



CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

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INTRODUCTION

The Group strives to act as a good corporate citizen in its **social**, **environmental** and **societal** environment.

Mersen's employees, their knowledge, and their expertise are central to achieving our economic goals. Developing our **human capital** is key to each of our development priorities and is essential to our growth.

The Group conducts its industrial activities to ensure that they have a minimum impact on the **environment**, while simultaneously stepping up our contribution to sustainable development, specifically to the development of renewable energies and energy efficiency.

Last, the Group respects the local and regional communities where it has a presence and seeks to ensure that its activities are a source of regional development.

HUMAN RESOURCES POLICY

Mersen's corporate project relies first and foremost on the men and women who work for the Group. Our employees have the expertise. They respond to customers' day-to-day needs and develop innovative solutions by analyzing market trends and keeping a close eye on the latest technological advances. Their knowledge and savoir-faire represent our most precious asset—our human capital.

→ HR plan

The HR plan is predicated on four pillars and is implemented by the entire management team, with the support of the HR teams. The plan aims to build a strong HR identity to support achievement of Mersen's strategic goals, taking into account the needs of the divisions and its employees' expectations and needs, while giving managers the requisite visibility and clarity in the medium term concerning the changes that need to be made.

The Group undertakes to comply with the fundamental principles and rights of the ILO (International Labor Organization) in compliance with legislation in effect. These laws address fundamental issues of labor law, including freedom of association, the right to organize and collective bargaining, the abolition of all forms of forced and compulsory labor, the effective abolition of child labor, and the elimination of discrimination in respect of employment and occupation.

Secure the Group's future by nurturing and valuing its human capital

Forward human resources planning

The Group must plan ahead and prepare for the future by identifying the competencies that it will need in the future to sustain its development. At the same time, employees must be aware of likely changes in their jobs so that they can improve their own skill set.

Based on the Group's forward human resources planning process and consistent with the strategic planning process, each division prepares an annual forecast of the skills and expertise it will need in the medium term, in keeping with its priorities and those of the Group.

This analysis is consolidated at the Group level, based on Mersen's reference job framework. This framework, which is updated annually, identifies and describes, for each of the 10 support functions (sales and marketing, business, R&D, production, production support, sourcing, information systems, human resources/safety/general services, finance and legal affairs), the 91 Group reference jobs that are common to all divisions. In late 2015, the business function was reviewed to take into account the organizational changes announced.

This mapping, which describes the jobs, their challenges, specificities and associated skills, enables the Group to increase the effectiveness of its HR policies (including hiring, mobility and training):

- Training: The Group will rely on the new job skills guide to offer training programs by support function and, thus, continue to develop expertise and professionalism within the Group. An initial e-learning program was offered in late 2014 to all Procurement employees through the new Mersen Academy training platform.
- Annual performance evaluations: employees with the same position will be evaluated in terms of the same skills. This will strengthen the objectivity and soundness of the Group's evaluation process.

This guide is also a valuable hiring tool as it allows us to fine-tune the description of the skills sought.

Knowledge transmission

Planning ahead for departures linked to demographic trends in the Group's workforce is a key aspect of the Group's policy of human resource planning.

In France, the purpose of the action plan under the Contrat de Génération legislation, which was signed in September 2013 for a period of three years, is to promote the hiring of young people under open-ended employment contracts, while ensuring that senior employees' knowledge and skills are passed on. The Group intends to play an active role in pursuing this three-part objective through various commitments. The Group has thus committed, in France, to hire 30 employees under the age of 27 (under open-ended contracts) and 200 young people under apprenticeship or vocational training contracts by mid-2016. In addition, 80 internships for young people following a certification curriculum will be offered every year. An assessment of this action plan is presented annually to the Group committee.

Many facilities hire people on an internship or work-study basis to order to integrate young people and identify the strongest candidates. For example, Mersen Korea entered into an agreement with a government agency to hire people aged 19 to 34 as interns, as in the United Kingdom, where the Group hires and trains apprentices in the fields of mechanics and electricity. The facility also works with local middle schools to talk about the company and prepare young people for employment. In Morocco, Mersen has developed partnerships with local schools and institutions to integrate training into their curriculum that addresses the Group's specific industrial needs. The facility also offers 12-24 month-long internships to young people, who may be integrated at the end of the internship if their qualifications meet the company's criteria.

Simultaneously, given the challenges associated with training young people, the Group provides tailored guidance for those selected. A new assignment – mentor/advisor – has been created to welcome new hires into the company to provide this guidance.

FOCUS

Developing the hiring of young people

Mersen India has established an engineer training program in which young graduates receive 24 months of training at the company. During that time, the skills related to their duties are tested every six months. At the end of two years, the best trainees may be brought into the company definitively.

With regard to senior employees, in France the mentoring program introduced in the 2009 agreement, promoting the employment of seniors, continues under the 2013 action plan.

The action plan continues to be deployed at the international level. It aims to replace and pass on the knowledge gained by seniors, increase employees' competencies to help drive the Group's growth and enhance communication about its values and corporate culture.

An "experience interview" may be held with each employee whose skills are judged to be essential and for all employees who may retire within two to five years. The objective is to review the individual's knowledge and key skills to ensure and prepare for their transmission. This interview also reviews the employee's position ahead of his/her retirement and/or the final part of his/her career to make sure it is as interesting and useful as possible. Managers are offered training to prepare for this interview.

The results of these experience interviews will be used to enhance succession planning.

FOCUS

Cross-training for knowledge transmission

Mersen has developed a cross-generational, cross-training system for machinists and operators in Canada. Under this system, more experienced workers train younger ones in traditional machining techniques, while the younger ones train their elders in new technologies.

Lastly, highly motivated employees with expertise in a key area for the Group may be asked to become mentors. This kind of mentoring ensures the proper transmission of professional knowledge, which concerns everyone, whether experienced managers, engineers, technicians or operators.

FOCUS

Promoting the retention of senior employees

In an effort to retain the involvement and interest of senior employees in their position, some facilities have developed unique approaches. For example, Mersen's plant in St. Marys (United States) offers its oldest employees the opportunity to reduce their work hours in exchange for consulting with younger employees to transmit their knowledge and expertise. Following the same model, Mersen Boostec (France) established a program pairing an older and a younger employee. This process helps prepare for the future by facilitating knowledge transmission, while easing the older employee's workload.

Stimulating innovation

Innovation is used to build a distinctive range of products and to drive growth. The Group's primary partners in terms of innovation are its customers, for which it develops tailored products.

Mersen has two objectives: bolster the culture, resources and oversight of innovation and of Research & Development (R&D); and structure and promote the sharing and synergies of R&D resources among the Group's various units.

The decisions made and initiatives implemented over the past five years have led to:

- The modification of an internal online database to include a list of experts (by materials, by physical and chemical phenomena and by industrial processes) and special equipment at all of the Group facilities;
- The formal fixing of research, development and technology-watch priorities for divisions and the Group, while ensuring that they remain consistent with its growth objectives in certain key markets;
- The three ideas creating the most value being rewarded each year through the Innovation challenge.

Innovation also lies at the heart of our corporate culture and our HR policy, which promotes autonomy, creativity, initiative-taking and idea sharing by restricting the number of management tiers and providing easy access to managers.

Exchanges with outside experts are also encouraged. For example, the Group entered into a partnership with French laboratories, productivity clusters, universities and engineering schools under a Unique Interministerial Fund (FUI) project. This collaborative project, FE²E (economically and environmentally efficient fuses), integrates these partners in areas of advanced research (including materials, electrical engineering and modelling). In the field of materials, the Group is collaborating on the FORCE⁽¹⁾ project, launched in 2014 to develop a low-cost carbon fiber sector in France. Working within a consortium comprised of French manufacturers and laboratories, Mersen is involved as a technical expert in this strategic project for

the industry of the future, providing our knowledge of high-temperature processes and carbon materials used in the carbon fiber production chain. These collaborative projects reflect the Group's interest in and ability to meet significant technological and manufacturing challenges.

To better prepare for large-scale changes – both markets and customers – and to help guide the Group's R&D strategy and efforts, in December 2015 the Group announced that it would create a Division of Technology, Research, Innovation and Business Support. This function will report directly to the Chairman of the Supervisory Board.

Project management and cross-business coordination

The Group carries out various major, strategic projects, such as acquisitions, industrial adjustments, and major investments on an ongoing basis. Their complexity requires that we use a common project management method. This method, the Global Project Standard (GPS), allows the Group to complete these highly complex projects. A project group established in early 2015, which assembles operational employees from the various job categories and project management experts, revised both the methodology and training and deployment systems.

Thanks to the first e-learning training system, as many employees as possible can become familiar with the methodology's major principles. The training system was deployed between September and December 2015 with all of the Group's engineers and managers.

Starting in 2016, all new managers will be required to take this training. Additional, more comprehensive modules intended for the project teams will also be provided. Last, and because the Group seeks to embed the methodology within the teams, advisors have been designated in the units. Because they are very familiar with the method and have used it successfully on projects, they will be able to respond to project managers' requests and provide methodological support.

(1) Optimized and realistic economic carbon fiber.

Strengthen the quality of management

Faced with a changing, fast-moving world, Mersen is adapting and changing its management culture. The project to redefine the Group's managerial skills guide was launched in 2014. It was conducted on a participatory basis and involved both external and internal actors, with nearly 100 Mersen executives and managers interviewed worldwide. In Q1 2015, this collaborative effort produced the new Group Management reference, referred to as Open Manager. It addresses five major topics: Working with Everyone, Communicating and Making Sense, Motivating and Developing Employees, Building the Future, and Achieving and Raising Standards. Communications sessions and workshops were held throughout the year at all facilities to introduce and explain this new key approach to all Group executives and managers. Through these exchanges, we were also able to identify the needs of the guide's main users. From requests for training to additional tools, we will respond over time to provide maximum support for the deployment of the management strategy.

Going forward, the decision to assign an individual to a management position will be based on the new managerial skills identified. In the same vein, the Group thus made major changes to the regional management teams, for example, in England, Italy, Scandinavia and the United States. With regard to both these key positions and others (departments responsible for segments, units or product lines), the Group decided to increase the mix of internal promotion and external recruitment of high-skilled candidates.

Internally, the Group is providing additional support to its managers. Approximately 15 executives were assessed by a firm specializing in this new guide. Individual support plans were created, including, for example, coaching activities.

Recruitment, development and career planning

The **recruitment process for managers** has now been harmonized across all the Group's companies to make it as streamlined and professional as possible. With a heightened presence on social networks (LinkedIn, Viadeo and Xing), the Group is improving the visibility of its job postings and is thus increasing its appeal. The Group highlights the diversity, energy and collegiality of its teams worldwide on its Facebook page.

It is adapting its recruitment process to specific local contexts and to the problems that may arise in certain countries or certain jobs.

Career committees provide an opportunity each year to review the career prospects of the Group's principal managers and are used to prepare individual competency development plans. These reviews are conducted at plant and divisional level and help to identify key and/or high-potential employees for review by the Management Board's Talents Committee. Like the experience interviews, these Committees help to add more substance to **succession planning**.

Mersen's global dimension provides employees with genuine career development opportunities. The Group has demonstrated its desire to encourage exchanges between its various divisions and geographical regions by prioritizing mobility and the international diversity of managers. Mersen's success is predicated on both a balanced **international mobility policy** and the development of local talent. The human dimension requires respect for and the recognition of local cultures and skills, wherever they may be. It facilitates a rapid response for customers and will help to power innovation and growth.

FOCUS

Recruiting key talent

To help improve the quality of the machinists hired, the Gennevilliers plant initiated a partnership with a temporary employment agency. After the agency preselects candidates, an assessment day is held, based on individual and group interviews and role-playing (individual vocational tests on machines). At the end of the day, a candidate may receive an open-ended job offer. This process is particularly appropriate for highly sought-after candidates and is based on an assessment of both technical (knowledge and know-how) and behavioral skills.

HR tools available to managers

The **annual review** is one of the key elements of the skills development process implemented within the Group. Annual reviews, a key opportunity for dialogue and discussions between the employee and direct management superior, help to assess individual performance over the previous year and set objectives for the year to come. They also provide a chance to assess competency development initiatives carried out during the past year and to determine what action needs to be taken or continued to make progress in the employee's current position or to gain promotion in the future. An application developed on the Group's new HRIS can be used to manage online forms and facilitates annual reviews.

In July, managers are asked to conduct a mid-year review, during which they may revise the objectives set at the start of the year, where necessary (change in the environment or other reasons).

Training in conducting annual reviews was held in several countries, from Asia to the Americas, including Europe. It is systematized every year with a training program implemented via the Mersen Academy's remote training platform.

Career reviews are another tool which provides a full analysis of employees' professional accomplishments, helping them to formulate their expectations and goals for the medium term. They also provide an opportunity for managers two tiers up to have direct contact with employees and to listen to their aspirations. Career reviews can also be offered during Career Committees or at the mid-point of an employee's career to see how the land lies.

Training

In addition, to help employees progress and prepare them for future positions of responsibility, employees at all levels of the Group regularly attend training sessions or perform training assignments or projects that deliberately focus on topics outside their usual field of expertise.

By expanding access to e-learning to its employees around the world since 2013, the Group underscores its investment in skills development and support as jobs change. The Mersen Academy, the new e-learning portal, allows employees to obtain both high-quality general training and tailored job-specific training. This also offers the Group an opportunity to focus on priority and strategic topics and to instill the Group's culture.

The training courses offered in 2015 were expanded, with more topics and sessions. At one-off events, such as Your Learning Journey, held during the summer of 2015, employees were invited to focus on their personal development and adopt an independent learning approach. A quarterly newsletter has been launched and has helped to create interest in this program. It encourages employees to participate in this skills development process. The Mersen Academy provides more than a training platform. It also offers a space in which knowledge can be shared and exchanged and serves as a new learning forum for geographically dispersed teams. An HR community – HR Connect - was launched on the platform in 2015 to promote ongoing exchange, particularly around best practices, among HR professionals worldwide.

The Group is also encouraging certification training, over the course of employees' working life, through sector-based joint qualification certificates (including metallurgy and chemicals) and degree training. Several dozen employees from all regions participate in e-learning training programs certified by Essec Executive Education or the Institute of Leadership and Management (ILM).

FOCUS

Developing employees' skills

At the Mersen plant in Juarez (Mexico), employees may obtain training to prepare for and obtain elementary and middle-school diplomas. A teacher certified by Mexico's national education system comes to the plant for two to three hours each day and helps those who volunteer for the training to prepare for their exams. This helps to identify new talented employees within the company, attract the best candidates, and encourage employees to advance within the Group. This program increases the teams' motivation, development and fulfillment, both personally and professionally.

Over the last six years, approximately 30-35 people have participated annually. Nearly 200 have already benefited from the program. In 2015, 17 employees obtained their diploma (six at the elementary school level and 11 at the middle-school level).

More generally, in order for a Group like Mersen, which holds a leadership position in many of its markets, to remain competitive, it must maintain excellence in its technical fields. In late 2014, the Group established an internal training school at its Saint-Bonnet-de-Mure facility to improve the quality of the fuses it produces. The training is provided by internal trainers and is available to all workshop employees. It seeks to disseminate best practices in

terms of technique, productivity, ergonomics, and safety during the manufacture of products.

In all, the Group devoted 1% of its total payroll costs to training in 2015, i.e. an average of 13.1 hours of training per employee. The hours noted below do not include training via the Group's e-learning platform, Mersen Academy.

Training	2015 ⁽¹⁾	2014 ⁽²⁾
Spending on training as a % of total payroll costs*		
Group total	1.1	1.0
• o/w France	1.8	1.9
Average number of hours per employee*		
Group total	13.7	10.4
• o/w France	13.3	12.7

(1) Scope consolidated within the HRIS and excluding the following facilities: Bazet (France), Rochester (USA), Terrassa (Spain).

(2) Scope consolidated within the HRIS and excluding the following facilities: Terrassa (Spain).

Put HR teams at the heart of the Group's transformation

The Human Resources Information System has been operational since January 2012 and may now be found in around 30 countries. Its purpose is to deploy, within all Group entities in France and internationally, an information system that can optimize the oversight of human resources. The main objectives of this comprehensive HRIS tool, used internationally, are to:

- Support managers in managing their team;
- Strengthen workforce monitoring with reliable, relevant indicators;
- Manage compensation systems;
- Streamline information processes and flows from the countries;
- Deploy the HR strategy throughout all Group subsidiaries; and,
- Promote Group culture and develop a strong Group identity.

This tool evolves continuously to provide regular, ongoing support to the Group's HR and managerial community.

Development of HR marketing

To attract the talented employees that the Group will need to underpin its future development, Mersen pursues a policy of building relationships with schools and universities in the main countries in which it is present (including France, the United States, China and Germany) to raise the profile of the Group and the jobs it offers among students. The Group regularly attends school events and student fairs in these countries and holds open days. In partnership with EM Lyon, it also involved European students in its efforts to revise its managerial skills guide.

In addition, it regularly hosts young people on internships or apprenticeship programs, especially in technical areas. Lastly, to increase the visibility and advantages of employment within the Group, Mersen's web site includes testimonials from employees who want to share their experience and describe their career path within the Group.

FOCUS

Building loyalty among the best employees

Mersen Tunisia stands out due to the low turnover rate of its operators, particularly compared to that of other companies in the region. This performance is largely due to an innovation introduced regarding the duration of contracts; that is, the employee is promised a permanent employment contract at the end of a two-year probationary period, during which he/she is trained and evaluated regularly.

Develop a sense of well-being and cohesion in the workplace

Integration within the Group

The Group supports new hires during the crucial period of their integration by holding a made-to-measure program for them entitled "I Become Mersen".

A welcome booklet distributed within the Group has enriched this integration support.

The online Mersen Academy strengthens this effort by facilitating knowledge transfer to all new hires. In particular, every new hire must complete safety training, which is available via the e-learning safety module.

When Mersen acquires a new business, careful preparations also need to be made to integrate its new employees so that they gain a sense of belonging to the Group. To achieve this, Mersen has developed an integration process, incorporating human, social and cultural aspects, for employees of the businesses it acquires, entitled "We Become Mersen".

Health & Safety

Mersen is exposed to the risks inherent in all industrial activities and the Group works tirelessly to protect its employees.⁽¹⁾

(1) The health and safety policy is presented at the end of this section.

Safety, improved working conditions and the prevention of psycho-social risks and occupational stress represent a major focus for the Group's social policy. An occupational health and safety management system has been introduced and implemented globally, irrespective of the location and culture of individual plants. Mersen's managers strive for excellence in these areas.

Prevention in this area involves ongoing efforts to raise employee awareness of safety issues. This begins as soon as the employee enters the company. All new hires must watch a Group safety presentation (available via e-learning in English, Chinese, Spanish, and French).

This module presents and explains clear and understandable rules to all Group employees. Nine "Golden Safety Rules" are the foundation of the system. They address the main risks that may be encountered in our plants (traffic flow, posture, protective equipment, working on energy-powered systems, lifting operations, height work, confined spaces, risk situations and co-activities) and are posted at all facilities. A tenth rule – high storage – was added in January 2016.

A survey of potentially fatal risks was also conducted at all Group subsidiaries. In follow-up to that work, each Group facility held a training course in 2015 on fatal risks relevant to that site. More targeted training was provided to employees who work on more specific equipment or in more specific environments.

As part of building a safety culture, we also publish a monthly report of safety results, together with an analysis, and disseminate best practices. In 2015, 81% of the facilities held a safety day or week. Most Group managers also incorporate at least one safety objective in their annual targets.

These efforts are gradually bearing fruit. In 2015, the number of occupational accidents with lost time per million hours worked (TF1) fell to a historic low, down by more than 35% compared to 2014 and by 55% compared to 2013 (see table, page 31).

In occupational health, Mersen has embarked on a program to develop well-being in the workplace, which paved the way for the signature of an agreement by all the labor partners in France. This agreement aims to provide preventative solutions and remedial measures. In particular, it calls for all managers and employee representatives to be trained in the prevention of psycho-social

risks, as well as for monitoring a number of indicators per plant (including staff turnover, absenteeism rates and the percentage of new projects taking psycho-social risks into account).

Many Group facilities prioritized improved ergonomics at workstations in 2015. To achieve those improvements, multidisciplinary working groups (composed of operators, managers, technical departments, occupational medicine, safety officers, and workplace health and safety committees) are being formed at the sites to identify risks and improve workstation design in production, administrative and technical departments. These processes are intended to reduce incapacity at work, occupational diseases, and absenteeism. As in the area of quality processes, their objective is to take action as early as possible to prevent risks.

BEST PRACTICE

Operators at the heart of workstation improvements

Based on the belief that operators are the workstation experts, the plant in Amiens, France relied on their experience and solicited their recommendations for improvements. Ergonomists and other specialized external consultants were asked to provide their expertise in terms of methods to analyze the projects and validate the operators' recommendations.

Facilities such as St. Mary's and Rochester (United States), Cabreuva (Brazil), and others in Korea, Colombia and India, evaluated the ergonomics of certain workstations. Investments were also made at French and United States facilities (respectively, Mersen Boostec, Amiens, Angers, Saint Bonnet de Mure and Pagny-sur-Moselle and Bay City and Newburyport) to modify certain handling equipment, thereby improving operators' safety and preventing occupational stress.

Osteopathy treatments were also offered during working hours at certain plants.

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Osteopathy treatments for employee well-being

Since 2014, the plant in La Mure (France) has provided osteopathy treatments in partnership with the Institut Supérieur d'Ostéopathie of Lyon. These 45-minute treatments are offered quarterly on a voluntary basis. At year-end 2015, 41% of the workforce had benefited from the services.

The process helped to introduce this treatment – often little-known in the workplace - and make it available to everyone. During tailored treatments, practitioners and employees were able to engage in a serious dialogue. Every employee benefited, on an individualized basis, from practical advice on movements and postures based on his/her health status and workstation, taking any weaknesses into account. The employees who received these treatments now have a different understanding of the physical movements related to their work.

After a 2012 analysis of French employees' exposure to occupational stress factors, a three-year agreement to prevent such stress within the Mersen Group was signed on January 31, 2013, in anticipation of the implementation of legal requirements. Its goal is to retain Mersen employees for as long as possible and keep them healthy in the company by reducing co-exposure and improving workstation design when possible.

A charter calling for improved work-life balance has been deployed in France. It addresses four issues: scheduling of meetings, maternity/paternity leave, flexible working hours, and work-at-home. In France, as in the US, work-at-home arrangements have been established for several dozen employees.

Mersen facilities around the world have taken significant steps to support employee health and have set up many initiatives, specifically including health and safety weeks. In 2015, 81% of the facilities held such an event.

These various measures, which take a resolutely long-term view, emphasize prevention. They contribute to maintaining a relatively low absenteeism rate within the Group, which continued to fall in 2014.

Absenteeism

As a percentage	2015 ⁽¹⁾	2014 ⁽²⁾
Absenteeism rate	3.3%	3.3%*

(1) Scope consolidated within the HRIS and excluding facilities in Bazet (France), Gonzales, Oxnard, Rochester and Salem (USA).

(2) Scope consolidated within the HRIS and excluding facilities in Bogota (Colombia), Greenville and Rochester (United-States) Vantaa (Finland), El Paso (United States), Holytown (UK), and Kista (Sweden).

Diversity

The diverse origins, educational and cultural backgrounds, and ways of thinking of the Group's teams represent major advantages stimulating its creativity. Mersen is an international group and the diversity of its employees offers another advantage by providing insight into the needs of customers worldwide.

Mersen thus encourages a company culture characterized by mutual respect and recognition of each individual's intrinsic value. This attitude, which is deeply rooted in actions and behavior, is exemplified by the US site in Boonton, N. J., where individuals of 25 different nationalities work together day-to-day to help the business prosper.

The human resources staff strives to ensure equal opportunities, while maintaining and strengthening the multi-disciplinary capabilities of teams.

As a signatory in 2010 of the French corporate diversity charter, the Group has undertaken to combat all forms of discrimination by safeguarding respect for and promoting diversity. Mersen holds discussions on best practices with other businesses within the A.F.M.D. (French association of diversity managers), of which it is a member.

While Mersen's corporate culture is strong, it is adapted in each country to fit in with the local culture and customs. The best way to achieve this integration is to give the management reins to local managers, which is the practice at nearly all of the Group's facilities. The Group's human dimension takes on its full meaning in this drive for a subtle balance between respecting its principles and values and embracing local customs and practices. Lastly, Mersen wants its management structures to reflect the diversity of its teams.

As a percentage	2015	2014
Plant managers/local nationality	91%	87%

Gender balance

Gender balance has been clearly identified and stated by Mersen as a priority area for improvement. Constant effort is required to integrate more women in all our business lines, including production. Many initiatives have been introduced in recent years, including hiring, career tracking, communication, awareness-raising among managers, remuneration, greater flexibility for parents in professional life, organizational modifications, and workstation improvements to reduce physical constraints to the extent possible, thus enabling female operators to work there.

In 2015, management and all of the union organizations renewed their commitment to gender equality in the workplace by signing a new agreement.

The proportion of women managers is approaching the Group's objective of at least 20%. Twenty-five percent of the members of the corporate governance bodies (Supervisory Board, Management Board and Executive Committee) are women.

As a percentage	Dec. 31, 2015	Dec. 31, 2014
Women on corporate governance bodies	25%	21%

A women's network created in 2010, WiN: Women in Mersen, brings together male and female Group employees who want to work on a joint project to promote cooperation and mutual assistance, encouraging growth through greater diversity. The aim of the WiN network is to pool the potential capabilities of its members and to provide opportunities for meetings and analysis outside the scope of any hierarchical system. WiN also aims to become an international network within the Group that can take part in inter-company events and share experiences. Since 2014, female Group managers have participated in the women's entrepreneurship week held in the Rhône-Alpes region to promote women's participation among middle school, high school and university students. In collaboration with the Human Resources department, the WiN network at the Pagny facility offers regular training to women there to support their professional development and satisfaction.

Employment and integration of disabled workers

Going beyond its legal obligations, Mersen has strengthened its disability policy in connection with its policy to foster diversity. Accordingly, it set up a partnership in France with ARPEJEH, a non-profit organization supporting educational projects for disabled school-age and university students. It offers an opportunity to accommodate disabled people and introduce them to the business world. It helps to change the attitudes of Mersen's employees to disabilities, while encouraging creativity and open-mindedness.

The Group has undertaken other initiatives. In France, for example, Mersen Boostec offered a disabled operator the opportunity to obtain a degree (via work-study) over the course of a year so that he could be reclassified for a position as a Methods technician. Internationally, Mersen regularly hires severely-disabled employees in its manufacturing workshops in India and Mexico. Mersen Canada prepared a facilities access charter for its disabled employees and customers.

The Group also regularly subcontracts with sheltered work agencies in France (ESAT) and equivalent entities in other countries.

FOCUS

Proactive approach to hiring the disabled

Mersen India developed a partnership with the non-profit organization, EnAble India, to select disabled persons whose qualifications match the company's needs and to train Group employees on accommodating and working with disabled colleagues. Thanks to this initiative, seven severely-disabled operators now work in our Indian plants.

Labor dialogue

The Group Works Committee in France and the European Works Committee provide a forum for dialogue with employee representative bodies concerning the Group's position and strategic objectives in France and in Europe as a whole. They provide an extra dimension to relations with employee representatives through the employee consultation and discussion bodies that exist within the Group's companies.

In 2015, Mersen continued to implement the Transform consolidation plan, launched in 2014, designed to improve the Group's competitiveness by optimizing its industrial facilities. This overall plan is intended to simplify the Group's industrial base, particularly in Europe.

Five of the European industrial facilities were concerned, either as the result of a shut-down (Cevins in France, Patrica in Italy, Portslade in Great Britain and Jestetten in Germany), with resources and volumes reassigned to other Group facilities, or of downsizing (Frankfurt in Germany). Much of the European

production was transferred to French facilities. In the United States, the plan provided for the closure of the Oxnard (California) and Midland (Michigan) facilities and redeployment of their production. In Asia, the facility of Xianda was downsized.

In this context, the Group continued to implement the arrangements established in 2014, which were designed to prepare for possible psycho-social risks and support employees interested in initiating their own career planning process.

In addition, the employees at the sites concerned were offered the opportunity to work at other Group facilities (for those who accepted geographic mobility). This process was closely supervised and managed to ensure equity and consistency in the mobility terms and conditions. Several mobility arrangements were thus established, both in the United States and Europe.

In accordance with its practices, throughout the consultative and information processes, the Mersen group sought to carry out this consolidation plan with a concern for healthy social dialogue.

Enable employees to share in the Group's success

Rallying employees individually and collectively around common objectives is one of the key strengths of Mersen's human resources policy. Profit-related incentive payments based on collective performance, remuneration based on individual and collective objectives and the development of employee share ownership contribute to this type of commitment by the Group's employees.

The salary increase policy is defined by site and by country based on local criteria, specifically inflation. The average increase for basic salaries in 2015 was 3.6% compared to 2014.

Employee incentive and profit-sharing agreements take into account the Group's financial results, thus acknowledging the individual contribution made by each employee to the Company's performance. Beyond financial incentives, Mersen reaffirms its desire to involve employees in ongoing improvement through "technical" incentive payments, intended to reward improved performance, which reflects employees' work and contribution. The development of technical incentive payments is predicated on collective criteria, such as productivity and safety improvements, customer satisfaction linked to product and service quality, ability to meet deadlines, innovation and reductions in non-quality costs. In addition, financial incentive payments are linked to attainment of operating margin targets at the business unit and/or divisional level.

Managers' bonuses, regardless of location worldwide, are related to the cash flow from operations generated by their business unit and/or their division and to another collective objective (generally, the operating margin), as well as results obtained relative to their annual individual targets, particularly those related to safety, productivity and participation in value-creating projects. This policy ensures that a mix of the Group's values, strategic directions, and financial objectives are taken into account on a daily basis.

Ensure employees' social protection

Mersen is committed to ensuring that its employees obtain high-quality social protection with regard to health care and pensions.

In France, this is reflected in agreements negotiated to address employees' needs, in compliance with national regulations. Supplemental pension schemes, which complement the system required by law, illustrate the Group's sustained commitment to help every employee prepare for retirement. They also represent a major attraction for potential employees. They cover the entire employee population while taking into account their specific characteristics. The PERCO plan introduced in 2010 covers all the Group's employees in France. It provides for matching employer contributions that are highly advantageous for those employees whose ability to save is the most limited. Proposals were made in 2015 to improve this employer matching contribution scale, increase the number of days of leave that may be included in the PERCO, and simplify the system's procedures. The goal of these changes, which were addressed in a February 2015 labor/management agreement, is to encourage employees to save more in anticipation of retirement.

The "Article 83" plan, which concerns all executives and equivalent grade staff in France, was introduced at the Group's French facilities in 2009. Since 2014, the contributions that fund this Article 83, which were limited to tranche B of compensation, were extended to tranche C at the employer's decision. In 2015, the management tools used for employee savings contributions were reviewed and tools offering a more attractive return were chosen.

In the US-based subsidiaries, executives hired before April 2011 benefited, until December 2015, from a defined benefit retirement plan fully paid by the company. Those who joined after April 2011 may participate in a company defined contribution retirement plan. Given the significant provisions required for the defined benefit retirement plan, in 2015 the Group transferred the employees concerned into the defined contribution plan. This reflects a major trend in recent years across the United States. In the interest of equity, the Group increased the company contribution rate for those categories of employees who are more affected by the reform. The reform, which began in spring 2015, will take effect on January 1, 2016.

In the same context, a similar reform was initiated by our Dutch subsidiary in fall 2014. Employees, whose retirement plan guaranteed them 70% of their last salary on the day of their departure, were offered a retirement plan that, while it is not a defined contribution plan, is based on a benefit calculated on the average of the salaries earned throughout their career. This reform took effect in 2015. In addition, employees hired starting in 2013 are offered an additional retirement plan, on a defined contribution basis, most of which is paid by the company. This plan also took effect in 2015.

Last, the Group created or strengthened social protection out of a concern for equity and to attract and retain talented employees in countries where such protections do not exist. Over the last three years, we thus established health coverage for all our employees in Brazil, China, and Tunisia. In fall 2015, specific coverage for executive managers at Mersen's China subsidiaries was added with the goal of retaining these key managers.

In 2015, two major changes were made to standardize the health and welfare systems that had coexisted within a single region. Ten supplemental welfare plans coexisted in France, based on employee status (management/non-management) or subsidiary. A general standardization effort was initiated in May 2015. In October 2015, a labor/management agreement was signed (by all union organizations) standardizing the welfare system for all employees, regardless of status, and applicable to all Mersen subsidiaries in France. This plan, which is handled by the same insurer responsible for the supplementary health coverage, will take effect in 2016. In the United States, the coexisting health plans were also standardized in 2015, simultaneously guaranteeing a level of coverage comparable to that in major American companies.

The Group wanted to improve its communications on the compensation policy within Mersen. On an experimental basis, an Individual Account Statement was implemented at Group headquarters in 2014, and extended to all employees at French facilities in 2015. The Statement compiles all the components of compensation, whether direct (salary, bonus, and premiums), differed (incentive and profit-sharing), or handled by the employer in the form of employer contributions (employer contributions to welfare benefits, such as retirement and mutual insurance and welfare systems).

Internal communications

Sharing information is a key aspect of employee motivation. Mersen endeavors to communicate internally about the performance of its businesses, including both its results and future projects. This emphasis on transparency enables each individual to gain a full sense of what it means to be part of the Group.

The internal publication, *Inside Mersen*, is available in seven languages - French, English, German, Spanish, Italian, Chinese and Portuguese. It is available in an interactive electronic format on the intranet. Information is also passed on using complementary theme-based publications concerning the latest news and plant magazines, which focus on local information. In addition, discussions between management and employees take place on a monthly basis at most facilities.

The Group's intranet, accessible in real time right around the world, provides a forum for sharing information and tools. Its content is constantly enriched by contributions from many section managers.

→ Workforce and facilities

Mersen is a global group with 6,375 employees (at December 31, 2015) in approximately 35 countries.

Geographical analysis of the workforce (at December 31)

Country	2015	2015 (%)	2014	Difference
Europe	2,246	35.2	2,301	-55
• o/w France	1,469	23.0	1,490	-21
North America	1,937	30.4	1,948	-11
Asia-Pacific	1,657	26.0	1,569	+88
Rest of the world*	535	8.4	550	-15
TOTAL	6,375	100.0%	6,368	+7

*Africa and South America

At comparable scope (that is, excluding the integration of the employees of the Chinese company, ASP), the workforce fell by 115 people. In Europe, the United States and China, the Transform plan resulted in workforce reductions at the facilities concerned and to hiring at receiving sites.

In 2015, 1,484 people were hired around the world, including on fixed-term contracts, and 433 were dismissed (scope consolidated within the HRIS).

Based on the reporting scope ⁽¹⁾, women accounted for 36% and senior employees for 15% of the workforce, with no change compared to 2014.

	2015*	2014*
Group headcount		
• o/w women (as a %)	36%	36%
• o/w seniors aged 55 and over (as a %)	15%	15%

*Scope consolidated within the HRIS

Age pyramid (at Dec. 31)*

Age brackets	Men	Women	Total
Under 25	5.0%	8.8%	6.3 %
25 to 29	11.0%	14.3%	12.2%
30 to 34	14.0%	14.3%	14.1%
35 to 39	14.2%	13.5%	13.9%
40 to 44	13.1%	12.1%	12.8%
45 to 49	13.8%	12.0%	13.2%
50 to 54	12.5%	11.8%	12.2%
55 to 57	6.7%	6.3%	6.6%
58 to 59	3.4%	3.2%	3.3%
Over 60	6.2%	3.7%	5.3%

* Scope consolidated within the HRIS

The average age of Group employees is 41.2.

(1) Cf. page 40, at the end of the chapter.

Headcount broken down by category

Categories	Dec. 31, 2014	%	Dec. 31, 2014	%
Engineers and managers	1,231	19%	1,142	18%
Technicians and supervisors	994	16%	1,019	16%
Employees	617	10%	630	10%
Blue-collar workers	3,533	55%	3,577	56%
TOTAL	6,375	100%	6,368	100%

Geographical analysis of facilities (at December 31)

The Group has a presence on five continents. This presence reflects part of Mersen's strategy of forging close relationships in its markets and represents a strategic advantage.

The Group's various manufacturing facilities include both large plants (>125 staff) dedicated to producing intermediate products and large runs and local workshops, which meet the highly specific needs of their local customers. They break down as follows by geographical area:

Country	2015	o/w facilities with more than 125 employees	2014
Europe	21	5	24
• o/w France	9	4	9
North America	13	4	14
Asia-Pacific	14	3	13
Rest of the world*	5	2	5
TOTAL	53	14	56

* Africa and South America

In 2015, the Group acquired ASP, which has a sales network throughout China and a production facility in Guangzhou. In addition, under the Transform plan, six industrial facilities closed in 2014 and 2015 and their production was transferred to other existing facilities.

Outsourcing

The Group partially outsources the manufacture of its products. The value of outsourcing in 2015 totaled approximately €65 million, including labor subcontracting for assembly, machining and welding and for the manufacture of components such as metal, plastic and ceramic parts.

→ Social information concerning the Group's companies in France

In accordance with the provisions of Decree no. 2002-221 of February 20, 2002 in application of Article L. 225-102-1 of the French Commercial Code (operations in France):

Headcount at December 31

	2015	2014	2013
Workforce	1,469	1,490	1,484
• o/w fixed-term contracts	24	33	13

Recruitment

	2015	2014	2013
Recruitment	119	133	53
• o/w fixed-term contracts	19	48	17

Temporary workers

	2015	2014	2013
Average headcount	157	132	130
% of the headcount	11%	9%	9%

Overtime

	2015	2014	2013
Overtime	15,765	22,366	23,692
% of hours worked	0.7%	1.0%	0.9%

Absenteeism

	2015	2014	2013
Absenteeism rate	4.9%	5.3%	5.9%
• o/w illness	4.1%	4.1%	4.5%

Part-time work

	2015	2014	2013
Percentage of employees working part-time	5.4%	6.0%	5.8%

Disabled employees

	2015	2014	2013
Workers with a disability (as a %)	5.2%	4.7%	6.2%

Organization of working hours

In France, an agreement on executives' working hours was signed in 2011 for an indefinite period.

The working hours of engineers and managers are calculated based on an annual total of 216 work days, which gives them

an average of 12 days of additional leave per year. The 2011 agreement also provides for an annual review between a manager and his/her employees covering issues including the organization of work, work load and fluctuations in daily activities.

HEALTH AND SAFETY POLICY

Mersen is committed to developing and consolidating a health and safety culture within the Group by relying on three main tools: **Accountability, Risk Analysis** and **Continuous Improvement**. The medium-term goal remains to achieve **Excellence** in health and safety.

→ Organization of the function

The Group's health and safety function is now part of the Risk, Internal Audit and Safety department. This structure reflects the Group's commitment to improving the effectiveness of the safety policy by enabling the function to benefit from the Group's experience and expertise in industrial risk management and by implementing internal control methods to the safety policy.

The function relies on a Group Safety Committee, composed of the member of the Executive Committee. It reports to the committee on a monthly basis. This close relationship allows it to be highly responsive and demonstrates senior management's unstinting commitment to health and safety. It also draws on a network of regional correspondents. Their role is to perform cross-audits in the region, conduct more detailed audits at underperforming units and implement the Group safety policy formulated by the Group Safety Committee. These correspondents are also responsible for reporting to the Group on local environmental and health and safety changes.

Most of the plants also have a dedicated health and safety officer who helps to implement the policy formulated by Group management.

	2015	2014
Companies with a dedicated Health & Safety officer	83%	83%

Every month, the Risk, Internal Audit and Safety department circulates a publication dedicated to safety reviewing the latest trends in Mersen's safety indicators and highlighting best practices. It is sent to plant managers and safety managers and is also available on the Group's intranet.

→ 2015 Achievements

In 2015, the Health and Safety department, in collaboration with an external firm, assessed the Group's strengths and weaknesses in the area of safety. The purpose of this study was to verify that the units were making proper use of the tools set up in recent years and that these tools were adequate to ensure maximum safety across all of the Group's jobs and environments. It also sought to measure, through several visits, the level of involvement and safety culture.

It concluded that the tools are in place, overall, and that they meet the Group's needs. It also noted that the use and circulation of the tools to all levels of the organization could be improved further. Several proposals for improvement were offered to strengthen the clarity of the instructions and thus avoid the risk of misinterpretation.

Thanks to the study, progress was made on the following:

- Revising our Golden Rules to improve the clarity of the definitions;
- Creating a Safety Visit tool focused on fatal risks;
- Strengthening the instructions for sensitive equipment; and,
- Defining a Group standard tool to detect risks at each workstation.

The tools developed in recent years are now well-established:

- E-learning in different languages, thus reaching potentially 85% of the Group's population. Intended, on a priority basis, for new employees, many plants use the tool to strengthen training of employees already on the job;
- Reporting on potentially dangerous situations: the objective is to report potentially serious and dangerous events that have occurred in all of the Group's facilities but that have not caused an accident;
- "Near accident" reporting tool: this tool, which was launched in 2013, has helped to improve awareness of the working environment and avoid events that could have become accidents. In 2014, Group units reported approximately 1,200 potentially dangerous situations. An identical number was recorded in 2015, proving that the Group has adopted this working and early detection culture.

To verify that the various tools are set up and that the plants comply with the Group's safety policy, the Health and Safety department conducted 16 site safety audits in 2015. Sixteen site audits are also scheduled for 2016.

In addition, the number of safety visits (see "Best Practices" below) rose by 28% compared to 2014, reaching 3,445, or five visits per site and per month. The objectives were achieved overall and this method has helped to strengthen the safety culture on a daily basis.

BEST PRACTICE

Safety visits

Safety visits provide an opportunity to conduct a rapid safety audit of part of a production workshop or process. They are conducted by a supervisor in charge of a different sector, usually accompanied by a member of the management team or the health and safety committee. The visits help to detect anomalies or deficiencies and generate action plans, whose implementation is verified at the next audit.

	2015	2014	Change
Number of safety visits	3,445	2,687	+ 28%

→ **Risk survey**

The safety risk survey is updated annually for each Group unit. Revisions to this survey thus incorporate possible new risks resulting from changes to equipment or organizations. This risk survey was assessed as part of the Group safety audits. It is also reviewed systematically after each accident to verify that the cause of the accident has been listed.

A survey of potentially fatal risks was established in 2014 for all Group units. The individuals who face these kinds of risk participated in an awareness-raising program.

The risk survey is described in the Chairman's report, in Chapter 3 of this document.

→ **Risk prevention**

The Group continues its employee training in best practices in PAH protection (Polycyclic Aromatic Hydrocarbons) at the Group's main production facilities that face these risks. Some production now uses materials with lower PAH content. In addition, working groups were set up several years ago to ensure continuous improvement of the working environment and the protection of individuals.

In compliance with legislative directives, an agreement on the prevention of occupational stress was signed in early 2013 in France.

→ **Safety training and audit**

An e-learning safety program was developed in 2013 and implemented in 2014. It is now part of the integration process. The objective is to enable all new hires to benefit from this training when they arrive at Mersen. It encourages dissemination of the safety message and serves as a reminder of its importance to the Group from the moment the employee first enters the company.

The safety audit program continued in 2015. Sixteen audits were conducted, including cross-audits organized by geographic area. The cross-audits are conducted by specially trained individuals. They help to promote experience-sharing and are instrumental in fostering a Group safety culture. The program's organization by geographic area also helps to strengthen exchanges among facilities of the same culture, promoting understanding and implementation of the solutions proposed.

Many sites hold a safety week every year. In addition to topics related to workplace safety, these events offer an opportunity to address issues such as food safety and the risk of household accidents, create awareness among employees, and instill the safety culture. In 2015, a safety week was held at 46 sites, or more than 80% of Group facilities representing 82% of the workforce.

FOCUS

Health and safety week in Tunisia

A health and safety week was held in October 2015 in MGhira, Tunisia. Organized around several workshops - screening for risks of hypertension and obesity, advice from a physician/nutritionist on planning a balanced meal, and, of course, behavioral safety - it also provided an opportunity to build awareness among employees about the Group's Safety Commitments and our Golden Rules, specifically via the e-learning module, Safety at Mersen. Practical exercises on evacuation and fire safety were also held.

In addition, Mersen continued its policy of making safety a priority by holding its annual Safety Excellence Awards. These awards are given to facilities with first-rate safety management combined with a very high level of safety performance. In 2015, a special award was given to the Holytown unit in Scotland, which has won this challenge for several years. The facility in Amiens, France earned the prize for excellence for the second year in a row for the safety culture it has established and the cooperation it has achieved from everyone at the facility. The Saint Bonnet de Mure (France), Xianda (China), and Cabreuva (Brazil) facilities received an incentive award.

→ Safety indicators

In 2015, the Group obtained the best results in its history.

86% of the Group facilities reached the end of the year without a lost-time occupational accident in 2015.

Number of lost-time occupational accidents per million man-hours (TF1)

Thanks to ongoing efforts to strengthen the Group's safety culture and the adoption of additional tools, we achieved a TF1 rate of 1.24 lost-time accidents per million hours worked in 2015, the best rate the Group has ever achieved. It fell by more than 35% compared to 2014 and by 55% compared to 2013.

The Group has improved its performance by more than 60% over five years.

We asked our units to hold the fatal risks awareness program, launched in 2014, again. We also asked them to bolster employee training, particularly for new hires, through the e-learning safety program. This strong message, delivered as soon as an employee joins Mersen, is an important method for creating awareness of this safety culture among employees.

The Group also continued its incident risk detection program.

2015	2014	2013
1.2	2.0	2.7

Number of occupational accidents with or without lost time per million man-hours (TF2)

The rate of accidents with and without lost time is 4.3 accidents per million hours worked. This figure also fell significantly, by 30% compared to 2014.

Strengthened equipment protection systems, lifting aids, and training (e-learning and awareness-raising regarding risks) have sharply reduced the number of accidents with and without lost time. The basic work involved in incident detection contributes

significantly to improved performance and to a stronger Group safety culture. For the first time, the Group fell below 60 accidents, with and without lost time, for nearly 14 million hours worked.

Mersen has improved its performance by nearly 60% over five years.

2015	2014	2013
4.3	6.2	6.8

Number	2015	2014	2013
Number of occupational accidents with lost time concerning temporary staffing agency employees*	4	3	2

(* For a total of 1,165,000 hours worked in 2015, 960,000 in 2014 and 728,000 in 2013.

Number of working days lost to occupational accidents per thousand man-hours (TG)

The severity rate improved sharply compared to prior years, achieving a record for the Group.

Significant work was done in 2015 to create awareness of fatal risks. All employees were trained on these risks based on their work environment.

For several years, the Group has taken steps to protect all of the machines and equipment following the risk mapping and audits. We have also emphasized how important it is for employees to wear the safety equipment provided.

All of these measures have contributed to achieving a total of 0.047 days lost/1,000 hours worked – or 47 days for 1 million hours worked.

2015	2014	2013
0.047	0.18	0.12

→ Indicators/operations in France

Number	2015	2014
Number of employees suffering from an occupational disease*	12	9

(* For a workforce of 1,469 in 2015 and 1,490 in 2014

SOCIETAL POLICY

The Group takes great care to act as a good corporate citizen wherever it does business. Through its activities, it naturally has an impact on local and regional development. It also endeavors to engage in a respectful dialogue in the general interest with the communities in which it is established.

Mersen has been a signatory of United Nations Global Compact since 2009, reflecting our commitment to make progress on 10 universal principles in order to build societies that are more stable and respectful of human rights and international standards in the areas of labor, the environment and the battle against corruption.

The Group's **Ethics Charter**, which is circulated internally and published on Mersen's web site, restates the collective and individual commitment of the Group and its employees. It particularly addresses the Group's relationships with its employees, customers, suppliers, competitors, shareholders, and surrounding ecosystem. The corporate and cross-audits carried out by the Group's internal audit function provide insight on a regular basis into whether these rules are applied properly. Over the last three years, 90% of Group companies were covered by an internal audit.

The purchasing department also set up a supplier audit system, covering questions related to compliance with the Ethics Charter and incorporating rules of compliance with the ILO's fundamental rights of workers.

At the same time, concrete measures have been implemented to raise teams' awareness about a number of risks associated with unlawful practices. A training module focused on fraud-related risks (swindling, counterfeiting, etc.) was developed for Group managers. Since implementation, 120 managers have been trained worldwide.

→ Local initiatives

Numerous local initiatives were taken by plant managers, who are closest to local concerns in regions around the world. These may take the form of financial contributions or concrete measures, including, for instance,

- Participation in competitiveness clusters;
- The development of partnerships with apprenticeship programs, schools and universities (internships to help people learn about the workplace, student programs, participation in job forums, open days);

- Student bursaries;
- Support for professional training campaigns, by hosting people on workplace induction or work-study programs;
- Sponsorship of humanitarian operations and contributions to charitable action organizations.

Local economic action

In France, competitiveness clusters bring together groups of companies and institutions in a clearly-identified regional area and on a targeted topic.

For example, Mersen Boostec, which is located in the Midi-Pyrénées region, belongs to the European ceramics cluster and the Aerospace Valley cluster. It works with the local PRIMES (power mechatronics and energy management innovation platform) platform. In the Angers region, Mersen belongs to the S2E2 (Smart Electricity Cluster) and MEDEE (motors and electrical devices for energy efficiency) clusters and works with the CDM, Réseaulia and Neopolia business networks (network bringing together industries in the Pays de la Loire region).

In addition, purchasing by the facilities, as a whole, helps integrate them into the local community. By working with local suppliers as a priority, in implementation of the Group's purchasing policy recommendations, they contribute to the economic and social development of the regions where they operate, while meeting economic and environmental goals (lower costs and lower greenhouse gas emissions by limiting transport).

The Pagny-sur-Moselle facility renewed its relationship with the Semaine de l'Industrie (Industry Week) in 2015, hosting a group of 24 female students from the technical department at the Louis Vincent de Metz high school to introduce them to the positions available at the facility and to its expertise and products. This event helped to enhance the industry's image and ability to attract talented young candidates.

Similar initiatives are carried out worldwide; for example, at the Greenville (United States) plant, which works with the local Chamber of Commerce to provide training to unemployed youth.

Actions promoting employment, training and apprenticeship

With operations in approximately 35 countries, the Group works to develop relationships with local schools and universities. Thanks to these local connections, young people can learn more about our industry.

The Group is particularly involved in developing apprenticeships. In Austria, young Mersen apprentices participated in a campaign to promote industrial apprenticeships. They were taken on to be trained in metallurgy trades. This year, our plants in India hosted 20 apprentices and the Gennevilliers, France facility hosted 13. Partnerships were developed in Brazil with the national industrial training service (SENAI) and the social services for industry (SESI) organization. Students spend four hours/day at the company and receive priority for employment.

In France, the Pagny-sur-Moselle facility collaborates regularly with local schools and universities (including EEIGM, Ensic, ENIM, and Université Paul Verlaine). This may involve attending courses provided by employees and participation at job forums and conferences. It also includes regular offers of apprenticeships within the company.

In terms of training, the Group is involved in WindLab, a regional wind energy jobs training initiative in the Picardy region. This training offers jobseekers an opportunity to obtain a certificate that is essential for working in the booming wind energy sector.

Strong links have been established with engineering schools and universities, such as at Mersen Boostec (France), which participates in a program for doctoral candidates from throughout Europe (GraWIIToN); the Newburyport facility (United States), whose R&D department is associated with Northeastern University; the Toronto facility (Canada), which is involved in R&D with the Waterloo and McMaster universities; and, in Japan, where Mersen developed a partnership with the university in Nagaoka (Nagoya University of Technology).

Charitable contributions and volunteerism

Through the Group's entities, Mersen seeks to help organizations supporting projects that reflect our values and are consistent with our corporate mission or our challenges.

This year, the Pagny-sur-Moselle facility (France) sponsored a charitable project of the Vent d'Est organization, which sent four young people to Moldavia to help low-income populations.

In Spain, the Cirprotec facility participated in the charitable work of the Fondation Vincente Ferrer (FVF), involving efforts to combat malnutrition in the Kurnool region of India. Thanks to this initiative, an average of 952 people benefits from the program every month.

The Saint-Bonnet-de-Mure plant (France) supports the 4L Trophy™. This 6,000-km car race is both a daring adventure and a humanitarian project, as the students carry medical and school supplies in their 4L vehicle. In 2015, the two students on the Lyon team, who were also work-study interns at the facility, were sponsored to participate in that year's event.

In Germany, Mersen supported the founding of a recycling organization. This non-profit group organizes the collection and recycling of fuses throughout the country. Profits generated are invested in activities that support training, teaching and research in electrical engineering and in charitable activities. This year, contributions were directed to a fund supporting children and adolescents with serious illnesses.

In India, Mersen continues to support government initiatives to provide training (in embroidery, sewing and hairdressing) for employees' wives. In 2015, more than 40 women obtained this training, intended to lead to jobs that will provide additional income for the families.

At the same time, most of the sites make contributions to local associations and sponsor sports activities in which company employees participate, according to the rules defined in the Donation and Patronage policy.

ENVIRONMENTAL APPROACH

Mersen is involved in environmental issues on two levels: first, through its **position on sustainable development-related markets**; and, second, through its commitment to **environmentally responsible practices**. The Group pursues a collective and pragmatic approach involving all its employees, who are educated and receive training at every level of responsibility.

→ Helping to develop sustainable development industries

A significant share of Mersen's business is related to sustainable development industries, such as renewable energy, energy efficiency, and clean mass transit. In 2015, that sector represented approximately 35% of Mersen's sales.

Renewable energies

The solutions developed by the Group stimulate the growth of renewable energies.

Mersen supports the entire solar cell production process, from polysilicon to ingot pulling, and provides electrical protection for the panels. Our solutions optimize performance in terms of photovoltaic yield and energy efficiency. We are also the leading supplier for the wind energy sector, both in generator power distribution systems and yaw motors. The Group is also a key partner to the hydro-power segment, from turbine manufacturers to power plant operators.

The Group's solutions improve energy yield and optimize the service life of consumables. They also contribute to transporting the energy produced to the places where it is consumed.

Energy efficiency and energy saving

Mersen is positioned on markets whose growth is related to energy efficiency and the energy transition. Thanks to solutions such as furnace insulation and heat recovery systems, the Groups helps to reduce the production and consumption costs associated with its customers' manufacturing processes. We also supply components that are central to speed variation systems and thus optimize the yield of industrial facilities.

Our graphite-based solutions and high-performance materials are also critical to the manufacture of LEDs. Their widespread use for domestic lighting and their growing use for public lighting dramatically reduce energy consumption, while offering a particularly long service life.

Non-polluting transit

Mersen is helping to develop non-polluting urban and rail mass transit in response to the growing demand for mobility of people and goods. We provide equipment for rolling stock and infrastructure to enhance the reliability and performance of their electrical systems.

→ Environmentally-sound practices

Mersen undertakes to:

- 1. Comply with the regulations in force**, in the form of legal and other requirements covering its products and existing installations;
- 2. Catalogue potential risks** related to its installations and products, review whether prevention is sufficient to avoid any accidents that may pose a threat to people in the neighborhood or the surrounding area (particularly to customers, the workforce and those living close to production sites);
- 3. Visit installations periodically** to detect anomalies;
- 4. Use incidents and best internal and external practices** for a program of quality and continuous improvement based on experience-sharing;
- 5. Minimize consumption** of water, energy, raw materials and packaging and encourage recycling and waste-to-energy conversion;
- 6. Foster progress** through continuous improvement by rolling out an ISO 14001 Environmental Management System at the Group's major plants;
- 7. Promote eco-design**, notably by extending use of EIME, the dedicated software system.

In 2015, Mersen continued its review of the implications of the Grenelle II legislation (law no. 2010-788 of July 12, 2010) on the national commitment to the environment. Audits and verifications performed in connection with this reporting gradually improve the reliability of the data reported.

Beyond the regulatory requirements, awareness-raising within the teams and sharing of best practices should help to reduce consumption and save energy at all of the Group's main sites.

→ Minimize environmental impacts

In the field, Mersen's environmental approach translates into a quest to identify best practices and an extremely high level of vigilance. It is intended to help the Group achieve a virtuous circle.

To meet European environmental constraints and plan ahead for potential regulatory changes, Mersen stepped up its preparations in several areas.

Comply with regulatory provisions

The Group monitors changes in the regulations so that it can take the relevant measures and plan ahead to find alternatives for certain products. To be able to ensure an uninterrupted supply chain, the Group must confirm that the supplier of a substance subject to approval meets all requirements.

The European REACH regulation (Registration, Evaluation, Authorization, and Restriction of Chemicals) assigns industry the responsibility to assess and manage the risks posed by the chemicals they use. To comply with this obligation, in 2010 the Group registered certain products that make up graphite (mainly resins) and, in 2013, those that make up flexible graphite.

Mersen also specifically monitors certain products whose use is subject to this regulation, such as coal tar pitch.

The Group works with its suppliers to actively monitor the progress of work and the registration of certain strategic products purchased.

Mersen also set up a monitoring unit to ensure that the new rules introduced by the ECHA (European Chemicals Agency) are taken into account. Mersen uses certain products on the ECHA list of registered substances in its manufacturing processes.

With regard to dangerous substances, Mersen is always very vigilant regarding the implementation of protection measures and a working group meets regularly to monitor their application and recommend changes. These measures seek to ensure the protection of employees and the environment. Strict instructions are implemented at the sites concerned to ensure the maximum protection of persons required to work with these substances, particularly with regard to wearing appropriate protective gear (including masks and suits). Second, investments were made in aspiration systems and machine enclosure systems, which reduced dust levels significantly. Lastly, gaseous effluents are collected and processed prior to discharge into the atmosphere.

Mersen participates actively in monitoring changes in European regulations and directives that could take effect in the coming years. Those include, for example, the Industrial Emissions Directive (IED), intended to prevent and reduce air, water and soil pollution from industrial installations by relying on the best

available technology (BAT). The Executive Committee receives regular reports on these matters. The Group is also working with the European Carbon and Graphite Association (ECGA) to contribute to the dialogue with European institutions in areas affecting the graphite industry.

The Group's main industrial facilities in France (Amiens, Angers, Bazet, Gennevilliers Pagny-sur-Moselle, Saint-Bonnet de Mure and Saint-Loup-de-Naud, that is, seven out of nine sites) fall under the French Classified Installations for the Protection of the Environment regime (ICPE). Based on the level of potential pollution, some of the products stored or processes used are subject to different requirements (declaration, registration or authorization), which the Group meets in compliance with the law.

Seeking out best practices

Sustainable use of resources

The Group strives to offer products with a limited impact on the environment. To this end, it endeavors to acquire the best available technologies, i.e. techniques that satisfy most effectively the sustainable development criteria, when designing its new manufacturing lines and its new products.

In this context, Mersen has stepped up the implementation of methods and skills to develop products based on an eco-design approach. The environmental impacts of new products are taken into account, from the design stage through to the end of their life cycle.

Research and development teams are trained in eco-design and, most of the time, specifications take into account the objective of reducing environmental impact.

For example, the EIME (impact evaluation and eco-design management) software application is used in electrical protection to carry out an environmental impact analysis of products (water and air pollution, depletion of natural resources, etc.) throughout their life cycle.

All the stages in the product's life cycle are taken into account, such as:

- the choice of raw materials, with easily recyclable materials being prioritized;
- the weight of packaging;
- reductions in the number of assembly stages;
- reductions in the volume of waste;
- most effective logistics;
- the product's end of life.

This type of tool also helps to maintain traceability of products from existing lines for comparison purposes when future product lines are developed. It is also another tool for comparison in terms of the competition.

With regard to procurement and outsourcing, Mersen's policy takes environmental issues into account. For several years, the Group has been developing an "eco-sustainable-redesign to cost" approach. Based on a functional analysis of a product, this method is intended to replace or reduce the proportion of certain components or raw materials, substituting others that are more environmentally sound without affecting product functionality. After working, on a priority basis, on products for which the proportion of procurement represented a majority share of the price, the process is now being expanded to new products.

The Group also promotes the application of environmental criteria in the purchasing process, including giving priority to the use of recyclable materials, the widespread use of more eco-friendly packaging, and collaboration with local suppliers to reduce transportation costs and greenhouse gas emissions.

We also encourage the adoption of pragmatic initiatives to reduce our environmental footprint, such as improving vehicle occupancy rates, efforts to reduce packaging weight, and the purchase of eco-friendly vehicles.

BEST PRACTICES

Optimizing the organization of procurement

La Mure facility (France) decided to streamline the deliveries of its materials procurement. Goods are now delivered to an intermediate grouped platform located in the closest metropolitan area and a shuttle makes weekly deliveries from the platform to the facility. This system limits greenhouse gas emissions, while limiting transportation costs (including fuel and high-altitude surtax).

Last, certain Group facilities have integrated environmental criteria, such as the ISO 14001 certification, in their suppliers selection. Facilities with purchases of more than €4 million/year are starting to monitor more systematically the share of purchasing from ISO 14001-certified suppliers.

Energy consumption

To optimize its resource consumption, each production facility monitors consumption and sets objectives and related action plans. Several examples are presented below. The decision to use renewables as an energy source is left to the initiative of the facilities.

Waste management

Based on their specialty, the Group's facilities follow approaches at multiple levels intended to reduce the environmental impact of their industrial activities:

- Recovery of waste related to industrial production: Mersen's production activities produce manufacturing residues that may be reused to produce other Group products or resold to third parties to be incorporated in other production processes. This is the case, for example, of graphite powder from graphite block drilling, which can be reused to manufacture graphite tubes or resold for reuse in steel production.
- Recycling of used products: Over the last several years, the Group has participated actively in efforts to recycle fuse waste by reusing large amounts of the metal content of used fuses. Similar initiatives are underway in brush manufacturing, with a recovery program introduced to collect used brushes from customers to recycle the reusable metal content.

- Emissions recovery: Certain facilities have set up systems to recover the heat generated by industrial activities. For example, this heat may be reinjected into the heating system or used as an energy source.

Land use and noise pollution

Land use does not constitute a specific issue with regard to the Group's business, as the vast majority of facilities are located in industrial zones where they do not occupy extensive areas compared to other industrial activities.

The Group continues to closely monitor the risks associated with soil pollution. All the products used by Mersen are subject to constant monitoring, not only by local authorities, but also by Mersen's employees, who are trained in these areas. The risks associated with soil pollution were incorporated in the risk mapping in 2013.

The Group's industrial activities do not generate specific noise pollution that exceeds standards. Controls may be performed pursuant to applicable local regulatory requirements.

Measures to adapt to climate change

The risks associated with weather-related hazards associated with climate change were analyzed in connection with a specific mapping of the risks of natural disasters to which the Group may be exposed. This mapping did not reveal any specific risk.

→ Environmental indicators

The scope of environmental reporting is identical to that of 2014 and includes 17 facilities.

However, following the implementation of the Transform plan, some of these facilities benefited from transfers of production during the year.

Environmental certifications and training

Half of the production facilities included in the reporting scope are currently certified ISO 14001, the environmental management system standard.

In 2015, environmental training increased, with 2,466 hours provided, compared to 2,373 in 2014. This represents an increase of nearly 4%, reflecting an understanding of the need to create awareness of this issue among employees.

ISO 14001 certifications	2015	2014
ISO 14001 certification rate	50%	50%
Training in environmental protection (number of hours)	2,466	2,373

FOCUS

Creating awareness of best environmental practices among employees

Every month throughout the year, the St. Mary's (United States) facility devotes a full day of training to safety and the environment.

Each employee at the plant whose birthday falls in that month must participate, thus ensuring that everyone receives the training.

Environmental provisions

In millions of euros	2015	2014
Amount of significant provisions for environmental risks	0.5	0.5

This amount is related to a risk of minor pollution noted in 2010, following the use, more than 20 years ago, of certain processes and products at a facility prior to the time that it joined the Group. Those processes and products are no longer used today.

Consumption of water and energy and CO₂ emissions

Electricity and gas consumption increased very slightly in 2015 (by 3.5%) because of increased activity at certain sites following the transfer of activity, while those facilities where production stopped were not included in the scope of monitoring. Consequently, CO₂ emissions also rose slightly (+2.5%).

In general, additional efforts were made to reduce energy consumption at the plants. These involve initiatives to increase employee awareness, as well as concrete measures. For example, in 2015, when the industrial facilities were renovated, several plants invested in more energy-efficient equipment, particularly thanks to systems that regulate energy consumption. Some of the plants also replaced their lighting systems with LEDs (light-emitting diodes), which are more energy-efficient.

Water consumption increased by 7% overall compared to 2014. However, this does not represent a particular issue for Mersen at any of its facilities because the Group's industrial activities require only limited quantities of water. Some processes, particularly cooling-related, use water in closed systems.

	Unit	2015*	2014*
Electricity	MWh	161,472	156,211
Gas	MWh	158,816	153,516
CO ₂ emissions	Tons	101,325	98,930
Water	m ³	534,312	493,632

* The 2014 and 2015 data are not comparable. Under the Transform plan, certain production was transferred from facilities that are not included in the scope of reporting to facilities that are included, which explains the additional consumption in 2015.

Consumption of raw materials and metals

Raw materials consumption rose slightly in 2015, in line with the development of sales within the environmental scope.

	Unit	2015*	2014*
Timber	Tons	1,584	1,575
Cardboard	Tons	818	779
Coke	Tons	5,962	5,552
Copper	Tons	1,346	1,273

* The 2014 and 2015 data are not comparable. Under the Transform plan, certain production was transferred from facilities that are not included in the scope of reporting to facilities that are included, which explains the additional consumption in 2015.

Waste

In 2015, the consolidated data revealed a significant decline in hazardous industrial waste. The volume of this waste had been considerable in 2014 as a result of the special wastes generated by the dismantling operations in connection with the Transform plan.

With regard to recycling, the change overall is favorable - the percentage of wastes recycled waste reached more than 40%, compared to barely 30% one year ago. This is the result of increased efforts to manage wastes in a more environmentally-friendly manner.

For example, the Bay City facility (United States) increased the percentage of graphite recycled by 26% compared to 2014.

	Unit	2015	2014*
Hazardous industrial waste*	Tons	1,226	1637
Non-hazardous industrial waste	Tons	11,113	10919
Including recycling:			
Recycled timber	Tons	563	667
Recycled cardboard	Tons	312	292
Recycled ferrous metal	Tons	764	2021
Recycled artificial graphite	Tons	2,163	1928
Percentage of waste recycled:		40%	30%

* Data including special waste (including construction and dismantling) for certain facilities that have not yet established a process for identifying waste associated with this kind of unusual work.

→ Local initiatives

As part of the Group's environmental program, facilities continued their efforts and implemented programs to optimize and reduce energy and water consumption by installing equipment and new-generation energy-saving systems.

Training in eco-friendly processes through sessions dedicated to sharing best practices and through local publications also gained traction.

In addition, many local initiatives were carried out, which all constitute progress. The examples referred to below were identified at major facilities over the last two years (listed geographically).

Amiens, France

- Recovery of copper and graphite powder in collaboration with the facility's R&D;
- Creating awareness among employees of safety and environmental issues and encouraging best practices.

Gennevilliers, France

- Update of the site environmental impact study;
- Specific environmental expenditures for verification supplies and services and maintenance;
- Implementation of an internal recycling system for palettes and wooden boxes, thereby reducing external purchasing;
- Packaging standardization efforts to limit over-consumption and streamline cardboard procurement;
- Publication of a newsletter dedicated to safety and the environment to raise employee awareness of safety and environmental issues and promote best practices.

Pagny-sur-Moselle, France

- Investments to replace equipment with higher-yield, more energy-efficient systems (including transformers, compressors and lighting);
- Post-combustion energy recovery;
- Restoration of the plant's aspiration system to improve environmental protection;
- Replacement of the systems used to impregnate and dry graphite blocks by regulated systems that save energy;
- Development of LED lighting, which is more energy-efficient;
- Publication of monthly newsletters dedicated to safety and the environment to raise employee awareness of safety and environmental issues and promote best practices.

Saint-Bonnet-de-Mure, France

- Recovery and reuse of components from fuses found to be defective in testing;
- Development of a recovery system that captures rainwater for return to the groundwater;
- Installation of a treatment station for water polluted by a manufacturing process;
- Installation of heat recovery equipment;
- Gradual expansion of the use of LED lighting;
- Publication of an environmental bulletin to raise employees' awareness about safety and environmental issues and promote eco-friendly behavior.

Holytown, United Kingdom

- Replacement of lighting by LEDs;
- Replacement of furnace cooling pumps by more energy-efficient systems;
- Streamlining workloads to reduce work periods and electricity expenditures.

Bay City, United States

- Continuation of recycling efforts by raising awareness of environmental protection;
- Installation of digital meters on purification receptacles to improve checks and procedures and prevent risks of accident;
- Efforts to reduce emissions and smoke and eliminate unnecessary chemical products.

Greenville, United States

- Continuation of graphite recycling;
- Development of LED lighting, which is more energy-efficient;
- Maintenance of dust aspiration systems to ensure good air quality;

St Mary's, United States

- Implementation of a high-performance lighting system throughout the plant;
- Enhanced awareness-raising and training on spill risks.

Juarez, Mexico

- Replacement of office lighting by more energy-efficient LED;
- Ongoing efforts to raise employee awareness of sound environmental habits.

Sao Paulo, Brazil

- Continuation of initiatives promoting sound environmental habits, including an internal newsletter, 5S challenge, environmental controls, and materials controls.

Toronto, Canada

- Annual evaluation of environmental risks and action plan;
- Elimination of chemical and greasy wastes by an external service provider;
- Streamlining workloads to reduce work periods and electricity expenditures.

Chongqing, China

- Program to maintain and upgrade gas cleaning systems to improve their operating conditions;
- Training for all employees on new environmental protection legislation;
- Environmental emergency situation training campaign.

Xianda, China

- Monitoring of the exhaust emission plan established in 2013;
- Monitoring of dangerous substances and related storage, transport and treatment measures since 2013; all hazardous wastes are now registered and turned over to a qualified business for elimination;
- Training and awareness-raising on environmental problems for the various employee categories.
- Installation of an innovative risk analysis system.

REPORTING PROGRAM AND METHODOLOGY

Following publication of the Grenelle 2 legislation in France (law no. 2010-788 of July 12, 2010) instituting a nationwide commitment to the environment, Mersen stepped up its reporting program. As part of this drive, the Group consolidated its unique internal reporting framework formally defining and describing the

processes and methods to be used to gather and report data in line with Article 225 of this law. A number of indicators⁽¹⁾ have been added to those traditionally monitored, while the scope of reporting has been extended to include a larger number of Group companies.

→ Scope of reporting

The scope of social, environmental and societal reporting encompasses the companies included in the scope of consolidation based on the following principles:

- Social and societal reporting: all companies except for those acquired less than a year ago⁽²⁾.
- Environmental reporting: all companies whose production generated sales of more than €15 million at year n-1⁽³⁾, excluding companies acquired less than a year ago. Every company that was included in the scope of reporting and whose production exceeded the threshold of €15 million remains within the scope of the environmental reporting, provided that its sales do not fall below €7.5 million. These thresholds thus restrict environmental reporting to companies' representative of the Group's business activities. In 2015, they accounted for more than 71% of total sales. However, in 2015 in the United States, given the gradual

transfer of production over the course of the year from the Oxnard site to the Salem site under the Transform plan⁽⁴⁾, the latter site could not be included in the scope of consolidation, although the consolidation threshold was reached.

In the coming years, Mersen will consider to gradually increase the representativeness of the environmental reporting scope.

Possible exclusions from the scope of reporting may be made for certain indicators, such as where local legislation does not permit the reporting of relevant data or where sufficient arrangements for the collection of certain types of data have not yet been made. The summary table at the end of this section recapitulates the scope covered by each of the indicators. The "Indicators and specific definitions" paragraph below also provides additional explanation of the definitions and/or the method of calculating certain indicators.

→ Organization of the reporting and methodology

Indicator sheets

Data is reported using the indicators described in technical sheets stating in particular the reporting frequency, the indicator's objectives, its scope of application, the definitions needed to understand the indicator and its scope, the calculation methodology and the consistency checks.

Reporting year

The data reported cover the period from January 1 to December 31, 2015.

(1) Table summarizing all the indicators tracked is provided at the end of the chapter.

(2) Only the workforce figures include all companies falling within the scope of financial consolidation.

(3) See page 37, «Environmental indicators» for more information.

(4) Plan designed to improve the Group's competitiveness by simplifying its industrial base.

Reporting process participants and their responsibilities

There are three levels of responsibility:

Corporate responsibility

In conjunction with the Human Resources department (for social information) and the Financial Communication department (for societal information), the Risk, Internal Audit and Safety department organizes the reporting with the directors of the companies within the scope. To this end, it:

- defines the framework's indicators;
- distributes the framework and its indicators to companies and ensures that they are clearly understood by providing adequate information and training;
- coordinates data collection;
- ensures that the reporting schedule is adhered to;
- checks the completeness and consistency of the data collected;
- consolidates the data;
- uses and analyzes the data.

Group companies' responsibility

Data reporting is the responsibility of the general manager of each company within the scope that:

- organizes data collection at company level by defining responsibilities and ensuring that the framework and its indicators are clearly understood;
- safeguards data traceability;
- ensures that the reporting schedule is adhered to;
- controls the exhaustiveness and consistency of the data that it reports and implements the requisite checks and verifications by persons not involved in the collection process.

External organization

The audit and verification were performed in 2015, based on 2014 data, by an independent third-party organization, in accordance with the implementing decree of April 24, 2012.

→ Information regarding the collection of social data

Social information is collected through an HR information system used in all the Group's consolidated companies, with the exception of a few entities that recently entered the scope of consolidation and are being incorporated gradually, based on an implementation schedule defined by the Group's senior management. Only the workforce indicator is available for the latter companies (scope not included in the human resources information system, HRIS), which represented less than 1% of the workforce in 2015.

The HRIS model chosen is based on monthly data collection, performed by the local teams. Once this data has been collected, it is archived in the system and cannot be changed. The Group thus cannot ensure the reliability of certain data that may be subject to minor subsequent modifications, Data on training hours are monitored simultaneously using Excel to offset the risk that the

data extracted from the HRIS are not exhaustive. The local HR teams are regularly informed and trained in order to improve the quality of monthly reporting. As the social data are specific to local labor regulations, they are subject to enhanced controls at the Group level during consolidation to minimize any inconsistencies and ensure that the consolidated data are homogenous. Additional consistency controls were performed this year, particularly with regard to the absenteeism indicator. All discrepancies are investigated with the contributors responsible for reporting the data. In the event of failure to respond or a discrepancy observed that cannot be corrected, the scope concerned is removed from the scope of consolidation, and this scope is specified with regard to the data and in the summary table. The Group is working to strengthen these controls.

→ Information regarding certain indicators and specific definitions

Absenteeism

Number of days of absence from work for any reason that the employer cannot anticipate: disease, workplace accidents, maternity/paternity leave, strikes and any other unforeseeable absence.

Accident with lost time

An accident resulting in time off work. An accident affecting several people is recognized as a single accident. Only the causative event is taken into account. The accidents taken into account are those considered to be directly work-related following investigation by the health and safety managers and for which the Group may be able to take preventive action. Certain events, such as non-work related conditions or commuting accidents, are excluded, even if the relevant authorities have declared them to be workplace accidents.

Agreement

All arrangements made and accepted by the management of an operating company, division or the Group and one or more employee representatives.

Biodiversity

The Group has not identified any specific concerns in terms of issues related to the preservation of biodiversity and its operations. Thus, no specific measures are taken to monitor this indicator.

Workforce and distribution by gender, age and geographic area

Employees included in the workforce at the end of the fiscal year, under open-ended or fixed-term contracts, excluding temporary workers, interns and sub-contractors.

Employees suffering from an occupational disease (operations in France)

Because the concept of occupational disease varies significantly from country to country, this information is provided only for France. A disease is recognized as "occupational" if it appears on one of the tables appended to the French Social Security Code or Rural Code. Under certain conditions, diseases that do not appear on the tables may also be included:

- diseases designated in a table of occupational diseases, but for which one or more conditions have not been met (with regard to the time limit on claims, the length of exposure or the exhaustive list of jobs), when it has been established that the victim's regular work is the direct cause of the disease; and,
- diseases not designated in a table of occupational diseases when it has been established that they are caused, mainly and directly, by the victim's regular work and that they lead to permanent disability at a rate at least equal to 25% or are the cause of the victim's death.

Hiring

Total number of people hired during the fiscal year who meet the definition of "Workforce" described below.

Training

Training activities recognized as such are those organized and paid for by the Group and that are designed to:

- improve performance and help the employee adapt to changes in his/her job;
- develop the employee's talents and help him/her acquire new skills.

The HRIS model used is based on monthly data collection. Because training is not provided systematically on a monthly basis, they are subject to manual reprocessing at the end of the fiscal year.

They do not include training provided through the Group's e-learning platform, Mersen Academy.

Environmental protection training

This indicator recognizes the total number of training hours provided whose title and/or main topic is linked directly to environmental protection issues.

Managers

An employee is considered to be a manager when he or she holds a functional management (including engineer, project manager or technical expert) or team management position, with the exception of first-level management (supervisor).

Local nationality

Local nationality is defined as the nationality of the country in which the company is located.

Corporate governance bodies

The corporate governance bodies are the Management Board, the Executive Committee and the Supervisory Board.

Organization of working time and social Dialogue

Because these concepts vary significantly by country, this information is provided only for France.

Policy

A policy is an organized general framework, disseminated and deployed by the Group's top management throughout all the companies or targeted groups of companies. This framework is formalized as an official, signed document.

Environmental, health and safety (EHS) manager

An EHS manager is an employee who is responsible for managing environmental, health and safety matters.

Disabled employees

As the Group has a presence in a large number of countries, it is subject to the various local laws. Accordingly, this information is provided only for France. This involves employees whose disability has been recognized by an organization or institution and under the conditions set by current French regulations.

Consumer safety

Mersen produces and sells components and equipment to its industrial customers in compliance with safety and quality requirements. In this regard, the Group's activity has no direct impact on the safety of the end consumer.

Senior employees

Employees over 55 years of age.

OVERVIEW OF INDICATORS

To facilitate the monitoring of the social, environmental and societal data in Mersen's reporting framework, the following table recapitulates the list of indicators, their scope, their nature (i.e. qualitative or quantitative) and a reference to the page on

which the indicator is presented. It also presents the relationship with the specific Global Reporting Initiative indicators (version 3.1).

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
SCOPE				
Scope	-	Reporting program and methodology	3.5 to 3.11	40
SOCIAL INFORMATION				
EMPLOYMENT				
Total workforce broken down by gender	Quantitative	Standard	LA1	26
Total workforce broken down by age	Quantitative	Standard		26
Total workforce broken down by geographical area	Quantitative	Standard	LA1	27
Headcount broken down by category	Quantitative	Standard		27
Number of new hires	Quantitative	Standard	LA2	26
Number of dismissals	Quantitative	Standard	LA2	26
Compensation policy and their development	Qualitative	Standard		24
ORGANIZATION OF WORK				
Policy on the organization of working time	Qualitative	Restricted/France		28
Percentage of the workforce working part-time	Quantitative	Restricted/France ⁽¹⁾		28
Absenteeism rate	Quantitative	Restricted (93% of the Group's workforce)	LA7	23, 28
LABOR RELATIONS				
Structure of the labor dialog	Qualitative	Restricted/Europe	LA4	24
Collective bargaining agreements	Qualitative	Restricted/France	LA5	17, 23
HEALTH & SAFETY				
Safety policy	Qualitative	Standard	LA6 & LA8	29
List of occupational health and safety agreements	Qualitative	Restricted/France ⁽¹⁾	LA9	23
Number of safety visits	Quantitative	Standard		30
Frequency rate of occupational accidents with lost time (TF1)	Quantitative	Standard	LA7	31
Frequency rate of occupational accidents with and without lost time (TF2)	Quantitative	Standard	LA7	31
Severity rate (TFG) of occupational accidents	Quantitative	Standard	LA7	31
Number of occupational accidents with lost time concerning temporary staffing agency employees	Quantitative	Restricted/France ⁽¹⁾	LA7	31
Number of employees suffering from an occupational disease	Quantitative	Restricted/France ⁽¹⁾	LA7	31

(1) In the coming years, Mersen will work to gradually extend this scope to certain other Group entities when the indicator is relevant in the country in question, and when such extension is authorized by local law.

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
TRAINING POLICY				
Training policies implemented	Qualitative	Standard	LA11	20
Number of hours of training	Quantitative	Restricted (94% of the Group's workforce)	LA10	21
DIVERSITY AND EQUAL OPPORTUNITY				
Diversity policy	Qualitative	Standard	LA13 & EC5 & EC7	23
Percentage of women managers	Quantitative	Standard	LA13	23
Percentage of women on corporate governance bodies	Quantitative	Standard	LA13	23
Percentage of disabled employees in the workforce	Quantitative	Restricted/France	LA13	28
Percentage of senior employees in the workforce	Quantitative	Standard	LA13	26
Percentage of plant managers/ local nationality	Quantitative	Standard	EC7	23
PROMOTION OF AND COMPLIANCE WITH ILO CONVENTIONS (human rights)				
Conformity with the provisions of the ILO's key conventions	Qualitative	Standard	HR	32
ENVIRONMENTAL INFORMATION				
GENERAL ENVIRONMENTAL POLICY				
Organization of the company to take environmental concerns into account	Qualitative	Standard/Group policy	Managerial approach	34
ISO 14001 certification rate	Quantitative	Standard		37
Percentage of companies with a dedicated EHS manager	Quantitative	Standard		29
Number of hours of environmental protection training	Quantitative	Restricted (71% of the Group's workforce)		37
Resources dedicated to environmental risk prevention	Qualitative	Standard	EN30	34
Amount of significant provisions for environmental risks	Quantitative	Standard	EN28 & EC2	37
POLLUTION AND WASTE MANAGEMENT				
Recycled ferrous metal	Quantitative	Standard		38
Recycled artificial graphite	Quantitative	Standard		38
Non-hazardous industrial waste	Quantitative	Standard	EN22	38
Hazardous industrial waste	Quantitative	Standard	EN22	38
Measures to mitigate noise pollution and all other types of pollution specific to an activity	Qualitative	Standard		36

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
SUSTAINABLE USE OF RESOURCES				
Volume of water consumed	Quantitative	Standard	EN8	37
Electricity consumption	Quantitative	Standard	EN3 & 4	37
Gas consumption	Quantitative	Standard	EN3 & 4	37
Wood consumption	Quantitative	Standard	EN1	38
Cardboard consumption	Quantitative	Standard	EN1	38
Copper consumption	Quantitative	Standard	EN1	38
Coke consumption	Quantitative	Standard	EN1	38
Recycled timber	Quantitative	Standard	EN2	38
Measures to improve energy efficiency and use of renewable energy sources	Qualitative	Standard	EN6	38
Land use	Qualitative	Standard		36
CLIMATE CHANGE				
CO ₂ emissions	Quantitative	Standard	EN16	37
Measures to adapt to climate change	Qualitative	Standard		36
BIODIVERSITY PROTECTION				
Measures taken to preserve and develop biodiversity	-	Standard	EN11 to 15, EN25	42
SOCIETAL INFORMATION				
REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE ACTIVITIES				
Local and regional impact of activities on employment and development	Qualitative	Standard	EC8 & EC9	32
RELATIONS WITH STAKEHOLDERS				
Dialogue with stakeholders	Qualitative	Standard	4.14 to 4.17	32
Support, partnership and sponsorship initiatives	Qualitative	Standard	EC1 & 4.11 to 4.13	32
OUTSOURCING AND SUPPLIERS				
Inclusion of social and environmental concerns in purchasing policy	Qualitative	Standard/Group policy	EC6 & HR2	32
FAIR OPERATING PRACTICES				
Measures implemented to prevent all forms of corruption	Qualitative	Standard/Group policy	SO2 to 4, SO7 & SO8	32
Percentage of companies covered by an internal audit in the past 3 years	Quantitative	Standard		32
Managers who have attended the anti-fraud training	Quantitative	Standard	SO3	32
Measures to protect consumer health and safety	Qualitative	Standard	PR1 & PR2	42
Other actions taken in support of human rights	Qualitative	Compliance brought about by implementation of the ethics charter	HR	32

* The concept of the "Standard" scope refers to the definition given in the section "Scope of reporting" at the end of this chapter. Where the scope is "Restricted", the restrictions are stipulated either in each reporting table or in the "Comments" column above.

REPORT BY THE INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT FOR THE YEAR ENDED THE 31th OF DECEMBER 2015

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1049⁽¹⁾ and member of the KPMG International network of the company's Statutory Auditor, we hereby present to you on the consolidated human resources, environmental and social information for the year ended the 31th of December 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code.

→ Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

→ Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

→ Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved five persons and was conducted between September 2015 and March 2016 during a five week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

(1) "whose scope is available at www.cofrac.fr"

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in chapter 2 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above – in particular the scope restriction on human resources information only reported on the French scope, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted twelve interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;

- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important⁽¹⁾:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us⁽²⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 22% of headcount and between 19% and 48% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

(1) Human resources quantitative information: Active headcount as at December 31, 2015 broken down by gender; Number of recruitments; Number of redundancies; Percentage of female managers; Absenteeism rate; Frequency rate of work accidents with lost days; Severity rate of work accidents with lost days; Number of training hours; Percentage of employees with disabilities.

Environmental quantitative information: Water consumption; Electricity consumption; Gas consumption; Copper consumption; Amount of hazardous and non-hazardous waste; Recycled part of waste.

Qualitative information: Occupational health and safety conditions; The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; Action implemented against corruption; Consideration, in the relationship with suppliers of their environmental responsibility.

(2) Juarez (Mexico); St Marys (United States of America); Boonton (United States of America); Saint-Bonnet (France).

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Emphasis of matter

Without qualifying the above conclusion, we draw your attention to the following matters:

Regarding the reporting of human resources information, the methodological note "Details on the collection of human resources information" presented in Chapter 2 of the Management Report presents actions taken to strengthen internal controls over data on staff movements, absenteeism and hours of training. Additional controls were implemented by Mersen on these data this year. However, they must be strengthened to keep on improving the reliability of this information.

Paris-La Défense, March 8th, 2016

KPMG S.A.

Philippe Cherqui
Partner

Philippe Arnaud
Partner

Climate Change and Sustainability Department