



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Avril 2018



H.E. António Guterres
Secretary General
United Nations
New York, NY 10017
USA

Paris La Défense, April 25, 2018

Objet: Statement of continued support to the United Nations Global Compact

Dear Mr. Secretary General,

I am pleased to reaffirm Mersen's commitment to the ten principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects, which advance the broader development goals of the United Nations.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement and promote the Global Compact and its principles in our business strategy, culture and daily operations.

To this effect, Mersen has made a clear statement of this commitment to our stakeholders and the general public within our 2017 Group Registration Document, which is available on our Group website: www.mersen.com

Mersen will continue to share this commitment with its stakeholders and will annually submit a Communication on Progress (COP).

Yours Sincerely,

Luc Themelin
Chief Executive Officer

Attachments:

- Mersen's 2017 Registration Document – Chapter 4 Corporate Social Responsibility
- Table of correspondence between the Global Compact 10 principles and Mersen's 2017 Registration Document
- Mersen's Code of Ethics (update of July 2017)

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COMMUNICATION ON PROGRESS

CORRESPONDANCE TABLE BETWEEN MERSEN'S REFERENCE DOCUMENT AND THE 10 PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

PRINCIPLES OF UN GLOBAL COMPACT	2017 Reference Document & Code of Ethics	
HUMAN RIGHTS		
<p>- Principle 1: businesses should support and respect the protection of internationally proclaimed human rights ; and</p> <p>- Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>The Group's Ethics Code, which is circulated internally and published on Mersen's web site, restates the collective and individual commitment of the Group and its employees. It was updated in July 2017 and has been translated into more than 10 languages. It particularly addresses the Group's relationships with its employees, customers, suppliers, competitors, shareholders, and surrounding ecosystem.</p> <p>The audits carried out by the Group's internal audit function provide regular insight into whether these rules are applied properly. Over the last three years, 93% of Group sites were covered by an internal audit (the others not being material in size). In addition, the Group implemented an Ethics & Compliance function in 2017, which ensures the proper application of these rules.</p> <p>The Purchasing Department is improving its selection process for audits and supplier development in compliance with the Ethics Code and the ILO's fundamental principles and rights at work.</p> <p><u>Ref.:</u> 2017 Reference document: - 4.1 Corporate Social responsibility - 4.2 Health & Safety Commitment - 4.4 Societal Responsibility - 4.6 Overview of social and societal indicators Code of Ethics (July 2017 update)</p>	<p>P96 - 107 P110 - 111 P121 - 122 P126 - 128</p>

LABOUR RIGHTS		
<ul style="list-style-type: none"> - Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; - Principle 4: the elimination of all forms of forced and compulsory labor; - Principle 5: the effective abolition of child labor; and - Principle 6: the elimination of discrimination in respect of employment and occupation. 	<p>The Ethics Code describes the principles that govern relations within the Group, with our customers, suppliers and competitors, our shareholders and our obligations with regard to protecting the Group's assets and Mersen's commitments as a responsible company. It was updated in July 2017.</p> <ul style="list-style-type: none"> - The fundamental principles of the ILO (International Labour Organization), which the Group has committed to adhering to under current legislation, are reaffirmed in this Code of ethics. They include labor law issues such as freedom of association, effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor and elimination of discrimination in respect of employment and occupation. - An ethics awareness campaign was launched in 2017 in the form of a training program to present the Code and its core principles using practical case studies (e-training available in several languages: Arabic, Chinese, Czech, English, French, German, Hindi, Hungarian, Italian, Japanese, Korean, Portuguese, Spanish and Turkish). This training is mandatory for all employees. At the end of December 2017, close to one third of employees had already completed this training. - Mersen's international presence makes diversity a natural part of the company. There is diversity in our teams' origins, training, cultures and ways of thinking; all qualities which stimulate creativity in the Group, that give us a better grasp of what customers want around the world. - Mersen promotes a corporate culture that inspires mutual respect and recognition of the intrinsic value of each individual, whatever their background or origin. - The human resources staff strives to ensure equal opportunities at every level, while maintaining and strengthening the multi-disciplinary capabilities of teams. - The Group undertakes to combat all forms of discrimination through respect and diversity. - While Mersen's corporate culture is strong, it is also adapted in each country to fit in with local cultures and customs. The best way to achieve this integration is to give the management reins to local managers, which is the practice at nearly all of the Group's facilities. The Group's human dimension takes on its full meaning in this drive for a subtle balance between respecting its principles and values and embracing local customs and practices. Lastly, Mersen wants its management structures to reflect the diversity of its teams. 	
	<p><u>Ref.:</u> 2017 Reference document: - 4.1 Corporate Social responsibility - 4.4 Societal Responsibility - 4.6 Overview of social and societal indicators Code of Ethics (July 2017 update)</p>	<p>P96 - 107 P121 – 122 P126 - 128</p>

ENVIRONMENT		
<ul style="list-style-type: none"> - Principle 7: businesses should support a precautionary approach to environmental challenges; - Principle 8: undertake initiatives to promote greater environmental responsibility; and - Principle 9: encourage the development and diffusion of environmentally friendly technologies. 	<p>A significant share of Mersen's business is related to the sustainable development sector, such as renewable energies, energy efficiency, and clean mass transit. In 2017, that sector represented approximately 40% of Mersen's sales.</p> <p>Regarding environmental practices, Mersen undertakes to:</p> <ol style="list-style-type: none"> 1. Comply with the regulations in force, via legal and other requirements, for existing products and installations. 2. Identify the potential risks of installations and products, determine whether the preventive measures in place are sufficient to prevent any accidents that could be harmful for persons and for neighboring locations (especially clients, the company's personnel and persons living in the vicinity of the production sites). 3. Make regular visits to installations to detect anomalies. 4. Make use of best practices and previous experience to continuously improve our performance, specifically through the implementation of an ISO 14001-certified environmental management system at certain sites. 5. Reduce consumption of water, energy, raw materials and packaging and encourage the recycling and reuse of waste. 6. Encourage the development of eco-design, in particular through more extensive use of the dedicated EIME application. <p>In the field, Mersen's environmental approach translates into a quest to identify best practices and an extremely high level of vigilance. It is intended to help the Group achieve a virtuous circle.</p> <p><u>Ref.:</u> 2017 Reference Document: - 4.3 Environmental Responsibility - 4.6 Overview of environmental indicators Code of Ethics (July 2017 update)</p>	<p>P114 - 120 P127 – 128</p>

ANTI-CORRUPTION		
<p>- Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>An “anti-corruption” training module was introduced during the second half of 2017 which is primarily intended for site manager functions and the finance, sales, purchasing and HR teams. Around one hundred people completed this module in 2017.</p> <p>Notices are displayed on all sites to inform employees on what alert action they should take if they become aware of any practices that do not comply with the Ethics Code.</p> <p>All of these measures are coordinated by the Ethics & Compliance function set up in 2017 to develop and coordinate an effective and sustainable ethics and compliance policy (see chapter 3 of this document).</p> <p><u>Ref.:</u> 2017 Reference Document: - 4.4 Societal Responsibility - 4.6 Overview of societal indicators Code of Ethics (July 2017 update)</p>	<p>P121 – 122 P128</p>

RELATED DOCUMENTS

- Extract of Mersen’s 2017 Reference document: Chapter 4: Corporate Social responsibility and sustainable development
- Group Code of Ethics (July 2017 update)



2017
REFERENCE
DOCUMENT



4 CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

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CORPORATE SOCIAL RESPONSIBILITY

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

1. Human Resources plan

Every five years, the Human Resources Department determines the policy that guides work in a manner consistent with Group strategy. The 2016-2020 HR master plan is predicated on four pillars and is implemented by the entire management team, with the support of the HR teams. The plan aims to build a strong HR identity to support the achievement of Mersen's strategic project, taking into account the priorities of the divisions and its employees' expectations and needs, while giving managers the requisite visibility and clarity in the medium term concerning the changes to be implemented.

1.1. Increase the sense of belonging to the Group and its attractiveness by reinforcing its common culture based on its values

1.1.1. Changing standards

Values

2016 saw Mersen redefine the professional values and behavior policy that apply to all employees as well as its management guidelines after consultation with the Group's manager and HR community. Out of this dialogue arose an expression of these values and the vision and purpose of the Group. There are five in total: Excellence, Collaboration, People-conscious, Agility & Entrepreneurial spirit and Partnering with our customers.

All employees approved these values in the first half of 2016 via exchange of viewpoint workshops at all sites throughout the world. A survey was also carried out in the same year to compare

these values with those encountered on a daily basis, or those that appeared essential to Mersen's future. Conducted at all sites worldwide, the survey provided both a local and global vision. It was used to define a certain number of indicators for each site (degree of cultural entropy⁽¹⁾, alignment with the Group's values and purpose, level of engagement, quality of action plans) as well as various action plans that continued to be implemented in 2017. A new survey is planned for 2018 in order to measure the progress made. One of the targets defined, for example, is to see the degree of cultural entropy at Mersen drop from 17% in 2017 to below a threshold of 15% in 2018.

FOCUS

When rolling out the Group's values helps improve its communications

As part of its initiatives to promote the Group's values, Mersen's site in Cabreuva (Brazil) launched its own employee satisfaction survey. The managers were trained in how to lead the workshops and 90% of employees took part in the survey. The end objective was to strengthen exchanges and discussions between managers and their teams in order to get a clearer understanding of employee expectations and improve global communications.

Ethics Code

The Ethics Code describes the principles that govern relations within the Group, with our customers, suppliers and competitors, our shareholders and our obligations with regard to protecting the Group's assets and Mersen's commitments as a responsible company. It was updated in July 2017.

The fundamental principles of the ILO (International Labour Organization), which the Group has committed to adhering to under current legislation, were reaffirmed in the Code. They include labor law issues such as freedom of association, effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor and elimination of discrimination in respect of employment and occupation.

(1) Cultural entropy is a measure of the proportion of energy in an organization that is consumed by unnecessary or non-productive work.

An ethics awareness campaign was launched in 2017 in the form of a training program to present the Code and its core principles using practical case studies (e-training available in several languages: Arabic, Chinese, Czech, English, French, German, Hindi, Hungarian, Italian, Japanese, Korean, Portuguese, Spanish and Turkish). This training is mandatory for all employees. At the end of December 2017, close to one third of employees had already completed this training.

Another "anti-corruption" training module was also introduced during the second half of the year which is primarily intended for site manager functions and the finance, sales, purchasing and HR teams. Around one hundred people completed this module in 2017.

Notices are displayed on all sites to inform employees on what alert action they should take if they become aware of any practices that do not comply with the Ethics Code.

All of these measures are coordinated by the Ethics & Compliance function set up in 2017 to develop and coordinate an effective and sustainable ethics and compliance policy (see chapter 3 of this document).

BEST PRACTICE

Awareness campaigns

In India, a specialized committee was set up in response to the country's new law on sexual harassment in the workplace. As well as registering any complaints, the committee is also in charge of employee awareness campaigns to prevent harassment occurring in the first place. In South Africa, the company show was used as a platform to heighten employee awareness of the problem. This type of interactive teaching method helps ensure that audiences understand but also retain the intended message.

1.1.2. Recruitment and induction processes that are central to Mersen's policy of reinforcing a common culture

Recruitment

Adhering to the company's principles and values is an essential criterion in the selection of candidates.

The recruitment process for managers has now been harmonized across all the Group's companies to make it as streamlined and professional as possible. Thanks to its heightened presence on social networks (LinkedIn, Viadeo and Xing) and the "Careers" section of its website, Mersen group is improving the visibility of its job postings and increasing its appeal. Mercer's Facebook profile highlights the diversity, energy and collegiality of its teams worldwide.

Integration within the Group

It is also essential to share the culture of the Group during the integration phase of new hires in order to assist them in rapidly finding their way in the company.

Mersen has set up a made-to-measure program for them entitled "I Become Mersen" that is mandatory for all new hires. The program begins on the first day on the job, starting with a welcome booklet and kit containing all of the documents and information needed. It is then adapted on a case-by-case basis and may include appointing a mentor with whom interviews may be held during the initial months.

As part of their integration process, new hires are required to complete a certain number of training programs in classroom situations or via e-learning. The training modules on policies and tools related to "safety at Mersen" and on the Group Ethics Code are mandatory for each new hire. For engineers and management staff, the "Project Management at Mersen" module is also mandatory. New engineers and management staff must attend the specific training programs listed in the Group management guidelines.

Following the Group's decision to reinforce its integration process, new engineers and management staff are invited to a two-day integration seminar, the "New Comers Event". The first day is devoted to an introduction to Mersen and its businesses by its executive staff and the second is organized around a visit to an industrial site to highlight and illustrate different issues such as security and operational excellence. At the end of 2017, three integration seminars had been organized in America, Europe and Asia.

Where a company has been acquired by Mersen, integrating the new employees into the Group is also prepared and conducted in such a way as to instill a sense of belonging to the Group. With this in mind, Mersen has specifically developed an integration program intended for the employees of acquired companies entitled "We are Mersen" that integrates human, social and cultural dimensions.

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

Health & Safety

One of the Group's values is Humanity. At Mersen, this is clearly evident through its strong commitment to health and safety, as well as to improving working conditions and preventing psycho-social risks and stress. The health and safety of employees was cited as being the most important of our employees' values experienced daily in the survey carried out in 2016. This is the result of sustained efforts in these areas exerted over several years. Mersen works unremittingly to protect its employees against the risks it faces that are inherent to all industrial businesses⁽¹⁾. An occupational health and safety management system has been introduced and implemented globally, irrespective of the location and culture of individual plants. Mersen's managers strive for excellence in these areas.

Prevention in this area involves ongoing efforts to raise employee awareness of safety issues. This begins as soon as the employee enters the company. All new hires must watch a Group safety presentation (available via e-learning in Chinese, English, French and Spanish). The Group's Health & Safety commitment is described in detail later in this chapter.

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

Clear and understandable rules to all Group employees. These golden rules of safety are the backbone of the system. They concern the primary risks that are encountered in all production facilities, such as traffic flows, postures, protective equipment, energy powered systems, lifting operations, working at heights, confined spaces, risk situations, co-activity, forklift operations and high storage, and are displayed at all sites in local language.

A mapping of potentially fatal risks has been carried out in all of Mersen's subsidiaries and each Group facility held a training course in 2015 on fatal risks linked to their site. Additional and more targeted training was also provided to employees who work on highly specific equipment or environments. This training is repeated every year.

In building a culture of safety, we also publish a monthly report of safety results, together with an analysis, and share best practices. Over the years, the Group has recorded a certain number of good safety practices observed in its production facilities, some of which have become mandatory: they are the minimum requirements that each facility must put in place and maintain.

Most Group managers also have at least one safety objective in their annual targets.

Since 2016, Mersen group has carried out Fatal Risks Safety Inspections in addition to the Managers' Safety Inspections already in place for several years now. The aim of these inspections is to specifically identify any activities or operations that present the risk of a serious, even fatal accident as defined in the golden rules of safety. The purpose is to regularly check that the prevention mechanisms in place are correctly applied and that these operations are carried out in compliance with established rules in order to reduce the risk of a fatal accident to a minimum.

To strengthen collaboration between the Group's safety managers, a series of meetings were organized locally in China, North America and Europe in 2017. These meetings provided the opportunity to discuss best practices and the Group's standard safety tools and resources.

In occupational health, Mersen embarked on a program several years ago to develop well-being in the workplace, which paved the way for the signing of an agreement by all labor partners in France. As in the area of safety, the company emphasizes great emphasis on prevention while also providing remedial measures where necessary. Risk analysis, prevention and control measures can be launched at a department or site level, in cooperation with the workplace health and safety committees and occupational health services.

Multi-disciplinary working groups composed of operators, managers, technical departments, occupational medicine, safety officers, and the workplace health and safety committee are being formed at sites to identify risks and improve workstation design in production, administrative and technical departments. These processes are intended to reduce incapacity at work, occupational illnesses, and absenteeism. Their objective is to take action as early as possible to prevent risks.

BEST PRACTICE

Firmly committed to occupational health issues for several years now, in 2017 the St. Marys (United States) facility brought in two specialists in well-being to talk with interested staff about heart disease and the immune system. Information and different blood tests (cholesterol, glucose, blood pressure, etc.) were also provided free of charge on-site. The Newburyport (United States) facility also organized two seminars on health in the workplace in 2017.

FOCUS

Mersen's site in Tunisia was presented with the 2017 National Tunisian Health and Safety Award by the President of the Republic of Tunisia. This prize which rewards efforts made to improve health and safety was awarded following a visit from a committee of representatives from various institutions: the Tunisian Labor Inspection Body, the National Institute for Safety Research, the UTICA (Union of Independent Contractors), the UGTT (General National Labor Union), and the Agency for Occupational Health.

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

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

BEST PRACTICE

Osteopathy and sophrology to improve well-being at work

Committed to offering its employees the means to improve their quality of life, Mersen's plant in La Mure (France) has provided osteopathy treatments since 2014 and, since 2016, sessions in sophrology, a personal development technique.

In line with current legal developments, the Group is also continuing its initiatives to prevent occupational stress.

In 2017, the charter for a better work-life balance was updated to integrate the Group's commitment to the reasoned and balanced use of digital tools in line with the minimum rest times applicable in each local legislation. The charter addresses five issues: scheduling of meetings, maternity/paternity leave, flexible working hours and work-at-home, digital tools and managing rest periods. It is to be implemented in all Group entities under the responsibility of each entity manager. In France, as in the United States, structured work-at-home arrangements have been established for several dozen employees and are becoming practice elsewhere.

Furthermore, in France, an agreement linked to employees' "right to disconnect" (to not have to check and reply to work e-mails outside of normal hours) has been signed with trade unions. The agreement formally defines the rules for the use of digital tools in order to respect rest times, and is being rolled out through communication and awareness campaigns for managers and employees.

These various measures, which are long-term measures, place the emphasis on prevention. They contribute to maintaining a relatively low absenteeism rate within the Group.

BEST PRACTICE

Flexibility and e-working

The development of greater flexibility at work (flexible hours, reduction in the working week, e-working, etc.) is a measure taken by many Group sites to help improve the quality of life for employees and, in doing so, encourage greater implication and appeal. In France and the United States, a pilot e-working program has led to a new charter.

In New Zealand, Mersen's plant has changed to a four and a half day week for production operators to allow for a better work/life balance. The plant also offers greater flexibility for senior staff in order to encourage them to stay with the company for longer.

At the Dorion site in Canada, a trial program was set in place to allow employees to alternate and work a 10-hour day for four days in the week. In countries with a very low unemployment, measures like these can be a means of attracting candidates.

Absenteeism

As a percentage	2017 ⁽¹⁾	2016 ⁽²⁾
Absenteeism rate	3.3%	3.6%

(1) Scope included in HRIS excluding the site of El Paso (United States).

(2) Scope included in HRIS excluding the following sites: Bazet (France), Gonzales, Rochester, Oxnard and Salem (United States).

1.1.4. Diversity

Mersen's international presence makes diversity a natural part of the company. There is diversity in our teams' origins, training, cultures and ways of thinking; all qualities which stimulate creativity in the Group, that give us a better grasp of what customers want around the world.

Mersen promotes a corporate culture that inspires mutual respect and recognition of the intrinsic value of each individual, whatever their background or origin. It is solidly embedded in our values, and perfectly reflected at our U.S. Boonton site, where people from 25 different countries work side by side every day to help our company prosper.

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

The Group undertakes to combat all forms of discrimination through respect and diversity. Mersen shares and contributes best practices with other companies through various associations. In parallel, by subscribing to the principles of the UN Global Compact, the Group is committed to contributing to the fight against all forms of discrimination in employment and occupation (Principle 6) around the world.

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

As a percentage	2017	2016
Plant managers/local nationality	90%	90%

Gender balance

Gender balance has been clearly identified and stated by Mersen as a priority area for progress. We have made a serious commitment to integrate more women in all our business lines, including production. Many initiatives in this area have been introduced in recent years, including hiring, career tracking, communication, awareness-raising among managers, compensation, greater flexibility for parents in their professional lives, organizational changes and workstation adjustments to minimize physical constraints for female operators.

In 2015, management and all union organizations renewed their three-year commitment to promote gender equality in the workplace, by signing a new agreement, which also sets the objectives of promoting more flexibility between professional life and family responsibilities and improving gender balance in representative bodies.

The proportion of women managers is approaching the Group's objective of at least 20%. This proportion is 27% in the Board of Directors and Executive Committee governance bodies.

As a percentage	December 31, 2017	December 31, 2016
Women on corporate governance bodies	27%	24%

A women's network, created in 2010, known as WiN: Women in Mersen, brings together male and female Group employees who want to work on a joint project to promote cooperation and mutual assistance, encouraging growth through greater diversity. The aim of the WiN network is to pool the potential capabilities of its members and to provide opportunities for meetings and analysis outside the scope of any hierarchical system. WiN also aims to become an international network within the Group that can take part in inter-company events and share experiences. In 2017, a team from Mersen took part in the finals of the Innovatech 2017 Challenge in Paris, honoring a team of young, dynamic entrepreneurial women.

Employment and integration of disabled workers

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

The Group has undertaken other initiatives. In France, for example, Mersen Amiens works with the Sign Language Institute to facilitate communication with one of its hearing-impaired employees. Internationally, Mersen India is working with EnAble India to train Group employees in accommodating and working with disabled colleagues and five severely disabled operators now work in our Indian plants. Mersen Canada prepared a facilities access charter for its disabled employees and customers and Mersen Gebze in Turkey specially re-fitted its work areas to facilitate circulation in the factory.

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

BEST PRACTICE

Training employees in integrating disabled coworkers

If local legislation requires hiring disabled employees, some of our sites go above and beyond these requirements to encourage their integration and facilitate collaboration. In India and New Zealand, for example, training is organized to help our teams understand how best to include and work alongside people with disabilities.

1.1.5. Labor Dialogue

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

In view of the changes seen in certain markets and their short and medium-term outlook, Mersen group faced a number of challenges in early 2016, particularly with regard to its French sites. Today, the Group must adapt to an increasingly restrictive environment and safeguard its competitiveness. As a result, and because it is also committed to its human values, all steps were taken to ensure measures were carried out in keeping with quality labor relations and to find solutions that minimized their social impact through the signing of majority agreements.

These measures resulted in the elimination of 130 jobs in France at the Pagny-sur-Moselle and Saint-Bonnet-de-Mure sites. The voluntary departure option set down in the agreements, however, made it possible to reduce the number of forced layoffs by half at one of the sites and entirely at the second site, bar one exception. By late December 2017, the repositioning rate had reached 97%.

In addition, the Group continued to implement the plans established in 2014, designed to prepare for possible psychosocial risks and support employees interested in initiating their own career planning process. Apart from this, Management drew on all participants in the area of occupational health and generally the executive staff so as to remain attentive to requirements.

1.2. Rally collective intelligence through an organization that promotes collaboration

1.2.1. New structural organization that seeks to pool resources and synergies

In early 2016, a new organization was implemented to accelerate the Group's development and assist in arbitrate the numerous projects underway. First, two areas of expertise and five businesses were reconfigured in order to improve efficiency and reactivity on the markets, while simultaneously pooling certain resources and reinforcing synergies. Next, an Innovation and Business Support Department was created to accelerate the roll out of an innovation mentality in Mersen. Its responsibility will be to anticipate market challenges and to make the company stand out better in relation to competitors through the advanced technology mastered by the Group. Lastly, in order to support business development in high-potential areas, an Asia and South America department was set up. These two new functions, in addition to the Operational Excellence function, are now associated with the Group's Executive Committee.

In 2017, faced with the need to improve agility and efficiency in its information systems and in its markets, Mersen created an IS department that reports directly to the Group's Chief Executive Officer. A new five-year roadmap for the IS department was developed and approved by the Executive Committee and a transformation project will be launched in 2018 to give Mersen a sustainable information system that is adapted to its activities and a robust IT structure.

1.2.2. Promote cross-business methods

Project management and cross-business coordination

The Group carries out various major, strategic projects, such as acquisitions, industrial adjustments, and major investments on an ongoing basis. Given their complexity, we use a common project management method, the Global Project Standard (GPS), which was reviewed in 2015. A project group composed of operational employees from the various business lines and project management experts revised the methodology, training and deployment systems in the Group.

Today, an e-learning program is used to familiarize employees with the broad guidelines and methods and has been mandatory for all new managers and engineers since 2016. More comprehensive live classroom modules, taught by in-house experts, were also set up for the project teams on the basis of this shared methodology. In 2017, nearly 200 people were trained. In 2018, this training will be complemented by role playing exercises, so the teams can learn from these methods in a more practical way.

In addition, to accelerate the roll-out of the new project culture, each business line has designated one or more advisors to provide methodological support to the project teams. These advisors' main duties will be to assist the project managers and their teams and help train them. They will ensure that the GPS culture is applied and respected across the Group. In 2017, advisors were designated for the main regions in which Mersen operates.

Reinforcing Communities

Communities also promote cross-sector approaches as well as information sharing and best practices. HR and Safety communities have already existed for several years within the Group. In 2016, the first multi-cultural technical community for machining experts of the Group was formed. This new community, which meets at least once a year, has set itself several objectives: improve productivity by reducing costs, improve equipment safety, and capitalize on and consolidate the extensive expertise in the field.

1.2.3. Internal communications

Sharing information is a key aspect of employee motivation. Mersen endeavors to communicate internally about the performance of its businesses, including both its results and future projects. This emphasis on transparency enables each individual to gain a full sense of what it means to be part of the Group. Since 2016, Mersen has been improving its internal communications process by setting up quarterly conference calls between General Management, the Finance Department and all executives and managers of the sites. During these meetings, quarterly results are presented and remarked upon, as are upcoming priorities. Every participant has the opportunity to ask questions and the responsibility to report information from their respective areas.

Inside Mersen, the Group's in-house magazine, is available in an interactive electronic format on the intranet. Information is also passed on using complementary theme-based publications with the latest news and plant magazines, which focus on local information. In addition, discussions between management and employees take place on a monthly basis at most facilities.

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

1.3. Pursue the strengthening of the new managerial culture

1.3.1. Strengthen the quality of management

Faced with a changing, fast-moving world, Mersen is adapting and changing its management culture. "Open Manager", Mersen's new management guidebook, describes what managerial qualities and behavior are expected. It addresses five major topics: Working with Everyone, Communicating and Making Sense, Motivating and Developing Employees, Building the Future, and Achieving and Raising Standards. The entire Group's chain of command is concerned; corporate executives, middle managers and supervisors are all essential players in the Group's transformation process.

Going forward, the decision to assign an individual to a management position will be based on the new managerial skills identified. The Group has decided to combine the internal promotion approach further with external hires in key jobs such as expertise area executives, business managers and product line managers.

In 2017, the Group continued to pursue its support policy for management teams by implementing a training program for new managers. Called "First Steps as a Manager", the program is a blend of e-learning, classroom teaching and coaching, and met with success in its first roll-out at one of Mersen's French sites in 2017. It will be deployed on a wider scale across the Group in 2018.

Senior management will receive personal development training, starting with 360-degree feedback and Hogan assessments. The assessments will be used to work on development plans with a coach. The two divisions rounded out their individual programs with coaching for the management teams, which took place all year long in 2017.

1.3.2. HR tools available to managers

The **annual review** is still one of the key elements of the skills development process implemented within the Group. Annual reviews, a key opportunity for dialogue and discussion between an employee and the direct superior, help to assess individual performance over the previous year and set objectives for the year to come. They also provide a chance to assess competency development initiatives carried out during the past year and to determine what action needs to be taken or continued to make progress in the employee's current position or to gain promotion in the future. An application developed on the Group's new Human Resources Information System can be used to manage online forms and facilitates annual reviews. An application migration was implemented in 2017, making the interface more user-friendly for the managers and the HR teams.

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

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

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

The **Group Human Resources Information System** (HRIS) has been in operation since 2012. It is set up in some 30 countries. Its primary objectives are the following:

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

The system is constantly improved year after year so as to better assist the Human Resources teams and the Group's managerial community with their daily tasks. The improvements are made to both systems and processes:

- In the three main zones, rationalization of the payroll software is continuing. China and France recently underwent a complete overhaul of their pay systems, and in 2017 the United States followed suit. A modernization project is also underway in the DACH zone (Germany, Austria and Switzerland) to set up a new international platform directed from the shared services center in Frankfurt. This will provide for significant improvements in payroll and HR reporting procedures.
- In France, the various sites are currently restructuring their payroll departments. Two specialized payroll centers will be implemented in early 2018, in order to make payroll safer and more efficient across the entire zone.
- At the same time, digital transformation is continuing, especially in France: digital pay slips are now stored in an electronic strongbox, absence requests and approvals are now part of a recently launched mobility program, and employee files are currently being digitalized.
- Finally, HR data quality and reliability remain a major issue and a constant concern. For this reason, the first RH audit campaigns have been launched. Several sites have been methodically audited for the quality of their data and their compliance with Group specifications: M'Ghira, Tunisia; Wenzhou and Shanghai Nanhui, China; and San Feliu, Spain.

1.3.3. Training

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

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

The objectives of the Mersen Academy are the following:

- Streamline training through e-learning.
- Support staff in their personal development and employability efforts.
- Integrate new hires into the core of Group training processes more easily.
- Systematically offer training programs on basic themes, such as safety, quality, ethics and management.
- Reduce training costs.
- Promote interactivity and collaborative work within the Group.

Mersen Academy is accessible by individual or group licenses.

In 2016 and 2017, new programs were added to the Mersen Academy curriculum, including self-service English lessons for managers and executives in the Group's international business lines. These managers and executives now also have access to a multitude of English training programs specially adapted to their careers. Training programs for using information systems and software such as MS Office, emails, etc. are also available.

Every employee can find what they need to become an active participant in their own development.

The Group also promotes qualifying training programs via joint qualification certificates in its business areas, such as metallurgy and chemistry, as well as training leading to a degree. Several dozen employees from all regions participate in e-learning training programs certified by Essec Executive Education or the Institute of Leadership and Management (ILM).

In all, the Group devoted 1.2% of its total payroll budget to training in 2017, i.e. 72,209 hours (or an average of 11.9 hours of training per employee).

The figures below do not include training via the Group's e-learning platform, Mersen Academy, which accounts for 1,548 training hours for 1,813 active employees around the world.

Training	2017 ⁽¹⁾	2016 ⁽²⁾
Spending on training as a % of total payroll costs		
Group total	1.2%	1.0%
• Of which France	1.9%	1.4%
Average number of hours per employee		
Group total	11.9	12.3
• Of which France	14.5	10.1

(1) Scope included in HRIS excluding the following sites: Moscow (Russia), Taipei (Taiwan) and Vienna (Austria).

(2) Scope included in HRIS excluding the site in Yantai (China).

BEST PRACTICE

Training as a driving force for employability and mobility

As part of an in-house mobility plan for the site at Saint-Bonnet-de-Mure, France, career gateways have been set up in order to train workers in new skills and help them remain in employment. A training program with special qualifying and/or certifying curricula has also been implemented.

FOCUS

A tighter focus on training needs

In 2017, particular effort was undertaken in Brazil to better address the special training needs there. A study to identify the particular needs was carried out, which consisted of observing workers and then talking to their manager. This made it possible to practically double the number of hours of training compared to 2016.

1.3.4. Career paths

Career committees provide the opportunity to assess the career outlooks of key managers in each of the businesses and to prepare an individual skills development plan. These reviews are conducted at plant and divisional level and help to identify key and/or high-potential employees for review by the Management Board's Talents Committee. These committees contribute to improving **succession planning** in the same way as experience interviews. In 2017, the sales, R&D and site manager functions underwent a more specific review.

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

1.3.5 Evaluations

Two types of evaluation are carried out at Mersen Group. The first are individual evaluations for senior managers or other experienced managers who are expected to be promoted to a key management position in the short term. The aim of the evaluations is to verify the suitability of the potential promotion and draw up a personalized development plan, which will also help employees succeed in their new role. The second type, which are intended for emerging talent, are under development and should be rolled out in 2018.

1.4. Pursue the development of the Group's human capital by relying on our technical expertise in particular

1.4.1 Forward human resources planning

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

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

This analysis is consolidated at the Group level, based on Mersen's reference job framework. This framework, which is updated annually, identifies and describes, for each of the 10 support functions (sales and marketing, business, R&D, production, production support, sourcing, information systems, human

resources/safety/general services, finance and legal affairs), the 93 Group reference jobs that are common to all divisions. The framework is reviewed every year and, if necessary, rounded out to take into account the organizational changes and new positions.

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

- In terms of training, Mersen relies on the job skills guide to offer training programs by support function and continue to develop expertise and professionalism within the Group. Within the sales function, an analysis was carried out for the DACH (Germany, Austria and Switzerland) operations in collaboration with Mercuri International, in order to take stock of the organization's structure and skills in place. A number of recommendations resulted from the analysis, mainly are regards training.
- In terms of annual performance evaluations, employees with the same position are evaluated on the same skills, thereby strengthening the objectivity and reliability of the Group's evaluation process.

This guide is also a valuable hiring tool as it allows us to narrow in on the type of profile sought.

1.4.2. Identifying Group experts

To ensure the Group's sustainable development, in particular the strengthening of its technological excellence, Mersen decided to implement an expertise function called "Open Expert", in parallel with its management functions. This function includes experts selected for their key expertise in the Group's strategic business lines, as well as for certain behavioral skills. An Expert Management Committee approves their integration into the function, based on both technical and behavioral criteria. At the end of 2017, a dozen of Open Experts were appointed, forming the foundation of a community intended to promote the Group's culture of expertise.

1.4.3. Stimulating innovation

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

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

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

- The development of an internal online database to include a list of experts (by materials, by physical and chemical phenomena and by industrial processes) and special equipment at all of the Group facilities.

- The formal fixing of research, development and technology watch priorities for divisions and the Group, while ensuring that they remain consistent with its growth objectives in certain key markets.
- The three ideas creating the most value being rewarded each year through the Innovation challenge.

Innovation also lies at the heart of our corporate culture and our HR policy, which promotes autonomy, creativity, initiative-taking and idea sharing by restricting the number of management tiers and providing easy access to managers. The Group's Research and Development policy is described in the Management Report of this document.

Exchanges with outside experts are also encouraged. In France, for example, the Group formed partnerships with French laboratories, productivity clusters, universities and engineering schools under a Unique Interministerial Fund (FUI) project. This collaborative project, FE²E (economically and environmentally efficient fuses), integrates these partners in areas of advanced research (including materials, electrical engineering and modelling). In the field of materials, the Group is collaborating on the FORCE⁽¹⁾ project launched in 2014 to develop a low cost carbon fiber sector in France. Working within a consortium comprised of French manufacturers and laboratories, Mersen is involved as a technical expert in this strategic project for the industry of the future, providing our knowledge of high temperature processes and carbon materials used in the carbon fiber production chain. These collaborative projects reflect the Group's interest in and ability to meet significant technological and manufacturing challenges.

To better prepare for the large-scale changes affecting both our markets and our customers, and to help guide the Group's R&D strategy and efforts, in 2016 the Group created a Division of Technology, Research, Innovation and Business Support that reports directly to the CEO of the Group. This function aims to better anticipate product and solution issues of the future, and will allow for the more efficient arbitrage and monitoring of R & D projects. It will also contribute to better identifying key experts in the Group.

In place for just over one year now, the Department of Technology, Research, Innovation and Business Support of the Group is focusing on a certain number of priority areas:

- Improving the time to market of new products, an essential factor for organic growth.
- Intensifying the selection process of priority projects, in order to better concentrate the bulk of resources on strategic projects.
- Resorting more to simulation tools to save time and react better to customer requirements.

1.4.4. Knowledge transfer

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

In France, despite the expiry of the *Contrat de Génération* legislation, Mersen has upheld its commitment to hiring young people on fixed-term contracts while maintaining the jobs of senior employees. In 2017, the Group also took on 27 paid interns on degree courses and offered 58 work-study contracts for apprentices or interns. A report is submitted annually to the Group committee.

Many facilities hire people on an internship or work-study basis to order to integrate young people and identify the strongest candidates. Mersen South Africa has joined forces with SAJ Competency Training Institute to hire apprentices and, in the United States, the St. Marys facility has developed partnerships with local colleges to promote the industry among young people and raise awareness about career prospects. The facility also plays a consulting role for training providers in order to develop programs adapted to specific needs. The Rochester facility also offers an apprenticeship program, developed in partnership with the New York State Department of Labor, and the Hittisau site works with a university of applied sciences in Austria, where it offers work-study programs.

Simultaneously, given the challenges associated with training young people, the Group provides tailored guidance for young recruits. A new mentor/advisor dynamic has been introduced to welcome new hires into the company and provide guidance.

With regard to senior employees, in France the company is continuing the mentoring program introduced several years ago.

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

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

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

(1) *Optimized and Realistic Economic Carbon Fiber.*

1.5. A motivating compensation policy

1.5.1. Compensation policy outline

The compensation policy implemented by the Group includes a multitude of measures for employee motivation and satisfaction. Distinction is made between direct compensation, which is money paid to employees, and non-monetary compensation, which comprises welfare benefits.

The components of compensation set out below may not all be in place in all countries and Group subsidiaries. However, efforts have been underway for several years now to gradually harmonize these components when applicable legislation and financial resources allow.

Direct compensation is composed of the following:

- **Basic salary:** the fixed amount of compensation that corresponds to the position occupied. A basic salary must be competitive and fair, both within the Group and in relation to market practices. Mersen ensures that salaries attract and retain as many employees as possible. Competitiveness surveys make it possible to analyze, on an annual basis, salary competitiveness in a particular market.
- **Annual bonus:** paid to eligible employees for group and individual performance and based on annual targets, whose composition and achievement criteria are reviewed annually.
- **Profit-sharing:** mandatory in France under profit-sharing legislation and supplemented by incentive agreements in each of Mersen's French subsidiaries. Profit-sharing is also offered to employees in a large number of Mersen's host countries.

The welfare benefits offered by the Group, aside from legal and obligatory benefits, are as follows:

- **Health care:** the Group covers, either directly or by means of contributions paid to an insurer, all or part of the health care costs incurred by employees. As a rule, employees also contribute to the costs.
- **Benefits plan:** ensures the continued payment of the employee's salary in the event of a long-term illness. In the case of disability, the benefits plan provides employees with an income or lump sum to compensate their loss of income. In addition, some plans provide for the payment of a lump sum to beneficiaries in the event of an employee's death. The employer funds all or part of the plan; in the latter case the employee also contributes to the costs.
- **Retirement:** Mersen, with the participation of employees in some cases, contributes to retirement plans which complement compulsory schemes. These additional retirement plans are increasingly defined contribution plans.

1.5.2. Changes in direct compensation in 2017

At Mersen, an employee's basic salary, which is a core component of their compensation, is reviewed yearly. The budgets allocated for this purpose take into account the needs expressed by each entity and make it possible to *at least* offset the annual inflation of living costs. In 2017, the average rise was 2.8% compared with the previous year.

The yearly bonus, which is a major component of variable compensation, was broken down into three schemes in 2017 (two previously), each of which corresponds to a specific employee category. During the year, Mersen set up a bonus scheme for the Group's senior managers, who were previously eligible for one of the two existing schemes. They can now benefit from a modified scheme that bolsters collective and financial targets. Senior managers play a major role in the achievement of the Group's financial targets, which warrants that 60% of their bonus is made up of these targets.

Managers remain eligible for one scheme, half of which is made up of collective and financial targets, and the other of their individual targets, set yearly.

Lastly, the sales force benefits from a bonus that emphasizes the achievement of individual objectives: 70% of the total bonus corresponds to sales. If annual sales targets are exceeded, this maximum rate may be increased. The ratio for exceeding the maximum rate for individual objectives can reach 2.15, i.e. more than 150% of the total bonus.

As of 2017, Mersen has added a collective objective that is common to all bonus schemes. This objective is the Group's operating margin before non-recurring items. Its weighting is identical, irrespective of the type of bonus, i.e. 30% of the total bonus. The objective to be achieved with regard to the operating margin before non-recurring items is set yearly. If this objective is exceeded, an additional amount is paid to all employees who are eligible for a bonus scheme. This supplementary amount ranges from 1 to 1.4 times the maximum rate allocated to the operating margin before non-recurring items, i.e. at most 12% of the total bonus.

In addition to Mersen's bonus schemes, some countries implement variable compensation schemes that are open to some or all employees. These schemes correspond either to local bonus or profit-sharing schemes. In China, Mersen is studying the feasibility of gradually implementing a profit-sharing system from 2018. It should be noted that local bonuses for employees who do not benefit from Mersen's bonus schemes are in place in some of Mersen's Chinese and Indian facilities. Apart from France, profit-sharing is implemented in certain countries, such as the United States, Canada, Mexico, the United Kingdom, Spain and Turkey, through profit-sharing schemes, which benefit either all employees or those who do not benefit from the Mersen bonus schemes.

1.5.3. Diversity of the welfare benefits offered

The welfare benefits offered to Mersen employees cover various areas, such as health care, benefits and pension plans.

In France, Mersen has offered employees a standard supplementary coverage for health costs, irrespective of their subsidiary, since 2012. In 2017, Mersen negotiated with union organizations to implement the “responsible contract”, a legal provision capping the maximum benefit reimbursement when the employer is responsible for all or part of the contributions. From January 1, 2018, this change has resulted in the decrease of some reimbursements and Mersen has decided to offer employees additional coverage in order to maintain the same levels – joining this scheme is optional. Since this supplementary coverage is fully charged to employees, Mersen has also decided to increase its

contributions so that the total amount paid by employees does not increase in 2018 compared with the previous year.

In China, a supplementary retirement plan was introduced in 2017, which is offered to the senior managers of Mersen’s Chinese subsidiaries. The aim of the scheme is to enhance retirement pensions by increasing the replacement rate (total amount of the pension versus the compensation received at retirement). The amount of the retirement pensions offered by the Social Security, which is the only retirement plan offered to Mersen’s Chinese employees, translates into a replacement rate that is weakest when retiring employees’ compensation is high. The plan is funded by employer contributions, while employees can also make voluntary contributions and, in this case, the employer matches the contribution.

2. Workforce and facilities

Mersen had 6,384 employees at December 31, 2017, in 35 countries.

2.1. Geographical analysis of the workforce (at December 31)

Country	2017	2017 (%)	2016	Difference
Europe	2,062	32.3%	2,172	-5.1%
• Of which France	1,303	20.4%	1,418	-8.1%
North America	2,012	31.5%	1,855	+8.5%
Asia-Pacific	1,723	27.0%	1,584	+8.8%
Africa and South America	587	9.2%	499	+17.6%
TOTAL	6,384	100.0%	6,110	+4.5%

The workforce increased by 274 people.

In 2017, 1,657 people were hired around the world, including on fixed-term contracts, and 1,459 people left the Company, among which 365 not voluntarily (scope included in HRIS).

Mersen sold two sites in 2017 – Mersen France Saint-Loup-de-Naud and Mersen France Gorcy – which accounted for 46 and 29 employees respectively at December 31, 2016. With Harbin

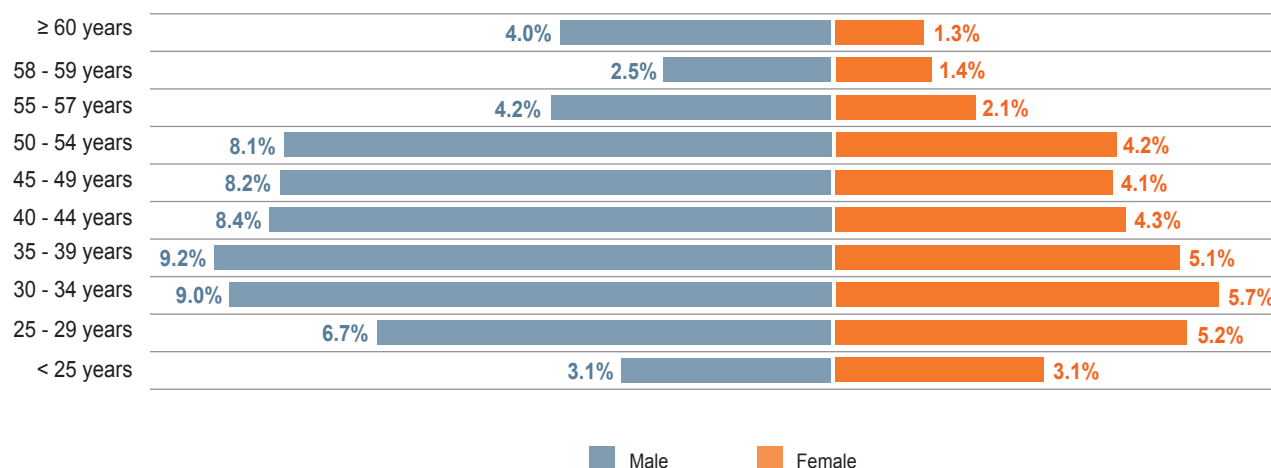
Electric Carbon, the Group also created a joint venture company which is majority owned by Mersen. This company employed 106 people at December 31, 2017.

Based on the reporting scope, women accounted for 37% and senior employees for 16% of the workforce, a slight increase on 2016.

	2017*	2016*
Group headcount		
• o/w women (as a %)	37%	36%
• o/w seniors 55 and older (as a %)	16%	15%

* Scope included in HRIS

2.2. Age pyramid (at December 31)*



* Scope included in HRIS.

The average age of Group employees is 41.

2.3. Headcount broken down by category

Categories	Dec. 31, 2017	%	Dec. 31, 2016	%
Engineers and managers	1,183	18%	1,168	19%
Technicians and supervisors	1,004	16%	1,010	16%
Employees	582	9%	585	10%
Blue-collar workers	3,635	57%	3,347	55%
TOTAL	6,384	100%	6,110	100%

2.4. Geographical analysis of facilities (at December 31)

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

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

Country	2017	o/w facilities with more than 125 employees	2016
Europe	19	5	21
• Of which France	7	4	9
North America	13	4	13
Asia-Pacific	13	3	13
Africa and South America	5	2	5
TOTAL	50	14	52

In France, the Group sold the St-Loup-de-Naud and Gorcy sites. In Asia-Pacific, Mersen integrated the Harbin site (China) and closed down a site in Chennai (India).

3. Social information concerning the Group's companies in France

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

3.1. Headcount at December 31

	2017	2016	2015
Workforce	1,303	1,418	1,469
• o/w fixed-term contracts	15	15	24

3.2. Recruitment

	2017	2016	2015
Recruitment	107	69	119
• o/w fixed-term contracts	13	11	19

3.3. Temporary workers

	2017	2016	2015
Average headcount	211	139	157
% of the headcount	16%	10%	11%

3.4. Overtime

	2017	2016	2015
Overtime	23,893	20,948	15,765
% of hours worked	1.2%	1.0%	0.7%

3.5. Absenteeism

	2017	2016	2015
Absenteeism rate	5.0%	5.6%	4.9%
• o/w illness	3.4%	4.6%	4.1%

3.6. Part-time work

	2017	2016	2015
Employees working part-time (as a %)	5.4%	5.3%	5.4%

3.7. Disabled employees

	2017	2016	2015
Workers with a disability (as a %)	5.5%	5.9%	5.2%

3.8. Organization of working hours

In France, an amendment to the agreement on executives' working hours was signed in 2017 to integrate the most recent legal changes for an indefinite period.

The working hours of engineers and managers are calculated based on an annual total of 216 work days, which gives them an average of 12 days of additional leave per year. The 2017 amendment reiterates the need for managers and their teams to review the organization of their work, work load, and fluctuations in daily activities, *at least* once a year.

HEALTH AND SAFETY COMMITMENT

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

1. Organization of the function

The Group's Health & Safety, Environment and Industrial Risks function has been part of the Operational Excellence Department since February 2017. Through this new organization, the Group aims to effectively integrate health and safety in its Operational Excellence policy and make it its primary goal.

Health and safety measures and their results are reviewed each month by the Executive Committee as part of its unstinting commitment to ensuring they are a success. The prevention of accidents, particularly serious accidents, is a core priority for the Executive Committee. Each year, a program of Corporate audits is defined for the Group's different sites which are carried out by the Health & Safety, Environment and Industrial Risks function. The function also draws on a network of regional correspondents. Their role is to perform cross-audits in the region, conduct more detailed audits at underperforming units and implement the Group safety policy formulated by the Executive Committee. Correspondents are also responsible for reporting to the Group on changes in local health and safety regulations.

Most of the plants also have a dedicated health and safety officer who helps to implement the policy defined by the Executive Committee.

	2017	2016
Companies with a dedicated Health & Safety officer	92%	90%

Every month, the Health & Safety, Environment and Industrial Risks Department circulates a publication dedicated to safety reviewing the latest trends in Mersen's safety indicators and highlighting best practices. The publication is intended for site, health and safety and human resources managers and is also posted on the Group's intranet.

2. 2017 Achievements

In 2015, the Health & Safety, Environment and Industrial Risks Department assessed the Group's strengths and weaknesses in safety in collaboration with a specialized external firm. Following this assessment, an action plan was drawn up and its implementation began in 2016. As a reminder, the primary actions were as follows:

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

The Fatal Risks Safety Inspections and Job Hazard Analyses that began in 2016 were carried out at all Mersen sites in 2017. By the end of the year, Job Hazard Analyses had been completed for the majority of sites and the regular update of job hazards has started to become standard practice.

FOCUS

Job Hazard Analysis

Deployed for the first time in 2017, the Job Hazard Analysis (JHA) process aims to reinforce prevention by involving each employee in analyzing the specific risks they are exposed to at their workstation. The aim is to identify all of the risks linked to a given workstation with their operators, to assess the risks, to set in place and display the necessary preventative measures, and to train operators accordingly. These risks are then updated on a regular basis.

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

- E-learning in different languages, thus reaching potentially 85% of the Group's population. Intended, on a priority basis, for new employees, many plants use the tool to reinforce the training of employees already on the job.

- Reporting on potentially dangerous situations: the objective is to report potentially serious and dangerous events that have occurred in all of the Group's facilities but that have not caused an accident.
- "Near accident" reporting tool: this tool, which was launched in 2013, has helped to improve awareness of the working environment and avoid events that could have become accidents. In 2017, Group units reported approximately 820 potentially dangerous situations, proving that the Group has adopted this working and early detection culture.

To verify that the various tools are set up and that the plants comply with the Group's safety policy, the Health & Safety, Environment and Industrial Risks Department carried out 9 Corporate safety and environment site audits in 2017.

At the end of 2017, Group-wide measures were set in place to improve protection when operating rotating machinery to bring sites in line with the European Machinery Directive.

Over the course of 2017, three regional meetings with health and safety and environment managers from sites in China, North America and Europe were organized by the Health & Safety, Environment and Industrial Risks Department. These meetings provided the opportunity to discuss best practices and the Group's standard safety tools and resources.

In addition, the number of safety visits rose by 4% compared to 2016, reaching 3,954, or 72 visits per site and per year. The objectives were achieved overall and this method has helped to strengthen the safety culture on a daily basis.

	2017	2016	Change
Number of safety visits	3,954	3,807	4%

FOCUS

Safety visits

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

3. Evaluation of safety risks at industrial sites

Mersen safety risk assessments are updated annually for each Group unit to incorporate possible new risks resulting from changes to equipment and in local regulations. Risk assessments are also reviewed systematically after each accident or near accident to verify that the cause of the accident has been listed. Risk assessments are also reviewed during Corporate safety audits.

4. Safety training and audit

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

The Corporate safety audit program continued in 2017. Nine audits were conducted, including cross-audits organized by geographic area. The cross-audits are conducted by specially trained individuals. They help to promote experience-sharing and are instrumental in fostering a Group safety culture. The program's organization by geographic area also helps to strengthen exchanges among facilities of the same culture, promoting understanding and implementation of the solutions proposed.

Many sites hold a safety week every year. In addition to topics related to workplace safety, these events offer an opportunity to address issues such as food safety and the risk of household accidents. They are an opportunity to create awareness among employees, and instill the safety culture.

FOCUS

Fatal Risks Safety Inspection

As part of the health and safety risk assessment carried out each year, all Mersen sites must catalog the aspects of their particular activity that present the risk of a serious, even fatal accident. Preventative measures are then defined and the appropriate procedures set in place. Procedures must be strictly applied by authorized staff that have received prior training.

The Fatal Risks Safety Inspection consists of an inspection-audit of operations with an inherent risk of a fatal accident and of regularly checking that prevention mechanisms in place are correctly applied.

5. Safety indicators

In 2017, Mersen group achieved a TF1 rate of 1.4 and a TF2 rate of 4.1 and there were no fatal accidents. The percentage of sites with no lost-time accidents dropped from 83% in 2016 to 74%.

The Group has defined a health and safety policy that aims to eliminate all risks and prevent all accidents. The emphasis is on prevention, first through the identification and then the elimination of risks, and finally through the protection of staff. The organization of safety visits that involve all employees and of job hazard training for employees in particular for new recruits, the strengthening of equipment protection systems, the adaptation of individual protection systems to new risks and lifting aids have all helped to progressively develop and build on a culture of health and safety within the Group.

In order to enhance its efforts and progress in safety at each of its sites, Mersen has introduced a safety award system whereby units are awarded a trophy when they exceed a given number of days without an accident. Presented by the Executive Committee, the awards are a means of recognizing the performance of each site and reminding the Group's partners of the importance that it assigns to safety. At the end of 2017, the Group achieved the following benchmarks over 60 sites for numbers of days without a lost-time accident:

- Four sites with more than 3,000 days.
- Eight sites with more than 2,000 days and less than 3,000 days.
- Eleven sites with more than 1,000 days and less than 2,000 days.
- Thirteen sites with more than 500 days and less than 1,000 days.

In all, 36 sites, representing around two thirds of all sites, had over 500 days without a lost-time accident.

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

In 2017, the frequency rate of occupational accidents with lost time (TF1) amounted to 1.4 accidents per million hours worked, i.e., 18 lost-time accidents per 13.1 million hours worked. This performance is slightly lower than the previous year.

In the five years between 2013 and 2017, the TF1 rate improved by 54%.

Each accident is systematically followed by an analysis of probable causes and the implementation of solutions to eliminate the source of the risk or to better protect employees or raise awareness.

TF1	2017	2016	2015
Number per million hours worked	1.37	0.91	1.24

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

In 2017, the frequency rate of occupational accidents with and without lost time (TF2) amounted to 4.1 accidents per million hours worked, i.e., 54 accidents with and without lost time per 13.1 million hours worked. This performance is identical to last year.

In the five years between 2013 and 2017, the TF2 rate improved by 36%.

The Group also pays particular attention to temporary staffing agency employees who are naturally less well-informed as to equipment and health and safety risks than Group employees. All employees are required to complete general and specific safety training before starting a job. A follow-up of accidents and training and preventative measures for this specific category of employee is also in place.

TF2	2017	2016	2015
Number per million hours worked	4.1	4.1	4.3

Number	2017	2016	2015
Number of occupational accidents with lost time concerning temporary staffing agency employees*	5	3	4

(* For a total of 1,151,000 hours worked in 2017, 964,000 in 2016 and 1,165,000 in 2015.

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

In 2017, the severity rate of occupational accidents (TG) amounted to 65 days lost per million hours worked, i.e., 858 days lost per 13.1 million hours worked. This performance is slightly better than the previous year.

In the five years between 2013 and 2017, the TG rate improved by 59%.

TG	2017	2016	2015
Number per million hours worked	65	80	47

6. Health risk prevention

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

The Group continues to make improvements to workstations to prevent musculoskeletal disorders (MSDs). It follows ergonomics guidelines on the manual handling of loads, posture at workstations and repetitive motion.

BEST PRACTICE

Health and Safety week

A large number of Mersen sites organize a Health and Safety week each year. Structured around various theme-based workshops linked to the different characteristics of each site and often hosted by external speakers, these awareness weeks help to develop a culture of health and safety within the Group.

7. Indicators/operations in France

Monitoring of occupational diseases is done only in France. Because the concept of occupational disease varies significantly from country to country, any information emanating from the various countries where the Group is present would be irrelevant.

In France, musculoskeletal disorders account for the majority of occupational illnesses. The Group is pursuing its efforts to reduce this risk, particularly by working on the ergonomics of workstations and getting employees involved.

Number	2017	2016
Number of employees suffering from an occupational disease*	8	7

(*) Out of a workforce of 1,303 in 2017 and 1,418 employees in 2016

ENVIRONMENTAL RESPONSIBILITY

In environmental terms, Mersen is involved on two levels: firstly, through its **positioning in markets related to sustainable development**, and secondly through its commitment to **environmentally friendly** practices. The Group pursues a collective and pragmatic approach involving all its employees, who are educated and receive training at every level of responsibility.

1. Helping to develop sustainable development

A significant share of Mersen's business is related to the sustainable development sector, such as renewable energies, energy efficiency, and clean mass transit. In 2017, that sector represented approximately 40% of Mersen's sales.

1.1. Renewable energies

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

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

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

1.2. Energy efficiency and energy saving

Mersen is positioned on markets whose growth is related to energy efficiency and energy transition. Thanks to solutions such as furnace insulation and heat recovery systems, the Group helps to reduce production and consumption costs linked to customer manufacturing processes. It also supplies components that are central to speed variation systems and thus optimize the yield of industrial facilities.

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

1.3. Non-polluting transportation

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

2. Environmentally-sound practices

Mersen undertakes to:

- 1. Comply with the regulations in force**, via legal and other requirements, for existing products and installations.
- 2. Identify the potential risks** of installations and products, determine whether the preventive measures in place are sufficient to prevent any accidents that could be harmful for persons and for neighboring locations (especially clients, the company's personnel and persons living in the vicinity of the production sites).
- 3. Make regular visits to installations** to detect anomalies.
- 4. Make use of best practices and previous experience** to continuously improve our performance, specifically through the implementation of an ISO 14001-certified environmental management system at certain sites.
- 5. Reduce consumption** of water, energy, raw materials and packaging and encourage the recycling and reuse of waste.
- 6. Encourage the development of eco-design**, in particular through more extensive use of the dedicated EIME application.

In 2017, Mersen continued its review of the implications of France's Grenelle II legislation (law no. 2010-788 of July 12, 2010) on the national commitment to the environment. Audits and verifications performed in connection with this reporting gradually improve the reliability of the data reported.

In addition to the regulatory obligation, staff awareness-raising initiatives and the sharing of best practices should encourage lower consumption and energy saving at all the Group's key sites.

3. Minimizing environmental impact

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

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

3.1. Complying with regulatory provisions

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

Since 2016, environmental correspondents have been responsible for drawing up a biannual summary for the Executive Committee in the Company's principal operating regions (Europe, North America and China), in order to ensure more effective monitoring of regulatory developments around the world.

The European REACH regulation (Registration, Evaluation, Authorization, and Restriction of Chemicals) reminds industrial companies of their responsibility to assess and manage the risks posed by the chemicals they use. To comply with this obligation, in 2010 the Group registered certain products that make up graphite (mainly resins) and, in 2013, those that make up flexible graphite. In 2017, the Group set up an inter-factory working group which has begun to identify chemical substances used in small quantities, in order to prepare for the registration campaign required by REACH and scheduled for 2018.

Mersen actively monitors changes in European regulations and directives that could take effect in the coming years, including the Industrial Emissions Directive (IED), introduced in 2010 with the aim of preventing and reducing air, water and soil pollution from industrial installations by relying on the best available technology (BAT). The Executive Committee receives regular reports on these matters. The Group is also working with the European Carbon and Graphite Association (ECGA) to contribute to the dialogue with European institutions in areas affecting the graphite industry.

In accordance with local legislation, each industrial site belonging to the Group is required to obtain a government license or authorization and to monitor air, water and soil pollution. Each site is responsible for monitoring the relevant legislation and any discrepancies are to be reported by way of exception. They will be addressed by the Group's management line ending with the Executive Committee. In particular, investment decisions to bring equipment into compliance is a priority for the Group. The Group is particularly vigilant regarding its factories where graphite is manufactured or machined, and constant efforts are made to improve graphite dust aspiration systems and the treatment of gaseous effluents before they are released into the atmosphere.

All of the Group's French manufacturing sites (Amiens, Angers, Bazet, Gennevilliers, La Mure, Pagny-sur-Moselle and Saint-Bonnet de Mure) are classified as environmentally friendly installations (Installations Classées pour la Protection de l'Environnement - "ICPE"). Each site complies with the relevant requirements from declaration and registration through to authorization.

3.2. The pursuit of best practices

3.2.1. Circular economy

Mersen is seeking to reduce its environmental footprint by drawing inspiration from the virtuous circular economy model. Its approach is based on several areas at all stages of the product life cycle: eco-design and use of the best techniques available, lower consumption of energy and raw materials, optimized product manufacturing and lifespan, recycling, etc.

Product design

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

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

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

For example, the Electrical Power segment uses an EIME (Évaluation de l'Impact et Management de l'Éco-conception) application to perform environmental impact analyses on the products (water contamination, air pollution, depletion of natural resources, etc.) throughout their life cycle.

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

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

This type of tool also helps to maintain traceability of products from existing lines for comparison purposes when future product lines are developed.

Procurement procedures

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

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

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

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

Energy consumption

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

Waste management

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

- Recovery of waste related to industrial production: Mersen's production activities produce manufacturing residues that may be reused to produce other Group products or resold to third parties to be incorporated in other production processes. This is the case, for example, of graphite powder from graphite block drilling, which can be reused to manufacture graphite tubes or resold for reuse in steel production.
- Recycling of used products: the Group has participated actively for several years now in efforts to recycle fuse waste by reusing large amounts of the metal content of used fuses. Similar initiatives are underway in brush manufacturing, with a recovery program introduced to collect used brushes from customers to recycle the reusable metal content.
- Emissions recovery: certain facilities have set up systems to recover the heat generated by industrial activities. For example, this heat may be reinjected into the heating system or used as an energy source.

3.2.2. Land use and noise pollution

Since the beginning of 2017, the Group's acquisitions have strengthened its environmental audit procedure. It systematically performs an audit on soil pollution to protect itself against any possible prosecution.

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

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

3.2.3. Measures to adapt to climate change

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

4. Environmental indicators

The scope of environmental reporting has been extended compared to that of 2016, and now covers 23 sites (Rochester and Hittisau have been added to the list). Furthermore, business grew globally in 2017 at all of these sites.

4.1. Environmental certifications and training

48% of the manufacturing sites included in the reporting scope are currently ISO 14001-certified, the recognized global standard for environmental management systems.

In 2017, employee training on protecting the environment decreased slightly to 2,663 hours, versus 2,903 in 2016.

ISO 14001 certifications	2017	2016
ISO 14001 certification rate	48%	52%
Training in environmental protection (number of hours)	2,663	2,903

4.2. Environmental provisions

In millions of euros	2017	2016
Amount of significant provisions for environmental risks	1.3	1.2

This amount relates to:

- A minor pollution risk detected at a site in France in 2010 dating back over 20 years (before it joined the Group), caused by the use of certain processes and products that are no longer used.
- Minor pollution or asbestos risks at French sites.

4.3. Water and energy consumption and CO₂ emissions

In 2017, gas consumption increased by 9% (+8% on a like-for-like basis), electricity consumption by 7% (+4% on a like-for-like basis) and water consumption by 2% (0% on a like-for-like basis).

Gas and electricity are two resources used in the manufacturing processes at the sites in the environmental reporting scope for the furnaces and machining tools, used in particular in the Advanced Material segment. This increase corresponds to a growth in production combined with process improvement.

However, water is not a particular issue for the Group as its manufacturing operations do not require large amounts at any of its sites. Some processes, particularly cooling-related, use water in closed systems. Major efforts were made in 2017. Consumption was reduced by 50% in Amiens due to improved monitoring, thus limiting the volume used despite the growth in production in 2017.

In 2017, CO₂ emissions increased by 8% (+7% on a like-for-like basis) which reflects the increase in production.

In general, efforts to cut energy consumption are ongoing. These involve initiatives to increase employee awareness, as well as concrete measures. Almost all of the sites have begun the implementation of LED (Light-Emitting Diode) lighting, which uses less energy.

	Unit	2017	2016 corrected ⁽²⁾	2016
Electricity	MWh	179,035	167,683	166,239
Gas	MWh	161,595		147,569
CO ₂ emissions ⁽¹⁾	Tons	111,244		102,405
Water	m ³	512,702	501,945	497,551

(1) Tons of CO₂ equivalent relate to reported energy consumption as well as GPL and domestic and diesel fuel.

(2) Certain figures from 2016 have been corrected, after measurement errors were recognized.

FOCUS

Reducing water consumption at the Amiens site

The site continued with inspection work and the repair of the water supply network. It also detected a high level of consumption generated by the cooling group for the impregnation process. By replacing this group in particular, the total consumption of water was halved.

4.4. Consumption of raw materials and metals

Consumption of raw materials increased greatly in 2017 as compared to 2016, (even excluding the two new sites from the environmental reporting scope), due to the increased level of production (wood: +12%, coke: +33%, copper: +31%).

The reductions for some raw materials such as cardboard (down 4%) were the result of internal recycling. On a like-for-like basis the increase is 9% for wood and 18% for copper.

	Unit	2017	2016
Timber	Tons	1,861	1,651
Cardboard	Tons	1,116	1,168
Coke	Tons	8,277	6,225
Copper	Tons	2,245	1,715

4.5. Waste

In 2017, the volume of waste generated by the business increased by 6% (+3% on a like-for-like basis), significantly lower than the growth in production.

The proportion of waste recycled increased to 42% in 2017 from 37% the previous year. Most sites are making greater efforts as regards recycling, and some are launching initiatives to find ways of recovering certain types of waste such as graphite and copper powder.

Thermal revalorization is used for almost 2% of all waste.

The introduction of internal recycling is also helping to reduce the consumption of other raw materials, such as at the Gennevilliers site.

	Unit	2017	2016*
Hazardous industrial waste*	Tons	1,564	1,465
Non-hazardous industrial waste	Tons	10,849	10,219
Including recycling:			
Recycled timber	Tons	573	484
Recycled cardboard	Tons	322	306
Recycled ferrous metal	Tons	1,159	598
Recycled artificial graphite	Tons	1,657	1,684
Percentage of waste recycled		42%	37%

* Figures including exceptional waste (construction, decommissioning, etc.) for certain sites that had not implemented procedures for identifying waste generated by exceptional work of this kind.

5. Local initiatives

In line with the Group's environmental approach, the sites continued their efforts to reduce their consumption of water, energy and materials, including raw materials. This year, the presentation of the local initiatives shows the general actions and those specific to greenhouse gases.

The training and awareness-raising of employees in responsible behaviors with regard to the environment are always led locally by the sites and they unanimously receive positive feedback.

The examples referred to below were identified at major facilities over the last two years (listed geographically).

Environmental initiatives

Amiens, France

- Launch of the "Do more with less" program for water and electricity consumption in several sectors
- Educational program on eco-friendly behavior for employees
- Shutdown of cooling equipment to avoid a salmonella risk
- Award received for efforts to eliminate toxic waste
- Repair work on leaks in the water network

Angers, France

- Implementation of systems to reduce domestic water consumption
- Gradual implementation of LED lighting

Gennevilliers, France

- Strengthening of the monitoring plan for gas and liquid emissions
- Modernization plan for SiC operations to reduce the quantity of hydrogen chloride gas emissions
- More frequent verifications and reviews of site equipment

La Mure, France

- Implementation of a washer for production tools to reduce water consumption and used water emissions
- Partial replacement of a cutting oil to increase efficiency
- Gradual implementation of LED lighting

Pagny-sur-Moselle, France

- Gradual implementation of LED lighting
- Investments to replace equipment with higher-yield, more energy-efficient systems (including transformers, compressors and lighting)
- Overhaul of the plant's aspiration system to improve environmental protection

Saint-Bonnet-de-Mure, France

- Gradual implementation of LED lighting
- Gradual improvement of plastic film sorting to improve recycling and reduce ordinary industrial waste (OIW)
- Change of expansion module in the boiler room

Holytown, United Kingdom

- Gradual implementation of LED lighting
- Replacement of furnace cooling pumps with more energy-efficient systems
- Streamlining workloads to reduce working times and electricity consumption
- Maintenance of dust aspiration systems to ensure good air quality
- Reduction of high purification furnace temperatures
- Implementation of a software to manage the vacuum pumps and reduce electricity consumption

Bay City, United States

- Gradual implementation of LED lighting
- Continued research into recycling possibilities for graphite-based goods
- Collection and recycling of nitrile gloves
- Collection and recycling of cloths

Boonton, United States

- Implementation of new furnace-cooling devices to save electricity

Greenville, United States

- Gradual implementation of LED lighting
- Implementation of a weather station to regulate water consumption outside of the buildings
- Continued research into recycling possibilities for graphite-based goods

Rochester, United States

- Conversion of copper deposit equipment using a cyanide-free product and cost reduction of waste destruction
- Gradual implementation of LED lighting

St Mary's, United States

- Transfer of dust collectors outside buildings to improve aspiration
- Improved preventive maintenance of all of the dust collectors
- Improved preventive maintenance of all of the SO₂ scrubbers to reduce emissions
- Install action⁽¹⁾ a new SO₂ scrubber

Juarez, Mexico

- Improved sorting of waste to increase recycling and reduce the amount of hazardous waste
- Implementation of non-hazardous waste incineration to reduce the amount of landfill
- Implementation of ink toner and label recycling
- Implementation of solder paste recycling

Sao Paulo, Brazil

- Implementation of a new recycling system (Renova) to create fuel for cement furnaces

Toronto, Canada

- Elimination of Naphtha-based products for cleaning operations
- Re-use of cardboard from supplier packaging to package products to be sent to clients

Chongqing, China

- Reduced electricity consumption through furnace fan modifications
- Replacement of certain filter elements in the dust aspiration systems
- Reduced water consumption in baking furnaces by modifying the cooling pipes
- Gradual implementation of LED lighting

Songjiang, China

- Gradual implementation of LED lighting
- New washer that uses recycled washing water
- Improved preventive maintenance of electro-intensive equipment

Xianda, China

- Repair work on leaks in the water network
- Construction of a temporary storage room for hazardous waste before evacuation by a certified provider

Yueqing, China

- Separation of rainwater and used water
- Gradual implementation of LED lighting

Greenhouse gas initiatives

Amiens, France

- Writing of a best practices guide to reduce CO₂ emissions

Gennevilliers, France

- Use of HFCs⁽²⁾ instead of CFCs⁽³⁾ for certain air conditioners
- Monitoring of high-tension electric fusegears that use SF₆ gas (electric stability)
- Monitoring of methane gas (CH₄) consumption for certain furnaces

Pagny-sur-Moselle, France

- Installation of a plan to reduce volatile organic compounds (VOCs) for the mixture and the mixing furnaces
- Study on SO₂⁽¹⁾ emissions

Bay City, United States

- Furnace optimization for use at full capacity and reduced CO₂ emissions

Boonton, United States

- Reduced frequency of product transportation from Monterrey (Mexico) to Boonton thanks to optimized logistics

Juarez, Mexico

- Replacement of two heating units with more energy-efficient equipment

Chongqing, China

- Reduced gas consumption in the baking furnaces by modifying their opening and closing, and accelerating the cooling procedure

Songjiang, China

- Replacement of a washer with a combustion engine fueled by an electric machine

Xianda, China

- Improved preventive maintenance of the cooling pipes in the air conditioning systems
- Replacement of certain small pieces of equipment with more energy-efficient facilities

(1) Sulphur dioxide.

(2) Hydrofluorocarbons.

(3) Chlorofluorocarbons.

SOCIETAL RESPONSIBILITY

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

Mersen has been a signatory of the United Nations Global Compact since 2009, reflecting our commitment to make progress on 10 universal principles in order to build societies that are more stable and respectful of human rights and international standards in the areas of labor, the environment and the fight against corruption. Each year Mersen puts up a "Communication on Progress" (COP) on the Global Compact website, which provides an update on the actions taken.

The Group's Ethics Code, which is circulated internally and published on Mersen's web site, restates the collective and individual commitment of the Group and its employees. It was updated in July 2017 and has been translated into more than 10 languages. It particularly addresses the Group's relationships with its employees, customers, suppliers, competitors, shareholders, and surrounding ecosystem.

The audits carried out by the Group's internal audit function provide regular insight into whether these rules are applied properly. Over the last three years, 93% of Group sites were covered by an internal audit (the others not being material in size). In addition, the Group implemented an Ethics & Compliance function in 2017, which ensures the proper application of these rules (see chapter 3 of this document).

The Purchasing Department is improving its selection process for audits and supplier development in compliance with the Ethics Code and the ILO's fundamental principles and rights at work.

At the same time, concrete measures have been implemented to raise team awareness about a number of risks associated with unlawful practices.

A training module focused on fraud-related risks (swindling, counterfeiting, etc.) that was developed for Group managers was also implemented. Nearly 40 managers in various Group functions, including purchasing, sales and logistics were trained worldwide in 2016 and approximately 50 in 2017. Since 2016, a press review in French and English relating to fraud has been sent monthly to Group managers around the world in order to illustrate through specific cases how other companies have been subject to fraud schemes. This awareness effort has also been useful in strengthening the messages linked to the Group's internal control policy.

1. Local initiatives

Mersen selects in priority local plan managers. This is the case for 90% of them, allowing to pursue numbers of initiatives as closely as possible to the field all around the world. Numerous local initiatives were taken by plant managers, who are closest to local concerns in regions around the world. These may take the form of financial contributions or concrete measures, including, for instance:

- Participation in competitiveness clusters.
- The development of partnerships with apprenticeship programs, schools and universities (internships to help people learn about the workplace, student programs, participation in job forums, open days).
- Student bursaries.
- Support for professional training campaigns through workplace induction or work-study programs.
- Sponsorship of humanitarian operations and contributions to charity organizations.

1.1. Local economic action

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

For example, Mersen Boostec, which is located in the Midi-Pyrénées region, belongs to the European ceramics cluster and the Aerospace Valley cluster. It works with the local PRIMES (power mechatronics and energy management innovation platform) platform and is a member of the MEPI (European Center for Innovative Procedures). Mersen Angers belongs to the S2E2 (Smart Electricity Cluster).

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

1.2. Actions promoting employment, training and apprenticeship

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

The Group is particularly involved in developing apprenticeships. A certain number of examples are described in the first part of this chapter.

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

In terms of training, for several years the Group has been involved in WindLab, a regional wind energy jobs training initiative in the Picardy region. This training offers jobseekers an opportunity to obtain a certificate that is essential for working in the booming wind energy sector. The Gennevilliers site in France implemented a personalized training program to suit its production requirements in collaboration with an industrial and technological training center, AFORP, in the form of professional training contracts. This program has led to the hiring of 12 people since 2015. In the United States, the subsidiary in St. Mary's, Pennsylvania, got involved with the local education committee to play a consulting role for training initiatives. In Greenville, Michigan, Mersen works with teachers at a local school to inform them of jobs and about how they can develop the employability of their students.

Strong relationships were formed with engineering schools and universities, such as Newburyport in the United States, where the R&D Department associates with Northeastern University.

1.3. Charitable contributions and volunteerism

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

In France, the Pagny-sur-Moselle site associates with Louis Vincent High School in Metz, to send computer equipment to Burkina Faso to equip the new IT facilities in a school in Yako.

In Spain, the Cirprotec facility contributed to the charitable work of the Fondation Vincente Ferrer (FVF), by encouraging its clients to participate in a financing program for housing for disadvantaged people in the Narpala region of India.

In Germany, Mersen continues to support a recycling organization. This non-profit group organizes the collection and recycling of fuses throughout the country. Profits generated are invested in activities that support training, teaching and research in electrical engineering and in charitable activities.

In India, Mersen continues to support government initiatives to provide training (in embroidery, sewing, hairdressing) for employees' wives, with the added benefit of getting jobs that will provide the families with additional income. The site also plays a consulting role with the children of employees to help them prepare for the future.

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

REPORTING PROGRAM AND METHODOLOGY

Following publication of the Grenelle 2 legislation in France (law no. 2010-788 of July 12, 2010) instituting a nationwide commitment to the environment, Mersen stepped up its reporting program. As part of this drive, the Group consolidated its unique internal reporting framework formally defining and describing the processes and methods to be used to gather and report data in line with Article 225 of this law. A number of indicators⁽¹⁾ have been added to those traditionally monitored, while the scope of reporting has been extended to include a larger number of Group companies.

1. Reporting scope

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

- Corporate and societal reporting; all companies other than companies acquired within the last year.⁽²⁾
- Environmental reporting: all companies whose on-site industrial production generated sales in excess of €15 million during the previous year N-1, excluding companies acquired within the last year. Every company that was included in the scope of reporting and whose production exceeded the threshold of €15 million remains within the scope of the environmental reporting, provided that its sales do not fall below €7.5 million. These thresholds thus restrict environmental reporting to companies' representative of the Group's business activities. In 2017, the Hittisau (Austria) and Rochester (United States) sites were included in the scope. In 2017, the companies included in the scope accounted for over 77% of total sales.

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

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

(1) A table summarizing all the indicators is shown at the end of the chapter.

(2) Only the payroll figure includes all companies in the financial consolidation scope.

2. Organization of the reporting and methodology

2.1. Indicator sheets

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

2.2. Reporting year

The data reported cover the period from January 1 to December 31, 2017.

2.3. Reporting process participants and their responsibilities

There are three levels of responsibility:

2.3.1. Corporate responsibility

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

- Defines the framework's indicators.
- Deploys the framework and its indicators to the companies and ensures that they are clearly understood by providing adequate information and training.
- Coordinates data collection.
- Ensures that the reporting schedule is adhered to.
- Checks the completeness and consistency of the data collected.
- Consolidates the data.
- Uses and analyzes the data.

2.3.2. Group companies' responsibility

Data reporting is the responsibility of the general manager of each company within the scope. Their role is to:

- Organize data collection at company level by defining responsibilities and ensuring that the framework and its indicators are clearly understood.
- Safeguard data traceability.
- Ensure that the reporting schedule is adhered to.
- Control the exhaustiveness and consistency of the data reported and implement the requisite checks and verifications by persons not involved in the collection process.

2.3.3. External organization

The audit and verification were performed in 2017 and 2018, based on 2017 data, by an independent third-party organization, in accordance with the implementing decree of April 24, 2012.

3. Information regarding the collection of social data

Social information is collected through an HR information system (HRIS) used in all the Group's consolidated companies, with the exception of a few entities that recently entered the scope of consolidation and are being incorporated gradually, based on an implementation schedule defined by the Group's senior management. Only the workforce indicator is available for the latter companies (scope not included in the human resources information system), which represented 2% of the workforce in 2017.

Once collected and prior to final consolidation, the data submitted by the subsidiaries is verified for consistency on various criteria, especially absenteeism. Any value or change in value considered non-conform is verified with the relevant site, which will be asked to correct or explain the data. If the value cannot be corrected or if the explanation provided is deemed inconclusive, the scope concerned by that value will then be disregarded from the scope of consolidation.

In addition, with a view to the ongoing improvement of the quality of data transmitted each month by the subsidiaries and to encouraging local contributors to improve their knowledge of the Group's HR standards, internal audits on HR data rolled out in 2017 has become a recurring program under which annual internal audits will be carried out at various Group sites worldwide starting in 2018.

4. Information regarding certain indicators and specific definitions

Absenteeism

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

Work-related Accident with lost time

An accident resulting in time off work. An accident affecting several people is recognized as a single accident. Only the causative event is taken into account. The accidents taken into account are those considered to be directly work-related following investigation by the health and safety managers and for which the Group may be able to take preventive action. Certain events, such as non-work related conditions or commuting accidents, are excluded, even if the relevant authorities have declared them to be workplace accidents. TF1, TF2 and TG indicators only include Mersen employees.

Agreement

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

Biodiversity

The Group has not identified any specific concerns linked to the preservation of biodiversity and its operations. Accordingly, no specific measures are taken to monitor this indicator.

Workforce and distribution by gender, age and geographic area

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

Employees suffering from an occupational illness (operations in France, ie 20.4% of the workforce)

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

- Illnesses designated in a table of occupational illnesses, but for which one or more conditions have not been met (with regard to the time limit on claims, the length of exposure or the exhaustive list of jobs), when it has been established that the victim's regular work is the direct cause of the disease.

- Illnesses not designated in a table of occupational illnesses when it has been established that they are caused, mainly and directly, by the victim's regular work and that they lead to permanent disability at a rate at least equal to 25% or are the cause of a victim's death.

Hiring

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

Training

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

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

Trainings related to the requirements for the position like information points, prescribed training, internship of apprenticeship are not included.

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

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

Environmental protection training

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

Food wastage

The Group has not identified any material issues relating to food wastage from its business. We have no indicator in place to monitor this issue, that type of service being sub-contracted most of the time.

Greenhouse gases

In the near future, the Group plans to analyze the sources of scope 3 emissions contributing to scope 1 and 2 emissions data, for which the Group has leverage.

Impact of collective agreements

The Group is currently considering how to implement the recent regulations concerning the impact of collective agreements on economic performance and employee working conditions.

Managers

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

Local nationality

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

Corporate governance bodies

The corporate governance bodies are the Executive Committee and the Board of Directors.

Organization of working time and social dialogue

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

Policy

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

Environmental, health and safety (EHS) manager

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

Disabled employees

As the Group has a presence in a large number of countries, it is subject to the various local laws. Accordingly, this information is provided only for France (ie 20.4% of the workforce). It extends to employees whose disability has been recognized by an organization or institution and under the conditions set by current French regulations.

Consumer safety

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

Senior employees

Employees from the age of 55.

OVERVIEW OF INDICATORS

To facilitate the monitoring of the social, environmental and societal data in Mersen's reporting framework, the following table summarizes the list of indicators, their scope, their nature (i.e.

qualitative or quantitative) and a reference to the page on which the indicator is presented. It also presents the relationship with the specific Global Reporting Initiative indicators (version 3.1).

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative and quantitative information	Scope/Comments	GRI 3.1	Page
SCOPE				
Scope	-	Reporting program and methodology	3.5 to 3.11	123
SOCIAL INFORMATION				
EMPLOYMENT				
Total workforce broken down by gender	Quantitative	Restricted	LA1	107
Total workforce broken down by age	Quantitative	Restricted		107
Total workforce broken down by geographical area	Quantitative	Restricted	LA1	107
Headcount broken down by category	Quantitative	Restricted		107
Number of new hires	Quantitative	Restricted	LA2	107
Number of dismissals	Quantitative	Restricted	LA2	107
Compensation policy and their development	Qualitative	Standard		106
ORGANIZATION OF WORK				
Policy on the organization of working time	Qualitative	Restricted/France		109
Percentage of the workforce working part-time	Quantitative	Restricted/France ⁽¹⁾		109
Absenteeism rate	Quantitative	Restricted (93% of the Group's workforce)	LA7	99
LABOR RELATIONS				
Structure of the labor dialog	Qualitative	Restricted/Europe	LA4	100
Collective bargaining agreements	Qualitative	Restricted/France	LA5	99, 100, 109, 124
HEALTH & SAFETY				
Safety policy	Qualitative	Standard	LA6 & LA8	110
List of occupational health and safety agreements	Qualitative	Restricted/France ⁽¹⁾	LA9	99
Number of safety visits	Quantitative	Standard		111
Frequency rate of occupational accidents with lost time (TF1)	Quantitative	Standard	LA7	112
Frequency rate of occupational accidents with and without lost time (TF2)	Quantitative	Standard	LA7	112
Severity rate (TFG) of occupational accidents	Quantitative	Standard	LA7	112
Number of occupational accidents with lost time concerning temporary staffing agency employees*	Quantitative	Restricted/France ⁽¹⁾	LA7	112
Number of employees suffering from an occupational illness	Quantitative	Restricted/France ⁽¹⁾	LA7	113

(1) For the next fiscal years, Mersen will endeavor to gradually extend this scope to certain other Group entities if the indicator is relevant in the country concerned and local legislation so permits.

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

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative and quantitative information	Scope/Comments	GRI 3.1	Page
TRAINING POLICY				
Training policies implemented	Qualitative	Standard	LA11	102
Number of hours of training	Quantitative	Standard	LA10	103
DIVERSITY AND EQUAL OPPORTUNITY				
Diversity policy	Qualitative	Standard	LA13 & EC7	99
Percentage of women managers	Quantitative	Standard	LA13	100
Percentage of women on corporate governance bodies	Quantitative	Standard	LA13	100
Percentage of disabled employees in the workforce	Quantitative	Restricted/France	LA13	109
Percentage of senior employees in the workforce	Quantitative	Standard	LA13	107
Percentage of site managers of local nationality	Quantitative	Standard	EC7	99
PROMOTION OF AND COMPLIANCE WITH ILO CONVENTIONS (human rights)				
Conformity with the provisions of the ILO's key conventions	Qualitative	Standard	HR	121
ENVIRONMENTAL INFORMATION				
GENERAL ENVIRONMENTAL POLICY				
Organization of the company to take environmental concerns into account	Qualitative	Standard/Group policy	Managerial approach	114
ISO 14001 certification rate	Quantitative	Standard		117
Percentage of companies with a dedicated EHS manager	Quantitative	Standard		110
Number of hours of environmental protection training	Quantitative	Restricted (64% of the Group's workforce)		117
Resources dedicated to environmental risk prevention	Qualitative	Standard	EN30	115
Amount of significant provisions for environmental risks	Quantitative	Standard	EN28 & EC2	117
Circular economy	Qualitative	Standard		115
POLLUTION AND WASTE MANAGEMENT				
Recycled ferrous metal	Quantitative	Standard		118
Recycled artificial graphite	Quantitative	Standard		118
Non-hazardous industrial waste	Quantitative	Standard	EN22	118
Hazardous industrial waste	Quantitative	Standard	EN22	118
Measures to mitigate noise pollution and all other types of pollution specific to an activity	Qualitative	Standard		116

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

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative and quantitative information	Scope/Comments	GRI 3.1	Page
SUSTAINABLE USE OF RESOURCES				
Volume of water consumed	Quantitative	Standard	EN8	117
Electricity consumption	Quantitative	Standard	EN3 & 4	117
Gas consumption	Quantitative	Standard	EN3 & 4	117
Wood consumption	Quantitative	Standard	EN1	118
Cardboard consumption	Quantitative	Standard	EN1	118
Copper consumption	Quantitative	Standard	EN1	118
Coke consumption	Quantitative	Standard	EN1	118
Recycled timber	Quantitative	Standard	EN2	118
Measures to improve energy efficiency and use of renewable energy sources	Qualitative	Standard	EN6	116
Land use	Qualitative	Standard		118
CLIMATE CHANGE				
CO ₂ emissions	Quantitative	Standard	EN16	117
Greenhouse gases	Qualitative	Standard		117
Measures to adapt to climate change	Qualitative	Standard		116
BIODIVERSITY PROTECTION				
Measures taken to preserve or restore biodiversity	-	Standard	EN11 to 15, EN25	124
SOCIAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT				
REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE ACTIVITIES				
Local and regional impact of activities on employment and development	Qualitative	Standard	EC8 & EC9	121
RELATIONS WITH STAKEHOLDERS				
Dialogue with stakeholders	Qualitative	Standard	4.14 to 4.17	121
Support, partnership and sponsorship initiatives	Qualitative	Standard	EC1 & 4.11 to 4.13	121
OUTSOURCING AND SUPPLIERS				
Inclusion of social and environmental concerns in purchasing policy	Qualitative	Standard /Group policy	EC6 & HR2	121
FAIR OPERATING PRACTICES				
Measures implemented to prevent corruption	Qualitative	Standard/Group policy	SO2 to 4, SO7 & SO8	121
Percentage of companies covered by an internal audit in the past 3 years	Quantitative	Standard		121
Managers who have attended the anti-fraud training	Quantitative	Standard	SO3	121
Measures to protect consumer health and safety	Qualitative	Standard	PR1 & PR2	121
Actions taken in support of human rights	Qualitative	Compliance brought about by the implementation of the ethics charter	HR	121
Promotion of and conformity with the provisions of the ILO's key conventions	Qualitative	Compliance brought about by the implementation of the ethics charter	HR	121

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

REPORT BY INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT FOR THE YEAR ENDED 31TH OF DECEMBER 2017

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

To the Shareholders,

In our capacity as independent third party and certified by COFRAC under number 3-1049⁽¹⁾, and member of the KPMG International network of the company's Statutory Auditor, we hereby report to you on the consolidated human resources, environmental and social information for the year ended the 31th of December 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code.

Company's responsibility

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

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics of our profession and the requirements of article L.822-11-3 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 and applicable legal and regulatory requirements.

Independent Third Party'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);

However, it is not our responsibility to pronounce on the compliance with the relevant legal provisions applicable if necessary, in particular those envisaged by article L. 225-102-4 of the French Commercial Code (Duty of care) and by the law n° 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved seven persons and was conducted between July 2017 and March 2018 during a five weeks 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 with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

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

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

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

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

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

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

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in chapter 4 of the registration document including 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 twelve interviews with persons responsible for preparing the CSR Information and, where appropriate,

responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

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

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

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us⁽²⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 29% of headcount considered as material data of social issues and between 13% and 26% of environmental data considered as material data⁽³⁾ of environmental issues.

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

(1) Human resources quantitative information: Active headcount as at December 31, 2016 broken down by gender ; Number of recruitments ; Number of dismissals ; Percentage of female managers ; Absenteeism rate ; Frequency rate of work accidents with lost days ; Severity rate of work accidents ; Number of training hours.

Environmental quantitative information: Water consumption ; Electricity consumption ; Gas consumption ; Copper consumption ; Amount of hazardous and non-hazardous industrial waste ; Part of recycled waste ; Part of waste thermally recovered ; Emissions of CO₂ related to energy consumptions.

Qualitative information: Remuneration and their evolution; Occupational health and safety conditions; The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues ; Amount of provisions and guarantees for environmental risks ; Action implemented against corruption.

(2) Hittisau (Austria), Amiens (France), Juarez (Mexico), Yueqing (China), Shanghai Songjiang (China), Bay City (United States of America).

(3) Electricity consumption ; Copper consumption ; Amount of hazardous and non-hazardous industrial waste ; Part of recycled waste ; Part of waste thermally recovered ; Emissions of CO₂ related to energy consumptions.

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, March, 6th 2018

KPMG S.A.

Philippe Arnaud

Partner

Sustainability Services

Philippe Cherqui

Partner



CODE OF ETHICS

JULY 2017





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INTRODUCTION

We owe our development to a great extent to the trust and confidence that Mersen inspires in all its stakeholders -mainly our employees, customers, suppliers, banks and shareholders.

The code of ethics restates our commitment as a group and as individuals to instilling and building on this confidence. It is crucial for this code of ethics to be shared as widely as possible, so that everybody embraces our fundamental values. These values are critical to our development as a group.

The code of ethics applies to every Mersen employee, irrespective of his/her position, as well as to the members of the Board of Directors. I am counting on every one of you to abide by these rules and to bring them to the attention of our commercial partners, particularly our suppliers, so that they also undertake to implement them.

Luc Themelin

Chief Executive Officer

And the Executive Committee

Thomas Baumgartner

Chief Financial Officer

Gilles Boisseau

Group Vice President, Electrical Power

Christophe Bommier

Group Vice President,
Technology, Research, Innovation
and Business Support

Thomas Farkas

Group Vice President, Strategy and M&A

Jean-Philippe Fournier

Group Vice President,
Operational Excellence

Eric Guajioty

Group Vice President,
Advanced Materials

Estelle Legrand

Group Vice President, Human Resources

Didier Muller

Group Vice President,
Asia & Latin America



CODE OF ETHICS

Who is covered by this code of ethics?

The code of ethics applies to all Mersen employees, officers and directors and those of its subsidiaries around the world.

The code of ethics is available in 10 languages (Arabic, Chinese, English, French, German, Korean, Italian, Japanese, Portuguese, Spanish) so that as many employees as possible can read it in their mother tongue.

The French version should be regarded as the authority in France, and the English version elsewhere.

The code of ethics is available on the Mersen corporate website and on the intranet.

Any breach of the code of ethics will be duly investigated and could lead to disciplinary proceedings in accordance with the laws and regulations in place within the company and country concerned.

Online training on appropriate behavior

As well as this document, Mersen offers its employees an e-learning program devoted to ethics which includes the Group's expectations and standards on a certain number of issues.

Compliance with the law and human rights

We attach great importance to abiding by the international, national and local laws and regulations in force in the countries in which we do business. Special attention is paid to labor, competition, anti-corruption and money-laundering legislation.

In the event of a conflict between legislation or local customs and the code of ethics, the more stringent rules shall prevail.

Furthermore, Mersen signed the United Nations Global Compact in 2009. Its principles are described at the end of this document.

We are present in many countries and have a zero tolerance policy on child labor and forced labor.

RELATIONS WITHIN THE GROUP



Our corporate project relies first and foremost on the men and women who work for Mersen. They are the ones who possess expertise and develop innovative solutions. Their knowledge and their savoir-faire represent our most precious asset – our human capital.

Driven by this core belief, we actively seek to develop our teams while relentlessly striving to guarantee their safety and security and their personal growth. We expect all employees to maintain a responsible attitude, regardless of their level within the organization.

To this end, the Group and its employees, officers and directors are committed to the following principles:

Health & Safety

- The Group undertakes to implement the necessary measures to protect and keep individuals safe. The employees, officers and directors undertake to abide by all of the Group's health and safety guidelines and procedures.
- The Group undertakes to ensure that its health and safety policy is well known and understood by everyone and is applied irrespective of commercial, business and financial obligations. The employees, officers and directors undertake to immediately alert their line manager or the Group's health and safety officer of any potential health and safety problems of which they become aware.

Harassment

- The Group undertakes to protect employees from all forms of harassment, intimidation and violence – be they physical, psychological or sexual in nature. The employees, officers and directors undertake to support and promote the Group's commitment to a harassment-free workplace and to respect others.

Equal opportunities

- The Group undertakes to not discriminate against anyone on any grounds whatsoever and to provide equal opportunities for all in terms of recruitment, pay, assignments and promotions according to individual skills and aptitude. The employees, officers and directors undertake to support and promote the Group's commitment to diversity and equal opportunities and to refrain from engaging in any form of discriminatory behavior.

Mutual respect

- The Group undertakes to safeguard the privacy of all employees and in particular to keep all personal information confidential. The employees, officers and directors undertake to support and promote the Group's commitment to privacy and to respect the privacy of others themselves.



RELATIONS WITH OUR CUSTOMERS, OUR SUPPLIERS AND OUR COMPETITORS

Our business activities are built around two areas of expertise in which we hold leadership positions or are the joint world leader. By drawing on these areas of expertise, we design innovative solutions geared to the needs of our customers in order to optimize their industrial performance.

Mersen group is thus committed to instill confidence in its customers.

To this end, the Group and its employees, officers and directors undertake:

Competition

- to comply with all aspects of competition law and in particular not to share information about pricing or business proposals with our competitors.

Active corruption

- not to authorize any direct or indirect payment of money to third parties or any other benefit in kind (such as services, holidays, entertainment or goods) for the purpose of securing or maintaining a business transaction. The employees, officers and directors shall ensure that our commercial partners and intermediaries are informed of these standards and undertake to uphold them.

Passive corruption

- not to directly or indirectly solicit or accept any money or benefits (such as a gift or invitation), except where such gifts or invitations are of nominal value. In any event, any acceptance of invitations or gifts (excluding business lunches) must be authorized by management.

Data confidentiality

- not to disclose any information that may cause harm to a stakeholder.

Conflicts of interest

- not to enter into any transactions with businesses in which the employees, officers or directors or their families or friends have interests and not to conceal information about any conflict of interest. The employees, officers and directors shall refrain from offering or accepting any gifts or invitations that are inconsistent with applicable practices and laws. They shall also refrain from investing or acquiring interests in businesses that are Mersen customers, competitors or suppliers without the prior written consent of management or the Chief Executive Officer.

Choice of suppliers

- not to continue working with a supplier that repeatedly fails to abide by this code of ethics, particularly the ten principles of the UN Global Compact and/or the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. If a supplier's compliance is in doubt, an audit shall be carried out. An internal or external auditor shall be sent to the supplier in order to review its social, environmental and labor practices.

RELATIONS WITH OUR SHAREHOLDERS



Mersen's share capital is held by institutional and individual investors. Information released externally by the Group may be of great value for these investors.

Every employee must take individual responsibility for ensuring the integrity and fair presentation of this information.

To this end, the Group and its employees, officers and directors undertake:

Fair presentation

- to deliver to the general public accurate, precise and fairly presented information and to make sure that shareholders have equal access to information.

Insider trading

- to inform employees on a regular basis and particularly those with "insider" status about the ban on trading in Mersen shares until inside information about the Group to which they are privy has been released to the public, in accordance with the European Union's Market Abuse Regulation. To this end, insiders shall be informed by letter of the sanctions applicable to insider trading and unlawful disclosure of inside information.

Any person privy to inside information, regardless of its nature, on a permanent or occasional basis is deemed to be an insider.

Inside information is information that has not been made public and that a reasonable investor would be likely to use when making investment decisions.



ASSET PROTECTION

The purpose of Mersen's assets is to enable each of our employees to work towards our common objectives. The employees, officers and directors have a duty to help preserve and protect the asset portfolio against any damage, theft or misappropriation.

To this end, the Group and its employees, officers and directors undertake to comply with the following principles:

Confidentiality

- All intellectual property, expertise or information about projects, production, labor related or commercial data must be kept confidential insofar as its disclosure could be prejudicial to the Group's interests.
- Any information and/or professional documents relating to day-to-day operations or internal Group projects that have not been authorized for publication or disclosed by management are intended for internal use only and must not be shared outside the Group.

Use of corporate assets

- Mersen's assets must be used in accordance with the Group's safety guidelines and policies and must not be used for any unlawful purposes or for any purpose bearing no relation to its business activities.

Group's reputation

- The employees, officers and directors undertake to act with the Group's interests in mind and to ensure that there is no confusion between their own opinions and interests and those of Mersen.

UNDERTAKINGS AS A RESPONSIBLE BUSINESS



We strive to act as a good corporate citizen, factoring social, environmental and economic concerns into our activities and our dealings with third parties.

All our employees undertake to act accordingly, while heeding the interests of all stakeholders.

To this end, the Group and its employees, officers and directors undertake:

Accuracy of financial statements

- to record all of the assets, liabilities, expenses and other transactions of Group companies on their books and in their financial statements and to manage them in accordance with the applicable accounting legislation. This financial information must accurately reflect the accounts and assets of the Group companies and no secret fund or unrecorded asset may be created or held.

Environment

- to abide by the applicable environmental laws and regulations everywhere we do business.

Sustainable development

- to minimize the environmental impact of our activities. To this end, we undertake to identify best practices, particularly through sustainable use of resources, energy consumption and waste management.

Donation and patronage policy

- to play a part in the social and cultural life of regions where we do business, through financial and/or material contributions to various organizations that aim to promote such activities, and to provide assistance to organizations supporting projects in keeping with our values and related to our corporate purpose and objectives – within the limitations laid down in our “Donation and patronage” charter.



HUMAN RIGHTS

- **Principle 1** : Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2** : make sure that they are not complicit in human rights abuses.

LABOUR

- **Principle 3** : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4** : the elimination of all forms of forced and compulsory labour;
- **Principle 5** : the effective abolition of child labour; and
- **Principle 6** : the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- **Principle 7** : Businesses should support a precautionary approach to environmental challenges;
- **Principle 8** : undertake initiatives to promote greater environmental responsibility; and
- **Principle 9** : encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- **Principle 10** : Businesses should work against corruption in all its forms, including extortion and bribery.



WHO SHOULD I CONTACT ABOUT THE CODE?

If you have any questions about how to apply the principles laid down in this code of ethics, you can contact your line manager or your Human Resources department.

Should you have concerns about certain practices, you should contact your operational or dotted-line manager, your facility's management team or the Human Resources department (at facility, region, business or Group level) as soon as possible. A special procedure has been established in some countries, namely the United States and Canada. You can find it on the Mersen intranet, under the "Employee Relations" heading in the Human Resources section. You can also contact an Executive Committee member who has signed the code of ethics or the Group Compliance Officer. Additional resources, such as employee representatives, are available in some countries.

Any person outside of the Group who has concerns about certain Mersen practices can also contact our Group VP, Human Resources in their capacity as Ethics Officer or the Group Compliance Officer.

Any person reporting concerns in good faith shall not be subject to reprisals. We undertake to ensure that the action of any such persons is kept confidential and that all inappropriate behavior is reviewed as quickly as possible.



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