



ESSILOR

SEEING THE WORLD BETTER

SUSTAINABILITY
2016

CHAPTER 4
2016 REGISTRATION DOCUMENT

SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION



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IN BRIEF

FOREWORD

“Engaging with all our stakeholders and innovating constantly, on a large scale, to develop new products and business models that help meet the world’s vision protection and vision correction needs have been the cornerstones of our success for close to 170 years. Essilor’s mission to improve lives by improving sight, combined with the company’s unique principles and values, are at the heart of the Group’s long-term commitment to sustainable development. Our 64,000 employees are driven by the desire to contribute to a constantly developing society and to help tackle social and ecological issues. Since 2013, Essilor’s Mission Division has been the standard-bearer of this commitment. Our inclusive business models and philanthropic initiatives reached a milestone this year when we provided access to eyeglasses to more than three million people previously excluded from any kind of vision care. Essilor is also fully committed to the United Nations 2030 Agenda. In 2016 we assessed the extent to which our Mission, our social and environmental objectives, and our value chain contribute to the Sustainable Development Goals. What we learned validated our sustainable development roadmap and highlighted the Group’s major positive social impact.

Our strong growth in recent years and our leadership position constantly encourage us to raise our standards ever higher in terms of our commitment to working responsibly. This year, we stepped up our initiatives in key areas such as human rights and climate change adaptation, and set a clear roadmap based on the main pillars of our sustainable development strategy. These are presented in detail in this document. Lastly, we have continued to improve the organization of our non-financial reporting so that we can evaluate our actions and report on our progress on an ongoing basis. We are proud that our approach has been recognized by the most stringent non-financial-assessment bodies, and namely the Dow Jones Sustainability Indices, World and Europe which included Essilor in 2016.

For all of these reasons, I am pleased to renew our long-term commitment to the ten principles of the UN Global Compact, both in our strategy and in our day-to-day operations, and to share our progress in this chapter of our 2016 Registration Document. ”

Hubert SAGNIÈRES

Chairman and Chief Executive Officer

As of December 31, 2016, Essilor was included in the following non-financial indices: DJSI World & Europe, MSCI World ESG & SRI and World Low Carbon Leader, FTSE4Good, STOXX Global ESG Leaders, ECPI Leaders and Ethibel Sustainability Indices Excellence Europe & Global.

Essilor also participates voluntarily in the disclosure of CDP, an international, independent non-profit organization that assesses companies’ efforts to measure and reduce their greenhouse gas emissions and water footprint. In 2016, the CDP recognized the ongoing progress made by Essilor in these areas, rating it B for carbon footprint management and A- for efficient water use.

In addition, US magazine Forbes ranked the Group among the World’s Most Innovative Companies for the sixth year running and Essilor named n°5 in Newsweek’s 2016 Green Ranking.



INTRODUCTION

4.1 Essilor's approach to sustainable development

4.1.1 The value chain and stakeholders

Essilor's approach to sustainable development is based on consideration of the environmental, social and societal impacts of its business activities on the various stakeholders along the value chain.

Value chain

Throughout the Essilor value chain, from product design to marketing, the Company's business activities impact on the environment and on society at large. The nature and magnitude of these impacts differ according to the Group's five main business activities:

- ▶ **production plants:** The Group has 33 production plants across 17 countries. Each year, they produce more than 500 million lenses via lens polymerization or resin injection molding. The production plants account for the majority of direct environmental impacts because of the chemical products and raw materials that they use, the energy they consume, the emissions they generate and the waste they produce. Given the concentration of impacts, Essilor places the emphasis on environmental actions, with the management of water and energy and the processing of waste, as well as on occupational health and safety measures;
- ▶ **distribution centers:** Essilor has 16 distribution centers in 13 countries. Situated close to manufacturing units, the role of these centers is to coordinate the logistics flows between suppliers and customers. Most of the impacts of these centers are therefore felt in terms of greenhouse gas emissions from transportation (air and road freight, etc.). Furthermore, the high concentration of employees and the nature of their activities also demand extreme vigilance in terms of occupational health and safety;
- ▶ **prescription laboratories:** The Group has 490 laboratories, edging facilities and local distribution centers which are major sources of local jobs. As the final link in the value chain, surfacing and coating finished lenses before they are marketed to professional customers, prescription laboratories are crucial for ensuring product quality and conformity. The environmental footprint of the prescription laboratories is fragmented and limited, and derives primarily from the use of chemical products and the consumption of energy and water;

▶ **optical retailers and chains:** The Group is a supplier for optical retailers and chains worldwide and sells optical products online (contact lenses, prescription eyeglasses and sunglasses) through several local websites, serving a rapidly expanding global distribution channel;

▶ **operating, R&D and administrative divisions:** A limited portion of the Group's employees works in registered offices, R&D centers, and operating and administrative divisions. While the social impact of these facilities is very significant, the environmental impact is low (energy from buildings, paper, greenhouse gas emissions associated with business travel, electrical and electronic waste, etc.).

See Section 1.3.1.3 of this document.

Ecosystem

Essilor has daily interaction with a whole host of stakeholders throughout the world. Engaging with them is therefore at the heart of the Group's sustainable development strategy. Essilor strives to understand each component of its value chain and to adapt to the constant evolution of its ecosystem. As the significance and handling of social and environmental issues differ between countries, relations with stakeholders are generally managed locally, under the responsibility of the senior management of the legal entities. Essilor has introduced a "guide to partnership" for its business partners that delineates Essilor's role and responsibilities and those of the partner, facilitating transparent and effective working relations. Moreover, all employees are actively encouraged to apply the Essilor Principles and Values in their interactions with stakeholders.

Depending on the stakeholder concerned, Essilor's dealings with them have a variety of objectives:

- ▶ to listen, by setting up a consultation process for the purpose of anticipating developments in business, the market and regulations, to manage risks and to identify opportunities;
- ▶ to engage in dialogue in order to involve stakeholders in strategic decisions, through customer satisfaction surveys, employee opinion polls, organizing forums and training, etc.;

- ▶ to inform, by providing reliable factual data via different kinds of communication tools adapted for each stakeholder (brochures, website, annual reviews, questionnaire responses, various requests, etc.);
- ▶ to contribute to development by conducting partnership projects, particularly in the fields of health and the environment, with support for patients' associations, humanitarian aid programs and partnerships with universities.

Stakeholder relations are therefore key for the Group, as they bring and create positive impacts. The new issues arising from their needs and viewpoints fuel the Group's strategy and operations. Essilor is aware of what is at stake and strives for continuous improvement to maintain a relationship of trust with its stakeholders. The Group documents and addresses its stakeholders' main concerns. The table below presents the key points.

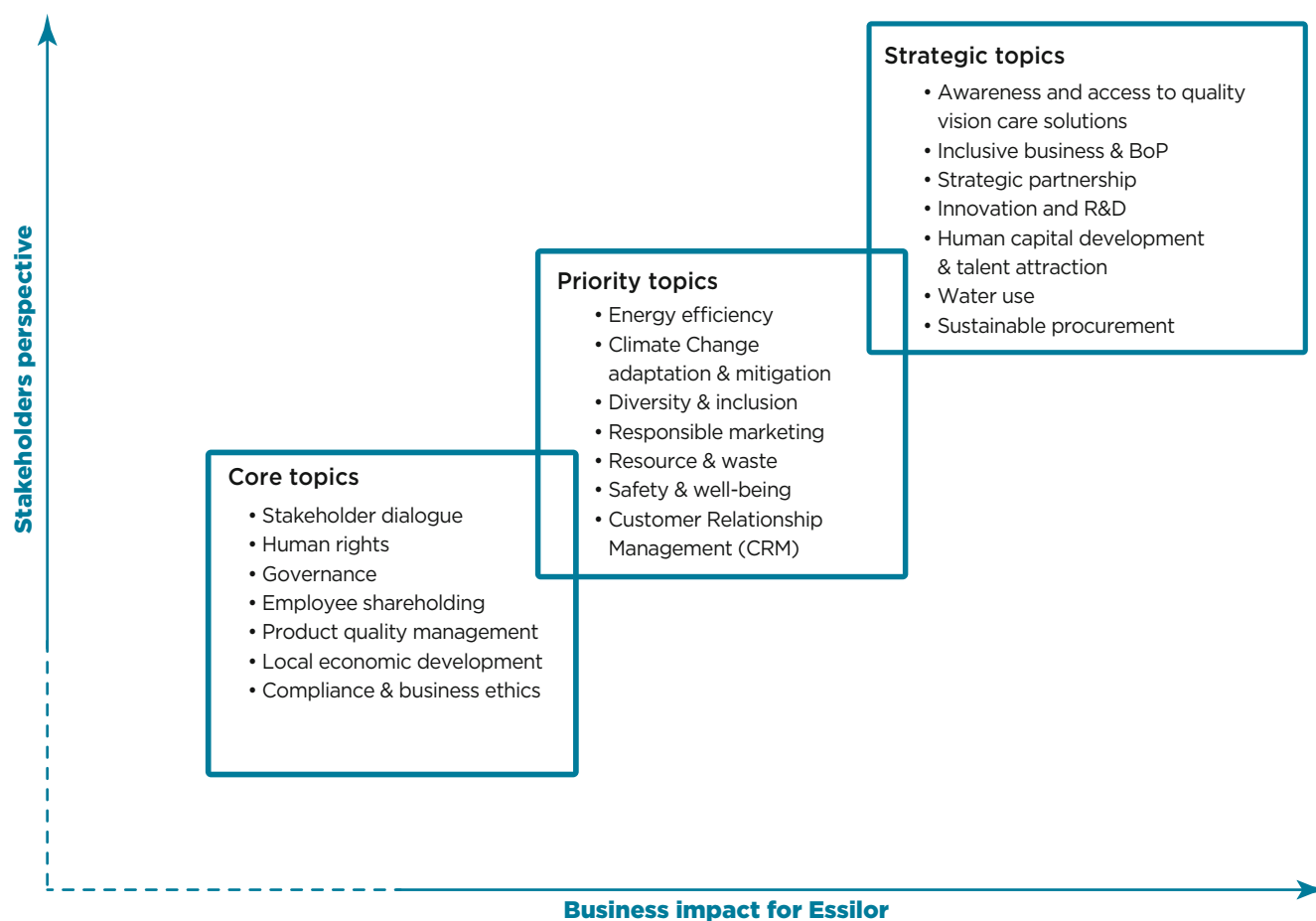
Main stakeholders	Main issues
Employees & representative organizations	Quality of working conditions Recruitment / Attracting and retaining talent Skills development Equal opportunities, diversity and inclusion
Business partners	Shared commitment to social and environmental concerns Collaboration on innovation and development Integrity in business relations
Clients & Prescribers	Offering high quality, innovative products Responsible marketing / Transparency and validation of the benefits of Essilor lenses Integrity in business relations Sustainable purchasing
Consumers	Product quality and efficiency Sustainable purchasing Innovation to cater for new visual health needs resulting from societal trends (digitalization, urbanization, etc.)
Shareholders, investors and rating agencies	Governance Transparency and evaluation of non-financial activity Management of CSR risks
Suppliers	Integrity in business and adherence to regulations Constructive collaboration Sustainable procurement & supplier CSR audit
NGOs and consumer organizations	Dialogue & Partnership Communication – Transparency (on social initiatives, environmental footprint, product performance, etc.) Sponsorship & philanthropy
Educational institutions	Cooperation for research and innovation Attracting and developing talent
Public authorities & governments	Social and economic impact Contribution to visual health and the inclusive economy Fair business practices Dialogue & Education
Local communities	Quality of life: Provide quality vision for all Social and economic impact (jobs, support for the local economy and inclusive business) Raising awareness

4.1.2 Essilor's sustainable development priorities

Materiality assessment

For the past two years, the Group has based the definition and development of its sustainable development strategy on a materiality assessment in order to continually anticipate and prioritize stakeholder requirements, identify new risks and opportunities related to social and environmental issues, focus reporting and non-financial publications on the overarching issues, and ensure the Group's reporting further complies with international standards.

In 2016, regulatory changes and input from our stakeholders (key customer accounts, investors, new UN development targets, etc.) confirmed the priority and strategic direction of the actions undertaken by the Group Mission Division, strengthened the need for sustainable purchasing, and highlighted three main issues: the circular economy (see Section 4.5.5), climate change (see Section 4.5.4) and human rights (see Section 4.6.2). The Group has updated the materiality matrix below based on the above elements.



Note:

Strategic: key themes linked to the development of Essilor business model.

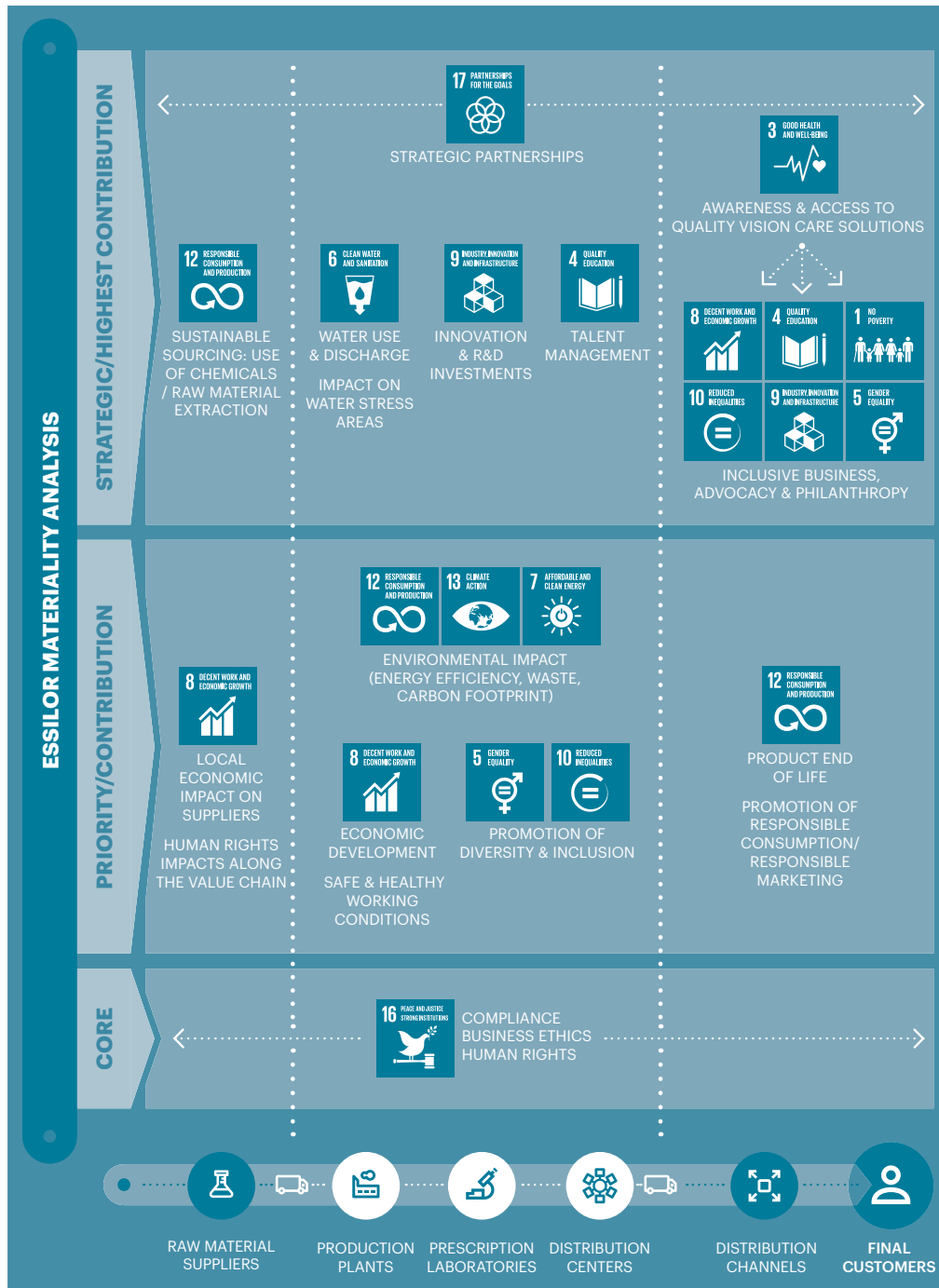
Priority: key subjects for Essilor's short, medium and long term value creation.

Core: pillars of Essilor's business culture.

UN Sustainable Development Goals.

In September 2015, 193 countries adopted the United Nations 2030 Agenda for Sustainable Development. This Agenda has 17 core goals and 169 targets. The Sustainable Development Goals (SDGs), which entered into force in January 2016, are a global call for action to eradicate poverty, protect the planet and ensure prosperity for all. The involvement of civil society, the private sector and ordinary citizens is crucial to the success of these goals.

Essilor is fully involved in this effort through its Mission. The Group therefore assessed its contribution by mapping 13 SDGs according to two dimensions: its sustainable development program (see the materiality matrix) and its value chain.



This confirmed the Group's positive contribution to the SDGs, especially through its Mission, and validated the strategic objectives of the Group's sustainable development roadmap. See Section "Sustainability" and "Mission" on Essilor.com

4.1.3 Sustainable development strategy and associated commitments

On the basis of the 2016 materiality study, supplemented by an analysis of the Group's contribution to the SDGs, Essilor has strengthened its sustainable development strategy, which is still organized centered around the Group's mission and three supporting pillars, by specifying the actions it will take in certain key areas (see details on www.essilor.com):

Group Mission: Improve lives by improving sight

In line with its Mission, the Group is committed to the global challenge of helping to correct, protect and prevent risks to the visual health of the planet's seven billion inhabitants. To this end, Essilor has identified four levers of action: raising awareness, product and service innovation, inclusive business and strategic giving. See Section 4.3 of this document.

1. Caring for people

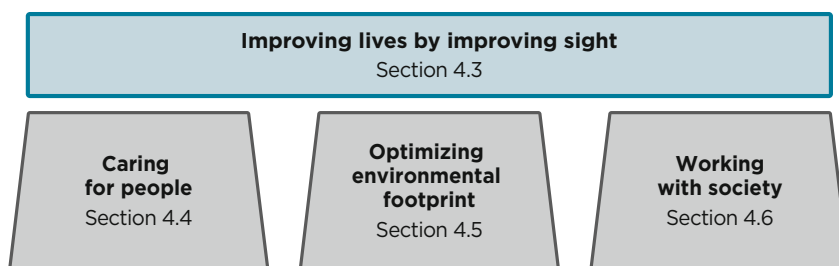
The Group's employees are the leading players in and contributors to Essilor's sustainable development. The Group's employment policy is structured around four program areas: ensuring employee health, safety and quality working conditions; training, developing skills and talents; integrating employees and all forms of diversity; and lastly, promoting employee shareholding and consulting staff through practices for dialogue between management and employees. See Section 4.4 of this document.

2. Optimizing environmental footprint

Despite an environmental footprint that is fragmented and limited in comparison to industrial processing activities, Essilor strives to reduce its impacts. Based on continuously improving environmental management processes, actions are focused on reducing water use, improving energy efficiency, reducing the carbon footprint, adapting to climate change and lastly, reducing and recovering waste. See Section 4.5 of this document.

3. Working with society

As a leader in its sector, the Group has made a commitment to introducing preventive and vigilance mechanisms to ensure respect for human rights and the rules of integrity in the conduct of business. Essilor joins forces with its suppliers in its approach to sustainable development via a policy of sustainable purchasing and also gets involved with local communities to contribute to their development. Furthermore, Essilor takes care to market products with stated levels of quality and performance that meet customers' needs most effectively. See Section 4.6 of this document.



4.2 Governance and management of sustainable development

4.2.1 The CSR Committee

Set up in 2013, the CSR Committee reports directly to the Board of Directors. It is chaired by an Independent Director and comprises three members (the Chairman and Chief Executive Officer and two Directors). The Chief Mission Officer is also invited to attend meetings as a guest.

The CSR Committee met three times in 2016, with an attendance rate of 100%. In its supervisory role, it was consulted primarily on:

- ▶ the progress made in "Essilor's Mission" Department activities and, in particular, the development of new, innovative, inclusive business models through the "2.5 New Vision Generation" entity;
- ▶ the review of the sustainable development strategic roadmap and the key measures to be implemented;
- ▶ the evaluation of the direct and indirect economic and societal impacts of Mission activities;
- ▶ the perception of Essilor's non-financial performance by recognized appraisers;
- ▶ the assessment of the main CSR risks;
- ▶ the review of the reports published regarding CSR and especially pursuant to regulatory obligations under the French Grenelle 2 law.

See Section 2.2.2.6 of this document.

4.2.2 The Sustainable Development Department

Essilor has opted for a strong management support to drive environmental, social and corporate governance challenges. Accordingly, the Sustainable Development Department reports to the Chief Mission Officer, who in turn reports directly to the Chairman and Chief Executive Officer.

The role of the Sustainable Development Department is to coordinate the associated actions taken by the various functional departments (Environment-Health-Safety, Human Resources, Marketing, etc.) and the three main geographic areas of North America, Europe and the rest of the world (Asia / Latin America / Middle East / Russia / Africa), with the following main responsibilities:

- ▶ define and deploy Group Sustainable Development program;
 - ▶ steer the non-financial reporting and lead the community of correspondents in various countries and functions;
 - ▶ provide expertise to Group entities in their deliberations on CSR, the implementation of associated action plans
- and responding to questions from key accounts or other stakeholders;
- ▶ communicate on Essilor's initiatives, contribute to the public debate on the challenges of sustainable development and engage in dialogue with stakeholders;
 - ▶ engage employees in the approach to sustainable development through training and employee recognition measures (e.g., EHS Awards).

The Sustainable Development Department oversees a Global Steering Committee that brings together all the major functional and geographic divisions to coordinate the deployment of the Group's sustainable development roadmap, report best practices and discuss cross-cutting issues such as human rights, reporting, and responsible marketing.

Lastly, the Sustainable Development Department is regularly consulted by the CSR Committee.

4.2.3 Organization of non-financial reporting

The aim of non-financial reporting is to provide Essilor with a tool for managing and measuring the effectiveness of its sustainable development program, as well as ensuring compliance with the French Grenelle 2 law and with the principal CSR reporting standards.

Organization and protocol

Essilor collects environmental, social and societal data using a software application named "Sustainability" that replicates the structure of the Group's unified financial reporting system. "Sustainability" has similar procedures for consolidating financial information and a specific glossary outlining the indicators and their definitions. A network of multidisciplinary contributors (from Human Resources Department, Environment-Health-Safety Department, etc.) reports information, which is reviewed by the Financial Departments of each entity and then checked and consolidated at Group level by the Sustainable Development Department.

A non-financial reporting campaign is organized annually to consolidate data from different departments. In 2016, the reporting protocol, that describes the reporting process and the definitions of associated indicators, was updated to take account of regulatory changes (Update of Grenelle 2 law, Article 173 of the French law on energy transition for green growth) and stakeholder requirements. New environmental and social indicators have been created and all definitions harmonized so that non-financial performance can be better managed and appraised. In addition, the protocol is now available in five languages, French, Chinese, English, Portuguese and Spanish, to facilitate the work of subsidiary staffs and improve data quality. See Section 4.7 of this document.

Scope of reporting

The reference scope of reporting is currently all Essilor entities and subsidiaries that have been in the Group for more than one year. Against a backdrop of strong growth, the Group is continuing to gradually integrate recent financially consolidated companies to its non-financial reporting scope.

The Group made considerable progress in this area in 2016, most notably by incorporating recently acquired entities. The coverage rate is now 91.9%, expressed as full time equivalent employees (FTEs), exceeding its goal of 85% by 2017. See Section 4.7 of this document.

Reporting period

To optimize the organization, coordination and integration of financial and non-financial reports, Essilor collected the majority of its social, environmental and societal information over a period of 12 months from October 1, 2015 to September 30, 2016. However, certain information was collected during the calendar year from January 1, 2016 to December 31, 2016; this is followed in the text or the indicator tables by a superscript at sign^(®).

Compliance and standards

Essilor has made public its social, environmental and societal information since 2002, in accordance with the French NRE law of May 2001. The Group has been compliant with the Article 225 of the French Grenelle 2 law since 2012 and continues to follow the guidelines of the Global Reporting Initiative Standards. See Section 4.7 of this document.

The information presented in this chapter has been reviewed by KPMG, a Third-Party Independent Organization, in accordance with the regulations related to Article 225 of the Grenelle 2 Law. See in Section 4.8 of this document the Report of the Independent Third-Party Organization for further details.

ESSILOR MISSION

4.3 Improve lives by improving sight

Providing everyone, everywhere, with access to quality vision care is Essilor's biggest challenge in terms of sustainable development. This challenge lies at the point of intersection between the Group's economic activity and its social contribution with the major positive impacts on the quality of life that comes with better vision.

This Mission **to improve lives by improving sight** encourages the Group to keep serving more countries and people to ensure equal access to vision care for all.

Accordingly, Essilor designs, manufactures and markets an extensive range of vision care solutions intended to correct, protect and prevent risks to visual health for the planet's seven billion inhabitants. Action on four fronts helps to fulfill this Mission: 1) make as many people as possible aware of the importance of good vision; 2) innovate responsibly for current and future customer needs; 3) develop inclusive business models; and lastly, 4) drive strategic giving initiatives.

4.3.1 Raising awareness of the importance of good vision

The main reason that large numbers of people are lacking the visual correction they need is primarily a lack of awareness of vision problems: many of them have never had an eye test or been able to see properly.

To address this, Essilor is investing at local, national and international level to raise awareness of the importance of visual health. The measures adopted take the form of:

- ▶ public events, such as "Think About Your Eyes™" in the United States and the United Kingdom, organized in partnership with players in the sector or directly by local Essilor entities. In 2016, several campaigns were conducted, especially in India and the United Kingdom, to raise public awareness of the importance of good vision for driving;
- ▶ creation of consumer information websites to educate on the importance of regular eye tests, protecting one's eyes from the damage caused by UV light (e.g. www.eyes-and-sun.com), and how to choose frames to suit one's face (e.g. www.mavumeslunettes.fr);
- ▶ regular eye exam campaigns, arranged at local level by Essilor subsidiaries or by the Group's philanthropic organizations. In addition, the Group contributes to World Sight Day each year, organizing events and public information campaigns. On World Sight Day in 2016, Essilor led a global campaign called "Love to see change™" (www.lovetoseechange.com) in more than 50 countries;
- ▶ support for initiatives for gathering statistical data to convince governments to invest in programs to improve visual health. In 2016, Essilor joined the ranks of the new Eyelliance coalition, contributing to a report published by the World Economic Forum. This report demonstrated that investing in access to vision correction would lead to considerable gains in terms of economic and social development, entirely in line with the SDGs.

In 2012, Essilor lent its support to the founding of the **Vision Impact Institute**. The Institute's aim is to highlight the importance of visual health and the benefits of proper visual correction in everyday life (in academic achievement, social integration, business productivity, etc.). Its mission is to examine and then communicate the results of relevant scientific studies and to work with networks of influence to guide changes in public health policy.

The Institute is governed by a consultative committee of four independent members focusing on two objectives: to accelerate the production of new studies on visual health, particularly in areas where there is a dearth of data, and to reach an ever-broader audience on these topics.

Since it was founded, the Institute has launched a website – www.visionimpactinstitute.org – providing a single database of 200 peer-reviewed reports and studies to prove the need for advances in visual correction and visual health in general. This year, 66 new studies were published and the website was translated into a new language, Spanish, in addition to the English, Chinese and Portuguese versions already available.

In 2016 the Institute was actively engaged in raising awareness among the global population of the importance of visual health. Its work is illustrated in the following two examples:

- ▶ in India, the Institute supported media events that led to dialogue with government departments on conducting awareness programs for students and drivers;
- ▶ in the United States, the Institute created a multi-stakeholder partnership called "Kids See: Success", aimed at providing every child with an eye exam prior to entering kindergarten.

4.3.2 Sustainable innovation to cater for customers' current and future needs

Innovation is the linchpin of the Group's growth strategy and central to Essilor's model. It is a major differentiating factor and applies to products, services, business models and governance structure. As such, it characterizes the unique way the Group carries out its Mission.

To respond to market trends in visual health driven in particular by a number of major social trends (population aging, use of digital technology, new "Base of the Pyramid", or BoP, consumers, etc.), Essilor devotes a significant proportion of its revenue to research and innovation each year. In 2016 it spent €214 million before research tax credits.

The Group's research is focused on understanding the needs of consumers and professional customers from the optical industry across the three dimensions of visual health, which are: visual correction, the protection of eyes and the prevention of eye diseases. The structure of Essilor's global R&D organization comprises five Centers for Innovation & Technologies, at the heart of the major current and future markets and close to centers of international expertise. It operates as a collaborative, creative network, fostering synergies, speeding up execution and promoting the emergence of new applications. This approach has resulted in Forbes magazine ranking Essilor as one of the 100 most innovative companies in the world for the sixth consecutive year. See Section 1.5.3 of this document.

Essilor has expanded its culture of global innovation through gradual integration of the challenges of sustainable development. For the Group, as well as being compliant with regulations, innovation must be:

► **Collaborative.** This means that stakeholders (universities, research centers, suppliers, customers, professional associations, etc.) can be involved from design through to the launch of the innovation. Essilor has developed more than 20 partnerships with universities and public research organizations, including the Vision Institute in Paris, CNRS, Inserm, Polytechnique Montréal, and the universities of Shanghai and Wenzhou in China. The Group has also formed joint ventures with other manufacturers, such as Nikon in Japan with Nikon-Essilor International Joint Research Center (NEIJRC). In addition, the Group relies on open innovation, such as the See Change Challenge launched in 2016 by its 2.5 New Vision Generation™ program. See Section 4.3.3 of this document;

► **Eco-designed.** Essilor endeavors to develop products with an ever-reducing impact on the environment by analyzing the product's life cycle, giving preference to eco-design, working with its suppliers (purchasing raw materials with less environmental impact, low-carbon logistics, etc.) and optimizing the production processes. For example, Essilor now only promotes lighter, more resistant and more environmentally friendly corrective lenses that are manufactured from thermosetting resins or thermoplastic materials. As such, the Airwear® corrective lenses are made from a material that can be recycled at the end of its life cycle to produce items other than corrective lenses. Furthermore, no new chemical component requiring toxicology tests is used in the Group's innovations. Lastly, Essilor does not conduct any tests on animals;

► **Transparent.** To guide end users in their choices as effectively as possible, Essilor is careful to provide high quality, relevant information on new products. By working with visual health professionals, training them and providing them with technical documentation and informative materials, Essilor ensures that its products are promoted in a compliant way. See Section 4.6.4 of this document;

► **Accessible to all.** For the Group, any innovation must support its Mission. New products are therefore developed to address specific or even local issues (such as population aging, the emergence of a middle class in high-growth countries, or the development of digital technology) and reach as many people as possible. To provide more complete protection against harmful blue light and UV, both of which contribute to age-related vision loss, the Group introduced the Eye Protect System™ innovation in 2016. This innovative system integrates filtering properties directly into the lens itself for maximum protection. For the 2.5 billion people without visual correction living mainly in emerging countries with limited visual health structures and complex logistics chains, Essilor has developed Ready-to-Clip™, a range of symmetrical, interchangeable lenses that can be fitted instantly in a wide range of frames. This enables consumers on low incomes to buy an affordable pair of glasses locally, immediately after their eye test, avoiding any issues with logistics and order tracking.

4.3.3 Development of inclusive business models

A large number of individuals suffer from poor vision because they cannot access eye care professionals in the rural communities or urban areas where they live.

Reaching people on low incomes, often designated as Base of the Pyramid (BoP) consumers, requires a totally different and innovative approach in terms of products, pricing and distribution. Training micro-entrepreneurs in primary vision care is one of the

keys to expanding access to good vision. It also helps create local jobs and combat poverty.

The challenge is to find sustainable economic models that will continue to support communities as they develop and their correction needs evolve.

Since 2013, Essilor has leveraged significant resources to develop and roll out solutions that focus on empowering local

communities, by transferring skills and creating jobs that require qualified labor and setting up infrastructures where basic vision care can be dispensed. These solutions imply close collaboration with local organizations, hence Essilor is co-constructing partnerships with NGOs, social entrepreneurs and regional or national governments for its inclusive business models. This provides the Group with a better understanding of local needs and obstacles to build a framework for ensuring long-term sustainability projects. The Group aims to improve 50 million lives at the BoP by 2020.

To this end, Essilor has created two dedicated complementary structures:

- **the “BoP Innovation Lab”**, supported by the Singapore Economic Development Board, evaluates and provides advice on inclusive business models. As an incubator, it helps to accelerate projects and to strengthen relationships with social enterprises, foundations and public and private development funds. It works in close collaboration with Essilor’s inclusive business structure, 2.5 New Vision Generation™ (see paragraphs below), on selecting programs, evaluating their social impacts, any adaptations that may be necessary and the development of new products, solutions and business models in line with the needs of BoP consumers. In 2016, Essilor launched an open innovation challenge to develop new technologies for measuring visual defects in populations lacking access to vision correction. The challenge led to collaboration between the Group’s entire ecosystem (startups, universities, application developers, eye care professionals, etc.) in a bid to develop low-cost, easy-to-use and easy-to-deploy solutions in 2017;
- **the “2.5 New Vision Generation™” (“2.5 NVG”)** business structure leverages dedicated sales and logistics teams in

key geographical areas of Asia, Latin America and Africa. It focuses on the adaptation and local deployment of solutions for BoP customers so as to create an initial network of infrastructure and vision care micro-entrepreneurs (“Primary Vision Care Providers”). These poorly served communities often lack access to vision care facilities. Essilor’s goal is to create 25,000 primary vision care providers by 2020. This implies agile, scalable business models. For example, in India, where the 2.5 NVG structure originated, Essilor has developed the Eye Mitra™ (“friends of the eyes” in Sanskrit) program with the aim of training under-employed villagers as vision technicians. They receive training and the equipment needed to start a “micro-business” carrying out eye exams and dispensing eyeglasses for the inhabitants of rural or semi-urban areas. In 2016 there were 2,500 Eye Mitra™ partners. An impact assessment highlighted the major socio-economic contributions of this program (see Section 4.6.5), which also won the award for best sustainable development film in the “Transforming Society” category at the tve’s Global Sustainability Film Awards in the United Kingdom in 2016.

Based on the expertise acquired from the Eye Mitra™ program, the 2.5 NVG teams also developed the Vision Ambassador™ program, which is designed to train individuals to screen for near-vision problems in adults over the age of 45 and sell over-the-counter reading glasses as a complementary business. At the end of 2016, the program had more than 1,000 partners of Vision Ambassador™ in five countries: China, Brazil, India, Vietnam and Ivory Coast.

In 2016, the 2.5 NVG structure ramped up its development and now distributes its products across 30 countries, thereby increasing its impact. Almost 2.2 million people were fitted with eyeglasses, compared with 1.2 million in 2015 and 300,000 in 2014.

4.3.4 Strategic giving

Essilor continued to deploy its philanthropy initiatives around the world in 2016, considering that it is a duty to provide the most disadvantaged individuals, who live below the international poverty line, with the vision care that they need.

Essilor’s philanthropic activities include awareness-raising campaigns, eye exams, donations of lenses and frames, and funding for local programs led by charities, health care voluntary organizations or institutional partners. As such, the Group works with many NGOs, including Lions Clubs International, Brien Holden Vision Institute, Optometry Giving Sight, Samusocial de Paris, Secours Populaire Français, Sight Savers, Standing Voice, and Orbis International.

To carry out these various initiatives through to completion, the Group has established a Foundation (Essilor Vision Foundation), with legal entities in seven countries and in 2015 launched the Vision For Life™ funds in France and in the United States which finance programs around the world with long-term impact. The Group’s goal for 2020 is to provide €30 million in funding to philanthropy programs related to access to vision care.

In 2016, thanks to the Group’s own philanthropic initiatives and those of its partners, some 150 programs in almost 50 countries provided vision screenings for over one million people and eyeglasses for 300,000. One thousand Group employees were involved in this effort on a volunteer basis. Group subsidiaries also donated 700,000 pairs of eyeglasses to two NGOs, Restoring Vision and Kids Right to Sight, taking the total number of beneficiaries of free eyeglasses to more than a million in 2016.

Essilor Vision Foundation™

Following the establishment in 2007 of the Essilor Vision Foundation in the United States, the Group extended its impact by establishing foundations in India, Singapore and China. In 2016 the Foundation was established in Canada, Australia and New Zealand.

Some examples of projects in 2016:

- ▶ in the United States, one child in four has a vision problem that affects learning. According to the Center for Disease Control and Prevention, vision impairment is one of the most common disabling conditions in children in the United States. The Foundation operates in every state through more than 50 partnerships with other NGOs and works with more than 900 schools to bridge the gap between vision care needs and vision care access. One of its flagship programs, Kids Vision For Life™, provides direct vision care in schools by offering eye exams. A mobile clinic with facilities to create eyeglasses on-site means that most students leave with their own pair of eyeglasses the day of the exam. Every year, more than 30,000 students have free access to this service;
- ▶ in China, the Essilor Foundation rolled out a number of programs aimed at children in 279 schools in five provinces and provided eye exams to more than 200,000 children. The "Eye Do" program, designed to train teachers to conduct a vision diagnosis, was awarded the prize for best philanthropy program by the China Charity Festival;
- ▶ in India, 300,000 people in 15 provinces were given free screening, including 175,000 children. Almost 100,000 individuals received UV protection equipment in the most exposed areas;
- ▶ for the rest of the Asian region, the Foundation rolled out programs in nine countries, raising awareness and providing free vision screenings to more than 100,000 people;
- ▶ lastly, in Australia and New Zealand, more than 30 initiatives were conducted in schools, with almost 3,000 children screened for vision problems. These initiatives were reported by local media and helped educate millions of people about the importance of good vision for academic success.

Meanwhile, under the Special Olympics Opening Eyes global program supported by Essilor, the Special Olympics and Lions Club International, the Essilor Foundation has screened more than 180,000 children with intellectual disabilities since 2002. In 2016, a total of 139 events took place around the world, with more than 24,000 athletes screened. More than 12,000 of them received eyeglasses and 11,000 received sunglasses.

Vision For Life™

Created in January 2015, Vision For Life™ (the Essilor Social Impact endowment fund in France and the non-profit-making Essilor Social Impact Fund in the United States) aims to accelerate initiatives that tackle the global challenge of poor vision by raising awareness, developing skills in regions with no access to the most basic visual health solutions, supporting the creation of infrastructure such as vision centers and improving access to vision care. Essilor has made an initial contribution of €30 million to these two structures, making it the world's largest strategic giving program dedicated to eliminating Uncorrected Refractive Error.

The projects to which support was provided included the following strategic initiatives in 2016:

- ▶ in France, the numerous initiatives undertaken in 2015 with health care partners, humanitarian associations and public sector organizations continued.

The emphasis was on providing help to very underprivileged populations, with partners such as the Secours Populaire Français, a non-profit organization devoted to fighting poverty and discrimination in France and beyond, and the Samusocial de Paris humanitarian emergency service. A number of awareness-raising initiatives took place throughout the year in addition to campaigns on ophthalmic examination and essential equipment in the majority of cases.

A large-scale educational campaign that also involved vision testing took place during the Salon Jeunes d'Avenirs youth career fair, educating more than 10,000 young school or college leavers about the importance of good vision for their future.

Some 2,000 young people received an eye exam at the fair, and almost 50% of them were diagnosed as having a vision problem requiring an ophthalmologic follow-up. For those with insufficient social security coverage, the program Vision for Life™ allowed them to be examined by an ophthalmologist and fitted with eyeglasses.

All of this was made possible through the establishment in 2015 of a "PASS-O" unit, which provides access to ophthalmology care for people without medical insurance, in an Adolphe de Rothschild Foundation health care center. This was supplemented in 2016 with a PASS-O unit for the Hôtel Dieu hospital in Paris, managed by the Paris Public Hospital Network (AP-HP – Assistance Publique – Hôpitaux de Paris), with sponsorship from the Vision For Life™ program. These new facilities, the largest in France in the field of ophthalmology, have allowed 3,000 underprivileged individuals to be seen for a full vision care pathway and the provision of optical equipment if required.

Plans to extend access to facilities outside Paris and the Île-de-France region, i.e. to the rest of France, in the next two years are under discussion.

Lastly, a pilot project with the French Ministry of Education to train doctors and nurses at the Académie de Paris in how best to teach students, children and parents about vision has been approved and will be implemented in February 2017. It will focus on providing them with special tools to better educate all concerned about the importance of good vision for academic success;

- ▶ in Africa, projects have been carried out in six countries, including Côte d'Ivoire, Algeria, Morocco and Tanzania, as part of a three-year program signed with the British NGO Standing Voice to provide high-quality sunglasses to 4,200 albino children to protect their eyes from UV light. Forty percent of these children have been diagnosed with a fairly serious vision problem and will also receive appropriate corrective and protective eyeglasses.

Lastly, in Ethiopia, almost 180,000 individuals have been screened over the last three years under a partnership with British NGO Vision Aid Overseas and with the support of UK Aid.

SOCIAL INFORMATION

4.4 Caring for people

Essilor's success is deeply intertwined with the 63,676 employees throughout the world who, irrespective of their role and the work that they do, are committed to developing and marketing the innovative products and services that contribute to the Group's Mission: to improve lives by improving sight.

With a history dating back almost 170 years, the Group has a unique corporate culture that is based on strong values established in all areas and subsidiaries of the business: entrepreneurship, respect for others and mutual trust, and a spirit of cooperation, diversity and innovation.

Through its human resources policy, Essilor also hopes to encourage the development and personal fulfillment of its employees, by offering them opportunities for growth as part of

a global, diversified, multicultural and multilocal Group. This aim entails a working environment that respects their physical and moral integrity and ensures equal treatment at all times.

By putting these conditions in place, Essilor is able to develop the employability of its staff (in particular, by making it easy for them to access training throughout their career and by broadening their roles and experience with increased autonomy and responsibility), and to attract and retain talent.

Essilor's employee shareholding structure is a key characteristic of the Group's social policy. It not only benefits employees but also shareholders by aligning their common interests regarding the Company's performance and the value created as a result.

Total workforce and breakdown of employees by geographical area, gender, function and age

As of December 31, 2016, Essilor had 63,676 full time equivalent employees worldwide using the financial consolidation method. The average workforce for 2016 was 63,107 (full time equivalent employees corresponding to the amount reported for consolidated personnel costs for the period).

		2016	2015	2014
Total workforce (FTEs) at the end of the period		63,676 ^(a)	60,883 ^(a)	58,032 ^(a)
Average workforce (FTEs) in 2016		63,107 ^(a)	60,503 ^(a)	58,480 ^(a)
Breakdown of the workforce (FTEs) "at end of period" by geographical area	North America	13,476 ^(a) (21.2%)	12,456 ^(a) (20.5%)	12,105 ^(a) (20.9%)
	Europe	12,141 ^(a) (19.1%)	10,613 ^(a) (17.4%)	10,029 ^(a) (17.3%)
	Latin America / Africa / Asia / Australia / Middle East / Russia	38,059 ^(a) (59.7%)	37,814 ^(a) (62.1%)	35,898 ^(a) (61.8%)

Note: FTE = Full Time Equivalent employees.

		2016	2015	2014
Workforce (FTEs) covered by 2016 reporting on the period		57,985	51,787	40,371
Reporting Coverage		91.9%	85.6%	69.0%
Number of employees (headcount) covered by 2016 reporting on the period		61,995	51,787	40,371

Note: The workforce covered by the reporting is the average number of FTEs calculated over the period from October 1st, 2015 to September 30th, 2016.

Reporting coverage is calculated based on Group total average workforce (FTEs). Reporting coverage increased from 85.1% in 2015 to 91.9% in 2016, a significant rise due to the integration of new reporting entities.

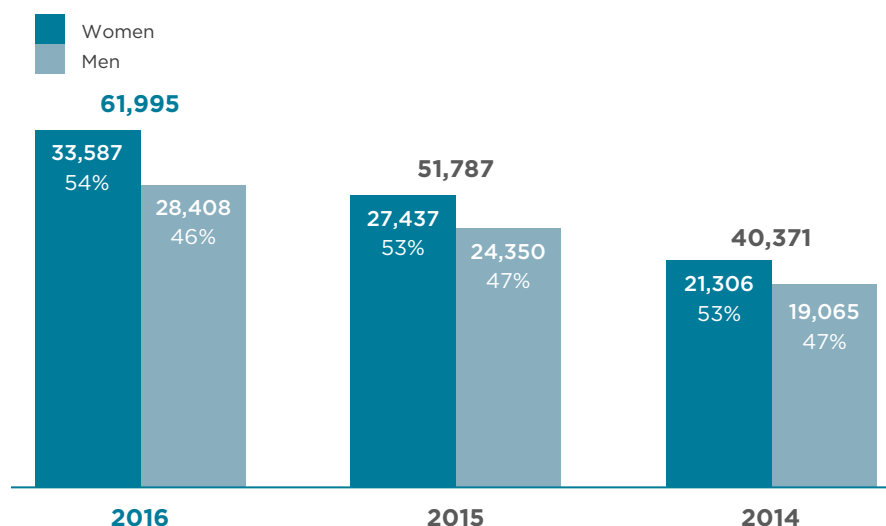
The increase in workforce (FTEs and Headcount) reported is mainly due to the expansion of the scope of consolidation, which accounts for 18% of the total reported number of employees. Eliminating the impact in the scope of consolidation, there was no significant change in the workforce compared with the previous year.

The difference between FTE and Headcount numbers of 2016 is due to the integration of one entity who has a specific business model using part time employees.

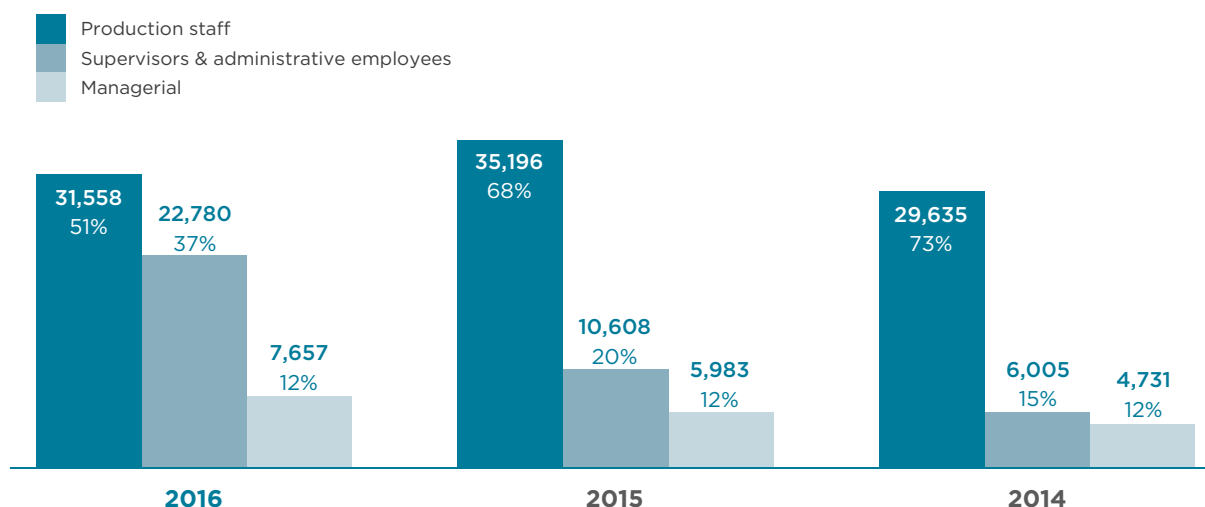
All the detail workforce information below (workforce breakdown by gender, workforce breakdown by function, workforce breakdown by age, new hires, layoffs and turnover) and reporting coverage rate per indicator are based on average number of employees (headcount) covered by 2016 reporting on the period.

Workforce breakdown by gender

		2016	2015	2014
Breakdown of the workforce by gender (based on the workforce covered by reporting)	Women	33,587 (54.2%)	27,437 (53.0%)	21,306 (52.8%)
	Men	28,408 (45.8%)	24,350 (47.0%)	19,065 (47.2%)

Workforce breakdown by function

		2016	2015	2014
Breakdown of the workforce by function (based on the workforce covered by reporting)	Production staff	31,558 50.9%	35,196 68.0%	29,635 73.4%
	Supervisors and administrative employees	22,780 36.7%	10,608 20.4%	6,005 14.9%
	Managerial personnel	7,657 12.4%	5,983 11.6%	4,731 11.7%



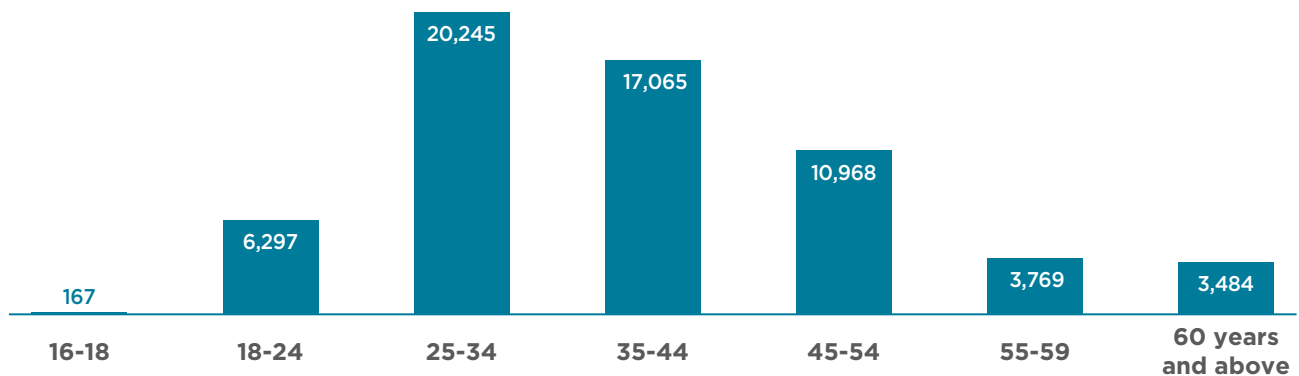
Note: Workforce breakdown by function is based on the total number of employees covered by the reporting for 2016. According to the Group's definition, "Production staff" includes workers working on production sites; "Supervisors and administrative employees" includes individuals who have management responsibility and/or is employed in an office. Lastly, "Managerial personnel" comprises Executive Directors, managers and experts.

The population of "production staff" has decreased compared with previous year. The decrease between 2016 and 2015 was mainly due to the lack of data from a subsidiary in Asia in 2016 reporting and an error of mis-classification from an American entity in 2015. Due to limited information of previous year, we did not restate the numbers of 2015.

The population of "supervisors and administrative employees" increased significantly mainly due to the integration of a large number of non-production sites in the reporting of 2016. It is also a reflection of the enriched business model of Essilor, with the increase of sunglasses & readers distribution and online business.

Workforce breakdown by age

		2016	2015	2014
Breakdown of the workforce by age group (based on the workforce covered by reporting)	16 to 18 years	167 (0.27%)	161 (0.31%)	177 (0.44%)
	18 to 24 years	6,297 (10.16%)	5,644 (10.90%)	3,839 (9.51%)
	25 to 34 years	20,245 (32.65%)	16,537 (31.93%)	12,112 (30.00%)
	35 to 44 years	17,065 (27.53%)	14,179 (27.38%)	11,623 (28.79%)
	45 to 54 years	10,968 (17.69%)	8,946 (17.28%)	7,941 (19.67%)
	55 to 59 years	3,769 (6.08%)	3,341 (6.45%)	2,850 (7.06%)
	60 years and over	3,484 (5.62%)	2,979 (5.75%)	1,829 (4.53%)



Note: The reported workforce under 18 years old is mainly from entities in China and Brazil where the minimum legal working age is 16. The other, very limited, cases are trainees or apprentices whose employment is compliant with local regulation.

New hires, layoffs and turnover

	2016	2015	2014
Total new hires	14,548	NA	NA

Note: First year of publication of this indicator. Reported data are based on an identical scope to the workforce covered by 2016 reporting on the period.

	2016	2015	2014
Total layoffs	1,632	NA	NA

Note: First year of publication of this indicator. The reporting coverage is 98.5%.

	2016	2015	2014
Voluntary turnover rate	10.0%	10.0%	8.9%

Note: As part of the continuous improvement in reporting for 2016, the Group further updated its method for calculating turnover to make it more relevant and representative. Turnover rate is now calculated as a weighted average based on an expanded sample which represents 68.1% of the workforce covered by 2016 reporting. The turnover rate indicated in this document is based on voluntary departures (resignation) from the Group.

Salary changes

Total salaries in 2016: €2,142 million ^(a)

Total salaries in 2015: €2,045 million ^(a)

Total salaries in 2014: €1,743 million ^(a)

2016-2015 change: +4.74%

Average weighted salary changes could be calculated but this would not be relevant globally since there are too many variants from one year to the next (the Group's growth being one of the major variants).

4.4.1 Ensuring health and safety with a quality working environment

Maintaining the health of all employees and offering them a quality working environment are priorities for Essilor. This involves preventing accidents and occupational illnesses, taking measures to minimize the severity of accidents and the implementation of corrective action plans to prevent repetition. In addition to the human factor, the accident may involve significant direct costs (related to absences and temporary replacement staff, fines, contributions and increased insurance costs) and indirect costs (a drop in productivity and disruption to services). Essilor, its employees and their representatives therefore have a mutual interest in working together to reduce accidents to a minimum.

Health and safety in the workplace

Action plans have been implemented with specific objectives and targets for better prevention and reduction of occupational health and safety risks.

In collaboration with the Human Resources Department, the Global EHS (Environment-Health-Safety) Department, including experts in occupational health and safety, the management of chemical products and ergonomics, leads the Group's approach to health and safety. It defines the annual targets and is supported by a network of EHS coordinators at the Group's main sites, to whom

it provides assistance and technical operational support, such as standard procedures, action plans and on-site audits. To improve safety and reduce workplace accidents to zero, the Group aims to reduce by 30% the frequency rate by 2020.

OHSAS 18001 guidelines represent an entry point to occupational health and safety policies at all facilities. One of the goals of these policies is to improve occupational health and safety awareness, training and communication.

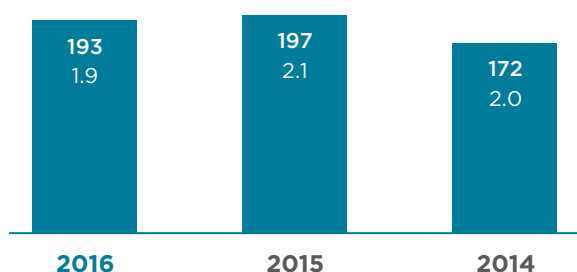
As of December 31, 2016, the production facilities in Brazil (1), China (1), the United States (1), France (2), Ireland (1), Mexico (1), the Philippines (2) and Thailand (1) were OHSAS 18001-certified. As a result, the percentage of certified environmental management systems in the Group's upstream production plants was 83% (10/12).

The development and launch of new products now includes a new process called Stages & Gates to coordinate the work of the various departments, from design to deployment at production sites. The process includes occupational health and safety and environmental requirements in an effort to prevent occupational illnesses and accidents and reduce environmental impact. These requirements pertain to safe machines and processes, ergonomic workstations, chemicals management, regulatory aspects and change management, among other topics.

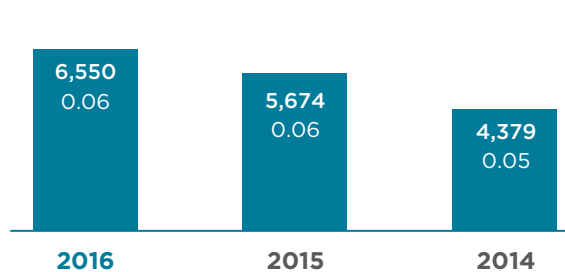
Health & safety indicators

	2016	2015	2014
Work-related injuries with lost work time	193	197	172
Work-related injuries without lost work time	333	431	338
Fatal accidents	0	0	0
Lost work days due to work-related injuries with lost work time	6,550	5,674	4,379
Frequency rate of work-related injuries with lost work time for the period	1.9	2.1	2.0
Severity rate of work-related injuries with lost work time for the period	0.06	0.06	0.05

Accidents with lost work time (Frequency rate)



Lost work days (Severity rate)



Note: Reporting of work-related injuries is based on entities where the Group Health and Safety standards and policy are applied and the reporting coverage in 2016 was 74.8% of total number of employees reported. There was a slight reduction in injury frequency rate, and severity rates of working accidents with lost work time remain at the same level.

Occupational illnesses

Identifying and monitoring the possible occurrence of occupational illnesses is the task of each entity and the number of cases has not been consolidated due to the difference between local regulations. The vast majority of reported occupational illnesses fall within the category of musculoskeletal disorders (MSDs). An ergonomics position has been created within the Global EHS Department to initiate and monitor programs set up to reduce the existing number of cases and prevent the occurrence of new ones.

Because the manufacturing of lenses involves the use of numerous chemicals, including some hazardous substances, a

special emphasis is placed on chemical management with a focus on preventing employee exposure. Based on a risk assessment approach, preventive and protective actions consist of substitution programs led at Group level, engineering measures like fume and vapor extraction systems, automated filling machine or redesigned workstations, dedicated training sessions and specially adapted personal protective equipment. The effectiveness of such actions is verified by periodic sampling and analysis or via continuous monitoring, plus appropriate medical surveillance of employees.

These programs were continued in 2016.

Absenteeism

	2016	2015	2014
Absenteeism rate	3.4%	5.1%	4.8%

Note: As part of the continuous improvement in reporting for 2016, the Group further updated its method for calculating absenteeism rate to make it more relevant and representative. Absenteeism rate is now calculated as a weighted average based on the number of lost work days reported. The coverage rate of absenteeism rate is 70.4% of the total workforce covered by 2016 reporting.

Organization of working hours

Working hours vary considerably within the Essilor group. Each legal entity has the autonomy to decide the most appropriate working hours. For that reason, Essilor does not disclose the consolidated data regarding working hours.

The Group promotes flexibility initiatives in the organization of work (part-time, teleworking, etc.). Local decisions in terms of the organization of working hours are based primarily on adapting to customers' needs, discussions with employees and their representative bodies, compliance with local regulations and optimizing operational efficiency.

4.4.2 Training and the development of skills and talent

With a rapidly growing international business, a presence in emerging countries, areas of specific know-how and growth in new segments, training and the development of skills and talents are strategic challenges for the Group. It may be difficult to hire and retain trained, experienced employees, particularly in competitive areas of the labor market and in emerging countries. This situation affects all levels of employees (workers, supervisors and managers) and calls for specific measures. In consequence, such measures have a prominent role in Essilor's human resources policy.

Developing employees' skills and employability is both an essential criterion for operational efficiency to support the Group's growth, and a sustainable commitment by the employer towards its staff.

Training also supports internal mobility and helps in building fulfilling career paths, and Essilor has a strong commitment to its employees in both these respects.

Essilor created its training schemes and mechanisms for identifying and developing talent from very early on. Today, there are a number of initiatives taking place in training and talent management.

Training and development

The Essilor group has set up a flexible and consistent training platform that aims to support the growth of the Group (e-commerce, sun, etc.) while meeting the needs of individuals and teams in terms of employability.

At the Group level, a specific team is responsible for devising, rolling out and overseeing training, and constantly updates content to best support the organization's new key themes. Training on Group level falls into three categories:

Essilor University, an online training platform

Distance learning (e-learning) provides complete access to general-interest content or content that is designed for new hires. Programs where employees take responsibility for their own development are also offered.

In 2016, Essilor University (Essilor U) added a new dimension to its talent development with the introduction of a modern, online training and administration tool that connected more than 16,000 new employees around the world from all Group entities, including key partners. Essilor University is now accessible to more than 32,000 employees who are offered training initiatives to support the Group's development at all levels: global, regional and local. These initiatives will be strengthened in 2017 with more content, broader curricula and improved access from mobile devices (smartphones and tablets). The Group's goal is to ensure all employees to have access to Essilor U by 2020.

The offer has been redesigned in line with the Group's fundamental principles: its Mission, Strategy, Leadership, Finance, Regulatory Compliance, Optics, and Products. It is also structured around the need for skills in key functions. The content library has been upgraded with new content offered in several languages. In 2016, more than 43,800 courses have been completed. The availability of more content, either online-only or in combination with other programs, has boosted career development opportunities and given more concrete expression to the "digital" aspect of learning, encouraging each employee to play an active role in their own development.

Managerial career paths

There are three classroom-based training programs on offer for Group managerial staff:

- ▶ the **General Management Program (GMP)** is aimed at those who primarily work with their teams to perform strategy-related operational tasks. It offers a selection of business topics (strategy, marketing, finance, innovation and change management) as part of a learning program that focuses on the Group's management methods and approaches. Organized in three major regions, the program is run in partnership with three prestigious management schools: ESSEC (France), Nanyang Business School (Singapore) and McCombs School of Business (USA). It has a common curriculum to which an appropriate local component is added to help with the acquisition of new theories and sharing of internal practices. In 2017, a Chinese-language program will be offered to employees and partners in China, Taiwan and Hong Kong;
- ▶ the **Advanced Management Program (AMP)** is aimed at those who are primarily involved in transforming key strategic objectives and then sharing them with their operating teams. This program has a dual purpose. Firstly, it develops a strategic approach for steering change in an environment where analyzing value creation is essential and where innovation plays a key role in the relationship with customers and consumers. Secondly, it focuses in particular on personal development and managing teams or projects in a global context. This program has been put together in partnership with Thunderbird School of Global Management (USA);
- ▶ a new **Senior Management Program (SMP)** in conjunction with INSEAD was delivered in 2016. Aimed primarily at managers who play a direct role in developing and conducting management strategy, it has two key objectives: firstly, to maximize value created from strategic agility, innovation and managing partnerships and negotiation, and secondly to achieve organizational efficiency by managing complex structures, analyzing value and optimizing commitment.

To complement the aforementioned business management programs, a special leadership program, **Transition from Manager to Leader (TML)**, was revisited and rolled out on a regional basis to meet a growing demand from managerial staff. Its goal is to help them to develop as leaders, to make an impact and to coach their teams in respect for the Group's values. They receive guidance

from coaches so as to identify their strengths and work on their areas for development, also with support from their peers.

In 2016, 158 managers took part in the GMP (at least one per region), 33 in the AMP, and 22 in the SMP. In addition, 45 managerial staff participated in the TML, making a total of 258.

Programs for specific topics, business areas and regions

To cater for the specific needs of a region or a business area or address an operational constraint (e.g., a community of experts who are dispersed throughout the world), specific training programs are devised by the subsidiaries and the Group function.

- ▶ **"Grow Your Team"** – Devised by the Group's Operations Department, this program aims to strengthen management practices and management excellence (lean manufacturing, etc.). It involves the entire management chain and is designed not only to create momentum for learning and cohesion based on shared management principles but also to develop a culture of feedback for collective improvement and increased commitment, and enhance employees' performance and personal development. The course was developed centrally and is being rolled out with local trainers in conjunction with the entire HR structure.
- In 2016, almost 370 managers were enrolled in this program, which involved classroom sessions, online modules supported by Harvard Manage Mentor®, joint-development between peers, and ongoing managerial support.
- ▶ **"LOFT"** – The purpose of the LOFT (Learning Organization For Tomorrow) program launched in 2007 is to promote the exchange of best practices and the generation of shared know-how. Since then, an organizational structure for learning has been introduced, with trainers in laboratories and on production sites who are trained as trainers and then train their colleagues at their workstations. Content is now managed in conjunction with Essilor University.
- ▶ **"EVE"** – The EVE program, created in 2010 by French multinational food products company Danone, is a leadership program for women which aims to contribute to the development of strong, inspiring individuals in sufficient numbers to bring change to the business. Essilor has joined forces with other sponsor companies and in 2016 took part in sessions organized in France and China.

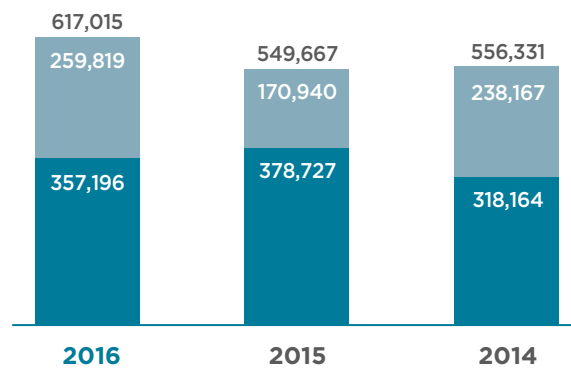
In 2017, Essilor will continue to connect more employees to Essilor University, stepping up the training offer and communicating best practices in an effort to enhance the digital learning culture of each employee. The Group will include more partners in its training and development network to bring even more consistency to the Group's initiatives. Essilor will also continue to devise innovative solutions tailored to the needs expressed or perceived by the business units. These solutions will be closely related to the development of skills and talent at both the local and the global level.

Total number of local training hours

To monitor overall local training activity within the Group, the subsidiaries are asked to assess the “Number of training hours” indicator for production staff and all other management positions (supervisors, administrative employees and managerial personnel).

	2016	2015	2014
Number of training hours for production employees	357,196	378,727	318,164
Number of training hours for non-production employees	259,819	170,940	238,167
TOTAL	617,015	549,667	556,331

Local training for production employees
Local training for non-production employees



Note: The process of continuous improvement in the quality of the data made it possible to identify a reporting error in 2015 from a subsidiary of the Group. The 2015 data has been restated to ensure consistency of information. The reporting coverage of local training information covers 63.9% of the total headcount reported.

Talent management

In order to attract, develop and retain talent, in 2016 Essilor's Talent Management Department continued with the rollout of a comprehensive approach built on several lines of action:

- ▶ develop “employer branding”: maintain a regular presence on the international campuses of top-ranking management schools (INSEAD, ESSEC, HEC, NUS, NTU, SMU, CEIBS, etc.) through presentations on the Group's activities, job and career fairs, leading a case study on Essilor, and so on. This is in addition to action on LinkedIn™;
- ▶ drive and coordinate talent management through the worldwide implementation of shared performance analysis software for all managerial staff, to identify areas for personal development, possible individual career development and succession plans for key positions;
- ▶ use the e-Talent software as a comprehensive talent management tool to appraise performance, review talent and prepare succession plans at the global level;
- ▶ incorporate a hiring module directly in LinkedIn™ to manage vacant positions, both internal and external. In 2017, a platform dedicated to mobility will be also introduced;
- ▶ develop the COMET Project, which is an accelerator for talented young employees in the Group, and help them with their career plans.

4.4.3 Employee integration and inclusion of all forms of diversity

The promotion of diversity, one of Essilor's five values, has contributed to international expansion, product and service innovation, performance, and exceptional growth for the Group. Encouraging diversity in all its forms is also a means of fostering personal initiative and the development and professional growth of Essilor's employees. This culture of diversity and inclusion is also a key factor for success in integrating newly acquired companies.

Essilor firmly believes that getting the best ideas and different perspectives is crucial to the Group's success and therefore is committed to developing an inclusive work environment that

promotes diversity. Inclusion begins with the Group's ability to welcome new employees, introduce them to the Group's culture and strategy, respect the uniqueness of each individual, and promote the value created at Essilor when all these different profiles work together.

Integrating new employees

At the Group level, integration efforts in 2016 included opening Essilor University to more than 32,000 employees. The goal is to connect even more group or partner-company employees in 2017.

An induction program is made available to new employees when their account is created. The program also appears in a special section of the Group's intranet site and contains information on the foundations of Essilor's business, its Mission and Principles and Values, and key points regarding safety and regulatory compliance. It allows each new employee to feel that they are fully involved in helping to achieve the Group's goals.

There are a number of induction initiatives at the regional level, such as the Somos Essilor program in Brazil, the Y.Essilor initiative for trainees and interns in France, and the 90-day Smart Start program in the USA which is aimed at providing more information on the optics sector, the Essilor group, the Essilor of America subsidiary, and the participant's business area.

Challenges, priorities and key themes of the diversity and inclusion policy

The main challenges of Essilor's diversity and inclusion policy are guaranteeing equal opportunities; supporting geographical expansion and adapting to local cultures; optimizing the organization; and using the Group's social, human and cultural diversity to drive economic performance.

Most importantly, it is a broad approach that covers all aspects of diversity. Essilor also adopts a thematic approach to:

- ▶ cultural diversity to ensure that teams better reflect markets and customers in terms of cultures and nationalities;
- ▶ gender diversity, one of the goals of which is to increase the representation of women in the Group's senior executive positions;
- ▶ inter-generational diversity to develop a pool of young talent, draw on the experience of older workers and strengthen the effective collaboration between all Group employees, regardless of their age.

To drive this process, the Group's "Diversity, Let's Aim Higher" program launched a year ago has four key priorities:

- ▶ to follow changes in the situation through relative indicators, including for gender, age, nationality, participation in training, and new hires. This allows the Group to identify action points and progress made, such as the percentage of women in the AMP (Advanced Management Program), which increased from 11% in 2012 to 39% in 2016;
- ▶ to encourage local teams to be more active when it comes to diversity; since 2016, the month of March has been dedicated to diversity and inclusion; many subsidiaries involve their staff in breakfasts on the theme of gender diversity, evening events with traditional costumes and food from different cultures, quizzes on diversity, exhibitions to raise awareness of

disability, etc. In addition, the development of internal women's networks is continuing: following positive feedback from the USA and France, a new network was established in 2016 at Clearly in Canada and another will be created in Singapore in the first half of 2017;

- ▶ to enhance the HR and management processes so that there is richer diversity and greater benefits as a result: for every new job offer for a key position, whether internal or external, there must be a woman on the shortlist who meets the desired profile; in some countries, such as France, any job offered externally must first be publicized with firms specializing in finding jobs for people with disabilities; at the Group level, a quarterly discussion committee (the Best Practices D&I Committee) is set up and comprises some 15 "local diversity ambassadors"; local initiatives also exist, such as the IDEA Committee – Inclusion & Diversity @ Essilor of America – introduced in early 2016. Composed of 12 leaders, it is sponsored by the President of the North America region and decides on, adapts and announces the Inclusion & Diversity strategy in the USA;
- ▶ to introduce initiatives to support the professional development of all employees: the "Female Leadership" program, such as the EVE program initiated by Danone and in which Essilor has participated since its creation five years ago; special curricula to attract and develop young talent in the United States, Europe and Asia; rollout of training courses on diversity and unconscious bias for large numbers of people, with pilot courses targeting all managers in France and all employees in the United States.

Measures taken to promote the employment and integration of people with disabilities

The Group pays keen attention to the issue of disability. Efforts made within the Group are reflected around the world in awareness campaigns and training initiatives, actions to promote fair and sustainable recruitment, job security for people with disabilities, and the development of a purchasing policy that involves the protected worker sector. For example, Servioptica, a business partner in Colombia, received an award from the United Nations in December 2016 in recognition of its good employment practices for people with disabilities.

Similarly, Essilor entities have introduced measures to promote the employment and integration of people with disabilities. Recruitment procedures allow such individuals to access genuine job opportunities. All reasonable efforts are made to make a workstation suitable for and accessible to an individual with a disability. Essilor does not engage in any discrimination based on a person's disability in respect of employment, the job itself or promotional opportunities.

	2016	2015	2014
Number of employees with a disability	577	466	437
Percentage of employees with a disability	0.9%	0.9%	1.1%
Number of associated jobs created	137	81	20

Note: In 2016, the Group has aligned the Group definition of disability. The data for 2015 and 2014 were restated according to the new Group definition.

The reporting coverage rate is 98.7% of the Group's total workforce. The increase of number of employee with disability and associated job creation are mainly due to the expansion of reporting scope.

In France and since 2007, Essilor has signed four collective bargaining agreements on the continued employment of people with disabilities and their integration within the Group. In France, Essilor is a member of two non-profit associations that support the inclusion of people with disabilities, "Club Handicap & Compétences" and "Club Être", sharing best practices and taking part in think tanks on the issue with other stakeholders. This commitment by the Company and its social partners to the practical implementation of a sustainable, coherent proactive policy, is reflected in an increase in the employment rate for employees with disabilities, from 3.44% in 2007 to 5.36% in 2015.

The fourth collective bargaining agreement on the integration and continued employment of people with disabilities was signed in late 2015 for a term of three years, from 2016 to 2018.

This agreement, implemented by Essilor's Mission Handicap and a network of 21 internal officers, is structured around four main lines of action:

- ▶ continued employment of Essilor staff with disabilities, through the use of a range of appropriate aids;
- ▶ rollout of a sustainable recruitment plan with decisions based on objective skills-related criteria;
- ▶ developing the use of the protected worker sector;
- ▶ continuing with training, awareness and communication efforts in respect of disability.

Anti-discrimination policy

Essilor has implemented a specific procedure that is invoked in the event of employees reporting allegations of discrimination. Such issues may relate to a job or to an occupation. The few allegations brought to the Group each year and which have triggered the procedure to classify incidents of discrimination (on average two to five a year Group-wide) have not been proven.

	2016	2015	2014
Total number of recognized incidents of discrimination	0	0	0

4.4.4 Employee shareholding & management / employee consultation

As a result of its culture, which is heavily influenced by its origins, its history and its two-fold economic and human goal, the Group promotes employee profit-sharing, particularly through shareholding and encourages dialogue between management and employees regardless of whether they are covered by a collective bargaining agreement. All Group employees have access to health and social security cover, which varies according to local characteristics.

The practices for management / employee dialogue also allow Essilor and its staff to manage necessary changes in the organizational structure with ease. This capacity for dialogue is essential to safeguard the agility of the Company, business continuity even in case of grievances, and the excellent reputation that Essilor enjoys amongst all its stakeholders.

Employees – Essilor's main shareholder

Since its founding, Essilor has been committed to a strong internal shareholding policy, and today nearly one in four employees hold shares in the Group. Employees are Essilor's main shareholder, and this has given rise to an original method of governance that encourages dialogue and involves employees in the Group's key decisions. It also means that the interests of employees are

aligned with those of shareholders. The employee shareholding is multi-faceted and tailored to the legal framework of each country. Valoptec Association, a non-profit association under the French law of 1901, brings together more than 8,500 active and retired employee shareholders. Internal shareholders have the largest single shareholding in the Group.

Essilor International's Employee Shareholding Department sets up and manages employee shareholding plans in most part of Essilor group companies. In 2016, new plans were set up with the Group's partners in Turkey and Canada.

The Group decided to launch a plan to roll out and extend employee shareholding on a global scale so that employees would continue to be involved in the Group's development and success on a long-term and broader basis. Eventually, Essilor expects 50% of employees to become shareholders in the Company. This goal to develop and further strengthen the shareholding culture includes all the Group's host countries and all employees, regardless of their professional status.

As of December 31, 2016, employees and equity partners held 8.4% of the share capital and 14.5% of voting rights.

Note that all Essilor shareholders who keep their registered shares for at least two years have a double voting right.

	2016	2015	2014
Number of employee shareholders	13,557 ^(a)	12,944 ^(a)	12,558 ^(a)
Percentage of employee shareholders	21.5%	21.4%	21.5%

Note: Data concern only active employee shareholders on December 31st, 2016. Percentage calculation is based on an average of 63,107 employees for the full year 2016. The disclosure of 2015 included both active employee shareholders and retired employee shareholders. To keep the data consistency, 2015 number has been restated

Organization of dialogue between management and employees

When it comes to dialogue between management and employees, Essilor promotes listening, discussion and transparency in local decision-making. It also encourages open communication with employees and strives to ensure that everyone can participate without hierarchical boundaries. Dialogue between management and employees varies widely within the Essilor group. Each legal entity has complete autonomy to decide on the most appropriate labor-related dialogue. Labor-related dialogue is generally organized by employee representatives through any means possible or directly for the smallest entities or those not wishing to be represented by one or more third-parties. Such dialogue covers more than 90% of the Group's total workforce.

Representative bodies include: Optical Union in Brazil; Shanghai Essilor Optical Company Limited Trade Union in China; Essilor European Dialogue and Information Committee (EEDIC) in Europe; the Group Committee in France; Karmika Sangha in India; Confederation of Filipino Workers, Essilor Manufacturing Philippines Incorporated Chapter in the Philippines; Essilor Workers' Union of Thailand in Thailand; and numerous activity committees, communication committees, employee committees, factory committees, safety committees, welfare committees and similar bodies.

Numerous initiatives are conducted in the countries of operation in the spirit of labor-related dialogue that the Company embodies.

Staff negotiations vary from one establishment to another, but Essilor consistently promotes these throughout the world as a factor in employee satisfaction. Global staff opinion polls continue to be conducted periodically within the Group.

In late 2015, the Group launched its fifth employee opinion poll, which achieved a high response rate of nearly 80%. The poll revealed that 93% of employees said they were satisfied working at Essilor and that the average satisfaction rate for all questions combined was 85%. These results had improved over the previous survey.

Overview of collective agreements

There are a vast number of collective bargaining agreements per legal entity, each of which has the autonomy to implement collective bargaining agreements according to the regulations in force.

The majority of collective bargaining agreements pertain to the introduction of long-term benefits (medical coverage, pensions, diversity and disability, life insurance, etc.) as well as short-term benefits (performance bonuses, distribution of performance shares, shareholding, etc.), allowing the Group to attract and retain employees who contribute to its performance by virtue of their expertise and talent. Agreements signed on such issues typically have a broader framework in respect of general working conditions and therefore include occupational health and safety.

	2016	2015	2014
% of subsidiaries with collective bargaining agreements	41%	36%	N/A

Note: The percentage of subsidiaries that have signed collective bargaining agreements has increased due to the increase in reporting coverage, which has risen from 63.7% to 73.3% in 2016.

Compliance with the freedom of association and the right to collective bargaining

Essilor complies with International Labor Organization Fundamental Conventions No. 87 on freedom of association and protection of the right to organize convention, and No. 98 on the

right to organize and collective bargaining. To date, no activity has been identified as presenting a compliance risk in this area.

ENVIRONMENTAL INFORMATION

4.5 Optimizing environmental footprint

In the mid-20th century, Essilor revolutionized the optics industry, substantially reduced its environmental footprint through the introduction of the ORMA lens (for ORganic MAterial®). This would replace the mineral lens and lead to the abandonment of manufacturing methods that were far more polluting. Since this innovation, the environmental impact of production activities has been significantly reduced and is now limited to water and energy

consumption, special-waste management and water discharge treatment. The materials and chemical products used in the production process are subject to stringent regulations in terms of environmental protection and are supplied by industries with good environmental practices that enable the associated impacts to be controlled.

Given the operational, financial and reputational challenges associated with the environment, Essilor has set five priorities:

1. Strengthen environmental management processes.
2. Reduce water consumption and guarantee supply.
3. Improve the energy efficiency of manufacturing and transportation processes.
4. Decrease the carbon footprint and adapt to climate change.
5. Limit waste generation and optimize recycling.

Responsibility for overseeing the Group's environmental impact reduction program lies with the Global EHS Department. To fulfill

this responsibility, it relies on a network of EHS coordinators who are present on the production sites.

4.5.1 Strengthening environmental management

Environmental assessment and certification

Given its industrial activities, historically, Essilor has implemented environmental management systems that conform to the ISO 14001:2004 standard. Since December 31, 2005, the Essilor mass production sites in Brazil (1), China (1), the United States (1), France (2), Ireland (1), Mexico (1), the Philippines (2) and Thailand (1) have all been certified to ISO 14001. Some Essilor partners are also ISO 14001-certified, such as Nikon Essilor in Japan.

As a result, the percentage of certified environmental management systems of the Group's upstream production facilities was 83% (10/12). In 2016, inspection audits were carried out as planned.

Furthermore, some of the most significant prescription and service laboratories and distribution centers in terms of volume of throughput have also introduced and maintain ISO 14001-certified environmental management systems where this is relevant.

Environmental training

In 2016, in addition to the training and awareness-raising initiatives inherent in ISO 14001-certified systems, the various entities saw the delivery of numerous training courses on aspects of environmental management. The Global EHS Department continued with the rollout of a program to raise partners' awareness of the EHS policy and management tools via Essilor University (e-learning) and dedicated seminars.

Provisions and guarantees for environmental risk

Essilor made no provision for environmental risks in 2016.

	2016	2015	2014
Monetary value of significant fines	0	0	0

Noise pollution

No complaints about noise, odor or any other form of specific pollution were received in 2016.

Biodiversity & land use

Finding potential significant impacts on biodiversity is one of the aims of the environmental management systems. Essilor has drawn up a biodiversity mapping of the majority of its sites

worldwide, to be updated in 2017. Four sites are located within an area of biodiversity interest. The biodiversity audit of one of these sites by an external company showed that there was no significant potential impact and no significant dependency in respect of biodiversity and ecological services for this site and the activities taking place there.

Essilor carries out its business in industrial buildings, usually located in existing industrial areas or commercial premises. Land is therefore not used in the Group's operations per se, but rather is associated with the buildings the Group occupies.

4.5.2 Reducing water use

Management of water

The mass production plants and the prescription laboratories use considerable quantities of water for lens machining, surfacing and rinsing operations. However, net water consumption is not significant since the water used in the production processes is subsequently treated and returned in near-equal volume, excepting leaks, a low level of evaporation and everyday site consumption.

Access to high quality water for production operations is an essential factor in ensuring the quality of the finished and semi-finished lenses that the Company distributes. Most Group sites are generally located in industrial or urban areas where access to water is provided by local authorities. They are dependent on these local authority managed utilities.

Water is also used in sanitary networks. A number of entities use recycled production water or collected rainwater for sanitary networks.

The Group has a few sites located in areas of water stress, such as in India (EMIL) and Mexico (SOFI). The Group may be faced with restrictions on water withdrawals imposed by local authorities, an increase in the cost of water and potentially, questions from local stakeholders who are also dependent on water resources. To mitigate these water-related risks, sites are introducing more stringent water-management programs and setting specific water-reduction targets. In this case, the Group fosters and sustains the conditions for dialogue between public sector services, water suppliers and NGOs to anticipate changes in the availability and cost of water, so as to adjust production.

Aware of its impact on the environment, Essilor has voluntarily contributed to the work of the CDP regarding its water footprint. The Group was awarded an A- rating for its efforts and ongoing

investments, demonstrating its leadership in the management of its water footprint. Essilor aims to continue these efforts by reducing by 20% its water use per good lens produced by 2020 on a scope that represents the majority of its water impacts.

Reduction program

To ensure a more effective rollout of initiatives to reduce the consumption of natural resources, Essilor has launched the "Reboost" program, which aims to define and roll out Group performance standards, along with associated field projects, to reduce the main environmental impacts.

The following actions have been taken within the "Reboost Water" program:

- ▶ a water mapping of the main mass production sites and laboratories;
- ▶ a comparison of the sites' water performance with the benchmark process, or "water model";
- ▶ a medium-term plan for reduction by water use operation.

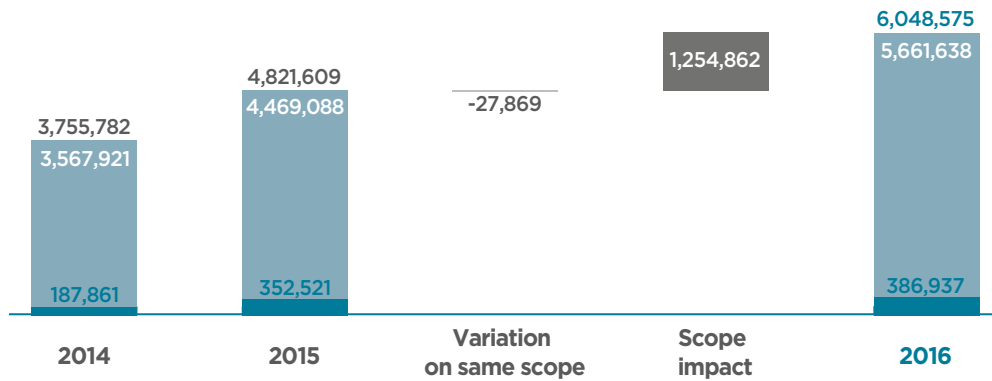
As part of "Reboost Water", each region has to define its own Water roadmap, a process which is overseen at Group level.

In 2016, the water use of the first sites to participate in the Reboost program decreased. The scope of the Reboost program's action has now been extended to all mass production sites and export laboratories, as well as to the 15 largest prescription laboratories. The program has focused in particular on coating machines, implementing solutions to reduce and reuse water. The Group has also installed smart meters at its main sites. The ultimate goal is to equip some 50 sites with these solutions. In 2017, the EHS Department will roll out eco-design and eco-driving solutions across the entire scope of the "Reboost Water" program.

Water Withdrawals (m³)

		2016	2015	2014
Water Withdrawals (m³)		6,048,575	4,821,609	3,755,782
Breakdowns by source	Municipal water	5,661,638	4,469,088	3,567,921
	Natural water	386,937	352,521	187,861

■ Natural source
■ Municipal source



Note: The increase in water withdrawals in 2016 is mainly due to the expansion of the scope of reporting. The data reported this year covers 85.1% of the total number of employees reported.

On the basis of the scope of reporting for 2015, water withdrawals decreased by less than 1%. The impact of the expansion in the scope of consolidation between 2015 and 2016 accounts for 20.7% of total reported water withdrawals of 2016.

Water discharge control program

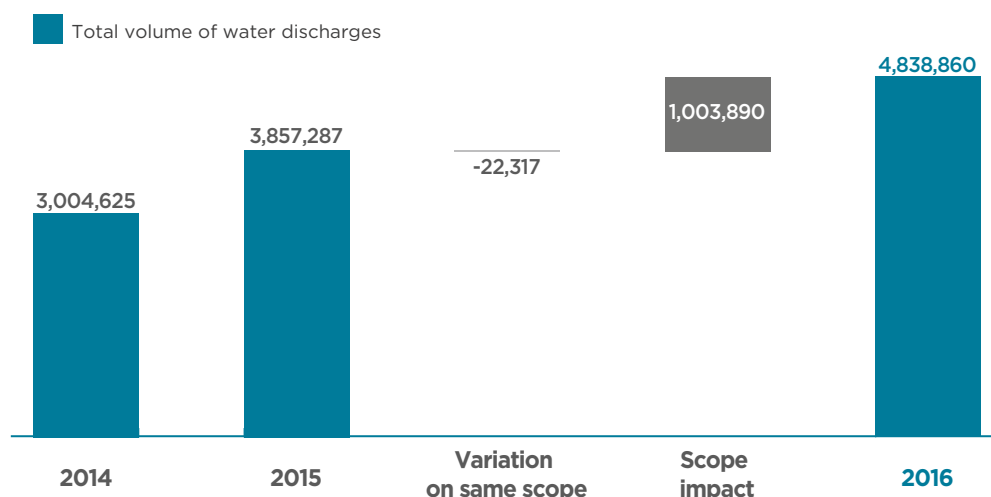
The prevention and reduction of water discharges are taken into account whenever relevant. This involves investing in wastewater treatment systems, from single or combined filtering, neutralization, settling and degreasing processes to complete processing units, purification plants or similar treatment facilities. These measures are designed to reduce loads in existing effluent, which, in the case of prescription laboratories, are essentially suspended solids related to surfacing that are filtered at the job site and sent to a dump as solid waste.

The Group controls the quality of its water discharges. Suspended materials, COD, five-day BOD, heavy metals and other general criteria like pH or other more specific indicators depending on the requirements of local water agencies are monitored locally through the environmental management systems.

In 2016, the Group had only two incidents related to water discharge in Thailand. The impact was non-significant and remediation plan has been put in place. One of the lessons learned was that the measures taken to reduce water withdrawals led to an increased concentration of pollutants. The Group has implemented measures for more accurate monitoring of wastewater. Meanwhile, Essilor has introduced the "Wastewater Model" program, on the same scope as Reboost Water, to compare sites' performance to the benchmark process and facilitate the rollout of initiatives designed to control water discharge. The program has identified the action that must be taken to avoid such incidents in the future.

Essilor also continued to invest in water treatment plants, particularly in China, on the three production sites in Danyang. The Group had more than 85 water treatment plants in 2016.

	2016	2015	2014
TOTAL VOLUME OF WATER DISCHARGED (m³)	4,838,860	3,857,287	3,004,625



Note: To improve the comprehensiveness of its reporting, the Group updated the methodology for calculating water discharges in 2016. The volume of water discharges is calculated from the difference between water withdrawals and water consumption. Essilor's water consumption is mainly due to evaporation during the manufacturing process. Knowing the percentage of water consumption of different manufacturing operations and geographic regions can vary from one mass production plant or prescription laboratory to another, we estimated the Group level of water consumption at 20% of the water withdrawals based on the Group's expertise and reinforced on the basis of a sample of entities accounting for 75% of the Group workforce. That is to say, the volume of water discharges of the Group is estimated to be 80% of the Group water withdrawals. Data for 2014 and 2015 have been recalculated using the same methodology.

4.5.3 Energy efficiency in production and distribution

Energy & Production

Compared with industrial transformation processes, the energy requirement for manufacturing finished and semi-finished lenses is minimal. However, Essilor is committed to improving its energy efficiency, as reflected in a steady fall in energy consumption over the last 15 years.

Beyond Essilor's corporate commitment, energy efficiency is also a lever for cost reduction, since energy accounts for a significant proportion of operational costs. The action plans implemented also allow the Company to control the rise in energy costs and increase its ability to avoid interruptions to or restrictions on energy supply in particular business regions. Lastly, energy efficiency helps to reduce direct greenhouse gas emissions.

As with water, the Reboost program incorporates energy efficiency initiatives. Reboost Energy now incorporates three areas of focus:

- ▶ review of the energy consumption of manufacturing processes, looking at compressed air facilities, heat chambers, vacuum processing machines, etc.;
- ▶ raising awareness among technicians and maintenance teams and providing them with training. One of the three online

training sessions available on the Essilor Academy – Save Energy (EASE) intranet site is designed to provide training and a continuous flow of information on good practices, and monitor energy saving technological developments;

- ▶ improving the energy efficiency of existing buildings.

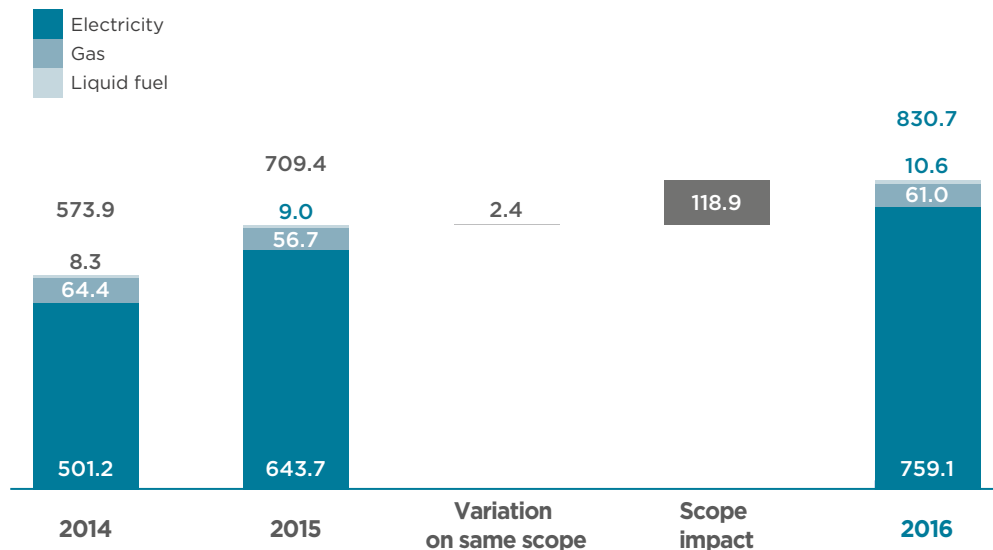
With regard to the associated energy mix, to date it is still difficult for most sites to use renewable energies, except in countries where these are available and offered as an option to industrial customers by energy providers. This year, for instance, the Dudley site increased the percentage of renewable energies in its energy mix to 21%.

The Reboost Energy program will continue in 2017 and beyond, with a goal of 15% reduction in energy intensity per good lens produced by 2020 on a scope that represents the majority of its energy impacts.

The program is led by an internal committee of energy experts whose goal is to (i) share best practices, (ii) report on proven solutions / innovations (for production processes as well as for non-process equipment and process operating parameters), and (iii) prioritize the solutions to be deployed throughout the Group based on the criteria of simplicity, costs and expected benefits).

Direct energy consumption by primary energy source

		2016	2015	2014
Total consumption (units: GWh)		830.7	709.4	573.9
Breakdown by type	Electricity	759.1	643.7	501.2
	Gas	61.0	56.7	64.4
	Liquid fuel	10.6	9.0	8.3



Note: The increase in total energy consumption is mainly due to the expansion of the scope of reporting. The associated coverage in 2016 was 88.6% of the total number of employees reported. In like-for-like terms, energy consumption increased by less than 1%. The impact of the expansion in the scope of consolidation from 2015 to 2016 accounts for 14.3% of total reported energy consumption of 2016.

Energy & transportation

Energy use in transportation is assessed on the basis of three categories: primary (flows to a distribution center or offshore prescription laboratory, regardless of the point of origin), secondary (flows to a subsidiary, regardless of the point of origin),

and tertiary (flows to the customer, regardless of the point of origin).

All categories of transportation were reviewed in 2016; they are reflected in the indicator for greenhouse gas emissions as metric tons of CO₂ equivalent emitted. See section below.

4.5.4 A limited carbon footprint

Building on the Paris Agreement and United Nations COP22 conference, Essilor renewed its commitment to limit its greenhouse gas emissions and maintain its position as a low-carbon business. The Group's growth strategy also includes plans to accelerate the reduction of its environmental impact, including the carbon footprint of its operations. Essilor has set a goal of reducing the energy intensity of its production (see Section 4.5.3) and is working on the upstream section of the value chain in partnership with its suppliers to improve its products' environmental profile (by reducing packaging, eco-design for instance) and help combat climate change.

Essilor created a first mapping of the carbon footprint along its value chain, including product usage, in order to identify the significant producers of greenhouse gas generated as a result of the Group's business. It appears that the two key producers are: (i) the lens manufacturing plants and prescription laboratories

(ii) the act of transporting items between the plants, the laboratories and the customers. Essilor actively monitored the footprint of these two most significant carbon producers and set up an action plan to reduce its energy consumption (see Section 4.5.3) and its greenhouse gas emissions.

Despite the fact that the Group's greenhouse gas emissions are largely "indirect" (Scope 2 and 3 of the GHG Protocol. See Section 4.7), reducing the carbon footprint provides an opportunity to reduce associated costs (of energy and transportation), limit energy dependence, although modest, anticipate the application of binding agreements on climate (with taxes, quotas, etc.) and fulfill expectations in this area from investors or financial institutions and key accounts.

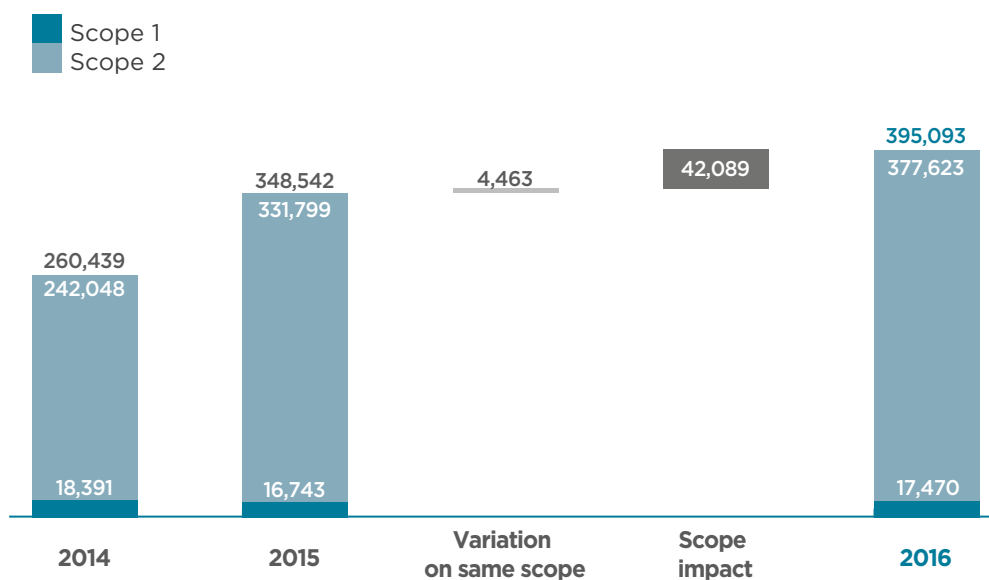
Lastly, analysis of the consequences of climate change on Essilor's business plays a part in controlling associated operational risks on the Group's production sites and those of its strategic suppliers.

In 2015, Essilor expanded the scope of reporting for its greenhouse gas emissions and revised the associated calculation methodology. The Group updated the main conversion factors according to the databases of the Agence française de l'Environnement et

de la Maîtrise de l'Énergie, the French Environment and Energy Management Agency (www.ademe.fr) and the International Energy Agency (www.iea.org) and reviewed the reporting framework for the transportation of lenses.

Direct and indirect greenhouse gas emissions deriving from energy consumption (Scope 1 and 2)

	2016	2015	2014
TOTAL SCOPE 1 + 2 EMISSIONS (UNITS: T CO₂-EQ)	395,093	348,542	260,439
Scope 1	17,470	16,743	18,391
Gas	13,661	13,841	15,702
Liquid fuel	3,809	2,902	2,689
Scope 2	377,623	331,799	242,048
Electricity	377,623	331,799	242,048



Note: The increase in GHG emissions is mainly due to the expansion of the scope of reporting, with an impact of 10.7% of the total reported emissions. If the impact of the change in the scope of consolidation is discounted, Group GHG emissions increased by only 1.3% due to the slight increase of energy consumption. The scope of coverage of the GHG emission is 88.6%, same as energy consumption. See Section 4.5.3.

Indirect greenhouse gas emissions deriving from transportation (Scope 3)

Three main areas of emissions have been defined:

- ▶ primary transportation (flows to a distribution center or offshore prescription laboratory, regardless of the point of origin);
- ▶ secondary transportation (flows to a subsidiary, regardless of the point of origin);
- ▶ tertiary transportation (flows to the customer, regardless of the point of origin).

In 2015, to focus on its material issues, the Group has defined a referent reporting scope in terms of volume and geographical coverage, covering all the three types of transportation.

In 2016 and on the same scope as 2015, Group emissions increased by less than 1%, remained at same level compared to

previous year. Simultaneously and within the Group continuous improvement approach, Essilor has extended the analysis of its carbon footprint by including new subsidiaries and new products (consumables and instruments) in its annual reporting. The increase of reporting scope represents 7.4% of the 2016 total GHG Scope 3 emissions reported.

The 2016 emissions cover 25 mass production plants, five offshore prescription laboratories and 13 distribution centers, representing 81% of the locations with international transportation flows.

The Group will continue to optimize its supply chain by promoting regional flows between production plants and prescription laboratories, extending the use of maritime transport instead of air transport and engaging logistics subcontractors regarding the use of less polluting transport methods.

		2016	2015	2014
TOTAL SCOPE 3 EMISSIONS ASSOCIATED WITH TRANSPORTATION (UNITS: T CO ₂ -EQ)		226,371	207,915	155,390
Development factors	Impact related to transported volume	209,578	207,915	
	Impact of reporting scope expansion	16,793		

Note: The process of continuous improvement in the quality of the data made it possible to identify a reporting error in 2015 from a distribution center of the Group. The 2015 data has been restated to ensure consistency of information.

Adapting to the consequences of climate change

As a signatory to the United Nations Caring for Climate initiative and cognizant of the consequences of climatic change, Essilor has gradually been incorporating climate change-related objectives into its operations. The Group assesses these risks and integrates them into its overall risk management strategy so that it can seek the most appropriate solutions. The main risks identified are:

- ▶ the increased frequency and intensity of precipitations that could slow down the production process;
- ▶ the volatility of energy and raw material costs;
- ▶ severe weather events (cyclones, hurricanes and typhoons) that could damage sites and slow down the supply chain;
- ▶ episodes of extreme drought that could affect the availability of resources.

Faced with the consequences of climate change, Essilor has defined two key areas of concern:

- ▶ risk management in operations: from the initial stages preceding the potential acquisition of a new partner to the implementation of specific action plans in environmental management systems, the Group strives to identify all possible risks, including the risks of natural disasters related to climate change. Essilor wants to protect against such risks as much as possible and react early and optimally should they occur. To this end, the Group pays particular attention to the locations of its industrial facilities;
- ▶ changes in the product offer: needs relating to the protection of eyes through corrective lenses in a context where climate change may influence the quantity and/or the nature of harmful rays have not yet been evaluated with sufficient precision. However, the protective function of the corrective lens may be incorporated, particularly as a response to the harmful nature of ultraviolet light in general, which is filtered by Xperio® lenses and several other ranges of sun lenses with different E-SPF® index values.

4.5.5 A circular economy approach to raw material optimization and waste management

Essilor mainly uses resins, monomers, minerals and chemical products in the manufacture of lenses. It also buys in packaging products (cardboard, plastic casing, plastic film, etc.).

	2016	2015	2014
Materials used (tons)	18,000 ^(a)	16,700 ^(a)	15,726 ^(a)

Note: resins, monomers, minerals.

Environmental impact studies show that Essilor's business activities present no risks of air, water or soil discharges that could seriously affect the environment. However, these activities generate special waste, which must be handled and processed in a particular way.

For many years, Essilor has pursued an approach that aims both to improve production yields (through quality management, continuous improvement, eco-design, etc.) and to promote a process known as the "3Rs": Reduce the volume of materials used in the various processes (manufacturing and distribution), and Reuse and Recycle raw materials and packaging. To cite a few examples by way of illustration:

- ▶ the use of cupless cardboard boxes; these offer a number of benefits, including dispensing with the plastic cup previously used for the semi-finished lens, without altering the level of protection;

- ▶ the development by the Equipment Division of a system for blocking lenses in surfacing operations which breaks with existing technologies and paves the way for the gradual replacement by all market players of conventional blocking systems, some of which use metal alloys;
- ▶ the compacting of polycarbonate shavings and residues from the surfacing process to reduce the weight of waste and recover water, which is then filtered and reinjected into the prescription laboratory's in-house system;
- ▶ partnerships with waste managers for incineration of waste with recovery of the energy;
- ▶ recycling by subcontractors of certain used effluents (oils, acids etc.), for reuse in Group facilities.

Essilor is pursuing this as part of a more comprehensive circular economy approach. For instance, in 2016 the Group developed

reusable shuttle bins, or "Bulkpacks," to transport items between production plants and laboratories, significantly reducing packaging waste. Essilor also analyzed the amount of waste generated by its main plants, export laboratories and 15 largest prescription laboratories, allowing it to map the quantity and type of waste, along with associated treatment solutions. It became apparent that existing local waste-treatment measures play an important role when it comes to managing waste sorting at Group sites.

The prevention and reduction of air discharges are taken into account whenever relevant. For example, the Group's entities invest in devices to treat volatile organic compound (VOC) emissions, ranging from simple on-site extractors to computer-controlled biofilters and activated carbon filters or similar devices adapted as needed. They set objectives and targets for the reduction of existing discharges.

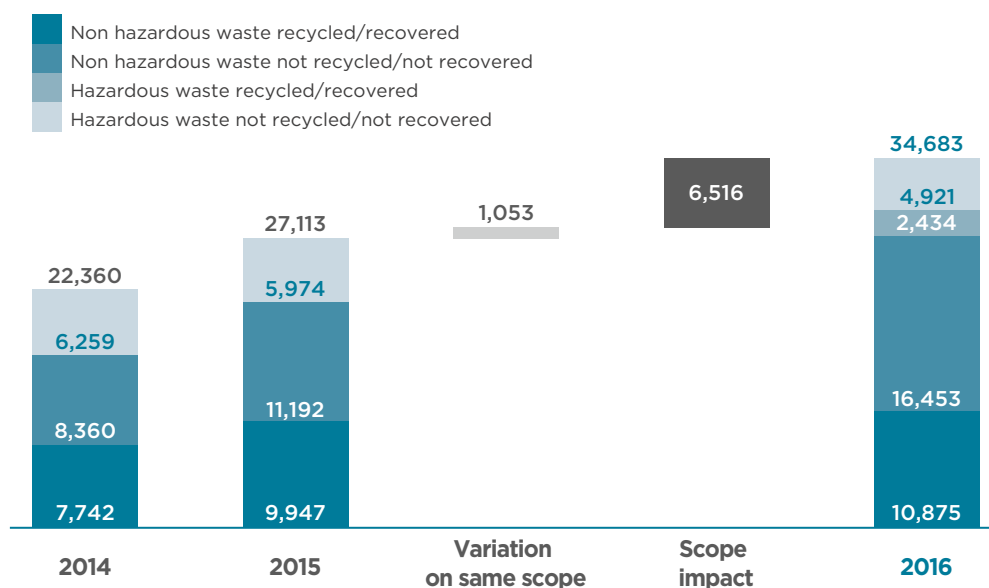
The possibility of discharges into soil that would be likely to impact the environment, even slightly, has been assessed and has led to the implementation of appropriate prevention measures, such as retention devices to deal with accidental spills or the outfitting and special management of chemical storage premises.

Essilor entities also have a waste sorting system to manage their ordinary and special industrial waste. This waste is recorded and taken away by certified specialist companies.

Lastly, Essilor believes that combating food waste is a collective challenge, even if it is not a challenge for the Group in the context of its own activities. However, the Group still educates its employees about this issue.

Total volume of waste

	2016	2015	2014
TOTAL WASTE (UNITS: T)	34,683	27,113	22,360
Ordinary (non-hazardous) waste	27,328	21,139	16,101
Recycled / Recovered	10,875	9,947	7,741
Not recycled / not recovered	16,453	11,192	8,360
Special (hazardous) waste	7,355	5,974	6,259
Recycled / Recovered	2,434	N/A	N/A
Not recycled / not recovered	4,921	N/A	N/A



Note: The hazardous / non-hazardous waste was classified according to local classification systems of different entities. The reporting coverage for waste is 77.3% of the total number of employees reported. The increase in the quantity of waste is mainly due to the expansion of the scope of reporting, with an impact of 18.8% of total reported waste of 2016. Disregarding the scope impact, waste increased slightly by 3.9%.

Accidental spills

	2016	2015	2014
Number of accidental spills	2	2	0

Note: In 2016, there were two accidental chemical spills, one in Brazil and one in the Philippines. The spills were dealt with immediately and had no significant environmental or social impact. Actions and remediation plans were implemented.

SOCIETAL INFORMATION

4.6 Working with Society

As Essilor has grown internationally, it has based its success on the proper consideration of local impacts, dialogue with stakeholders and the creation of shared value with partners, suppliers, governments and local communities. The establishment of Essilor sites provides access to meaningful jobs in a buoyant sector and generates significant direct and indirect income. The Group's Principles & Values are the foundation of all business relations, ensuring fair and honest collaboration which is transparent for stakeholders.

As a signatory of the Global Compact, Essilor has undertaken to promote the ten universally accepted principles relating to human rights, labor standards, the environment and the fight

against corruption. Essilor also contributes to the United Nations Sustainable Development Goals through its Mission.

Within Essilor's scope of consolidation, this undertaking is reflected in internal control procedures to prevent, detect and remedy any situations that undermine integrity and the principle of free competition as well as in employee management procedures that comply with best practices. With its partners, the Group ensures that it does not work with entities that fail to respect the provision of decent working conditions for their employees, employ people below the local legal age or prohibit employee representation.

4.6.1 Fair business practices

Given the diversity of the countries in which Essilor operates, the Company has to remain vigilant to changes in local labor and environmental regulations.

This requires a specific organizational structure, ongoing monitoring and close collaboration between the Legal Affairs, HR and Environment / Operations functions.

Given its business activity and its commitment as a responsible company, Essilor has to combat all forms of corruption and fraud, particularly in geographic areas that are sensitive to this type of risk.

This entails devising a system to prevent risks of corruption and training employees in how to apply it properly, in compliance with local regulations and the Essilor *Principles and Values*. In 2016, the Group strengthened this commitment by appointing a Chief Compliance Officer.

Lastly, as a major player in its market in association with its policy of external growth, Essilor is highly vigilant with regard to compliance with competition rules and takes care to prevent conflicts of interest.

To promote fairness in its business practices, Essilor International has introduced procedures which are formalized in a number of documents:

- ▶ the Essilor *Principles and Values* are a formal record of the general guidelines to be followed by every employee;
- ▶ the Minimum Control Standards (MCS) formally enshrine 75 internal controls which are generally considered to be the most crucial to have in place. The brochures explaining these procedures to employees have been translated into 33 languages. The MCS also form the basis of the annual self-assessment questionnaire for internal control;

- ▶ the Group Standards Guide, which brings together the various rules of internal control covering the main Group-level organizational processes;
- ▶ detailed rules and policies (local, regional and/or Group level);
- ▶ *ad hoc* working groups devoted to the implementation of specific regulations, such as REACH, UK Bribery, the Modern Slavery Act and California Proposition 65;
- ▶ development of a formal compliance and competition law program;
- ▶ preparation of a formal Group-wide guide to prevent corruption, explaining the rules and principles to be observed throughout the Group in addition to local laws.

Prevention of corruption

The sector in which Essilor operates is not considered a sector in which corruption is a characteristic challenge. This does not prevent the Group from taking action within its sphere of influence against all forms of corruption, including extortion and bribery. As a signatory to the Global Compact and member of Transparency International, Essilor complies with, supports and promotes the UN convention against corruption.

Tools for training on and raising awareness of the different forms of corruption have been rolled out via audio kits available on the intranet; training in local languages is provided as a suite of programs for raising awareness which are gradually cascaded from the Group's Executive Committee. With infrequent exceptions as a result of very recent hires or other extraordinary events, all Directors of the Group have been made aware of and trained in the prevention of corruption and conflicts of interest, via e-learning.

Compliance with competition rules

The Group's legal risk prevention policy is structured around the three main risks associated with its business activity. As such, for Essilor, a major player in its market, compliance with the rules of

competition law and commercial practices is an essential pillar of its risk prevention policy. The compliance program has been formally established and its rollout allows the Group to promote and reinforce good competition law practices in trade relations with Group partners and stakeholders.

4.6.2 Commitments and actions dedicated to the respect and promotion of human rights

A Mission that helps promote human rights

Seeing well is essential for daily wellbeing and good quality of life. Good vision allows an individual to acquire knowledge, access employment and integrate socially within their environment. This is why Essilor teams around the world join forces to "improve lives by improving sight" and serve the 2.5 billion people with uncorrected vision. Essilor contributes to one of the fundamental rights of access to vision care through its Mission, activities and organizational structure. Its expertise, global presence and capacity for innovation have resulted in more than a billion people worldwide becoming wearers of Essilor products.

Operations and the respect for human rights

Essilor operates in some "sensitive" geographic regions, where regulations and the implementation of laws on human rights may be poor. Despite this, Essilor has an ongoing commitment to prevent any potentially adverse impacts on human rights, or avoid contributing to such impacts through its activities, and to take remedial action should this occur.

It is a process that requires constant improvements to the Group's policies, commitments, procedures and actions in order to remain vigilant at all times. Essilor's commitment to the respect and promotion of human rights was marked by its signing of the United Nations Global Compact in 2003, a commitment that has been renewed every year since. Signature of this Global Compact is supported at the highest level in the Company, by the Chairman and Chief Executive Officer. Essilor's sustainable approach to doing business therefore now includes gradually incorporating the 10 principles of the Global Compact concerning human rights, working conditions, the environment and the fight against corruption.

The development in recent years of international human rights standards has led Essilor to update its approach. Since 2010 and the adoption of several international laws, human rights must be a core focus of any responsible corporate policy. Accordingly, Essilor decided to base its sustainable development strategy on the United Nations Guiding Principles for Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the Modern Slavery Act and the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. More generally, Essilor makes every effort to ensure that its activities comply with the International Bill of Human Rights and the principles on fundamental rights set out in the ILO's Declaration on Fundamental Principles and Rights at Work.

In 2014 the Group created a map of the human rights-related risks in its activities. This led to a better understanding of the challenges involved in each type of activity (lenses, equipment, Sunglasses & Readers) and geographic region, as well as the human rights that Essilor could impact. On the basis of that analysis, Essilor spent several months working with human rights experts to formulate a vigilance plan for the years ahead.

With regard to the areas marked for improvement, Essilor will:

- ▶ roll out the alert system existing in North and South America across the entire Group. This system allows employees to report any concerns they may have, including on human rights, via a secure website;
- ▶ step up the training of Group employees on human rights through dedicated e-learning modules on the Essilor University platform;
- ▶ monitor suppliers' commitment to the Essilor Supplier Charter, one of the four pillars of which is the respect of human rights and labor standards. See Section 4.6.3.

4.6.3 Sustainable purchasing in supplier relations

As essential partners for its business activity and growth, the Group maintains mutually beneficial relations with its suppliers and subcontractors and supports their performance by assisting them in their international development. Essilor therefore seeks to establish constructive dialogue with them and develop a durable, balanced relationship with respect for ethics and social and environmental issues.

The Purchasing Department bases its supplier relationships on its Supplier Sustainability Program (SSP), which has two components.

The first is **sustainable purchasing**, the goal of which is to assess suppliers' CSR performance by ensuring that:

- ▶ all suppliers and subcontractors comply with the principles set out in the Supplier Charter (see Essilor.com), and from a contractual standpoint, that they comply with general purchasing conditions in terms of respect for human rights (forced labor, child labor, etc.). These conditions include, in particular, clauses on the requirement to comply with the ILO's Fundamental Conventions and with local legislation, especially as regards minimum salary, working time, health and safety and the environment;
- ▶ the CSR performance of suppliers and subcontractors (representing 80% of overall expenditure) conforms to the Group's requirements. In this regard, the Purchasing Department assesses their performance by means of a shared evaluation platform run by EcoVadis. Launched in 2016, the platform aims to cover 80% of targeted suppliers by 2020;
- ▶ risk management is addressed by regular, systematic assessments of all strategic suppliers. In the event of suspicion, the Purchasing Department will trigger on-site audits and may require suppliers to take remedial action if the risk is proven.

The second component is **responsible purchasing**, the goal of which is to relay Essilor's Mission and encourage its suppliers to embark on initiatives, alone or with others, that will have a positive impact on people and the environment. The following are some examples:

- ▶ *disabled purchasing program* (contractual commitment to give at least 25% of Group business to the protected worker sector).
- ▶ *local sourcing* (local economic development in disadvantaged regions).
- ▶ *eco-design* (development of cardboard-only packaging instead of a mix of cardboard and plastic, such as the "Cupless®" concept).
- ▶ *use of biosourced materials* in the manufacture of frames.

The Group aims to perform external CSR audits with all strategic suppliers, and to ensure that all preferred suppliers comply with the principles of the Essilor Supplier Charter by 2020.

4.6.4 Sustainable product marketing

Essilor has to market products with stated levels of quality and performance that meet customers' needs most effectively.

Quality & Customer satisfaction

The ongoing improvement in the satisfaction of the Group's customers is driven in particular by product and service quality control. This is a major factor when it comes to guaranteeing stable costs, limiting legal risks and strengthening the Group's reputation.

The Quality and Customer Satisfaction Department reports directly to the Senior Vice President, Global Engineering and in

conjunction with the Group's innovation platform. It has three key aims:

- ▶ to satisfy customers, in terms of products and services, taking into account the diversity and variation of expectations, in accordance with customer segments;
- ▶ to improve the effectiveness and consistency of internal processes, aligning them with the overall strategic objectives and measuring their efficiency;
- ▶ to represent the Essilor group on standardization bodies and promote the interests of consumers on these bodies (e.g., ISO).

	2016	2015	2014
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	0	0	0

Responsible marketing

Essilor's responsibility is to communicate clearly and honestly the visual care benefits of its products, in compliance with the regulations. This transparency is at the heart of the relationship of trust that Essilor has built with its customers and helps to build an intangible asset for the Company. To this end, the action taken by the Group comprises three working areas:

- ▶ responsible marketing initiatives aim to ensure that product-related communication is accurate and complies with the regulations on advertising. This responsibility extends to local authorities and consumer associations who put questions to Essilor's customers on potential disparities with the stated benefits of the products; Essilor has developed a platform

containing marketing packages and models approved at Group level and that can be used by all entities, guaranteeing overall consistency;

- ▶ secondly, the Company is active in ensuring that the sales networks provide honest, accurate information to customers on the benefits of Essilor products. Regular training (classroom or online) is provided for the sales force and eye care professionals to remind them of the current standards and the rules of integrity in customer relations. Each of the Group's distribution subsidiaries monitors its own compliance with local applicable laws, standards and voluntary codes. The benefits of Group products are based on extensive wearer tests and use tests either in real life or under experimental conditions;

▶ lastly, honest communication also calls for transparency in the public positions that the Company adopts in its dealings with the authorities and professional associations and for the consistency of these positions with the targets for sustainable development. In accordance with French law, the Company has no political involvement. It works with its local public sector stakeholders and participates in the development of international standards and in other work relating to its areas

of business. It also belongs to professional associations for its industry whose mission is to improve awareness of the importance of good vision. The Group is a member of ASNAV, Association Interprofessionnelle pour l'Amélioration de la Vue (interprofessional association for improving vision), of GIFO, a French optical industry group, of the EUROM 1 European optical industry group and of the Vision Council in the United States.

4.6.5 Direct and indirect socioeconomic contribution

Essilor stimulates local economies with its industrial activities, purchasing, and business partnerships, creates direct and indirect employment, develops local skills and expertise, and generates taxes and duties.

The first lever for action was to prioritize local employment. The Group encourages the local recruitment of management teams in its subsidiaries and, more generally, enforces the principle of local decision-making.

The Group also generates significant business flows with its local suppliers by preferring short supply chains for products and services outside the scope of central referencing.

Local distributors of products and services referenced by Group contracts also benefit from the local economic impact of the Group's purchasing. The result is a balanced situation, the Group estimating that 50% of its procurement is sourced centrally and 50% locally.

The Group's economic value breaks down into many components (revenue, operating expenses, employee expenses, donations, taxes and duties, dividends, etc.) that are itemized in this 2016 Registration Document.

Essilor's socio-economic footprint for fiscal year 2016 can be summarized by the following items in descending order of importance:

- ▶ revenue: €7,115 million;
- ▶ trade payables: €2,300 million;
- ▶ employees / compensation: €2,142 million;
- ▶ taxes and duties: €285 million, representing an effective tax rate of 24.5%;
- ▶ shareholders: €277 million; and
- ▶ financial expenses: €54 million.

Over and above its economic contribution, Essilor's mission helps to improve the quality of life and the productivity of millions of individuals by correcting their sight. A key contributor to this shared value creation, the Group's 2.5 NVG Division deploys inclusive business models to provide local vision correction at an affordable price for low-income populations in 30 countries in Asia, Latin America and Africa. (See Section 4.3)

Essilor has appointed a third-party expert to measure the social impact of its Eye Mitra™ program, which aims to provide primary eye care to populations in rural and semi-urban areas of India through the development of local micro-enterprises by individuals who are underemployed. The challenge is considerable: in 2013, it was estimated that 550 million people in India needed visual correction and the associated overall productivity loss was estimated at US\$37 billion a year.

Conducted in six provinces of the Uttar Pradesh region in north-east India, the study identifies three main impacts:

- ▶ a boost to the local economy, with an average of US\$770 in income generated for suppliers and SMEs for each participant in the Eye Mitra™ program;
- ▶ an increase in income of 64% for Eye Mitra™ partners, who also feel more respected in their community;
- ▶ growth in productivity for 59% of new eyeglass wearers*, who gain an average of one-and-a-half hours a day in their day-to-day tasks (* Note: 75% of people who buy their glasses from an Eye Mitra™ are doing so for the first time).

Lastly, besides the actions targeting its core business and led by the Mission teams (2.5 NVG and Essilor Vision Foundation), several Group entities conduct other charitable initiatives that generally involve issues of public health, education and integration.

4.7 Methodology note & correspondence tables

4.7.1 Methodology note

Scope of reporting

According to the Group reporting protocol, new entities acquired for less than one year are granted with one year to be integrated into the Group reporting system. Based on this criterion, Essilor group has the ambition to reach 100% reporting coverage rate by 2020. In 2016, reporting coverage was 91.9%, based on FTEs, significantly increased from the coverage of previous years and in line with our ambition for 2020. Reporting coverage of each indicator has been specified in the footnote of each indicator.

Calculated Indicators

As defined in the Group's reporting protocol:

- ▶ the frequency rate is calculated as "Number of work-related injuries with lost days x 1,000,000 / Total number of worked hours during the reporting period"; total number of worked hours is theoretical worked hours based on calculation of scheduled working days and average number of hours worked per day;
- ▶ the severity rate is calculated as "Total number of lost work days (calendar day) x 1,000 / Total number of worked hours during the reporting period"; total number of worked hours is theoretical worked hours based on calculation of scheduled working days and average number of hours worked per day;
- ▶ the voluntary turnover rate is calculated as "total number of voluntary departures (resignation) / average number of employees during the reporting period";
- ▶ the absenteeism rate is calculated as "total number of lost days (working day) / total scheduled working days of all the employees during the reporting period".

Method for calculating GHG emissions

In accordance with the GHG Protocol, the accounting and reporting standard for greenhouse gas emissions (<http://www.ghgprotocol.org>), information on GHG emissions is communicated on the basis of three scopes: Scope 1, 2 and 3.

In 2016, the Group continued to follow the GHG Protocol standard and used the databases of the Agence française de l'Environnement et de la Maîtrise de l'Énergie (www.ademe.fr/) and the International Energy Agency (www.iea.org/) for conversion factors.

Scope 1 – This corresponds to direct emissions resulting from the on-site combustion of fossil fuels such as gas or fuel oil. The GHG conversion factors were in accordance with the ADEME database (<http://bilans-ges.ademe.fr/>):

- ▶ Gas: 244 gCO₂e / kWh LCV;
- ▶ Liquid fuel: 324 gCO₂e / kWh LCV.

Scope 2 – This relates to indirect emissions associated with the electricity consumption required for manufacturing and machining lenses. The Scope 2 emission was calculated according to the location-based method of the GHG Protocol. The conversion factors for electricity were updated in 2015 based on figures provided by the ADEME database.

The conversion factors for the main countries where Essilor is a consumer of electricity are:

- ▶ China: 766 gCO₂e / kWh;
- ▶ United States: 522 gCO₂e / kWh;
- ▶ France: 82 gCO₂e / kWh;
- ▶ Thailand: 513 gCO₂e / kWh;
- ▶ Philippines: 481 gCO₂e / kWh.

Scope 3 – This corresponds to other indirect emissions related to the transportation of lenses. For lens logistics, Essilor redefined the various types of transportation and freight in 2015 to include journeys between Essilor sites and airports, ports or railway stations.

Transportation is classified as follows:

- ▶ primary transportation (flows to a distribution center or offshore prescription laboratory, regardless of the point of origin);
- ▶ secondary transportation (flows to a subsidiary, regardless of the point of origin);
- ▶ tertiary transportation (flows to the customer, regardless of the point of origin).

The scope of reporting covers all the three types of transportation, and Essilor managed to integrate the transportation of new products (instrument and consumable) in the reporting of 2016.





4.7.2 Correspondence table for the criteria of the Grenelle 2 law





	Reference
SOCIAL	
Employment	
Total headcount and distribution by gender, by age and by geographic zone	4.4
Recruitments and redundancies	4.4
Remuneration and their evolution	4.4 and 4.6.5
Organization of labor	
Working time organization	4.4.1
Absenteeism	4.4.1
Labor / management relations	
Organization of social dialogue including information procedures, consultation and negotiation with the employees	4.4.4
Summary of collective agreements	4.4.4
Health and safety	
Occupational health and safety conditions	4.4.1
Summary of collective agreements signed with trade unions or worker representatives on work place health and safety	4.4.4
Occupational accidents, including accident frequency and severity, and occupational diseases	4.4.1
Training	
Policies implemented regarding training	4.4.2
Total number of training hours	4.4.2
Equal opportunities	
Measures implemented to promote gender equality	4.4.3
Measures implemented to promote employment and integration of disabled people	4.4.3
Policy against discriminations	4.4.3
Promotion and upholding of the Fundamental Conventions of the International Labor Organization on	
The freedom of association and recognition of the right to collective bargaining	4.4.4 and 4.6.2
The elimination of discrimination in respect of employment and occupation	4.4.3 and 4.6.2
The elimination of all forms of forced labor	4.6.2 and 4.6.3
The abolition of child labor	4.6.2 and 4.6.3
ENVIRONMENT	
General environmental policy	
The organization of the Company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues	4.5.1
Information and training measures for employees regarding the protection of the environment	4.5.1
Resources allocated to prevention of environmental risks and pollution	4.5.1
Amount of provisions and guarantees for environmental risks, unless such information is likely to cause serious prejudice to the Company in an ongoing litigation	4.5.1
Pollution	
Measures of prevention, reduction or repair of discharges into the air, water and ground, impacting severely the environment	4.5.1, 4.5.2, 4.5.4 and 4.5.5
Consideration of noise and of any other activity specific pollution	4.5.1
Circular economy	
i) Waste prevention and management	
Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste	4.5.5
Actions against food waste	4.5.5

	Reference
ii) Sustainable use of resources	
Water consumption and water supply adapted to local constraints	4.5.2
Consumption of raw materials and measures implemented to improve efficiency in their use	4.5.5
Energy consumption and measures implemented to improve energy efficiency and renewable energy use	4.5.3
Land use	4.5.1
Climate change	
Significant greenhouse gas emissions items generated as a result of the Group's activity, particularly by the use of goods and services they provide	4.5.4
Adaptation to consequences of climate change	4.5.4
Biodiversity protection	
Measures implemented to protect and conserve the biodiversity	4.5.1
SOCIETAL	
Regional, economic and social impact of the Company's activities	
Impact on employment and regional development	4.6.5, 4.3.3 and 4.3.4
Impact on local populations	4.6.5, 4.3.3 and 4.3.4
Relations with stakeholders, including associations of integration, educational institutes, associations for the protection of the Environment, consumers organization and local populations	
Conditions of the dialogue with stakeholders	4.1.1
Actions of partnership and sponsorship	4.3.1, 4.3.3, 4.3.4
Subcontractors and suppliers	
Integration of social and environmental issues into the Company procurement policy	4.6.3
Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility	4.6.3
Fair practices	
Action implemented against corruption	4.6.1
Measures implemented to promote consumers health and safety	4.3.1, 4.3.2 and 4.6.4
Other initiatives undertaken to promote human rights	
Other actions implemented to promote Human Rights	4.6.2 and 4.6.3






























4.7.3 Correspondence table for the Guidelines of the Global Reporting Initiative Standards






Following the recommendations of the Global Reporting Initiative Standards, United Nation Global Compact (UNGC) Principles and United Nation Sustainable Development Goals (SDGs), all the indicators and information disclosed in this chapter have been reviewed and audited by KPMG.

GRI Standards	UNGC Principles	SDGs	Topic	Reference
GENERAL DISCLOSURES (THE LIST OF GENERAL DISCLOSURES HAS BEEN PREPARED IN ACCORDANCE WITH THE "CORE" OPTION)				
Organizational profile				
102-1			Name of the organization.	5.1.1
102-2			A description of the organization's activities and primary trademarks, products, and services.	1.3
102-3			Location of the organization's headquarters.	5.1.1
102-4			Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	1.3.1.3
102-5			Nature of ownership and legal form.	5.1.3 and 5.2.1.1
102-6			Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	1.2, 1.3 and 1.5.1
102-7			Scale of the organization, including total number of employees, number of operations, net sales, total capitalization, quantity of products or services provided.	Key figures in the introduction to the Registration Document and 3.3
102-8	Principle 6		Detailed information on employees and other workers.	4.4
102-9			A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	1.3.1.3 and 4.1.1
102-10			Significant changes to the organization's size, structure, ownership, or supply chain.	1.5.1, 1.5.2, 1.5.3 and 1.5.4
102-11			Whether and how the organization applies the Precautionary Principle or approach.	2.2.3.3 and 4.6.4
102-12			A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	Methodology note in Chapter 4 and Section 4.6.1
102-13			A list of the main memberships of industry or other associations, and national or international advocacy organizations.	4.3.1 and 4.3.4
Strategy				
102-14			A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Introduction Chapter 4
Ethics and integrity				
102-16	Principle 10		A description of the organization's values, principles, standards, and norms of behavior.	4.6.1
Governance				
102-18			Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	2.1 and 4.2.1

GRI Standards	UNGC Principles	SDGs	Topic	Reference
Stakeholder engagement				
102-40	Principle 3		Provide a list of stakeholder groups engaged by the organization.	4.1.1
102-41			Report the percentage of total employees covered by collective bargaining agreements.	4.4.4
102-42			Report the basis for identification and selection of stakeholders with whom to engage.	4.1.1
102-43			Report the organization's approach to stakeholder engagement.	4.1.1
102-44			Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	4.1.1
Reporting practice				
102-45			a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not considered by the report.	Note 2.2 of Chapter 3
102-46			a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	4.2.3 and 4.7.1
102-47			A list of the material topics identified in the process for defining report content.	4.1.2
102-48			The effect of any restatements of information given in previous reports, and the reasons for such restatements.	4.4 and 4.5
102-49			Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	4.2.3
102-50			Reporting period for the information provided.	4.2.3
102-51			Date of the most recent previous report (if any).	2015 Registration Document covering fiscal year 2015
102-52			Reporting cycle (such as annual, biennial).	4.2.3
102-53			Provide the contact point for questions regarding the report or its contents.	invest@essilor.com
102-54			Claims of reporting in accordance with the GRI Standards.	4.7.3
102-55			The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.	4.7.3
102-56			Report the organization's policy and current practice with regard to seeking external assurance for the report.	4.8
MATERIAL TOPICS (THE LIST OF MATERIAL TOPICS INCLUDED IN THE REPORT)				
103-1	Principle 1 Principle 8		a. An explanation of why the topic is material. b. The Boundary for the material topic, which includes a description of where the impacts occur and the organization's involvement with the impacts. c. Any specific limitation regarding the topic Boundary.	4.1 of the 2014 Registration Document and 4.1.2
103-2			For each material topic, the reporting organization shall report. a. An explanation of how the organization manages the topic. b. A statement of the purpose of the management approach. c. A description of the following, if the management approach includes that component (Policies, Commitments, Goals and targets, Responsibilities, Resources, Grievance mechanisms, Specific actions, such as processes, projects, programs and initiatives).	Description of the managerial approach for each issue
103-3			For each material topic, the reporting organization shall report an explanation of how the organization evaluates the management approach.	Description of the managerial approach for each issue

GRI Standards	UNGC Principles	SDGs	Topic	Reference
SPECIFIC STANDARD DISCLOSURES				
Economic Performance				
201-1	Principle 7		Direct economic value generated and distributed.	4.6.5
201-2			Financial implications and other risks and opportunities for the organization's activities due to climate change.	4.5.4
Indirect Economic Impacts				
203-1			Infrastructure investments and services supported.	4.3, 4.3.1, 4.3.2, 4.3.3, 4.3.4 and 2015 "See Change Report"
203-2			Significant indirect economic impacts.	4.3, 4.3.1, 4.3.3, 4.3.4, 4.6.5 and 2015 "See Change Report"
Anti-corruption				
205-2	Principle 10		Communication and training on anti-corruption policies and procedures.	4.6.1
Anti-competitive Behavior				
206-1			Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	Note 26 of Section 3.4, 4.6.1
Materials				
301-1			Materials used by weight or volume.	4.5.5
Energy				
302-1	Principle 7 Principle 8		Energy consumption within the organization.	4.5.3
302-2	Principle 8		Energy consumption outside of the organization.	4.5.3
302-5	Principle 8 Principle 9		Reductions in energy requirements of products and services.	4.3.2
Water				
303-1	Principle 7 Principle 8		Water withdrawal by source, both a total figure for 'volume of water withdrawn' and a breakdown of this figure by each of the sources listed.	4.5.2
303-2	Principle 8		Water sources significantly affected by withdrawal of water.	4.5.2
Biodiversity				
304-1	Principle 8		Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	4.5.1
Emissions				
305-1	Principle 7 Principle 8		Direct greenhouse gas (GHG) emissions (Scope 1).	4.5.4
305-2	Principle 7 Principle 8		Energy indirect greenhouse gas (GHG) emissions (Scope 2). Report gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent, and gross market-based energy indirect (Scope 2) GHG emissions if applicable. Report standards, methodologies, assumptions, and/or calculation tools used.	4.5.4
305-3	Principle 7 Principle 8		Other indirect greenhouse gas (GHG) emissions (Scope 3).	4.5.4

GRI Standards	UNGC Principles	SDGs	Topic	Reference
Effluents and waste				
306-1	Principle 8	  	Total water discharge by quality and destination.	4.5.2
306-2	Principle 8	 	Total weight of waste by type and disposal method, with the breakdown of hazardous waste and non-hazardous waste; the breakdown of these figures by disposal methods (e.g., reuse, recycling, composting) is to be reported where applicable.	4.5.5
306-3	Principle 8	 	Total number and volume of significant spills.	4.5.5
Environmental Compliance				
307-1	Principle 8		Non-compliance with environmental laws and regulations.	4.5.1
Employment				
401-1	Principle 6	 	New employee hires and employee turnover.	4.4
Occupational health and safety				
403-2		 	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	4.4.1
Training and education				
404-1	Principle 6	 	Average hours of training per year per employee by gender, and by employee category.	4.4.2
404-2		 	Programs for upgrading employee skills and transition assistance programs.	4.4.2
Diversity and equal opportunities				
405-1	Principle 6	 	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	2.2.1.1 and 4.4
Non-discrimination				
406-1	Principle 6	   	Incidents of discrimination and corrective actions taken.	4.4.3
Child Labor				
408-1	Principle 5		Operations and suppliers at significant risk for incidents of child labor, and measures to contribute to the elimination of all forms of child labor.	4.6.2 and 4.6.3
Forced or Compulsory Labor				
409-1	Principle 4		Operations and suppliers at significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	4.6.2 and 4.6.3
Local Communities				
413-2	Principle 1	  	Operations with significant actual and potential negative impacts on local communities.	4.5.2 and 4.5.4
Supplier social assessment				
414-2	Principle 2	 	Negative social impacts in the supply chain and actions taken.	4.6.2 and 4.6.3

GRI Standards	UNGC Principles	SDGs	Topic	Reference
Customer Health and Safety				
416-1		 	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	4.3.2 and 4.6.4
416-2			Total number of incidents of non-compliance with the regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	4.6.4
Marketing and Labelling				
417-3			Total number of incidents of non-compliance with the regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	4.6.4
Socioeconomic Compliance				
419-1			Non-compliance with laws and/or regulations in the social and economic area.	4.6.4

4.8 Report by the Statutory Auditor, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

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.

For the year ended December 31st, 2016

To the Shareholders,

In our capacity as Statutory Auditor of Essilor International Company, appointed as independent third party and certified by COFRAC under number 3-1049 ⁽¹⁾, we hereby report to you on the consolidated human resources, environmental and social

information for the year ended December 31st, 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

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 at the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) 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, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

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 August 2016 and February 2017 during a nine week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and concerning our conclusion on

the fairness of CSR Information, in accordance with ISAE 3000 ⁽²⁾ and with the professional doctrine of the CNCC (Compagnie Nationale des Commissaires aux Comptes).

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.

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

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

4.8 Report by the Statutory Auditor, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

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 the paragraph 4.7 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, 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 around fifteen 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 the consolidation 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 entities 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 32% of headcount considered as material data of social issues and between 22% and 39% of environmental data considered as material data of environmental issues (Cf. the list of environmental indicators listed in footnotes of page 3).

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.

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.

Paris – La Défense, February 13, 2017

French original signed by:

KPMG S.A.

Philippe Arnaud
Partner
Sustainability Services

Alphonse Delaroque
Partner

(1) Labour indicators: total headcount and breakdown of workforce by gender and by age, number of recruitments, number of redundancies, frequency rate of workplace accidents with lost days, number of training hours.

Environmental indicators: energy consumption, GHG emissions related to energy consumption (scope 1 and 2), GHG emissions from transportation (scope 3), volume of water withdrawals, volume of water discharged, use of raw materials consumption: standards substrates, other substrates, waste production.

Qualitative information: Occupational health and safety conditions, Policies implemented regarding training, Measures implemented to promote gender equality, The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues, Territorial, economic and social impact of the company activity regarding regional employment and development and on the local populations, Measures implemented to promote consumers health and safety, Integration of social and environmental issues into the company procurement policy, Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility.

(2) EOA Dallas (United States), SOFI (Mexico), ECOI (Mexico), ECOII (Mexico), Essilor India Pvt Ltd (India), Essilor Manufacturing India Pvt Ltd (India), GKB RX Lens Private Ltd (India), EOLT (Thailand), Transitions Optical Thailand (Thailand), EMTC (Thailand), Essilor International BBGR (labour indicators, France).

The information presented in this Registration Document has been prepared primarily by the Corporate Finance Department, the Corporate Legal Department and Essilor International Department of Investor Relations.

Department of Investor Relations

Essilor International – 147 rue de Paris – 94227 Charenton Cedex – France
Tel: +33 (0)1 49 77 42 16 – Fax: +33 (0)1 49 77 43 24
E-mail: invest@essilor.com – Website: www.essilor.com
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SEEING THE WORLD BETTER

Essilor International

(Compagnie Générale d'Optique)

147, rue de Paris

94220 Charenton-le-Pont

France

Tél. : +33 (0)1 49 77 42 24

A French Limited Company (*Société Anonyme*)

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Créteil trade and Company registry n°712 049 618

www.essilor.com