ➤ Persons holding public authority Persons holding public authority include representatives of federal and local governments, civil servants, representatives of public authorities, public and ministerial officers, as well as all persons holding a position of authority, such as armed forces personnel. ➤ Persons tasked with a public service mission These are persons carrying out a mission in the general interest, or holding prerogatives derogating from the generally applicable rules of law. For example, this concerns judicial administrators and liquidation representatives, receivers, interpreters, bailiff clerks, persons operating on behalf of public entities, public bodies, public services, or public advisory boards and commissions with decision making authority. ➤ Persons holding elective office This category includes all elected persons acting in the name of and on behalf of voters, including national, state and local legislators (e.g. members of parliaments, congress, councils) and executives (e.g. president, governor, mayor, etc.). ➤ Legal personnel This includes judges, court clerks, mediators and arbitrators. <p>The definition of “public agent” may vary by country, as shown in the following examples:</p> <ul style="list-style-type: none"> ➤ United States: The Department of Justice (DOJ) uses a broad definition of foreign public agent. DOJ considers employees, executives or representatives of a company owned or controlled by a foreign country to be public agents. ➤ Saudi Arabia: Contract employees working for the government, executives and employees of public companies, persons carrying out public service missions, and bank employees. ➤ United Arab Emirates: Employees of companies with public share capital. ➤ China: Any person having a close relationship with a current or former civil servant. ➤ South Korea: Spouses of public agents, as well as certain types of persons whose profession is considered “public”, such as private school teachers or journalists.

[p.11] A conflict of interest is when “an individual or legal entity – administration, enterprise, media or association – must choose between respecting its professional duties and its private interests.”

At the individual level, a conflict of interest occurs when the personal interest of an employee directly or indirectly conflicts with the Group’s interests, noting personal interests may be of an economic, financial, political or professional nature.

For example, a conflict of interest may occur if a Safran employee has a friend or family member with private interests related to the Group’s business, or in the case of activities outside the Group, with a customer or supplier.

It is important that each employee decision and associated action are based on Safran’s need, and not on personal needs or interests. If an employee finds him or herself in a situation presenting a conflict of interest, he/she should immediately inform the respective supervisor.

WHAT IS PROHIBITED

- Recruiting a former public agent prior to expiration of a mandatory regulatory or Safran Code of Conduct waiting period. Example: validation by the French public ethics committee of any individual employment transition from a public employer to a private company. French conflict of interest laws provide for a three-year waiting period between the end of a person’s public employment and transition to a private enterprise position whose function the person had previously exercised public oversight of.

[p.12] It is not always possible to avoid a conflict of interest, so keep the following principles in mind:

- To identify personal conflicts of interest, routinely ask yourself if your decisions may be influenced by personal motives.
- Notification means openly reporting to Safran management any existing or potential family member interest in or with a Safran supplier, subcontractor, partner or competitor.
- Declaring any situation involving a conflict of interest means informing management as soon as possible about any real, potential or perceived situation posing such a conflict.
- Adopting strict principles of behavior means daily pursuit of the Group’s exclusive interests in the course of your job duties (without regard to personal interests).

If in doubt, always seek advice from your immediate supervisor or your Trade Compliance Officer.

[p.22] Any Safran employee who violates the Code of Conduct may be subject to disciplinary action as defined in Safran rules and procedures.

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.285] Managing conflicts of interest of members of the Board of Directors and Executive Management

Safran 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 major shareholders, customers, suppliers or other parties pursuant to which any members of the Board of Directors or Executive Management were selected.

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 Safran, or any of the companies in which Safran holds an interest, or any of the companies with which Safran is planning to enter into 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 (or if the Chairman is unavailable, the Vice-Chairman, or failing that, the Lead Independent Director), whose responsibility it is to decide whether or not a conflict of interests exists and if so, to inform the Board of Directors and thus instigate the conflicts of interest management process;

- in the event that the member of the Board of Directors concerned is the Chairman of the Board of Directors him/herself, then he/ she must inform the Vice-Chairman of the Board of Directors or, failing that, the Lead Independent Director;
- any member of the Board of Directors involved in an actual or potential conflict of interests related to an agreement that the Company is planning to enter into must abstain from voting on decisions relating to said agreement 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 Chief Executive Officer and, where appropriate, the Deputy Chief Executive Officer(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, any 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.










Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company reports details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
2
Comments
The company publishes a clear statement that it prohibits corporate political contributions.
Evidence
<p>[3] Ethical guidelines Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf [p.3] Safran does not finance any political parties and any political activities must be performed outside the workplace and working hours.</p> <p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.20] Any funding of political parties is strictly prohibited.</p> <p>WHAT IS PROHIBITED?</p> <ul style="list-style-type: none"> ➤ Donations to a political organization in the name of Safran

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
N/A
Comments
The company publishes a statement that it prohibits corporate political contributions, meaning that it is exempt from scoring on this question.
Evidence
N/A

Question						
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?						
Score						
1						
Comments						
<p>There is evidence that the company has a clear policy and procedure covering both charitable donations and sponsorships, whether made directly or through corporate foundations. There is evidence that the company has measures in place to ensure that such expenditures are not used as vehicles for bribery and corruption. For example, the company specifies criteria for acceptable donations, conducts due diligence on recipients and outlines procedures for senior compliance officer sign-off based on financial thresholds.</p> <p>However, the company receives a score of '1' because it only publishes limited details on its charitable contributions and sponsorships. Although its 2018 Registration Document contains some details, it does not list the details of the recipient, amount, country of recipient and which corporate entity made the payment.</p>						
Evidence						
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.20] Sponsorship and corporate philanthropy refer to Safran financial or material support to public or private partners supporting educational, social or cultural initiatives. Philanthropy and sponsorship activities are not prohibited, but should be carefully managed. Due diligence must be carried out prior to selecting an organization to support (e.g., reviewing bona fides, name and reputation). No contribution may be made prior to its approval by your company's Trade Compliance Officer. Any donation exceeding 10,000 euros must be approved by Safran's Corporate Philanthropy Committee.</p> <p>Donations, sponsorships, and related activities can be abused and utilized as a means to conceal bribes, especially when given to charitable organizations for the benefit a specific third party (such as a public agent). Under no circumstance whatsoever shall a philanthropic action or donation be made in exchange for a business benefit. Any funding of political parties is strictly prohibited.</p>						
<table border="1"> <thead> <tr> <th style="background-color: #0056b3; color: white; text-align: center;">  WHAT IS PROHIBITED </th> <th style="background-color: #0056b3; color: white; text-align: center;">  WHAT REQUIRES PRIOR AUTHORIZATION OF A SUPERVISOR </th> <th style="background-color: #0056b3; color: white; text-align: center;">  WHAT IS AUTHORIZED </th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ➤ Donations to a political organization in the name of Safran ➤ Examples of unacceptable philanthropy projects: <ul style="list-style-type: none"> • An orchestra that wishes to organize a concert with a famous soloist • Donation for payment of music teacher salaries at a school • Private lessons for a single child, etc. </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ➤ Donation of less than 10,000 euros requires prior notification of your company's Trade Compliance Officer and your company's Philanthropy Committee ➤ Donations equal to or exceeding 10,000 euros: prior approval by Safran's Corporate Philanthropy Committee required </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ➤ Personal donations to a political organization ➤ Examples of acceptable philanthropy projects: <ul style="list-style-type: none"> • An orchestra that wishes to organize a charity concert for an association supporting children with a recognized medical condition • A science fair in a school • Coaching sessions to help high-school students from underserved areas pass competitive entrance exams, etc. </td> </tr> </tbody> </table>	 WHAT IS PROHIBITED	 WHAT REQUIRES PRIOR AUTHORIZATION OF A SUPERVISOR	 WHAT IS AUTHORIZED	<ul style="list-style-type: none"> ➤ Donations to a political organization in the name of Safran ➤ Examples of unacceptable philanthropy projects: <ul style="list-style-type: none"> • An orchestra that wishes to organize a concert with a famous soloist • Donation for payment of music teacher salaries at a school • Private lessons for a single child, etc. 	<ul style="list-style-type: none"> ➤ Donation of less than 10,000 euros requires prior notification of your company's Trade Compliance Officer and your company's Philanthropy Committee ➤ Donations equal to or exceeding 10,000 euros: prior approval by Safran's Corporate Philanthropy Committee required 	<ul style="list-style-type: none"> ➤ Personal donations to a political organization ➤ Examples of acceptable philanthropy projects: <ul style="list-style-type: none"> • An orchestra that wishes to organize a charity concert for an association supporting children with a recognized medical condition • A science fair in a school • Coaching sessions to help high-school students from underserved areas pass competitive entrance exams, etc.
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<p>[p.21] Any Safran philanthropic action will only be approved for organizations whose objectives involve educational, social and/or cultural activities.</p> <p>No donation may be offered, promised or made if intended to influence official action or procure an unwarranted benefit.</p> <p>Philanthropic actions must always be carried out in a fully transparent manner.</p>						

Philanthropic actions must be fully traceable and follow formal Safran organization selection and approval procedures.

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.227] 5.1.8.2 Foundations and patronage

Foundations

The Safran Corporate Foundation for Integration addresses all forms of exclusion and facilitates the social and professional integration of young adults with motor, sensory, cognitive and/or social disorders.

Since it was created in March 2005, the Safran Corporate Foundation for Integration has supported 241 major projects in France and internationally, for a total amount of over €4.5 million. Most of its initiatives are put forward by non-profit organizations.

The Foundation supports organizations with projects in four key areas:

- training leading to qualifications (17% of its budget);
- professional integration (28% of its budget);
- social integration (53% of its budget);
- athletic projects (2% of its budget).

Projects are selected by the Board of Directors primarily based on their ability to deliver sustainable outcomes for their beneficiaries. The Foundation is primarily active in France but also works internationally on projects supported by Group employees.

In 2018, the Foundation reviewed 99 integration projects and supported 26 with total funding of €283,500.

The Safran Handicap Innovation Fauteuil Technologie (SHIFT) project, which seeks to make life easier for non-motorized manual wheelchair users and their caregivers, successfully completed its development phase during the year. Four students from the École des ponts ParisTech business school and a young woman with a disability have come together to manufacture and market a new-style wheelchair based on the project's design.

The Safran Foundation for Integration maintained its commitment to the Alpha Omega Foundation, which works to prevent early school failure, provides personalized support to disadvantaged young people, raises awareness of entrepreneurship among young persons and assists young persons without degrees in finding work. Initiated in 2017, the commitment represents a total investment of €1 million to be paid over a period of up to five years. Of this, €724,000 had already been disbursed in 2017 and 2018.

Created in November 2004, the Safran Corporate Foundation for Music supports talented young musicians in their education and career development as performing artists. It also supports venues for young musicians.

Personalized support for artists can take the form of scholarships in France or abroad, assistance in buying an instrument, financing music recording projects, etc. Since its creation, Safran's Corporate Foundation for Music has provided more than €2.8 million in direct support for 171 talented young musicians in partnership with 127 organizations participating in the promotion of young talent. In 2018, the Safran Corporate Foundation for Music received 184 requests for support and/or partnership, which were all carefully reviewed.

Working in partnership with the French Army Museum, the Foundation for Music hosts the following events at the prestigious Hôtel National des Invalides in Paris:

- a year-long program of performances featuring talented young musicians;
- Saison Musicale concerts dedicated to talented young musicians;
- the Safran Music Award ceremony, which every year honors the young virtuoso who wins the interpretation competition.

On October 8, 2018, at the Hôtel National des Invalides in Paris, the 2018 Safran Corporate Foundation for Music Prize was awarded to clarinetist Joé Christophe, in a high-level competition between five young musicians.










Patronage

As part of its corporate patronage policy, Safran provides financial support to public and private partners, independently of its own business interests. A rigorous selection process is in place to ensure that all project applications are treated equally. This process is based on:

- a defined scope of action: Safran's support is sharply focused on educational, social and cultural initiatives, such as combating illiteracy and student dropout rates, social skills, education through sports, etc.;
- a geographic scope that spans France and other host countries worldwide;
- clear eligibility criteria for successful projects. Projects may be submitted by anyone, whether employed by the Group or not, and may be long-term and/or suitable for multi-year funding.

The Safran Corporate Patronage Committee meets once or twice a year to review applications and select projects. Its members include the Executive Vice President, Communication; the Senior Executive Vice President, International and Public Affairs; the Group Compliance Officer; and the head of CSR/Diversity. The Group Compliance Officer reviews all of the submitted applications for compliance. All decisions are made collectively.

5.2 Lobbying

Question						
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?						
Score						
2						
Comments						
<p>There is evidence that the company has a policy and procedure that defines lobbying and sets out the values and behaviours that constitute the spirit of 'responsible' lobbying. The company states that all internal and external lobbyists must comply with the standards of ethical behaviour outlined in its Code of Conduct. This policy applies to all employees and third parties lobbying on the company's behalf, and states that breaches could result in disciplinary action or termination of contract. The company's Responsible Lobbying Charter applies to the Safran Group, which has been understood to include all employees and board members.</p>						
Evidence						
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.16] Lobbying</p> <p>DEFINITION "Lobbying" refers to any action by a representative of the Group's interests when dealing with a public official (in France or abroad) designed to influence or inform a public decision. Lobbying aims to advocate the Group's interests and provide public decision-makers with technical expertise concerning the consequences and practical impact of planned or existing legislation.</p> <p>Since lobbying activities seek to advocate the Group's interests, they are entrusted to persons who do not have a conflict of interest with the Group. Lobbying activities at Safran are under under the authority of the Corporate International and Public Relations department (DG2I; see Safran's Responsible Lobbying Charter).</p> <p>When a Group company wishes to undertake indirect lobbying utilizing the services of an outside consultant, it must ask DG2I through the company's Trade Compliance Officer (TCO) to perform due diligence on the partner, in accordance with GRP-0026.</p> <table border="1" data-bbox="103 1384 1481 1774"> <thead> <tr> <th style="background-color: #0056b3; color: white; text-align: center;">  WHAT IS PROHIBITED </th> <th style="background-color: #0056b3; color: white; text-align: center;">  WHAT REQUIRES INFORMING OR RECEIVING THE AUTHORIZATION OF A SUPERVISOR </th> <th style="background-color: #0056b3; color: white; text-align: center;">  WHAT IS AUTHORIZED </th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ➤ Any indirect lobbying directed toward an interest group or public decision-maker, without prior approval by the company's Trade Compliance Officer and the Safran Corporate International and Public Relations department (DG2I). ➤ Offering gifts, benefits, invitations, etc. to public decision-makers with the intention of influencing decision making and compromising neutrality ². </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ➤ Information regarding national or international political affiliations or obligations; employment as a national or international civil servant. ➤ Intended recruitment of a former public decision-maker; intended utilization or compensation of public officials. </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ➤ Advocating issuance of a license, permit, or other authorization for which there is a legal right to pursue the issuance thereof. ➤ Taking an action required by law. ➤ Pursuing an administrative appeal. </td> </tr> </tbody> </table> <p>[p.17] Transparency: Safran employees and (where applicable) external lobbyists, are to expressly state they are acting on behalf of the Group when conducting lobbying activities.</p> <p>Actions to obtain information and/or decisions by fraudulent means or false pretenses are prohibited.</p> <p>Check with your company's Public Relations Department to determine if you need to register as a lobbyist, particularly in France (the Haute Autorité Française pour la Transparence de la Vie Politique [HATVP – French authority for political transparency])</p>	 WHAT IS PROHIBITED	 WHAT REQUIRES INFORMING OR RECEIVING THE AUTHORIZATION OF A SUPERVISOR	 WHAT IS AUTHORIZED	<ul style="list-style-type: none"> ➤ Any indirect lobbying directed toward an interest group or public decision-maker, without prior approval by the company's Trade Compliance Officer and the Safran Corporate International and Public Relations department (DG2I). ➤ Offering gifts, benefits, invitations, etc. to public decision-makers with the intention of influencing decision making and compromising neutrality ². 	<ul style="list-style-type: none"> ➤ Information regarding national or international political affiliations or obligations; employment as a national or international civil servant. ➤ Intended recruitment of a former public decision-maker; intended utilization or compensation of public officials. 	<ul style="list-style-type: none"> ➤ Advocating issuance of a license, permit, or other authorization for which there is a legal right to pursue the issuance thereof. ➤ Taking an action required by law. ➤ Pursuing an administrative appeal.
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[4] Responsible lobbying charter

Accessed 02/07/2019

https://www.safran-group.com/file/download/safran-responsible-lobbying-charter_0.pdf

[p.1] Lobbying refers to any action carried out by one of the Group's interest representatives, aimed at exercising influence over public authorities or providing them with information, with a view to guiding a political decision. The purpose of lobbying is to defend the Group's interests and provide public decision-makers with technical expertise regarding the consequences and practical scope of legislation in force or under consideration.

Designed to defend the Group's interests, lobbying activities are entrusted to people who do not themselves harbor interests that may be in conflict with those of the Group.

Within Safran Group, lobbying activities are placed under the responsibility of the Safran Group Director, International and Institutional Affairs (DG2I).

If one of the Group's companies wishes to carry out indirect lobbying actions via services provided by an external consultant, the Trade Compliance Officer (TCO) of the company in question must be notified to trigger preparation of an approval application for the partner, to be signed by the Safran DG2I (International Trade Compliance Procedure).

Safran undertakes to:

- Comply with the provisions of:
 - French law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption, and modernization of the economy, in particular, article 25 of said law concerning the declaration of its business interest actions to the French public authorities, via the online registry provided by the French High Authority for Transparency in Public Life (HATVP):
<https://www.legifrance.gouv.fr/eli/loi/2016/12/9/2016-1691/jo/texte>
 - [p.2] The decree of May 9, 2017 concerning the online registry of interest representatives, modifying article 18 of French law no. 2013-907 of October 11, 2013 on transparency in public life:
<https://www.legifrance.gouv.fr/eli/decret/2017/5/9/ECFM1706418D/jo/texte>
 - French law no. 2013-907 of October 11, 2013 on transparency in public life:
<https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028056315>
 - The laws and regulations in force in the countries in which the Group operates;
 - The regulations pertaining to the organizations (trade, employer, professional) with which the Group is called on to carry out lobbying activities, in all the countries in which the Group operates;
- Declare its lobbying activities to the European Union (name of interest representatives, type of interests defended, budgets allocated) via the transparency register g r  conjointement par le Parlement europ en et la Commission europ enne : https://europa.eu/european-union/index_fr ;
- Comply with the Group's Ethical Guidelines (<https://www.safrangroup.com/commitments>), in particular Group procedures on "Gifts, hospitality and sponsored trips" and "International trade compliance";
- Enable identification of all lobbying initiatives: Safran personnel and - if applicable - external lobbyists, must clearly state that they are performing an initiative on behalf of the Group when meeting with stakeholders in a lobbying context.

The present Code of Conduct is brought to the attention of all Safran personnel and external lobbyists, who must be aware of its content and notify the DG2I that they have received a copy, pursuant to Safran International Trade Compliance Procedure. Any Safran employee or external lobbyist acting on behalf of Safran who contravenes the present Code will be liable to a disciplinary or contractual sanction. This Code of Conduct is also available online via the Group website.

[1] The Fight Against Corruption

Accessed 02/07/2019

<https://www.safran-group.com/sites/group/files/the-fight-against-corruption.pdf>

[p.2] Control procedures

Validation, management and control of lobbyists, who must also comply with Safran's responsible lobbying charter.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
0
Comments
<p>The company does not publish any information on its lobbying aims, topics or activities. The company commits to complying with French law requiring it to declare lobbying activities to the French High Authority for Transparency in Public Life; however, this information is not on the company's website. The company provides a link to the relevant law but does not provide a direct link to its own declarations.</p>
Evidence
<p>[4] Responsible lobbying charter Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-responsible-lobbying-charter_0.pdf [p.1] Lobbying refers to any action carried out by one of the Group's interest representatives, aimed at exercising influence over public authorities or providing them with information, with a view to guiding a political decision. The purpose of lobbying is to defend the Group's interests and provide public decision-makers with technical expertise regarding the consequences and practical scope of legislation in force or under consideration. Designed to defend the Group's interests, lobbying activities are entrusted to people who do not themselves harbor interests that may be in conflict with those of the Group. Within Safran Group, lobbying activities are placed under the responsibility of the Safran Group Director, International and Institutional Affairs (DG2I).</p> <p>[...]</p> <p>Safran undertakes to:</p> <ul style="list-style-type: none"> Comply with the provisions of: <ul style="list-style-type: none"> French law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption, and modernization of the economy, in particular, article 25 of said law concerning the declaration of its business interest actions to the French public authorities, via the online registry provided by the French High Authority for Transparency in Public Life (HATVP): https://www.legifrance.gouv.fr/eli/loi/2016/12/9/2016-1691/jo/texte <p>[p.2]</p> <ul style="list-style-type: none"> The decree of May 9, 2017 concerning the online registry of interest representatives, modifying article 18 of French law no. 2013-907 of October 11, 2013 on transparency in public life: https://www.legifrance.gouv.fr/eli/decret/2017/5/9/ECFM1706418D/jo/texte French law no. 2013-907 of October 11, 2013 on transparency in public life: https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028056315 The laws and regulations in force in the countries in which the Group operates; The regulations pertaining to the organizations (trade, employer, professional) with which the Group is called on to carry out lobbying activities, in all the countries in which the Group operates; <ul style="list-style-type: none"> Declare its lobbying activities to the European Union (name of interest representatives, type of interests defended, budgets allocated) via the transparency register³ g�r� conjointement par le Parlement europ�en et la Commission europ�enne : https://europa.eu/european-union/index_fr ; Comply with the Group's Ethical Guidelines (https://www.safrangroup.com/commitments), in particular Group procedures on "Gifts, hospitality and sponsored trips" and "International trade compliance"; Enable identification of all lobbying initiatives: Safran personnel and - if applicable - external lobbyists, must clearly state that they are performing an initiative on behalf of the Group when meeting with stakeholders in a lobbying context. <p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf</p>




[p.16] “Lobbying” refers to any action by a representative of the Group’s interests when dealing with a public official (in France or abroad) designed to influence or inform a public decision 4. Lobbying aims to advocate the Group’s interests and provide public decision-makers with technical expertise concerning the consequences and practical impact of planned or existing legislation. Since lobbying activities seek to advocate the Group’s interests, they are entrusted to persons who do not have a conflict of interest with the Group. Lobbying activities at Safran are under the authority of the Corporate International and Public Relations department (DG2I; see Safran’s Responsible Lobbying Charter).

[p.17] Check with your company’s Public Relations Department to determine if you need to register as a lobbyist, particularly in France (the Haute Autorité Française pour la Transparence de la Vie Politique [HATVP – French authority for political transparency])

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
The company does not provide any details about its global lobbying expenditure on its website. The company commits to complying with French law requiring it to declare lobbying expenditure to the French High Authority for Transparency in Public Life; however, this information is not presented on the company's own website. The company provides a link to the relevant law but does not provide a direct link to its own declarations.
Evidence
<p>[4] Responsible lobbying charter Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-responsible-lobbying-charter_0.pdf</p> <p>[p.1] Safran undertakes to:</p> <ul style="list-style-type: none"> • Comply with the provisions of: <ul style="list-style-type: none"> • French law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption, and modernization of the economy, in particular, article 25 of said law concerning the declaration of its business interest actions to the French public authorities, via the online registry provided by the French High Authority for Transparency in Public Life (HATVP): https://www.legifrance.gouv.fr/eli/loi/2016/12/9/2016-1691/jo/texte

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
1
Comments
<p>There is evidence that the company has a policy on the giving and receipt of gifts and hospitality. There is evidence that this policy explicitly addresses the risks associated with gifts and hospitality given to and/or received from domestic and foreign public officials by requiring prior authorisation from the company's Trade Compliance Officer.</p> <p>However, the company receives a score of '1' because there is no evidence that all gifts and hospitality above a certain threshold are recorded in a dedicated register that is accessible to those responsible for oversight of the process. The policy also does not specify financial or proportional limits for different types of gifts.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.7] WHAT IS A PUBLIC AGENT?</p> <p>The term "agent" designates all employees of a government administration, whether in France or abroad. There are several categories of agents, distinguished according to their status (tenured, non-tenured under public or private law) and their employer (federal or local government, public establishments).</p> <ul style="list-style-type: none"> ➤ Persons holding public authority Persons holding public authority include representatives of federal and local governments, civil servants, representatives of public authorities, public and ministerial officers, as well as all persons holding a position of authority, such as armed forces personnel. ➤ Persons tasked with a public service mission These are persons carrying out a mission in the general interest, or holding prerogatives derogating from the generally applicable rules of law. For example, this concerns judicial administrators and liquidation representatives, receivers, interpreters, bailiff clerks, persons operating on behalf of public entities, public bodies, public services, or public advisory boards and commissions with decision making authority. ➤ Persons holding elective office This category includes all elected persons acting in the name of and on behalf of voters, including national, state and local legislators (e.g. members of parliaments, congress, councils) and executives (e.g. president, governor, mayor, etc.). ➤ Legal personnel This includes judges, court clerks, mediators and arbitrators. <p>[p.9] Gifts and invitations</p> <p>Hospitality items, such as gifts or invitations (meals, professional events, trips, entertainment) offered to or received from customers, suppliers or other third parties, are cordial traditions often used to establish and maintain business relations.</p> <p>However, according to the laws of most countries, the act of offering gifts and invitations may be considered corrupt if offered in order to obtain an unwarranted favor. In these situations, employees should always be guided by the exercise of discretion, caution and transparency.</p>

 WHAT IS PROHIBITED	 WHAT REQUIRES THE AUTHORIZATION OF A SUPERVISOR	 WHAT IS AUTHORIZED ?
<ul style="list-style-type: none"> › Cash gifts › Soliciting gifts or invitations › Gifts in the form of services or benefits in kind › Any gift, invitation or benefit whatsoever, given to obtain an unwarranted advantage › Generally, any gift or invitation at the time of or concurrent with a request for proposal or any other negotiation (except with the prior, written authorization of your supervisor having consulted the company Trade Compliance Officer) › Any illicit gift or invitation that infringes the laws and customs of the country where given or received, and/or violates the procedures of the beneficiary's organization › Any gift or invitation that could be deemed outrageous or to infringe the dignity of the recipient › Any gift or invitation that does not fall within the scope of professional discourse and conduct 	<ul style="list-style-type: none"> › Any gift or invitation made to public agents <p>Before offering any type of benefit to a public agent:</p> <ul style="list-style-type: none"> • You should request the prior authorization of your supervisor in consultation with your company's Trade Compliance Officer • It is recommended that you expressly ask the beneficiary whether the benefit infringes the policies of his/her organization <p>In France, civil servants may not solicit or accept any benefits in cash or in-kind from third parties; such acceptance is deemed to compromise independence.</p>	<ul style="list-style-type: none"> › Gifts with a moderate value offered or received on an occasional basis within the scope of special events; well as promotional gifts that publicize the Group's brand, having little or purely symbolic value › Examples: fruit baskets, flowers, chocolate, invitations limited to reasonably priced meals, promotional items such as calendars and appointment books

[p.10] Any offer or acceptance of gifts or invitations must comply with the following principles:

- Compliant with local laws and the code of conduct of the recipient's organization.
- Made in good faith and reasonably related to promoting the Group's business.
- The intention should never be to obtain an unwarranted benefit, or to influence a business decision or official action.
- The value must be reasonable and appropriate to the circumstances.
- Gifts or invitations should be irregular in frequency, non-routine, carried out in a professional and transparent manner.
- To ensure traceability, a gift or invitation should be documented, including the name of the recipient organization and/or beneficiaries with retention of respective receipts or invoices as appropriate.

If there is any doubt regarding the propriety of a proposed gift or invitation, ask your company's Trade Compliance Officer or supervisor.

[3] Ethical Guidelines

Accessed 02/07/2019

<https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf>

[p.1] Business courtesies, such as gifts and hospitality, given to or received from customers, suppliers and other partners are solely used to build brand image and

[p.2] maintain good business relationships. However, these courtesies must not exceed a nominal value and may not influence, or give the appearance of influencing, any business decision. Safran should always be guided by common sense, discretion and prudence in these situations. Business courtesies are prohibited by law under certain circumstances and in certain countries. Safran's employees must comply with the applicable laws and regulations in each country where we do business.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
1
Comments
<p>There is some evidence that the company's procurement department is involved in the establishment and oversight of supplier relationships. It is clear that procurement departments, whether at group or entity levels, are the main bodies responsible for this work. It is not explicitly stated in company materials that they are involved in all supplier relationships or that their involvement is required for establishing new suppliers over a certain threshold.</p> <p>However, the company receives a score of '1' because there is no evidence that the company assures itself of the procurement department's involvement in this process at least every three years. It is not explicitly stated that the company's anti-corruption certification provided by the Agency in charge of Providing Technological Information ("ADIT"), includes a review of procurement processes.</p>
Evidence
<p>[8] Purchasing policy (webpage) Accessed 02/07/2019 https://www.safran-group.com/suppliers/safrans-purchasing-policy/Purchasing%20Policy Safran's purchasing policy is deployed in compliance with:</p> <ul style="list-style-type: none"> • Safran's Code of Ethics and best practices listed in the Business Mediation Charter. • Safran's commitments to public authorities, trade associations and other partners. <p>It is based on:</p> <ul style="list-style-type: none"> • Ongoing collaboration between Safran companies and the corporate "purchasing culture" and network. • Closely coordinated actions by all Safran staff and entities working with suppliers. • The Purchasing department's involvement throughout our products' life cycles. • A centralized organization and a network of buyers at all Group companies. <p>[9] Working with Safran Accessed 02/07/2019 https://www.safran-group.com/suppliers/working-safran/Working%20with%20Safran Safran Purchasing department organization</p> <p>Safran's Purchasing department has three units:</p> <ul style="list-style-type: none"> • Group Purchasing: this central purchasing unit is responsible for purchasing and procurement strategy for all product families. It adapts purchasing policy to the specific requirements of Safran's different markets. • Safran Purchasing: this unit is in charge of indirect purchasing, as well as metallic and non-metallic materials for Safran companies. A Safran Purchasing buyer acts as contact for the purchase of goods or indirect services, but orders are issued in the name of the company concerned. • Entity Purchasing Department: production purchases are carried out by Group entities, which means that the contact for this type of purchase is a company buyer. <p>[14] 2018 Registration Document https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf [p.46] Group Purchasing Policy Safran implements a purchasing policy capable of meeting its objective of excellence and competitiveness, in line with its industrial policy and in strict compliance with its corporate social responsibility (CSR) commitments.</p> <p>Safran's purchasing policy focuses business on suppliers that meet its requirements and competitive performance challenges, that comply with the rules applicable to the aerospace and defense markets, and that are prepared to commit to long-term undertakings with Safran on a balanced, mutually beneficial basis.</p>

The policy has four main focuses:

- build a supplier panel that:
 - meets Safran’s present and future needs as regards cost, quality and leadtime performance,
 - enables Safran to provide its customers with innovative, value-creating solutions,
 - guarantees that Safran’s CSR commitments will be cascaded down through the whole supplier chain;
- involve Safran suppliers in product development, enabling them to put forward their innovations and contribute their expertise and thereby effectively meet the expectations of the Group and its customers;
- promote methods, management standards and metrics common across all Group companies, to improve Safran’s supplier performance monitoring and at the same time ensure good supplier relations;
- provide support to key Safran suppliers, helping them fortify their industrial organization and, by extension, their performance on Safran programs.

The policy is rolled out:

- in strict compliance with the principles of the Group’s Ethical Guidelines and the best practices set out in its Responsible Supplier Relations Charter(1);
- in line with Safran’s commitments to public authorities, professional organizations and other partners;
- based on constant cooperation with and among Group companies, and implementation by all Group purchasing teams of the One Safran practices in the Purchasing process.

[p.219] The Group’s external partners are also informed about these procedures:

- the “international trade compliance” procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions). It was amended in 2016 and updated in 2018 to reflect the latest changes in legislation (particularly the Sapin II Act) and best practices. It describes the tight controls governing the selection and approval of business partners, the assessment of their ethical performance, their monitoring and their compensation. Internal and external due diligence is systematically performed for every business partner. The procedure also covers the approval, management and monitoring of lobbyists, who must also comply with Safran’s responsible lobbying guidelines, which were updated in 2017;

[2] Code of Conduct




Accessed 02/07/2019

https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf

[p.18] Safran’s relationship with its suppliers and subcontractors is key to Safran success. Safran expects these companies to strictly comply with all laws and regulations in the countries where based and those in which they provide services.

The Responsible Purchasing Charter (GRF-0164) describes Safran’s policy of ethical relationships with suppliers.

An ethics clause is included in purchase contracts that Safran signs with its suppliers, along with Safran’s general purchasing terms and conditions.

 WHAT IS PROHIBITED	 WHAT REQUIRES THE PRIOR AUTHORIZATION OF A SUPERVISOR	 WHAT IS AUTHORIZED
<ul style="list-style-type: none"> ➤ Disclosing the content of bids or proposals from certain suppliers to incite others to lower their prices ➤ Accepting an invitation from a supplier to discuss contract renewal from their luxury box seats at a sports event ➤ Favoring one supplier over another in exchange for an illicit benefit received 	<ul style="list-style-type: none"> ➤ Receipt of an invitation to an event organized by a supplier ➤ Receipt of a gift from a supplier exceeding the Safran company de minimis value or when the intent of the gift is in question 	<ul style="list-style-type: none"> ➤ Receiving a low-value promotional gift with the supplier’s logo (appointment book, calendar, etc.)

[p.19] Safran’s suppliers and subcontractors must comply with all applicable laws, directives and regulations, including anti-corruption measures applicable in the countries where they do business. They must not make or offer

inappropriate payments in the form of cash or otherwise to representatives of public authorities, political parties, candidates for public office or any other person.

Safran policy prohibits payments intended to expedite public actions, such as visa issuance or customs clearance, even in countries where such action is not prohibited by law. If Safran learns that inappropriate actions have been taken, it reserves the right to terminate any underlying contractual relationship with the business partner(s) in question.

Your company's Trade Compliance Officer must be consulted prior to purchasing consulting or advisory services to determine the correct approval procedure.

[3] Ethical Guidelines

Accessed 02/07/2019

<https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf>

[p.1] Safran, its companies and employees will tolerate absolutely no form of corruption, whether active or passive, direct or indirect, for the benefit of players in the public or private sector. Group companies comply with all international agreements concerning the fight against corruption, as well as the anti-corruption laws applied in countries where we do business.

[p.4] Anti-corruption certification

Safran was the first company in the French stock market index CAC 40 to receive anticorruption certification from the information technology agency ADIT.

Following an audit carried out from September 1 to December 15, 2012, on December 23, 2012 Safran was awarded anti-corruption certification by ADIT (Agency in charge of providing technological information). This certification was conducted on the basis of standards approved by the SCPC (Central service in charge of preventing corruption), an inter-ministerial corruption prevention department reporting to the Minister of Justice.

The certification is valid until December 2015, and recognizes the effectiveness of the processes deployed by Safran and our efforts over the last few years to upgrade our rules and procedures to establish them on a par with best-in-class international standards.

[p.5] The certification audit, carried out in compliance with current international standards (ISAE 3000, International Standards on Assurance Engagements), entailed an evaluation of Safran's corporate culture and commitment to implementing the anti-corruption program (based on a clear policy and broadly circulated ethical guidelines, the deployment of Compliance Officers, an effective risk management policy, control and measurement activities to apply the program and wide circulation of relevant information both within the company and externally).

This certification has been applied to all Safran Tier-1 companies: Sagem (now named Safran Electronics & Defense) was certified in early 2014, and Snecma (now named Safran Aircraft Engines) and Turbomeca (now named Safran Helicopter Engines) by the end of the same year; Messier-Bugatti-Dowty (now named Safran Landing Systems) in 2015; Safran Electrical & Power and Safran Aero Boosters in 2016; Safran Nacelles and Safran Transmission Systems in 2017.

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
0
Comments
<p>There is no evidence that the company conducts risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers. The company simply states that it conducts internal and external due diligence on every business partner, which might be understood to include suppliers. It does not provide any further details on its anti-bribery and corruption due diligence procedures, such as the scope of due diligence, whether this is risk-based and how frequently due diligence is conducted.</p>
Evidence
<p>[14] 2018 Registration Document https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf [p.46] Group Purchasing Policy</p> <p>Safran implements a purchasing policy capable of meeting its objective of excellence and competitiveness, in line with its industrial policy and in strict compliance with its corporate social responsibility (CSR) commitments. Safran's purchasing policy focuses business on suppliers that meet its requirements and competitive performance challenges, that comply with the rules applicable to the aerospace and defense markets, and that are prepared to commit to long-term undertakings with Safran on a balanced, mutually beneficial basis.</p> <p>The policy has four main focuses:</p> <ul style="list-style-type: none"> ➤ build a supplier panel that: <ul style="list-style-type: none"> • meets Safran's present and future needs as regards cost, quality and leadtime performance, • enables Safran to provide its customers with innovative, value-creating solutions, • guarantees that Safran's CSR commitments will be cascaded down through the whole supplier chain; ➤ involve Safran suppliers in product development, enabling them to put forward their innovations and contribute their expertise and thereby effectively meet the expectations of the Group and its customers; ➤ promote methods, management standards and metrics common across all Group companies, to improve Safran's supplier performance monitoring and at the same time ensure good supplier relations; ➤ provide support to key Safran suppliers, helping them fortify their industrial organization and, by extension, their performance on Safran programs. <p>The policy is rolled out:</p> <ul style="list-style-type: none"> ➤ in strict compliance with the principles of the Group's Ethical Guidelines and the best practices set out in its Responsible Supplier Relations Charter(1); ➤ in line with Safran's commitments to public authorities, professional organizations and other partners; ➤ based on constant cooperation with and among Group companies, and implementation by all Group purchasing teams of the One Safran practices in the Purchasing process. <p>Major events in 2018 were:</p> <ul style="list-style-type: none"> ➤ implementation of Group purchasing policy and procedures at the three companies consolidated from Zodiac Aerospace: Safran Cabin, Safran Seat and Safran Aerosystems; ➤ completion of nine One Safran purchasing projects at Safran Aircraft Engines, Safran Landing Systems and Safran Electronics & Defense, and step-up for One Safran tools on implementation of best practices; ➤ Rollout of supply-chain vigilance plan on corruption prevention, human rights, HSE (health, safety, environment) and CSR challenges. <p>[p.219] The Group's external partners are also informed about these procedures:</p> <ul style="list-style-type: none"> ➤ the "international trade compliance" procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions). It was amended in 2016 and updated in 2018 to reflect the latest changes in legislation (particularly the Sapin II Act) and best practices. It describes the tight controls governing the selection and approval of business partners, the

assessment of their ethical performance, their monitoring and their compensation. Internal and external due diligence is systematically performed for every business partner. The procedure also covers the approval, management and monitoring of lobbyists, who must also comply with Safran’s responsible lobbying guidelines, which were updated in 2017;

[1] The Fight Against Corruption

Accessed 02/07/2019

<https://www.safran-group.com/sites/group/files/the-fight-against-corruption.pdf>

[p.1] Selection and validation of trade partners

We strictly oversee the selection and validation of trade partners, as well as control procedures for gifts, invitations and sponsored trips, whether offered or accepted. These centralized procedures clearly and specifically describe employees’ roles, as well as the applicable rules. Regularly updated and expanded, these procedures are widely circulated to managers, the employees concerned and outside partners.

[2] Code of Conduct


Accessed 02/07/2019

https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf

[p.18] Safran’s relationship with its suppliers and subcontractors is key to Safran success. Safran expects these companies to strictly comply with all laws and regulations in the countries where based and those in which they provide services.

The Responsible Purchasing Charter (GRF-0164) describes Safran’s policy of ethical relationships with suppliers.










An ethics clause is included in purchase contracts that Safran signs with its suppliers, along with Safran’s general purchasing terms and conditions.

 WHAT IS PROHIBITED	 WHAT REQUIRES THE PRIOR AUTHORIZATION OF A SUPERVISOR	 WHAT IS AUTHORIZED
<ul style="list-style-type: none"> › Disclosing the content of bids or proposals from certain suppliers to incite others to lower their prices › Accepting an invitation from a supplier to discuss contract renewal from their luxury box seats at a sports event › Favoring one supplier over another in exchange for an illicit benefit received 	<ul style="list-style-type: none"> › Receipt of an invitation to an event organized by a supplier › Receipt of a gift from a supplier exceeding the Safran company de minimis value or when the intent of the gift is in question 	<ul style="list-style-type: none"> › Receiving a low-value promotional gift with the supplier's logo (appointment book, calendar, etc.)

[p.19] Safran’s suppliers and subcontractors must comply with all applicable laws, directives and regulations, including anti-corruption measures applicable in the countries where they do business. They must not make or offer inappropriate payments in the form of cash or otherwise to representatives of public authorities, political parties, candidates for public office or any other person.

Safran policy prohibits payments intended to expedite public actions, such as visa issuance or customs clearance, even in countries where such action is not prohibited by law. If Safran learns that inappropriate actions have been taken, it reserves the right to terminate any underlying contractual relationship with the business partner(s) in question.

Your company’s Trade Compliance Officer must be consulted prior to purchasing consulting or advisory services to determine the correct approval procedure.

Question						
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?						
Score						
1						
Comments						
<p>There is some evidence that the company requires suppliers to have adequate anti-bribery and corruption policies and procedures in place. The company states that it expects all suppliers to have policies in place that prohibit bribery and facilitation payments, as well as procedures to address conflicts of interest, gifts and hospitality, and whistleblowing. Anti-bribery and corruption clauses are included in the company’s contracts with suppliers.</p> <p>However, the company receives a score of ‘1’ because it is unclear how the company ensures this in practice. For example, it does not specify that the company assures itself of this through in-depth assessments or audits of each suppliers’ policies when onboarding new suppliers and/or when there is a significant change in the business relationship.</p>						
Evidence						
<p>[1] The Fight Against Corruption Accessed 02/07/2019 https://www.safran-group.com/sites/group/files/the-fight-against-corruption.pdf [p.2] Control procedures</p> <p>[...]</p> <p>An ethics clause included in Safran’s general terms and conditions for purchasing, that all suppliers must sign.</p> <p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.18] Safran’s relationship with its suppliers and subcontractors is key to Safran success. Safran expects these companies to strictly comply with all laws and regulations in the countries where based and those in which they provide services.</p> <p>The Responsible Purchasing Charter (GRF-0164) describes Safran’s policy of ethical relationships with suppliers.</p> <p>An ethics clause is included in purchase contracts that Safran signs with its suppliers, along with Safran’s general purchasing terms and conditions.</p>						
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<p>[p.19] Safran’s suppliers and subcontractors must comply with all applicable laws, directives and regulations, including anti-corruption measures applicable in the countries where they do business. They must not make or offer inappropriate payments in the form of cash or otherwise to representatives of public authorities, political parties, candidates for public office or any other person.</p>						

Safran policy prohibits payments intended to expedite public actions, such as visa issuance or customs clearance, even in countries where such action is not prohibited by law. If Safran learns that inappropriate actions have been taken, it reserves the right to terminate any underlying contractual relationship with the business partner(s) in question.

Your company's Trade Compliance Officer must be consulted prior to purchasing consulting or advisory services to determine the correct approval procedure.

[7] Responsible Purchasing Guidelines

Accessed 02/07/2019

https://www.safran-group.com/file/download/safran_responsible_purchasing_guidelines_grf_0164_en.pdf

[p.2] III. SUSTAIN THE CULTURE OF INTEGRITY WITHIN THE GROUP

In accordance with its Ethical Guidelines, Safran selects its suppliers and subcontractors on the basis of objective criteria and demands that they ensure it is fully able to meet its own expectations and those of its clients. Safran expects its suppliers to adopt the principles of these ethical guidelines and apply them to their own suppliers and subcontractors.

[p.3] A. Anti-Corruption Laws

Safran suppliers and subcontractors must comply with the anti-corruption laws, directives and regulations that govern operations in the countries in which they do business. They are required to refrain from offering or making any improper payments of money or anything of value to government officials, political parties, candidates for public office, or other persons. This includes a prohibition on facilitating payments intended to expedite or secure performance of a routine governmental action like obtaining a visa or customs clearance, even in locations where such activity may not violate local law. Personal safety payments are permitted where there is an imminent threat to health or safety. Safran suppliers and subcontractors are expected to exert reasonable due diligence to prevent and detect corruption in all business arrangements, including partnerships, joint ventures, offset agreements, and the hiring of intermediaries such as agents or consultants.

B. Illegal Payments

Safran suppliers and subcontractors must not offer any illegal payments to, or receive any illegal payments from, any customer, supplier, their agents, representatives or others. The receipt, payment, and/or promise of sums of money or anything of value, directly or indirectly, intended to exert undue influence or improper advantage is prohibited. This prohibition applies even in locations where such activity may not violate local law.

C. Fraud and Deception

Safran suppliers and subcontractors must not seek to gain any advantage of any kind by acting fraudulently, deceiving people or making false claims, or allow anyone else to do so. This includes defrauding or stealing from the company, a customer or any third party, and any kind of misappropriation of property.

D. Competition and Anti-Trust

Safran suppliers and subcontractors must not fix prices or rig bids with their competitors. They must not exchange current, recent, or future pricing information with competitors. They must refrain from participating in a cartel.

E. Gifts/Business Courtesies

Safran suppliers and subcontractors are expected to compete on the merits of their products and services. The exchange of business courtesies may not be used to gain an unfair competitive advantage. In any business relationship, suppliers and subcontractors must ensure that the offering or receipt of any gift or business courtesy is permitted by law and regulation, and that these exchanges do not violate the rules and standards of the recipient's organization, and are consistent with reasonable marketplace customs and practices.

F. Insider Trading

Safran suppliers, subcontractors and their personnel must not use any material or non-publicly disclosed information obtained in the course of their business relationship with Safran as the basis for trading or for enabling others to trade in the stock or securities of any company.

G. Conflict of Interest

Safran suppliers and subcontractors are expected to avoid all conflicts of interest or situations giving the appearance of a potential conflict of interest. They are expected to provide notification to all affected parties in the event that an actual or potential conflict of interest arises. This includes a conflict between the interests of Safran and personal interests or those of close relatives, friends or associates.

[p.5] A. Protection of employee raising an alert

Safran suppliers and subcontractors are expected to provide their employees with avenues for raising legal or ethical issues or concerns without fear of retaliation. They are also expected to take action to prevent, detect, and correct any retaliatory actions.

B. Consequences for violating these Guidelines

In the event that the expectations of these guidelines are not met, the business relationship with Safran may be reviewed and corrective action pursued subject to the terms of the related procurement contract(s).

C. Ethics Policies

Commensurate with the size and nature of their business, Safran suppliers and subcontractors are expected to establish management systems to support compliance with laws and regulations, as well as the expectations expressed within these responsible guidelines. Safran suppliers and subcontractors are encouraged to implement their own guidelines or code of conduct and to flow down their principles to the entities that furnish them with goods and services. Safran expects their suppliers and subcontractors to maintain effective programs to encourage their employees to make ethical, values-driven choices in their business dealings - beyond compliance with laws, regulations and contract requirements.

SUPPLIER AND SUBCONTRACTOR COMMITMENT

By accepting the principles of these guidelines, Safran suppliers and subcontractors undertake to support Safran in the deployment of its CSR strategy and agree to be assessed by Safran on the principles set forth above.

[10] General purchasing conditions

Accessed 02/07/2019

https://www.safran-group.com/file/download/gpc_standard_july_2017_en.pdf

[p.22] 23 - ETHICS

The Supplier declares that:

- It has not infringed any anti-corruption laws or regulations,
- It has not been subject to any civil or criminal sanctions, in France or abroad, for infringement of anti-corruption laws or regulations and that no investigation or proceedings which could lead to such sanctions have been brought against it,
- To the best of its knowledge, no executive or manager of its company has been subject to any civil or criminal sanctions, in France or abroad, for infringement of anti-corruption laws or regulations and that no investigation or proceedings which could lead to such sanctions have been brought against such persons.

The Supplier warrants that:

- It complies and shall comply with the legal provisions against corruption in accordance with the OECD Convention of 1997 and the United Nations Convention Against Corruption of 2003 (UNCAC),
- It has not granted and shall not grant, directly or indirectly, any gift, present, payment, remuneration or benefit whatsoever (trip, etc.) to anyone with a view to or in exchange for the conclusion of the Order.

The Supplier shall notify the Purchaser's Purchasing Department of any gift, present, payment, remuneration or benefit whatsoever that it might grant either directly or indirectly to any employee, officer or representative of the Purchaser or of any SAFRAN Group Company or to anyone that might influence their decision within the framework of the performance of the Order.

In the event of failure to comply with this clause, the Purchaser shall automatically have the right to terminate the Orders in progress with immediate effect and without compensation, and without prejudice to any other remedies the Purchaser may request from the Supplier.

[14] 2018 Registration Document

https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf

[p.219] As concerns purchasing:

- an ethics clause, updated in 2017, is included in Safran's general purchasing conditions, which must be signed by every supplier;
- the Group's Responsible Purchasing Charter, also updated in 2017,(1) incorporates the terms of the IFBEC Supplier Model Code of Conduct.

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
1
Comments
<p>There is some evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required of sub-contractors throughout the supply chain.</p> <p>However, the company receives a score of '1' because this evidence is in the form of a simple statement and it is unclear how the company does this in practice.</p>
Evidence
<p>[7] Responsible purchasing guidelines Accessed 02/07/2019 https://www.safran-group.com/file/download/safran_responsible_purchasing_guidelines_grf_0164_en.pdf [p.2] III. SUSTAIN THE CULTURE OF INTEGRITY WITHIN THE GROUP</p> <p>In accordance with its Ethical Guidelines, Safran selects its suppliers and subcontractors on the basis of objective criteria and demands that they ensure it is fully able to meet its own expectations and those of its clients. Safran expects its suppliers to adopt the principles of these ethical guidelines and apply them to their own suppliers and subcontractors.</p> <p>[p.5] Commensurate with the size and nature of their business, Safran suppliers and subcontractors are expected to establish management systems to support compliance with laws and regulations, as well as the expectations expressed within these responsible guidelines. Safran suppliers and subcontractors are encouraged to implement their own guidelines or code of conduct and to flow down their principles to the entities that furnish them with goods and services. Safran expects their suppliers and subcontractors to maintain effective programs to encourage their employees to make ethical, values-driven choices in their business dealings - beyond compliance with laws, regulations and contract requirements.</p>

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations relating to its suppliers, or the associated disciplinary actions.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question		
7.1.1 Does the company have a clear policy on the use of agents?		
Score		
2		
Comments		
<p>There is evidence that the company has a clear policy and procedure to control the use of agents, which addresses the corruption risks associated with the use of agents and provides details of specific controls to mitigate these risks. As part of this policy, the company commits to establishing and verifying that the use of an agent is, in each case, necessary to perform a legitimate business function. This policy applies to all divisions within the organisation which might employ agents, including subsidiaries and joint ventures.</p>		
Evidence		
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.4] The Code of Conduct is also available to Safran suppliers, trade partners and customers via the Safran website.</p> <p>[p.14] Selecting business partners</p> <p>According to a 2014 report by the OECD analyzing nearly 430 cases of transnational corruption around the world since 1999, 75% of these cases involved illicit payments made by intermediaries. A company may be held liable for acts of third parties operating on the company’s behalf.</p> <p>According to the OECD, an intermediary is a person who acts as a facilitator or “middle-man” with or between one or more parties to a business transaction.</p> <p>The intermediary or business partner usually is an individual or legal entity, serving as a conduit through whom goods or services are offered to another party or customer for the purpose of business development, establishing offsets, meeting contractual obligations, evaluating acquisition potential, or the establishment of a joint venture or other partnership interest.</p>		
WHAT IS PROHIBITED	WHAT REQUIRES THE AUTHORIZATION OF A SUPERVISOR	WHAT IS AUTHORIZED
<ul style="list-style-type: none"> > Negotiation or execution of a contract with a business intermediary/partner for the purpose of achieving offsets, equity, or other acquisition interest without first consulting your company’s Trade Compliance Officer > Any consulting activity directed toward an interest group or government decision-maker with the intent of influencing a decision by that group or decision-maker, absent prior authorization by your company’s Trade Compliance Officer and the Safran Corporate International and Public Relations Department (DG2I) 	<ul style="list-style-type: none"> > All business partner requests for consulting, lobbying, service provision, distribution, or partnership development support must receive prior written approval of your supervisor, your company’s Trade Compliance Officer and DG2I (see GRP-0026) 	<ul style="list-style-type: none"> > Preliminary discussions with a potential business partner prior to the exchange of confidential information or intent to form a contract
<p>[p.15] When selecting a business partner, the following principles should be applied:</p>		

- Transparency: having a detailed, written description of the requirement/need for the business partner including Safran approved documentation as to the bona fides and reputation of the business partner.
- Appropriate compensation for services provided: business partner compensation should be consistent with market practice and documented through a proper, payment process executed by the appropriate functional department.
- Monitoring the underlying contract and associated payments: confirm services provided by business partners are consistent with their contractual obligations and agreed compensation.
- Regular updates: annual review of internal and external business partner due diligence throughout each partner's engagement tenure with the Group.

[3] Ethical Guidelines

Accessed 02/07/2019

<https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf>

[p.1] The Group, its companies and employees, may never use a third party to perform any task that they are ethically or legally forbidden to do themselves. Engaging a third party for the purpose of bribing an individual or legal entity violates anti-corruption laws. Prior to entering into a contractual relationship with a business partner, the Group's companies must undertake a methodical and fully traceable selection process.

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
1
Comments
<p>There is some evidence that the company conducts due diligence on its agents and intermediaries. The company states that it conducts an annual review of business partner due diligence throughout the contractual relationship, as well as undertaking a methodical selection process prior to engagement.</p> <p>However, the company receives a score of '1' because it does not specify that high risk agents or intermediaries are subject to enhanced due diligence.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.19] When selecting a business partner, the following principles should be applied:</p> <ul style="list-style-type: none"> ➤ Transparency: having a detailed, written description of the requirement/need for the business partner including Safran approved documentation as to the bona fides and reputation of the business partner. ➤ Appropriate compensation for services provided: business partner compensation should be consistent with market practice and documented through a proper, payment process executed by the appropriate functional department. ➤ Monitoring the underlying contract and associated payments: confirm services provided by business partners are consistent with their contractual obligations and agreed compensation. ➤ Regular updates: annual review of internal and external business partner due diligence throughout each partner's engagement tenure with the Group. <p>[3] Ethical Guidelines Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf [p.1] The Group, its companies and employees, may never use a third party to perform any task that they are ethically or legally forbidden to do themselves. Engaging a third party for the purpose of bribing an individual or legal entity violates anti-corruption laws. Prior to entering into a contractual relationship with a business partner, the Group's companies must undertake a methodical and fully traceable selection process.</p> <p>[14] 2018 Registration Document https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf [p.219] The Group's external partners are also informed about these procedures:</p> <ul style="list-style-type: none"> ➤ the "international trade compliance" procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions). It was amended in 2016 and updated in 2018 to reflect the latest changes in legislation (particularly the Sapin II Act) and best practices. It describes the tight controls governing the selection and approval of business partners, the assessment of their ethical performance, their monitoring and their compensation. Internal and external due diligence is systematically performed for every business partner. The procedure also covers the approval, management and monitoring of lobbyists, who must also comply with Safran's responsible lobbying guidelines, which were updated in 2017;

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
0
Comments
There is no evidence that the company aims to establish the beneficial ownership of its agents as part of its due diligence. There is no evidence that the company commits to not engaging or terminating its engagement with agents or intermediaries if beneficial ownership cannot be established.
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.15] When selecting a business partner, the following principles should be applied:</p> <p>[...]</p> <ul style="list-style-type: none"> ➤ Regular updates: annual review of internal and external business partner due diligence throughout each partner's engagement tenure with the Group. <p>[14] 2018 Registration Document https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf [p.219] The Group's external partners are also informed about these procedures:</p> <ul style="list-style-type: none"> ➤ the "international trade compliance" procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions). It was amended in 2016 and updated in 2018 to reflect the latest changes in legislation (particularly the Sapin II Act) and best practices. It describes the tight controls governing the selection and approval of business partners, the assessment of their ethical performance, their monitoring and their compensation. Internal and external due diligence is systematically performed for every business partner. The procedure also covers the approval, management and monitoring of lobbyists, who must also comply with Safran's responsible lobbying guidelines, which were updated in 2017; <p>[3] Ethical Guidelines Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf [p.1] The Group, its companies and employees, may never use a third party to perform any task that they are ethically or legally forbidden to do themselves. Engaging a third party for the purpose of bribing an individual or legal entity violates anti-corruption laws. Prior to entering into a contractual relationship with a business partner, the Group's companies must undertake a methodical and fully traceable selection process.</p>

Question
7.1.4 Does the company’s anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
0
Comments
There is no clear evidence that the company’s anti-bribery and corruption policy applies to its agents and intermediaries, nor that the company includes clauses in its contracts with such entities to detect and prevent bribery and corruption. The company addresses business partners in its Code of Conduct, but does not explicitly state that all agents must abide by these standards when acting for or on behalf of the company.
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.4] The Code of Conduct is also available to Safran suppliers, trade partners and customers via the Safran website.</p> <p>[p.15] When selecting a business partner, the following principles should be applied:</p> <ul style="list-style-type: none"> ➤ Transparency: having a detailed, written description of the requirement/need for the business partner including Safran approved documentation as to the bona fides and reputation of the business partner. <p>[3] Ethical Guidelines Accessed 02/07/2019 https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf [p.1] The Group, its companies and employees, may never use a third party to perform any task that they are ethically or legally forbidden to do themselves. Engaging a third party for the purpose of bribing an individual or legal entity violates anti-corruption laws. Prior to entering into a contractual relationship with a business partner, the Group’s companies must undertake a methodical and fully traceable selection process.</p>

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
1
Comments
<p>There is some evidence that the company considers its payments and compensation as a risk factor in agent behaviour. The company indicates that agent compensation should be appropriate and consistent with market price. There is also evidence that payments are properly documented and authorised by the appropriate department.</p> <p>However, the company receives a score of '1' because there is no evidence that the company imposes a threshold on the payment of sales commissions to agents. The company does not state that it makes stage payments nor that agents must be paid into local bank accounts.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.15] When selecting a business partner, the following principles should be applied:</p> <p>[...]</p> <ul style="list-style-type: none"> ➤ Appropriate compensation for services provided: business partner compensation should be consistent with market practice and documented through a proper, payment process executed by the appropriate functional department. ➤ Monitoring the underlying contract and associated payments: confirm services provided by business partners are consistent with their contractual obligations and agreed compensation.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
The company does not publish any details of the agents currently contracted to act for and/or on behalf of the company.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or the associated disciplinary actions involving agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
0
Comments
<p>There is some evidence that the company conducts due diligence on its joint ventures at the start of the relationship, but provides no further information about its due diligence procedures beyond that. There is also no indication that the company conducts due diligence throughout the relationship, nor that this process is based on an assessment of corruption risks.</p>
Evidence
<p>[1] The Fight Against Corruption Accessed 02/07/2019 https://www.safran-group.com/sites/group/files/the-fight-against-corruption.pdf [p.2] Control procedures: [...] - Compliance due diligence procedures, within the scope of mergers, acquisitions and the creation of joint ventures.</p> <p>[14] 2018 Registration Document https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf [p.219] The Group’s external partners are also informed about these procedures: ➤ the “international trade compliance” procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions). It was amended in 2016 and updated in 2018 to reflect the latest changes in legislation (particularly the Sapin II Act) and best practices. It describes the tight controls governing the selection and approval of business partners, the assessment of their ethical performance, their monitoring and their compensation. Internal and external due diligence is systematically performed for every business partner. The procedure also covers the approval, management and monitoring of lobbyists, who must also comply with Safran’s responsible lobbying guidelines, which were updated in 2017;</p>

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
0
Comments
There is no clear evidence that the company commits to incorporating anti-bribery and corruption policies and procedures in its joint venture partnerships, nor that it requires anti-bribery and corruption clauses in its contracts with such partners. The company states that its Code of Conduct may be adopted by its joint venture partners, but this is not a requirement and there is no evidence that the company takes action if not adopted.
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.4] Safran’s Code of Conduct applies to all Group companies and subsidiaries, regardless of location.</p> <p>The Code of Conduct is suggested for adoption by companies in which Safran holds a minority stake, and to partners in our 50/50 joint ventures.</p>

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
0
Comments
There is no evidence that the company commits to taking an active role in preventing bribery and corruption in its joint ventures. The company states that its Code of Conduct may be adopted by its joint venture partners, but this is not a requirement and there is no evidence that the company takes action if not adopted.
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.4] Safran’s Code of Conduct applies to all Group companies and subsidiaries, regardless of location.</p> <p>The Code of Conduct is suggested for adoption by companies in which Safran holds a minority stake, and to partners in our 50/50 joint ventures.</p>

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
0
Comments
<p>There is no evidence that the company formally addresses the corruption risks associated with offset contracting, nor that a dedicated body, department or team is responsible for monitoring of the company's offset activities. Although the company addresses the corruption risks associated with agents and intermediaries, there is no evidence that this applies to offset activities or brokers.</p>
Evidence
<p>[2] Code of Conduct Accessed 02/07/2019 https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf [p.14] Selecting business partners</p> <p>According to a 2014 report by the OECD analyzing nearly 430 cases of transnational corruption around the world since 1999, 75% of these cases involved illicit payments made by intermediaries. A company may be held liable for acts of third parties operating on the company's behalf.</p> <p>According to the OECD, an intermediary is a person who acts as a facilitator or "middle-man" with or between one or more parties to a business transaction.</p> <p>The intermediary or business partner usually is an individual or legal entity, serving as a conduit through whom goods or services are offered to another party or customer for the purpose of business development, establishing offsets, meeting contractual obligations, evaluating acquisition potential, or the establishment of a joint venture or other partnership interest.</p> <p>WHAT IS PROHIBITED?</p> <ul style="list-style-type: none"> ➤ Negotiation or execution of a contract with a business intermediary/partner for the purpose of achieving offsets, equity, or other acquisition interest without first consulting your company's Trade Compliance Officer. <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddr_2018_uk_mel_3-040419_100dpi.pdf [p.219] The Group's external partners are also informed about these procedures:</p> <ul style="list-style-type: none"> ➤ the "international trade compliance" procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions).

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
0
Comments
There is no evidence that the company conducts risk-based anti-bribery and corruption due diligence on its offset obligations. The company states in its 2018 Registration Document that it conducts due diligence on all business partners, but it is not sufficiently clear whether agents working on offset agreements are included in this definition, nor whether it applies to all aspects of the obligation.
Evidence
<p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf</p> <p>[p.219] The Group's external partners are also informed about these procedures:</p> <ul style="list-style-type: none"> ➤ the "international trade compliance" procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions). It was amended in 2016 and updated in 2018 to reflect the latest changes in legislation (particularly the Sapin II Act) and best practices. It describes the tight controls governing the selection and approval of business partners, the assessment of their ethical performance, their monitoring and their compensation. Internal and external due diligence is systematically performed for every business partner. The procedure also covers the approval, management and monitoring of lobbyists, who must also comply with Safran's responsible lobbying guidelines, which were updated in 2017;

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
The company does not publish any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company's offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
The company does not publish any details of its offset obligations and/or contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
1
Comments
<p>There is evidence that the company acknowledges the corruption risks associated with operating in different markets and that it has a dedicated assessment process in place to assess such risks.</p> <p>However, this does not include clear risk management procedures and there is no evidence to suggest that the results of these assessments have an impact on business decisions or trigger the implementation of additional controls.</p>
Evidence
<p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ddr_2018_uk_mel_3-040419_100dpi.pdf [p.199] 4.1 RISK MANAGEMENT</p> <p>4.1.1 Methodology</p> <p>Safran's risk management system helps the Group deal with the requirements for certifying products and services to be used in airline and aerospace operations. It also enables it to keep abreast of the Group's global operational and financial challenges. Aircraft programs are generally based on long cycles involving costly research and development and related capital expenditure. Most of these programs have useful lives of up to 40 years and profitability is measured in the medium or long term. The Group's Enterprise Risk Management (ERM) effectively enhances Safran's profitability.</p> <p>This system is now sufficiently mature to be able to identify the Group's major risk exposures, quantify their impact on the achievement of objectives, ensure that adequate measures are implemented to bring exposure to an acceptable level and thus contribute directly to the Group's strategic objectives.</p> <p>Moreover, the principles of enterprise risk management (ERM) are consistent with the recommendations of the French financial markets authority (Autorité des marchés financiers - AMF), the provisions of the AFEP-MEDEF Corporate Governance Code (as revised in June 2018), and professional standards (COSO ERM).</p> <p>It is deployed across all of its businesses in accordance with the governance rules applicable to the Group's different divisions and entities.</p> <p>Risk management draws on a methodological approach common to all entities and rolled out through a network of experts.</p> <p>The risk management policy falls under the responsibility of each entity and of the central corporate departments, and is embedded in all of Safran's organizational processes.</p> <p>Each risk factor identified is analyzed and forms the basis for various risk scenarios charted along three axes: impact, probability of occurrence and level of control.</p> <p>The impact and probability of each risk are assessed in terms of their direct and indirect potential impact on the Group's businesses based the most realistic, worst-case scenario allocated to the risk. The level of control, essential in characterizing the risk and the way it is to be managed, is then determined.</p>

Risks are managed through action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability, particularly involving regularly updated insurance policies.

An owner is designated for each risk identified and is responsible for drafting action plans and ensuring their implementation. The objective is to provide continuous risk oversight to ensure optimum treatment.

The entire risk management approach is periodically reviewed and events that occurred within the Group over a given period are systematically compared with analyses and risk mappings for the same period. This back-testing enables Safran to ensure that risks have been identified, assessed and managed in an exhaustive and effective manner and to enhance and strengthen the process if necessary.

Lastly, ERM has a crisis management component that enables the Group to anticipate and handle any “abnormal” situation that leaves one or a number of its business oversight parameters exposed. Regardless of the component affected, it seeks to provide the Group with the means for reacting in a pragmatic way by delivering the solutions needed to deal with the crisis. The crises in question may range from serious accidents to people of technical, human or natural origin to long-term unavailability of industrial facilities that jeopardizes Safran’s capacity to honor certain commitments to clients and partners. As such, business contingency planning is an integral part of crisis management.

[p.219] A dedicated corruption risk map

Safran’s compliance program is informed by a dedicated risk map, integrated into the Group’s risk map (see section 4.1.1), that tracks all of the companies’ specific corruption-related issues and risks (see section 4.3.1.3), with a focus on:

- market trends in the Group’s host countries;
- applicable changes in legislation and standards;
- each company’s situation, based on the maturity of its corruption risk prevention program, the results of internal and external audits performed during the year, and the completed or ongoing improvements in its procedures and organization.

Twice a year, all of the tier-one subsidiaries update their dedicated corruption risk maps, which the companies and Group management use as their primary tool for mutually defining pathways to improvement, resource requirements and the training plan.

[3] Ethical Guidelines

Accessed 02/07/2019

<https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf>

[p.1] Upholding laws

Safran employees must uphold the laws in all countries where we operate. We are especially attentive to this point because understanding the applicable laws may be more difficult in cultural and legal environments very different from those where employees have worked in the past.

Question

9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?

Score

1

Comments

The company publishes a list of its consolidated companies and subsidiaries, along with the percentage ownership for each.

However, the company receives a score of ‘1’ because there is no evidence that the list includes non-fully consolidated holdings. Additionally, although the company lists the country of the subsidiary, it is unclear whether this relates to the country of operation or incorporation.

Evidence

[14] 2018 Registration Document
 Accessed 02/07/2019
https://www.safran-group.com/file/download/safr_ ddr_ 2018_ uk_ mel_ 3-040419_ 100dpi.pdf
 [p.160-163]

NOTE 37 LIST OF CONSOLIDATED COMPANIES

	Country	2017		2018	
		Consolidation method	% interest	Consolidation method	% interest
Safran SA	France	Parent company			
Aerospace Propulsion					
Safran Aircraft Engines	France	FC	100.00	FC	100.00
CFAN	United States	JO	50.00	JO	50.00
CFM International SA	France	JO	50.00	JO	50.00
CFM International, Inc.	United States	JO	50.00	JO	50.00
CFM Materials LP	United States	EQ	50.00	EQ	50.00
Famat	France	JO	50.00	JO	50.00
Fan Blade Associates, Inc.	United States	FC	100.00	FC	100.00
Safran Aero Composite	France	FC	100.00	FC	100.00
Safran Aerospace Composites, LLC	United States	FC	100.00	FC	100.00
Shannon Engine Support Limited	Ireland	EQ	50.00	EQ	50.00
Safran Aircraft Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engines Poland	Poland	FC	100.00	FC	100.00
Safran Aircraft Engine Services Americas	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engine Services Morocco	Morocco	FC	51.00	FC	51.00
Safran MDS, SA de CV	Mexico	FC	100.00	FC	100.00
Snecma Participations	France	FC	100.00	FC	100.00
Snecma Participations, Inc.	United States	FC	100.00	FC	100.00
Safran Aircraft Engine Services Brussels	Belgium	FC	100.00	FC	100.00
Safran Aircraft Engines Suzhou Co, Ltd	China	FC	100.00	FC	100.00
Safran Aircraft Engines Gulyang	China	FC	90.00	FC	90.00
Propulsion Technologies International, LLC	United States	JO	50.00	JO	50.00
Safran Aero Boosters	Belgium	FC	67.19	FC	67.19
Safran Test Cells, Inc.	United States	FC	67.19	FC	67.19
Safran Aero Boosters Programs, LLC	United States	FC	67.19	FC	67.19
Safran Aero Boosters, Inc.	United States	FC	67.19	FC	67.19
Safran Helicopter Engines	France	FC	100.00	FC	100.00
Safran Power Units	France	FC	100.00	FC	100.00
Safran Power Units San Diego, LLC	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Asia Pte Ltd	Singapore	FC	100.00	FC	100.00

[list continues over 4 pages]

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Disclosures provided in accordance with Article R.123-197-2 of the French Commercial Code

(In € millions) ⁽¹⁾		Share capital	Equity other than share capital and profit	% voting rights	% share capital held
Company	Business line				
A. Detailed information on subsidiaries and associates whose gross carrying amount exceeds 1% of Safran's share capital (i.e., €0.8 million)					
1. Subsidiaries (more than 50%-owned)					
a) French companies					
> ArianeGroup Holding (SIREN: 519032171, Paris, France) ⁽²⁾	Holding company	374.1	3,308.3	50.0	50.0
> Établissements Vallaroché (SIREN: 542028154, Paris, France)	Holding company	15.6	(1.8)	100.0	100.0
> Gallil Participations (SIREN: 402112403, Paris, France)	Holding company	332.3	1,522.5	100.0	100.0
> Safran Aircraft Engines (SIREN: 414815217, Paris, France)	Propulsion	154.1	329.2	97.4	97.4
> Safran Ceramics (SIREN: 440513059, Le Haillan, France)	Propulsion	0.1	14.3	100.0	100.0
> Safran Electrical & Power (SIREN: 301501391, Blagnac, France)	Aircraft Equipment	12.5	21.4	96.8	96.8
> Safran Electronics & Defense (SIREN: 480107911, Boulogne-Billancourt, France)	Defense	372.9	117.2	95.5	95.5
> Safran Helicopter Engines (SIREN: 338481955, Bordes, France)	Propulsion	38.8	166.4	100.0	100.0
> Safran Landing Systems (SIREN: 712019538, Velizy-Villacoublay, France)	Aircraft Equipment	83.7	396.8	100.0	100.0
> Safran Nacelles (SIREN: 352050512, Gonfreville-l'Orcher)	Aircraft Equipment	56.7	39.8	88.5	88.5
> Safran Transmission Systems (SIREN: 692015217, Colombes, France)	Aircraft Equipment	36.8	17.1	100.0	100.0
> Safran Ventilation Systems (SIREN 710802547, Blagnac, France)	Aircraft Equipment	1.3	14.7	100.0	100.0
b) Foreign companies					
> Safran Aero Boosters ⁽²⁾	Propulsion	54.9	11.6	67.2	67.2
> Safran China ⁽²⁾	Holding company	2.7	0.3	100.0	100.0
> Safran Electrical Power UK Ltd ⁽²⁾	Aircraft Equipment	256.8	(89.6)	100.0	100.0
> Safran Maroc ⁽²⁾	Defense	1.8	(0.3)	100.0	100.0
> Safran Serviços de Suporte de Programas Aeronauticos ⁽²⁾	Aircraft Equipment	0.2	0.1	100.0	100.0
> Safran UK Ltd	Holding company	18.1	6.5	100.0	100.0
> Safran USA Inc.	Holding company	0.0 ⁽²⁾	1,656.2	100.0	100.0
> Zodiac Equipments Tunisie	Aerosystems	2.0	19.8	99.9	99.9
> Zodiac Seats Tunisie	Aircraft Interiors	3.7	(0.6)	100.0	100.0
> Zodiac Composite Monuments Tunisie	Aircraft Interiors	3.1	0.2	99.9	99.9
> Zodiac Aerospace Services Middle East	Aerosystems	1.0	0.4	100.0	100.0
2. Investments (10%- to 50%-owned)					
a) French companies					
> Corse Composites Aéronautiques ⁽²⁾	Aircraft Equipment	1.7	45.5	24.8	24.8
> Eurotradia International ⁽²⁾	Aircraft Equipment	3.0	34.3	11.2	11.2
> FCPR Aerofund II	Investment fund	75.0		16.6	16.6
> FCPR Aerofund III	Investment fund	167.0		18.0	18.0
> Mobiwire ⁽²⁾	Communications	2.0	(0.9)	10.6	10.6

B. Summary information concerning other subsidiaries and investments**1. Subsidiaries (more than 50%-owned)**

a) French companies

b) Foreign companies

2. Investments (10%- to 50%-owned)

a) French companies

b) Foreign companies

(1) For foreign companies, share capital, equity, revenue and profit amounts were translated into euros at the exchange rate prevailing at December 31, 2018.

(2) Additional paid-in capital of US-based entities is shown under "Equity other than share capital and profit".

(3) Situation at December 31, 2017.

Question

9.3 Does the company disclose its beneficial ownership and control structure?

Score

2

Comments

The company is publicly-listed on multiple stock exchanges – including London, Paris and Euronext – and therefore automatically receives a score of ‘2’.

Evidence

[24] Financial Times Market Data

Accessed 10/01/2020

<https://markets.ft.com/data/equities/tearsheet/summary?s=SAF:PAR>

[23] Group – Corporate Governance

Accessed 08/01/2020

<https://www.safran-group.com/group-0#2>

Safran is a French-registered company, listed on NYSE Euronext Paris. Its share is part of the French stock market index, CAC 40 and of the European market index, Euro Stoxx 50.

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ ddr_ 2018_ uk_ mel_ 3-040419_ 100dpi.pdf

[p.336]

7.3.1 Breakdown of share capital and voting rights

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2018:

Shareholders	Shares		Exercisable voting rights		Theoretical voting rights ⁽¹⁾	
	Number	% capital	Number	%	Number	%
Private Investors	356,388,863	81.79	371,363,962	71.05	371,363,962	70.86
<i>a/w The Capital Group, Inc.⁽²⁾</i>	277,134,320	6.12	277,134,320	5.22	277,134,320	5.10
<i>a/w BlackRock, Inc.⁽⁴⁾</i>	26,530,694	5.98	26,530,694	5.10	26,530,694	4.98
French State	47,983,131	11.01	95,966,262	18.36	95,966,262	18.31
Employees ⁽³⁾	29,956,234	6.87	55,338,194	10.59	55,338,194	10.56
<i>a/w FCPE Safran Investissement</i>	20,371,400	4.67	40,742,800	7.79	40,742,800	7.77
Treasury shares, held directly	1,439,723	0.33	-	-	1,439,723	0.27
Treasury shares, held indirectly	-	-	-	-	-	-
TOTAL	435,767,951	100.00	522,668,418	100.00	524,108,141	100.00

(1) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.

(2) Number of shares and voting rights declared by The Capital Group, Inc. as of December 13, 2018 (AMF notice no. 218C2007).

(3) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Article 223-11 of the AMF's General Regulations).

(4) Number of shares and voting rights declared by BlackRock, Inc. as of November 27, 2018 (AMF notice no. 218C1901).

To the best of the Company's knowledge, no shareholder apart from those listed in the table above held more than 5% of Safran's share capital or voting rights as of December 31, 2018.

[p.338]

Disclosure of the crossing of thresholds set out in the bylaws

In addition to the legal threshold disclosures described above, the following are the material crossings of thresholds set out in the bylaws, as disclosed to Safran:

Shareholder	Date of crossing	Reported bylaw threshold crossed	Upward or downward	Reported number of shares post-crossing	Reported % of capital post-crossing	Reported % of voting rights ⁽¹⁾ post-crossing
TCI Fund Management Limited	November 29, 2018	3% of voting rights	Upward	15,995,819	-	3
BlackRock, Inc.	January 11, 2018	6% of the Company's capital	Upward	25,901,800	6.21	5.02
FCPE Safran Investissement	September 14, 2018	8% of voting rights	Downward	20,852,700	4.69	7.78
Harris Associates LP	May 28, 2018	1% of voting rights	Downward	5,102,653	-	0.94
GIC Private Limited	May 8, 2018	1% of the Company's capital	Upward	4,461,379	1	0.82
Lone Pine Capital LLC	June 6, 2018	2% of the Company's capital	Downward	8,817,938	1.98	1.62
Lone Pine Capital LLC	March 19, 2018	2% of voting rights	Downward	10,690,969	2.41	1.97
Fonds Stratégique de Participation, FFP Invest and FFP ⁽²⁾	March 1, 2018	1% of voting rights	Upward	5,980,889	1.35	1.10
Fonds Stratégique de Participation, FFP Invest and FSP ⁽²⁾	February 13, 2018	1% of the Company's capital	Upward	5,251,027	1.18	0.97
French State ⁽³⁾	February 15, 2018	14% of the Company's capital and 22% of voting rights	Downward	58,393,131	13.16	21.52
FIDOMA	February 14, 2018	1% of the Company's capital	Upward	4,577,346	1.10	0.89

(1) Theoretical voting rights.
 (2) Joint crossing of threshold.
 (3) Passive crossing of threshold.

Question

9.4 Does the company publish a percentage breakdown of its defence sales by customer?

Score

0

Comments

The company does not publish details of its defence sales by customer.

Evidence

[14] 2018 Registration Document
 Accessed 02/07/2019
https://www.safran-group.com/file/download/safr_ddd_2018_uk_mel_3-040419_100dpi.pdf

[p.5]

AEROSPACE PROPULSION	AIRCRAFT EQUIPMENT	DEFENSE	AEROSYSTEMS	AIRCRAFT INTERIORS	HOLDING COMPANY AND OTHER
REVENUE					
€10,452m 50% of Group revenue	€5,395m 26% of Group revenue	€1,386m 7% of Group revenue	€1,785m 8% of Group revenue	€2,014m 10% of Group revenue	€18m

[p.65]

2.1.3.3 Defense

Adjusted key figures

(in € millions)	2017	2018	Year-on-year change
Revenue	1,316	1,386	+5%
Recurring operating income	93	118	+27%
Profit from operations	79	121	+53%
Free cash flow	105	7	N/D
Acquisitions of property, plant and equipment	57	65	+14%
Research and development			
Self-funded R&D	(132)	(123)	-7%
% of revenue	10.0%	8.9%	-1.1 pts
Research tax credit	37	35	-1%
Self-funded R&D after research tax credit	(95)	(88)	-7%
Capitalized expenditure	54	45	-17%
Amortization and impairment of R&D expenditure	(22)	(19)	-14%
Impact on profit from operations	(63)	(62)	-2%
% of revenue	4.8%	4.5%	-0.3 pts
Headcount	7,578	7,841	+3%

The Defense business operates in two key sectors:

Sector	% of business line revenue	
	2017	2018
Avionics	42%	42%
Defense	58%	58%

Review of Defense operations in 2018

Revenue was €1,386 million, up 5.3% compared to €1,316 million in 2017. On an organic basis, revenue increased by 6.5%.

Growth in military sales was driven by increases in guidance and sighting systems as well as by portable optronics (LTLM II contract in the United States). Avionics revenue was also up thanks to electronics (FADEC for LEAP), optics equipment for telescopes and support activities. Recurring operating income was €118 million, an increase of 26.9% compared to €93 million in 2017.

Recurring operating margin grew from 7.1% to 8.5%. Profitability benefited from growing volumes and the continuing implementation of production cost reductions.

[p.114]

Information by geographic area

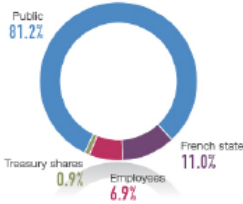
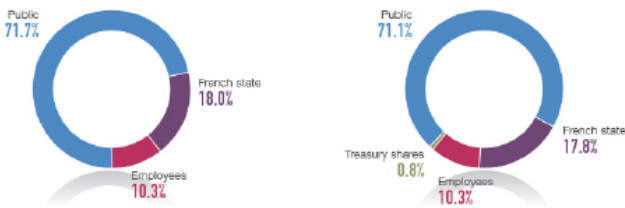
At December 31, 2018

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	3,314	5,018	7,729	3,472	1,517	21,050	(25)	21,025
%	16%	24%	37%	16%	7%			
Non-current assets by location ⁽¹⁾	16,218	1,717	3,268	327	107			21,637
%	75%	8%	15%	2%	0%			

(1) Excluding financial assets, derivatives and deferred tax assets.

The data shown for 2018 include ten months of activity for Zodiac Aerospace, acquired by Safran on February 13 and consolidated with effect from March 1, 2018.

10. State-Owned Enterprises (SOEs)

Question																												
10.1 Does the SOE publish a breakdown of its shareholder voting rights?																												
Score																												
2																												
Comments																												
The company is publicly-listed on multiple stock exchanges, and therefore is not required to disclose information on its beneficial owners. The company nevertheless provides information on shareholder voting rights in its public materials.																												
Evidence																												
<p>[13] Capital structure and voting rights Accessed 02/07/2019 https://www.safran-group.com/finance/safran-share/capital-structure-and-voting-rights/Capital%20shareholding%20structure%20and%20voting%20rights Capital structure and voting rights</p> <p>Safran's share capital is divided between a stake held by the French State, another held by employees and former employees, and the shares held by individual and institutional shareholders (public). The Safran's capital is composed of 435,774,366 shares.</p> <p>Capital shareholding structure At 2019/04/30</p>  <table border="1"> <caption>Capital shareholding structure (2019/04/30)</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Public</td> <td>81.2%</td> </tr> <tr> <td>French state</td> <td>11.0%</td> </tr> <tr> <td>Employees</td> <td>6.9%</td> </tr> <tr> <td>Treasury shares</td> <td>0.9%</td> </tr> </tbody> </table> <p>Voting rights: potential (1) and theoretical (2) At 2019/04/30</p>  <table border="1"> <caption>Voting rights: potential (1) (2019/04/30)</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Public</td> <td>71.7%</td> </tr> <tr> <td>French state</td> <td>18.0%</td> </tr> <tr> <td>Employees</td> <td>10.3%</td> </tr> </tbody> </table> <table border="1"> <caption>Voting rights: theoretical (2) (2019/04/30)</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Public</td> <td>71.1%</td> </tr> <tr> <td>French state</td> <td>17.8%</td> </tr> <tr> <td>Employees</td> <td>10.3%</td> </tr> <tr> <td>Treasury shares</td> <td>0.8%</td> </tr> </tbody> </table> <p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safr_ ddr_ 2018_ uk_ mel_ 3-040419_ 100dpi.pdf [p.135]</p>	Category	Percentage	Public	81.2%	French state	11.0%	Employees	6.9%	Treasury shares	0.9%	Category	Percentage	Public	71.7%	French state	18.0%	Employees	10.3%	Category	Percentage	Public	71.1%	French state	17.8%	Employees	10.3%	Treasury shares	0.8%
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Employees	10.3%																											
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December 31, 2018

Shareholders	Number of shares	% share capital	Number of voting rights ⁽¹⁾	% voting rights ⁽¹⁾
Private investors	356,388,863	81.78%	371,363,962	71.05%
French State	47,983,131	11.01%	95,966,262	18.36%
Employees ⁽²⁾	29,956,234	6.88%	55,338,194	10.59%
Treasury shares	1,439,723	0.33%	-	-
TOTAL	435,767,951	100.00%	522,668,418	100.00%

(1) Exercisable voting rights.

(2) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.

[p.330] 7.1.4.1 Relations with the French State

In 2018, Safran generated adjusted revenue of €817 million with the French State and entities in which it has interests, primarily in military areas.

The Aerospace Propulsion business (see section 1.3.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects.

The Aircraft Equipment business (see section 1.3.2) participates in major French military aviation programs, primarily in terms of landing gear and braking systems.

The Defense business (see section 1.3.3) applies the following technology on behalf of French government agencies across all defense areas (national defense and security of information systems):

- inertia for independent positioning, navigation and guidance systems for all types of vehicles and engines; inertia for flight command systems for helicopters;
- flight command systems for helicopters;
- optronics and signal processing for monitoring, observation, day/night imaging, warning and guidance systems;
- information technologies and systems integration.

In the Aerosystems businesses (see section 1.3.4), Safran supplies safety and protection systems (mainly parachutes, lifejackets and rafts, as well as oxygen systems and masks), fuel management systems and electrical systems.

7.1.4.2 Agreement with the French State relating to strategic assets and subsidiaries

In order to protect national interests and preserve national independence, and in the context of the proposed combination of Sagem and Snecma's businesses through the merger of these two companies, the French State reminded these companies of its right to a "golden share" with regard to Snecma of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to a "golden share", the French State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of a "golden share" was entered into by Sagem and Snecma (now Safran) and the French State on December 21, 2004 (the "2004 Agreement").

In view of the 2005 merger of Snecma and Sagem that led to the creation of Safran, and the various transactions completed by Safran since that date which have substantially altered the Group's scope, Safran and the French State decided to amend the 2004 Agreement with six successive addendums between 2011 and 2016.

In 2018, Safran and the French State wished to consolidate the 2004 Agreement and its amendments into a single document (the "Agreement") and to update its contents.

This Agreement, authorized by the Board of Directors on March 22, 2018 and signed on March 26, 2018, cancels and replaces the 2004 Agreement as of that date. The Agreement notably provides as follows:

On corporate governance matters:

- Safran's competent bodies shall be invited to appoint the French State as a Director if its interest in the Company's share capital is less than 10% but more than 1%;

- Safran’s competent bodies shall in addition be invited to appoint a member proposed by the French State to the Board of Directors if its interest in the Company’s share capital is more than 5%, the shareholders will thus be invited to approve the terms of office of these Directors;
 - at the request of the French State, the Board of Directors shall be invited to appoint one of the persons referred to above to any Board committees that may be set up for the purpose of addressing matters directly related to its rights under the Agreement;
- [p.331]
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran’s strategic subsidiaries (Safran Ceramics and Safran Power Units) and subsidiaries owning sensitive defense assets.
- [p.336]

To the best of the Company’s knowledge, Safran’s share capital and voting rights were held as follows as of December 31, 2018:

Shareholders	Shares		Exercisable voting rights		Theoretical voting rights ³	
	Number	% capital	Number	%	Number	%
Private Investors	356,388,863	81.79	371,363,962	71.05	371,363,962	70.86
<i>o/w The Capital Group, Inc.⁽²⁾</i>	27,134,320	6.12	27,134,320	5.22	27,134,320	5.10
<i>o/w BlackRock, Inc.⁽⁴⁾</i>	26,530,694	5.98	26,530,694	5.10	26,530,694	4.98
French State	47,983,131	11.01	95,966,262	18.36	95,966,262	18.31
Employees ⁽¹⁾	29,956,234	6.87	55,338,194	10.59	55,338,194	10.56
<i>o/w FCPE Safran Investissement</i>	20,371,400	4.67	40,742,800	7.79	40,742,800	7.77
Treasury shares, held directly	1,439,723	0.33	-	-	1,439,723	0.27
Treasury shares, held indirectly	-	-	-	-	-	-
TOTAL	435,767,951	100.00	522,668,418	100.00	524,108,141	100.00

(1) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.
 (2) Number of shares and voting rights declared by The Capital Group, Inc. as of December 13, 2018 (AMF notice no. 218C2007).
 (3) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Article 223-11 of the AMF’s General Regulations).
 (4) Number of shares and voting rights declared by BlackRock, Inc. as of November 27, 2018 (AMF notice no. 218C1901).

To the best of the Company’s knowledge, no shareholder apart from those listed in the table above held more than 5% of Safran’s share capital or voting rights as of December 31, 2018.

Double voting rights

As of December 31, 2018, 88,341,830 shares are entitled to double voting rights pursuant to Article 31.8 of the Company’s bylaws.

The main Safran shareholders do not have different voting rights from those of other shareholders. Any shareholder may be entitled to double voting rights in accordance with the conditions stipulated in Article 31.8 of the Company’s bylaws (see section 7.1.2.2).

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
2
Comments
There is evidence that the company publishes information on its commercial and public policy objectives. There is evidence that this information is updated on an annual basis or whenever there is a change in objectives.
Evidence
<p>[14] 2018 Registration Document Accessed 02/07/2019 https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf [p.17] 1.2 GROUP STRATEGY</p> <p>Safran stands as a leading figure in the aerospace and defense industry, building front-line positions in each of its business areas and enjoying wide recognition for technological excellence addressing customers' critical applications.</p> <p>With the takeover of Zodiac Aerospace in 2018, Safran became the world's third largest(1) aerospace group combining technological know-how and operational experience. Safran fields a balanced portfolio of established products and boasts the talent and expertise of more than 92,000 employees worldwide. It combines leading positions in engines, landing gear, wheels and brakes, nacelles, power systems, actuators and avionics, with front-line offerings in seats, cabin interiors, power distribution, lighting, fuel, oxygen and fluid systems and safety equipment. It focuses its growth strategy on the aerospace and defense markets, building on its position as a tier-one aircraft equipment supplier offering an extended range of products for airframers, airline companies and armed forces.</p> <p>Safran advances on long-term markets with positive outlooks. On the basis of available economic forecasts and airframe programs, Safran estimates that deliveries of new commercial aircraft should total 39,000 over the next 20 years (representing 80% growth in the worldwide fleet), in response to passenger demand that is expected to double over the same period. In the Defense sector, growth in world military expenditure is driven by needs for highly differentiated equipment.</p> <p>Safran follows ambitious programs in each of its business areas.</p> <p>In propulsion, Safran develops its position as an integrated aircraft engine manufacturer, offering a full range of engine architectures. It also shapes the technologies to come, preparing the way for forthcoming architectures. Safran's extensive base of civil aircraft engines in service ensures a bright outlook for growth and profitability through related support and aftersales business. Safran's ambitions are illustrated by investments in the following programs:</p> <ul style="list-style-type: none"> ➤ in short- and medium-haul commercial aviation, production ramp-up for the LEAP® engine (successor to the best-selling CFM56) that powers the Airbus A320neo(2) (-1A version), the Boeing 737 Max (-1B version, sole source) and the COMAC C919 (-1C version, sole Western source), through CFM International(3). Production of the LEAP engine continued to advance in 2018, with deliveries totaling 1,118 units; ➤ in long-haul commercial aviation, Safran is a risk and revenue sharing partner of GE, notably for the GE9X engine, the exclusive powerplant of the 777X, whose first flight is planned for 2019; ➤ in business aviation, priority goes to development of the Silvercrest®, selected for Cessna's Citation Hemisphere. The US private jets company NetJets announced a purchase option for up to 150 of these planes in October 2018; ➤ in military aircraft engines, Safran is building up for the New Generation Fighter (NGF) project, materialized under ➤ the 2018 agreement by France and Germany on studies to begin in 2019 for the forthcoming Future Combat Air System (FCAS) program; ➤ in helicopters, Safran is developing engine hybridization solutions and continuing with upgrades to its range of turbines, especially in the 500 to 3,200 shp(4) category. The Ardiden 3C and Arriel 3H obtained

certification in 2018. The Arrano Engine for Airbus Helicopters' H160 helicopter and the Aneto engine for Leonardo Helicopters' AW189 are next in line in 2019;

- developments in propulsion system hybridization, addressing mounting environmental constraints and emerging needs in urban and regional mobility. In 2018, this strategy led to Safran's being selected by Bell for its new Bell Nexus VTOL(5) aircraft.

In aircraft equipment, Safran is also a front-line participant in landing systems, wheels and brakes, nacelles, power transmission systems, electrical systems, wiring systems, actuators, avionics and safety systems. Safran is the world's second largest(6) aircraft equipment manufacturer today, and is aiming to become the industry leader within the next 15 years, to be achieved by strengthening its position as preferred partner of airframers and airline companies. This endeavor has four main focuses:

further advances in competitiveness and innovation; global offerings for customers; front-line position in equipment for the "more electric" aircraft (electric taxiing, hybridization of backup energy sources, etc.); and development of advanced defense and electronics technologies (navigation, trajectory control and steering, embedded electronics, critical software, flight data acquisition and processing and integrated systems for missions).

In cabin interiors, Safran has a large portfolio of modular solutions and product lines (seats, lavatories, galleys and trolleys, in-flight entertainment systems, etc.) designed to ensure passenger safety and comfort and maximize efficiency and brand differentiation for airline companies. Safran builds on its leading expertise in systems integration and innovation to take a front-line position in connected cabin interiors, improving the user experience for passengers and crew, and strengthening ties with airline companies.

Safran operates in a fast-changing industrial landscape. There is a trend toward consolidation across equipment manufacturers, as with the UTC/Rockwell Collins merger and consolidation between tier-2 and tier-3 suppliers. Aircraft manufacturer strategies lean toward consolidation (as with Airbus and Bombardier, or Boeing and Embraer), and since 2017 we have seen a tendency toward growing internalization of supply-chain businesses. Competition is intensifying, with new entrants on technological innovations (startups and Chinese groups gathering strength). Long-term environmental issues are becoming more acute (CO₂, NO_x, noise, etc.), and technologies on "more electric" and "more connected" aircraft are developing fast.

To address these evolutions, Safran remains focused on its guiding principles:

- it maintains a strong emphasis on continuous improvement in customer-oriented competitive performance: productivity efforts and increased capacities in low-cost countries, development of industrial facilities, and preparatory work on the Factory of the Future program, which involves additive manufacturing, digitization/automation of production processes, industrial Internet of Things, and maximization of plant utilization rates;
- it pursues technological excellence to shape the new state of the art in aerospace: new R&D expansion for 2018-2022; quest for breakthrough technologies (e.g., through Safran Tech, a Group-wide research and technology center); and sharp-focus partnerships with other industrial groups and minority stakes in high-potential startups through Safran Corporate Ventures;

[p.18]

- alliances and long-term partnerships, as with GE on engines for short- to medium-haul aircraft (partnership dating back to 1974, then renewed in 2008 through to 2040), and in 2018 with the joint venture with Boeing on auxiliary power units (APUs);
- following the acquisition of Zodiac Aerospace, finalized in 2018, Safran is prioritizing the streamlining of the existing portfolio of businesses (in particular those brought in from Zodiac Aerospace), and targeted acquisitions, such as the acquisition of Collins Aerospace's ElectroMechanical Systems businesses in early 2019. This operation strengthens Safran's positions in electric actuators and flight controls, bringing it up to critical size in these fields, with revenue of around €500 million;
- a solid financial position guarantees Safran's capacity to manage long-term programs.

Building on solid fundamentals, a firm commitment to sustainability (see section 5, "Corporate social responsibility") and strong ethical principles, Safran is implementing a sound development strategy that will largely contribute to shaping the coming decades in aerospace and defense.

[p.330] 7.1.4.1 Relations with the French State

In 2018, Safran generated adjusted revenue of €817 million with the French State and entities in which it has interests, primarily in military areas.

The Aerospace Propulsion business (see section 1.3.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects.

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- information technologies and systems integration.

In the Aerosystems businesses (see section 1.3.4), Safran supplies safety and protection systems (mainly parachutes, lifejackets and rafts, as well as oxygen systems and masks), fuel management systems and electrical systems.

Question

10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?

Score

2

Comments

There is evidence that the company is open and clear about the nomination process, appointment and composition of its Board of Directors and provides details of its board members. The company discloses details of its nomination process, including the criteria for nomination, which company representatives are involved in the nomination, and who makes the final appointment decision. For each board member, the company discloses whether that person has any connection to the company or the state or is an independent director.

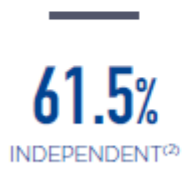
Evidence

[11] 2018 Integrated Report
 Accessed 02/07/2019
https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf
 [p.47]

COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES FOLLOWING THE 2019 ANNUAL GENERAL MEETING⁽¹⁾



- I Independent
- C Chairman
- A Audit and Risk Committee
- M Appointments and Compensation Committee
- T Innovation and Technologies Committee
- W Woman
- M Man



<p>ROSS McINNES Chairman of the Board C M</p>	<p>PHILIPPE PETITCOLIN Chief Executive Officer M</p>	
<p>HÉLÈNE AURIOL-POTIER I A M W</p>	<p>ODILE DESFORGES Chair of the Audit and Risk Committee I A W</p>	<p>GÉRARD MARDINE Director representing employee shareholders A M</p>
<p>ELIANE CARRÉ-COPIN Director representing employee shareholders W</p>	<p>DIDIER DOMANGE A M</p>	<p>DANIEL MAZALTARIM Director representing employees A M</p>
<p>JEAN-LOU CHAMEAU Reappointment proposed to the 2019 AGM I A M W</p>	<p>LAURENT GUILLOT Appointment proposed to the 2019 AGM I A M</p>	<p>PATRICK PÉLATA Chair of the Innovation and Technology Committee I A M W</p>
<p>MONIQUE COHEN Lead Independent Director Chair of the Appointments and Compensation Committee I A W</p>	<p>VINCENT IMBERT Appointment proposed to the 2019 AGM, at the recommendation of the French State A M</p>	<p>ROBERT PEUGEOT Director representing F&P I A M</p>
<p>HÉLÈNE DANTOINE Director representing the French State A M W</p>	<p>BRIGITTE LESSCHAEVE Director representing employees A M W</p>	<p>SOPHIE ZURQUIYAH I A W</p>

[p.48]

AN EXPERIENCED BOARD OF DIRECTORS, REPRESENTATIVE OF SHAREHOLDERS

BOARD COMPOSITION⁽¹⁾ CONSISTENT WITH SAFRAN SHARE OWNERSHIP



A DIVERSE RANGE OF PROFILES, EXPERTISE AND SKILLS WITHIN THE BOARD

The Board of Directors has a wide range of experience, making it well equipped to deal with strategy and performance challenges. It regularly considers the desired balance and diversity of its composition and that of its committees. Its diversity policy is notably structured around principles and objectives related to the size of the Board, the representation of the Company's various stakeholders, the proportion of independent directors, the depth and fit of the directors' skills and expertise, international experience, and gender balance.

Experience and specific duties exercised by Directors in different sectors and activities

	Number of directors
Aerospace industry	12
Other industries	14
Innovation, R&T, Development, Engineering	12
International career and experience	11
Strategy, competition and M&A	10
Finance and management control	9
Digital - New technologies	6
Governance and compensation	13
Human Resources - CSR	7

FOCUS ON THE BOARD OF DIRECTORS FOLLOWING THE 2019 ANNUAL GENERAL MEETING⁽²⁾

INTERNATIONAL DIMENSION

65% of directors (i.e. 11 of 17 directors) and 88% of independent directors (7 of 8 directors) will have spent part of their career outside France, irrespective of their nationality.

GENDER BALANCE - MALE/FEMALE REPRESENTATION

The Board will comprise 7 women and 10 men. 40% of directors will therefore be women⁽³⁾.

DIRECTORS REPRESENTING EMPLOYEE SHAREHOLDERS AND DIRECTORS REPRESENTING EMPLOYEES

The Board includes 2 directors representing employee shareholders and 2 directors representing Group employees. Their presence is required by French law and enables the representation of the significant stakeholders group formed by Group employees, who hold 6.9% of the share capital.

[14] 2018 Registration Document

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ddr_2018_uk_mel_3-040419_100dpi.pdf

[p.256]

6.2.1 Summary table of information about Directors (as at the filing date of this Registration Document)

Director	Age ⁽¹⁾	Gender	Nationality	Number of shares held	Number of directorships in listed companies ⁽²⁾⁽³⁾	Independent Director ⁽⁴⁾	Date first appointed	End of term (expiration or other)
Directors currently in office								
Ross McInnes Chairman of the Board of Directors	65	M	French and Australian	7,470	4	No	April 23, 2015	2019 (AGM held to approve the 2018 financial statements)
Philippe Petitcolin Chief Executive Officer	66	M	French	19,888	1	No	April 23, 2015	2019 (AGM held to approve the 2018 financial statements)
Hélène Aurlot Potier	56	F	French	500	1	Yes	June 15, 2017	2021 (AGM held to approve the 2020 financial statements)
Élène Carré-Copin	66	F	French	414	1	No	May 19, 2016	2020 (AGM held to approve the 2019 financial statements)
Jean-Lou Chameau	65	M	French and American	1,000	1	Yes	April 21, 2011	2019 (AGM held to approve the 2018 financial statements)
Monique Cohen	63	F	French	500	3	Yes	May 28, 2013	2022 (AGM held to approve the 2021 financial statements)
Hélène Dantoine*	47	F	French	N/A	2	No	March 13, 2019	2019 (AGM held to approve the 2018 financial statements)
Odlie Desforges	69	F	French	500	5	Yes	April 21, 2011	2021 (AGM held to approve the 2020 financial statements)
Didier Domange	75	M	French	195,109	1	No	May 25, 2018	2022 (AGM held to approve the 2021 financial statements)
Vincent Imbert	63	M	French	N/A	1	No	March 28, 2014	2019 (AGM held to approve the 2018 financial statements)
Caroline Laurent	55	F	French	N/A	1	No	February 7, 2019 ⁽⁵⁾	2019 (AGM held to approve the 2018 financial statements)

(1) At the filing date of this Registration Document or the departure date of Directors whose term of office expired at end-2018.

(2) See section 6.2.4.1, "Independence of the members of the Board of Directors".

(3) At December 31, 2018.

(4) Including directorship with Safran, in compliance with the recommendations of the AFEP-MEDEF Code.

(5) Director put forward by the French State.

(6) From March 28, 2014 to April 23, 2015 as a Director representing the French State.

[p.258]

Director	Age ⁽¹⁾	Gender	Nationality	Number of shares held	Number of directorships in listed companies ⁽²⁾⁽³⁾	Independent Director ⁽²⁾	Date first appointed	End of term (expiration or other)
Brigitte Lesschaeve	61	F	French	491	1	No	February 26, 2018	November 19, 2019
Gérard Mardiné	59	M	French	7,553	1	No	May 19, 2016	2020 (AGM held to approve the 2019 financial statements)
Daniel Mazaltarm	59	M	French	1,848	1	No	November 20, 2014	November 19, 2019
Patrick Pélata	63	M	French	500	1	Yes	June 15, 2017	2021 (AGM held to approve the 2020 financial statements)
Robert Peugeot Permanent representative of F&P	68	M	French	500	3 ⁽⁴⁾	Yes	May 25, 2018	2022 (AGM held to approve the 2021 financial statements)
Sophie Zurquiyah	52	F	French and American	500	2	Yes	June 15, 2017	2021 (AGM held to approve the 2020 financial statements)
Directors whose directorship ended (on expiration of their term of office or through resignation) during 2018 and since January 1, 2019⁽⁵⁾								
Christian Streiff Vice-Chairman of the Board of Directors	63	M	French	500	2	Yes	May 28, 2013	2018 (AGM held to approve the 2017 financial statements) May 25, 2018 AGM
Jean-Marc Forneri	58	M	French	1,062	2	No	March 17, 2005 (Supervisory Board)	2018 (AGM held to approve the 2017 financial statements) May 25, 2018 AGM
Lucie Muniesa Representative of the French State	43	F	French	N/A	4	No	February 8, 2016	April 22, 2019 Resigned on October 31, 2018
Patrick Gandil	63	M	French	N/A	1	No	May 28, 2013	2019 (AGM held to approve the 2018 financial statements) Resigned on February 7, 2019

(1) At the filing date of this Registration Document or the departure date of Directors whose term of office expired at end-2018.

(2) See section 6.2.41, "Independence of the members of the Board of Directors".

(3) At December 31, 2018.

(4) Including directorship with Safran, in compliance with the recommendations of the AFEP-MEDEF Code.

(5) Director put forward by the French State.

(6) From March 28, 2014 to April 23, 2015 as a Director representing the French State.

[p.280] Representative of the French State and Directors put forward by the French State

The membership structure of Safran's Board of Directors is subject to the provisions of French law applicable to sociétés anonymes (joint-stock corporations). However, as the French State owns at least 10% of the Company's capital, as provided for in Article 14.1 of the Company's bylaws, a certain number of seats on the Board must be assigned to representatives of the French State in accordance with Articles 4 and 6 of ordonnance 2014-948, dated August 20, 2014, which sets out the terms and conditions for State representation on the Boards of Directors of companies in which it holds an ownership interest.

In connection with Safran's implementation of the August 20, 2014 ordonnance:

- by way of a ministerial decree dated March 13, 2019, the French State appointed Hélène Dantoine as its representative on the Board of Directors of Safran to replace Lucie Muniesa for the remainder of Ms. Muniesa's term of office. Lucie Muniesa had been appointed by way of a ministerial decree dated February 8, 2016 for the same term as the other Board members in accordance with Article 2 of government decree 2014-949, dated August 20, 2014 implementing the ordonnance, i.e., four years, expiring at end of the Annual General Meeting of May 23, 2019;

[p.281]

- Vincent Imbert was appointed as a Director at the Annual General Meeting of April 23, 2015, having been put forward by the French State (in accordance with Article 6 of the ordonnance). His term of office expires

at the close of the Annual General Meeting to be held on May 23, 2019. His re-appointment will be proposed at the Annual General Meeting (see section 6.2.6.2);

- at its meeting on February 7, 2019, the Board of Directors appointed Caroline Laurent as a Director, who was put forward by the French State (in accordance with Article 6 of the ordonnance), to replace Patrick Gandil, who has resigned from the Board. Ms. Laurent was appointed for the remainder of Mr. Gandil's term of office, which expires at the close of the Annual General Meeting to be held on May 23, 2019.

Reduction in the French State's representation on the Board of Directors

Following the May 23, 2019 Annual General Meeting, it is expected that the number of Directors put forward or appointed by the French State will have been reduced from three to two, i.e.:

- one director put forward by the French State and appointed by shareholders at the Annual General Meeting (compared with two previously); and
- one representative of the French State appointed by way of a ministerial decree.

This reduction will result from applying, as agreed with the French State, the provisions of the ordonnance dated August 20, 2014 in view of the change in the French State's ownership interest in Safran (11.01% at February 28, 2019).

[15] Articles of Incorporation

Accessed 02/07/2019

<https://www.safran-group.com/sites/group/files/bylaws-courtesy-translation.pdf>

[p.5] Article 14 – Membership Structure of the Board of Directors

14.1. The Company shall be administered by a Board of Directors with at least three and no more than thirteen members, including, where applicable, a representative appointed by the French State and/or Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government ordonnance 2014-948 dated August 20, 2014.

14.2. The maximum number of thirteen Board members may be increased to allow for the inclusion of any Directors representing employee shareholders, elected as provided for in Article 14.8 below, and any employee representative. Directors in general, elected as provided for in Article 14.9 below.

14.3. Directors may be either individuals or legal entities. Legal entities elected to the Board of Directors are required to appoint a permanent representative who shall be subject to the same conditions and duties and have the same responsibilities as if he were a Director in his own name, without prejudice to the joint and several liability of the legal entity he represents.

[p.6] 14.8. Directors representing employee shareholders

[...]

Candidate Director(s) representing employee shareholders shall be designated as follows:

- a) When employees hold shares through a corporate mutual fund and the voting rights attached to these shares are exercised by the members of the Supervisory Board of said fund, that Supervisory Board may designate one or more candidates from among its members who represent employees. When there are several corporate mutual funds, the Supervisory Boards of these funds may agree together to present one or more joint candidates, designated from among all of their members representing employees.
- b) When the voting rights attached to the shares held by employees through the corporate mutual fund are directly exercised by those employees, the candidate(s) shall be elected by said employees from among the members of the Supervisory Board of said fund, under the conditions set out below.
- c) Employees directly holding shares in the Company (within the meaning of Article L.225-102 of the French Commercial Code) elect candidates by means of a vote conducted as described below.

As regards points b) and c), candidates shall be designated during elections held by the Company within each of the groups of employees concerned. These elections, which must be preceded by calls for candidates, may be organized by the Company using any technical means that offer a secure voting process, including electronic or postal voting systems.

A report is drawn up for each of the procedures set out in points a), b) and c) above, specifying the number of votes cast for each candidate. The reports are provided to the Board of Directors at least eight days before the Board of Directors meets to approve the resolutions of the Annual General Meeting relating to the appointment of Directors representing employee shareholders. In order to be valid, each candidate file put forward must include a proposed position holder and a deputy.

Directors representing employee shareholders shall be appointed at an Ordinary General Meeting from among the candidates designated according to the procedures set out in points a), b) and c) above and in accordance with the same conditions as for appointing other Directors. Directors who represent employee shareholders shall not be included for the purpose of determining the minimum and maximum number of Directors referred to in Article 14.1 above.

Directors representing employee shareholders shall be appointed for a four-year term, expiring at the close of the Ordinary General Meeting held during the year in which their term expires in order to approve the financial statements for the previous year. However, the term of a Director representing employee shareholders shall automatically be terminated and the Director shall be deemed to have resigned if he or she ceases to be an employee of the Company (or of a company or inter-company partnership related to the Company within the meaning of Article L.225-180 of the French Commercial Code or when the company which employs the person concerned ceases to be related to the Company within the meaning of the aforementioned article), or ceases to be a shareholder (or member of a corporate mutual fund holding shares in the Company), or under the conditions set down by law.

The deputy, who must meet the same eligibility criteria as the position holder, shall be appointed by the Board of Directors to replace the representative appointed at the Annual General Meeting in the event that this representative has to terminate his or her duties before the end of his or her term of office. Any such appointment by the Board would be subject to ratification at the following Annual General Meeting.

Exceptionally, the deputy shall not be appointed by the Board of Directors if such appointment is not in compliance with Article L.225-18-1 of the French Commercial Code. In this case, and pursuant to Article L.225-24 of the French Commercial Code, the Board of Directors shall provisionally appoint a new Director to represent employee shareholders from among the employee shareholders or from among the members of the Supervisory Boards of the corporate mutual funds.

If the position of Director representing employee shareholders falls vacant for any reason whatsoever, and if the deputy is also unable to fulfill this position throughout the term of office, or cannot be appointed for a reason other than that referred to in the paragraph above, the Chairman of the Board of Directors shall take the necessary decisions

[p.7] to allow a new candidate to be designated for appointment by the Board of Directors or by the following Ordinary General Meeting in order to ensure that employee shareholders continue to be represented.

[...]

14.9. Directors representing employees (“employee representative Directors”)

14.9.1. Number of employee representative Directors and terms and conditions of their election and appointment
In application of article L.225-27-1 of the French Commercial Code, the Board of Directors shall include one or two employee representative Directors, depending on the total number of Board members.

The Board shall have one employee representative Director if it has twelve or fewer members on the date said Director is appointed, or two employee representative Directors if it has more than twelve members on that date. Directors representing employees or employee shareholders shall not be included for the purpose of determining the total number of Board members.

If, during the term of office of an employee representative Director, the total number of Board members falls to twelve or below (not including Directors representing employees or employee shareholders) the employee representative Director(s) shall nevertheless remain on the Board for the length of their scheduled term of office. However, in such a case, if at the end of the term of office of the employee representative Director(s) the number of Board members has not been increased to above twelve (not including Directors representing employees or employee shareholders) as at the scheduled appointment date for the employee representative Director(s)' replacement(s), then the number of employee representative Directors shall be reduced to one.

If the total number of Board members is subsequently increased to more than twelve (not including Directors representing employees or employee shareholders), then a second employee representative Director shall be elected in accordance with the terms and conditions set out below. Such election shall be held within six months of the appointment by the Board or the election by shareholders of the new Director which resulted in the twelve-member threshold being exceeded.

Elections of employee representative Directors shall be organized in accordance with the provisions of article L.225-28 of the French Commercial Code and the terms and conditions set out below.

14.9.2. Type of election

Employee representative Directors shall be elected by all employees eligible to vote, who shall form a single electoral body.

In accordance with article L.225-28 of the French Commercial Code, the election shall be held in one round, with the electors selecting from a list of candidates using the largest-remainder proportional representation system, without vote-splitting.

Each list of candidates shall contain twice as many candidate names as there are Board seats to be filled, and shall contain the same number of men and women candidates, with men's and women's names appearing alternately on the list. No deputy employee representative Directors shall be elected. The lists of candidates shall be put forward solely by one or more of the trade unions representing the Group's employees.

14.9.3. Organization and timing of elections

The elections shall be organized by Executive Management.

The timing of the elections (notably the latest date by which candidatures may be filed and the voting date) as well as any electoral procedures that are not provided for in the applicable laws or regulations or in these bylaws (notably the selection of the voting procedure) shall be set by Executive Management following consultation with the trade unions concerned.

The timing of the elections shall be such that the election results can be announced at least fifteen days before the expiration of the end of the term of office of outgoing employee representative Directors. For the first election held in application of French Act 2013-504 of June 14, 2013, the timing of the election shall be such that the election results can be announced within six months of the Annual General Meeting at which the bylaws were amended, as provided for in article L.225-27-1 III of the French Commercial Code.

For each election, Executive Management shall draw up the list of the Company's direct and indirect subsidiaries whose registered offices are located in France, as provided for in articles L.225-27-1 and L.225-28 of the French Commercial Code.

[p.8] 14.9.4. Voting procedures

Eligible employees may vote either by electronic means or on paper (including postal voting), or by a combination of both methods.

When voting is by electronic means it may take place at the employees' work premises or remotely, but the voting period may not last for more than fifteen days. The design and implementation of the electronic voting system may be entrusted to an external service provider. The system must guarantee confidentiality of the data transmitted as well as the security of voter authentication and signatures, and the recording and counting of votes.

14.9.5. Board vacancies and lack of candidates

If no candidates are put forward for one or more employee representative seats on the Board, the corresponding seat(s) shall remain vacant until the next election of employee representative Director(s).

If a seat held by an employee representative Director falls definitively vacant, that seat shall be filled in accordance with article L.225-34 of the French Commercial Code, i.e., by the candidate whose name featured directly below that of the last elected candidate on the same list.

14.9.6. Status of employee representative Directors

Employee representative Directors shall not be included for the purpose of determining the minimum and maximum number of Directors referred to in Article 14.2 above.

Directors representing employees (“employee representative Directors”) shall be appointed for a four-year term. However, an employee representative Director shall be deemed to have resigned in the event that his employment contract is terminated. In this case, he shall be replaced in the same way as provided for in the second paragraph of Article 14.9.5 above.

Newly-elected employee representative Directors shall take up office on the date that the term of the outgoing employee representative Directors expires.

Employee representative Directors shall not be included for the purpose of determining the minimum and maximum number of Directors referred to in Article 16.3 below.

If the Company no longer meets the legal criteria that trigger the requirement for the election of one or more employee representative Directors then the term of the employee representative Director(s) in office at that time shall expire at the close of the Meeting at which the Board of Directors places on record that such criteria are no longer met.”

Question

10.4 Is the SOE's audit committee composed of a majority of independent directors?

Score

2

Comments

There is evidence that the company's Audit Committee is composed of a majority of independent directors.

Evidence

[11] 2018 Integrated Report
 Accessed 02/07/2019
https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf
 [p.47]

COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES FOLLOWING THE 2019 ANNUAL GENERAL MEETING⁽¹⁾



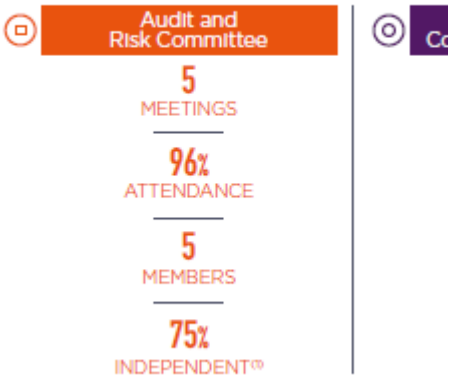
- I Independent
- C Chairman
- A Audit and Risk Committee
- P Appointments and Compensation Committee
- T Innovation and Technologies Committee
- W Woman
- M Man

61.5%
INDEPENDENT⁽²⁾

<p>ROSS McINNES Chairman of the Board C M</p>	<p>PHILIPPE PETITCOLIN Chief Executive Officer M</p>	
<p>HÉLÈNE AURIOL-POTIER I A P W</p>	<p>ODILE DESFORGES Chair of the Audit and Risk Committee I A W</p>	<p>GÉRARD MARDINE Director representing employee shareholders A M</p>
<p>ELIANE CARRÉ-COPIN Director representing employee shareholders W</p>	<p>DIDIER DOMANGE A M</p>	<p>DANIEL MAZALTARIM Director representing employees A M</p>
<p>JEAN-LOU CHAMEAU Reappointment proposed to the 2019 AGM I A P M</p>	<p>LAURENT GUILLOT Appointment proposed to the 2019 AGM I A M</p>	<p>PATRICK PÉLATA Chair of the Innovation and Technology Committee I A P M</p>
<p>MONIQUE COHEN Lead Independent Director Chair of the Appointments and Compensation Committee I A W</p>	<p>VINCENT IMBERT Appointment proposed to the 2019 AGM, at the recommendation of the French State A M</p>	<p>ROBERT PEUGEOT Director representing F&P I A M</p>
<p>HÉLÈNE DANTOINE Director representing the French State A P W</p>	<p>BRIGITTE LESSCHAEVE Director representing employees A W</p>	<p>SOPHIE ZURQUIYAH I A W</p>

[p.49]

THREE PERMANENT COMMITTEES -



[17] Reglement Interieur du Conseil d'Administration

Accessed 02/07/2019

[https://www.safran-group.com/file/download/safran - reglement interieur au 22 mars 2018.pdf](https://www.safran-group.com/file/download/safran_-_reglement_interieur_au_22_mars_2018.pdf)

[p.11] ARTICLE 28 – COMPOSITION DU COMITE D'AUDIT ET DES RISQUES

[...]

28.2 Deux tiers des membres du comité d'audit et des risques, en ce compris son président, doivent être des administrateurs indépendants, en application des critères définis au paragraphe 2.4 ci-avant. Il n'est tenu compte pour établir ce pourcentage, ni des administrateurs représentant les salariés actionnaires, ni des administrateurs représentant les salariés.

Translation:

[p.11] ARTICLE 28 – COMPOSITION OF THE AUDIT AND RISK COMMITTEE

[...]

28.2 Two thirds of the members of the audit and risk committee, including its chair, must be independent directors, according to the criteria defined in the preceding paragraph 2.4. Neither directors representing employee shareholders nor directors representing employees can be counted towards this percentage.

Question

10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?

Score**2****Comments**

There is some evidence that the company has a system in place to manage asset transactions. The company states that transactions above a certain financial threshold are subject to prior board approval, and there is evidence that these decisions are documented. Financial results from asset acquisitions or disposals are made publicly available in the company's accounts. There is evidence that the company's Audit and Risk Committee is responsible for reviewing financial statements relating to asset acquisitions and disposals.

Evidence**[14] 2018 Registration Document**

Accessed 02/07/2019

https://www.safran-group.com/file/download/safr_ ddr_ 2018_ uk_ mel_ 3-040419_ 100dpi.pdf

[p.87]

Consolidated statement of cash flows

<i>(in € millions)</i>	Note	2017*	2018
I. CASH FLOW FROM OPERATING ACTIVITIES			
Profit attributable to owners of the parent		4,550	1,283
Depreciation, amortization, impairment and provisions ⁽¹⁾		1,026	1,235
Share in profit (loss) from equity-accounted companies (net of dividends received)	15	(100)	(124)
Change in fair value of currency derivatives ⁽²⁾	30	(3,608)	316
Capital gains and losses on asset disposals		(20)	12
Profit (loss) from discontinued operations and disposal gain (before tax)		(997)	-
Profit attributable to non-controlling interests		60	58
Other ⁽³⁾		1,150	318
Cash flow from operations, before change in working capital		2,061	3,098
Change in inventories and work-in-progress	16	(280)	(393)
Change in operating receivables and payables ⁽⁴⁾	18, 27, 30	890	(280)
Change in contract costs	17	10	2
Change in contract assets and liabilities	19	86	746
Change in other receivables and payables	18.27	(15)	(102)
Change in working capital		691	(27)
	TOTAL I⁽⁵⁾	2,752	3,071
II. CASH FLOW USED IN INVESTING ACTIVITIES			
Capitalization of R&D expenditure ⁽⁶⁾	12	(349)	(327)
Payments for the purchase of intangible assets, net of proceeds ⁽⁷⁾		(225)	(183)
Payments for the purchase of property, plant and equipment, net of proceeds ⁽⁸⁾		(740)	(780)
Payments arising from the acquisition of investments or businesses, net ⁽⁹⁾		(54)	(4,172)
Proceeds arising from the sale of investments or businesses, net		3,060	18
Proceeds (payments) arising from the sale (acquisition) of investments and loans ⁽¹⁰⁾		(1,974)	1,950
	TOTAL II	(282)	(3,494)
III. CASH FLOW FROM (USED IN) FINANCING ACTIVITIES			
Change in share capital - owners of the parent		-	-
Change in share capital - non-controlling interests		(4)	(1)
Acquisitions and disposals of treasury shares	22.b	(449)	(539)
Repayment of borrowings and long-term debt ⁽¹¹⁾	26	(66)	(1,895)
Increase in borrowings	26	1,058	1,480
Change in repayable advances	25	(25)	(10)
Change in short-term borrowings	26	449	(472)
Dividends and interim dividends paid to owners of the parent	22.e	(340)	(695)
Dividends paid to non-controlling interests		(32)	(26)
	TOTAL III	591	(2,158)
CASH FLOW FROM OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	TOTAL IV	14	-
CASH FLOW USED IN INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS	TOTAL V	(52)	-
CASH FLOW USED IN FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS	TOTAL VI	(198)	-
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	TOTAL VII	(17)	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	I+II+III+IV+V+VI+VII	2,808	(2,584)
Cash and cash equivalents at beginning of period		1,926	4,914
Cash and cash equivalents of discontinued operations at beginning of period		180	-
Cash and cash equivalents at end of period	20	4,914	2,330
Cash and cash equivalents of discontinued operations at end of period		-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,808	(2,584)

[p.331] On strategic or sensitive defense assets and the entities that hold such assets:

- the French State shall have a prior right of approval over:
 - sales of assets (other than those that do not affect the defense activities) owned by strategic subsidiaries and accordingly identified as strategic; sales of shares in strategic subsidiaries Safran Ceramics and Safran Power Units; and sales of shares in ArianeGroup Holding,
 - sales of certain assets identified as defense sensitive (such as engines, components and systems, high precision inertial navigation and missile guidance systems, financed directly or indirectly by the French Defense Ministry) owned by Group entities,
 - sales of shares in Safran Electronics & Defense, which owns sensitive defense assets,
 - acquisitions of interests resulting in a holding of more than 33.33% or more than 50% of the share capital or voting rights of the other Group companies that own sensitive defense assets,
 - projects conferring special management or information rights over strategic or sensitive defense assets or rights of representation on the administrative or management bodies of Safran Ceramics, Safran Power Units, ArianeGroup Holding or another entity owning sensitive defense assets controlled by Safran, the French State's failure to respond within a period of 30 business days shall be deemed to constitute agreement, except in the case of proposals to sell shares in ArianeGroup Holding, in which case failure to respond shall be deemed to constitute refusal;
- the French State shall be informed beforehand of any proposal by a strategic subsidiary or an entity controlled by Safran that owns sensitive defense assets to sell assets that do not fall into these protected categories but whose sale could have a material impact on the independent management on French territory of the entity's strategic assets or sensitive defense assets;
- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries Safran Ceramics and Safran Power Units and the stake in ArianeGroup Holding at a price to be set by a panel of experts.

[p.118]

Other non-recurring operating income and expenses

<i>(in € millions)</i>	2017	2018
Capital gains on asset disposals	23	-
Impairment net of reversals on intangible assets	(23)	(38)
Other non-recurring items	(90)	(77)
TOTAL	(90)	(115)

At December 31, 2018, the Group analyzed the situation of assets assigned to the X6 program following the termination of the contract with Airbus Helicopter by mutual agreement. As a result of its analysis, the Group wrote down the full amount of intangible assets specifically assigned to the development of this engine, representing €34 million. Other impairment losses taken against intangible assets chiefly relate to a program in the Aircraft Equipment sector.

Other non-recurring items mainly reflect transaction, integration and restructuring costs for €77 million, relating essentially to the Zodiac Aerospace acquisition.

In 2017, capital gains totaling €23 million on asset disposals resulted primarily from the sale of Structil (see Note 4, "Scope of consolidation").

The Group also decided to analyze the situation of the assets associated with the Falcon 5X program following Dassault Aviation's announcement on December 13, 2017 that it had decided to initiate proceedings to terminate the Silvercrest contract, leading to the cancellation of the Falcon 5X program. These analyses led the Group to write down assets it had specifically committed to this program for an amount of €23 million. As a reminder, the intangible assets relating specifically to the development of the Silvercrest engine and certain other specific assets relating to this program were written down in full for an amount of €654 million in 2015.

“Other non-recurring items” include €61 million in transaction and integration costs, particularly those relating to Safran’s tender offer for Zodiac Aerospace’s share capital (see Note 4, “Scope of consolidation”), and the payment of €29 million in respect of an arbitral award (see Note 35, “Disputes and litigation”).

[p.255] 6.1.4.2 Internal rules relating to transactions requiring prior approval of the Board of Directors

In accordance with Article 19.3 of the Company’s bylaws and Article 4 of the Board of Directors’ Internal Rules:

- the following operations have to be approved by the Board before they can be carried out by the Chief Executive Officer or a subsidiary:
 - decisions related to putting in place significant business activities in France or abroad;
 - decisions to withdraw from such business activities 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’s prior approval is systematically required for the following:
 - any capital expenditure or self-financed development expenditure related to any project, program or industrial or commercial development that represents an amount equal to or more than €100 million for the Company or any Group entity;
 - any investment, divestment, expenditure, commitment or warranty related to the following operations or decisions and which represents an amount equal to or more than €50 million for the Company or any Group entity:
 - any acquisition or disposal of real estate,
 - any 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 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 a dispute or litigation, the signature of any agreement or the acceptance of any settlement, collateral pledged over the Company’s assets.

The prior approval referred to above is not required for operations and decisions that result in the signature of agreements exclusively involving Group entities (between these entities or with the Company);
- the Board of Directors’ prior approval is systematically required for each of the following operations or decisions if they represent an amount equal to or more than €400 million for the Company or any Group entity:
 - granting or contracting any loan, credit or advance;
 - setting up or changing any program involving issues by the Company of negotiable debt securities (formerly the commercial paper program), apart from renewals or changes that do not result in an increase in the maximum size or maturity of the debt securities concerned (once such programs are approved, the Company’s finance department is responsible for their implementation);
 - acquiring or disposing of any receivables due beyond one year.

The prior approval referred to above is not required for operations and decisions that result in the signature of agreements exclusively involving Group entities (between these entities or with the Company);
- the Board of Directors’ prior approval is also systematically required for any offer or industrial or commercial project entered into by the Company or any Group entity that:
 - results in a guarantee commitment representing €300 million or more; or
 - is deemed material, with the notion of “material” decided by the Chief Executive Officer or any other person duly authorized to implement said offer or project;
- furthermore, the following operations and decisions require prior authorization from the Board of Directors, with at least one Director representing the French State voting in favour if the French State owns more than 10% of Safran’s capital:
 - any disposal by the Group of strategic military assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to the propulsion and guidance of French cruise and tactical ballistic missiles;
 - any sale by Safran of shares in Safran Ceramics, Safran Power Units, Safran Electronics & Defense and ArianeGroup Holding,
 - any decision to grant to a third party specific management rights or rights to information related to the Group’s strategic military assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to the propulsion and guidance of French cruise and tactical ballistic missiles;

- any decision to grant to a third party rights to be represented on the administrative or management bodies of Safran Ceramics, Safran Power Units, Safran Electronics & Defense and ArianeGroup Holding.

[p.292] Audit Committee Roles and Responsibilities

[...]

In this regard it is responsible for:

- reviewing the draft interim 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 consistently, and
 - examining any problems encountered related to applying accounting policies; In this respect, it also monitors the plans and measures put in place for applying the main planned changes in accounting policies; including the application of new international financial reporting standards.
- reviewing the financial documents issued by Safran in connection with the end of the annual and interim reporting periods;
- reviewing draft financial statements prepared for the requirements of specific transactions, such as asset contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain operations proposed by Executive Management and submitted to the Board of Directors (some of which for prior authorization), such as:
 - capital increases,
 - equity investments, and
 - acquisitions or divestments;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of the accounting treatment applied for major transactions;

List of Evidence & Sources

No	Type (Webpage or Document)	Name	Download Date	Link
01	Document	The Fight Against Corruption	02/07/2019	https://www.safran-group.com/sites/group/files/the-fight-against-corruption.pdf
02	Document	Code of Conduct	02/07/2019	https://www.safran-group.com/file/download/saf-code_de_conduite_2019-fr-en-esp-chn-270519.pdf
03	Document	Ethical Guidelines	02/07/2019	https://www.safran-group.com/file/download/safran-ethical-guidelines.pdf
04	Document	Responsible Lobbying Charter	02/07/2019	https://www.safran-group.com/file/download/safran-responsible-lobbying-charter_0.pdf
05	Document	Safran Values	02/07/2019	https://www.safran-group.com/file/download/safran-values_0.pdf
06	Webpage	Ethics alert system	02/07/2019	https://www.safran-group.com/media/ethics-secure-email-address-reporting-your-concerns-20190627
07	Document	Responsible Purchasing Guidelines	02/07/2019	https://www.safran-group.com/file/download/safran_responsible_purchasing_guidelines_grf_0164_en.pdf
08	Webpage	Purchasing Policy	02/07/2019	https://www.safran-group.com/suppliers/safrans-purchasing-policy/Purchasing%20Policy
09	Webpage	Working with Safran	02/07/2019	https://www.safran-group.com/suppliers/working-safran/Working%20with%20Safran
10	Document	General Purchasing Conditions	02/07/2019	https://www.safran-group.com/file/download/gpc_standard_july_2017_en.pdf
11	Document	2018 Integrated report	02/07/2019	https://www.safran-group.com/file/download/safran_ri_2018_uk_mel.pdf
12	Document	Shares and Voting Rights	02/07/2019	https://www.safran-group.com/file/download/shares_and_voting_rights_statement_2019.03.29_0.pdf
13	Webpage	Capital structure and voting rights	02/07/2019	https://www.safran-group.com/finance/safran-share/capital-structure-and-voting-rights/Capital%20shareholding%20structure%20and%20voting%20rights
14	Document	2018 Registration Document	02/07/2019	https://www.safran-group.com/file/download/safr_ddr_2018_uk_mel_3-040419_100dpi.pdf
15	Document	Articles of incorporation	02/07/2019	https://www.safran-group.com/sites/group/files/bylaws-courtesy-translation.pdf
16	Webpage	Board of Directors	02/07/2019	https://www.safran-group.com/group/governance/board-directors/board-directors-0
17	Document	Reglement interieur du conseil d'administration	02/07/2019	https://www.safran-group.com/file/download/safran_-_reglement_interieur_au_22_mars_2018.pdf
18	Webpage	Safran at a glance	02/07/2019	https://www.safran-group.com/group-0#1
19	Document	2019 Long-term Incentive Plan	02/07/2019	https://www.safran-group.com/file/download/2019-ltip-and-2016-ltip-vesting.pdf

20	Document	Corporate Officer Compensation 2018-2019	02/07/2019	https://www.safran-group.com/file/download/corporate_officer_compensation_2018-2019.pdf
21	Webpage	Exemplary enterprise	02/07/2019	https://www.safran-group.com/commitments/exemplary-enterprise
22	Webpage	Open Ownership	02/07/2019	https://register.openownership.org/entities/59b92ead67e4ebf3402859ba
23	Webpage	Corporate Governance	08/01/2020	https://www.safran-group.com/group-0#2
24	Webpage	Financial Times – Markets Data	10/01/2020	https://markets.ft.com/data/equities/tearsheet/summary?s=SAF:PAR