



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.

April 2019

COMMUNICATION ON PROGRESS

Mersen is committed to the ten principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-corruption.

The Group has always placed its human capital at the heart of its business, demonstrating a clear desire for each employee make the most of their expertise and reach their full potential and for each country where the Group is active to grow its business while still respecting the local culture by drawing on the strength of the Group's fundamentals in human resources, health and safety and ethics.

Mersen is also committed to reducing its environmental footprint. The Group demonstrates its commitment through its active involvement in leading sustainable markets, by inculcating best practice across its facilities, and by working hard to reduce waste by enhancing the performance, quality and efficiency of its products.

Mersen is always raising the bar by setting quantifiable goals that are often more ambitious than legal requirements, but nevertheless achievable.

In 2017 Mersen set up an Ethics & Compliance function that reports to General Management. This function is tasked with identifying and assessing any risks of noncompliance with laws or regulations, implementing appropriate procedures and processes to minimize such risks, informing and raising the awareness of Group employees of the main risks; and managing the "ethics hotline".

Extended scope: The scope of the Ethics & Compliance function covers the prevention of corruption (relations with third parties, vendor commissions outside Mersen, gifts, donations and patronage), export and trade restrictions (export restrictions, trade sanctions and embargoes), potential conflicts of interest, protection of sensitive data, and the fostering integrity and an ethical culture. The Ethics & Compliance function also works with the Human Resources Department to prevent illicit work and harassment, protect whistle blowers and ensure compliance with labor laws.

It is supported with a Code of Ethics which is circulated internally and published on Mersen's web site, which restates the collective and individual commitment of the Group and its employees.

This Code was updated in July 2017 and has been translated into more than 10 languages.

The audits carried out by the Group's internal audit function provide regular insight into whether these rules are applied properly.

The table of correspondence below helps to follow the Group's engagement and initiatives related to 10 principles of the UN Global Compact.

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

PRINCIPLES OF UN GLOBAL COMPACT	2018 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 Code of Ethics, particularly recalls: "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. We are present in many countries and have a zero tolerance policy on child labor and forced labor."</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> 2018 Reference document: - Social responsibility and sustainable development - Business Ethics Code of Ethics (July 2017 update)</p>	<p>P100-130 P121 P4</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>Labor relations is a core component of Mersen’s human resources policy. It forms part of a process of continually seeking a balance between economic and social imperatives and is adapted to all levels of the Group and in all its countries of operations – giving the utmost respect not only to Mersen’s values and ambitions, but also to the local cultures and history of each site.</p> <p>The Ethics Code describes the principles that govern relations within the Group, with our customers, suppliers and competitors, our shareholders. It also recalls: “ We are present in many countries and have a zero tolerance policy on child labor and forced labor.”</p> <p>Present in 35 countries and on four continents, for many years Mersen has made the diversity of its teams’ origins, training, cultures and ways of thinking one of its quintessential strengths. This very diversity is what drives collaboration between our teams and sparks our creativity so that we can better understand the needs of our customers around the world.</p> <p>To preserve this diversity, our company culture inspires mutual respect and recognition of the intrinsic value of each individual, whatever their origin, and combats all forms of discrimination. Human Resources strives to ensure equal opportunities at every level, while maintaining and strengthening the multi-disciplinary capabilities of teams. As a member of the United Nations Global Compact, Mersen is committed to eliminating all forms of discrimination in employment and occupation around the world. We also defend this cause within various organizations and regularly discuss best practices with other companies.</p> <p>Success and close relationships through local management: While Mersen enjoys a strong company culture, it needs adapt to local cultures to be truly effective. This is why virtually all the Group’s sites are run by local managers. This balance of respecting our principles and values and recognizing local realities is what lends substance to the Group’s human dimension.</p> <p>Ref.: 2018 Reference document: - Diversity: collaboration based on the respect of local cultures Code of Ethics (July 2017 update)</p>	<p>P113 P4</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>Mersen operates in highly innovative sectors, including renewable energies, energy efficiency and clean mass transit, and as such, invests in finding ways to help the green industry bloom.</p> <p>Our solutions contribute to the progress made in photovoltaic solar energy, and to the manufacture of wind turbine generators. We also work with hydro generator manufacturer and help to improve the performance and reliability of the equipment and infrastructure of new forms of urban mass transit and electric vehicles. Mersen intends to maintain its business on these high potential markets to generate organic growth.</p> <p>R&D and innovation are focused on supporting the green industry and in fine the fight against global warming.</p> <p>Approximately 50% of Mersen’s sales in 2018 were associated with sustainable development.</p> <p>In addition to the performance of its products and their contribution in terms of sustainable development, Mersen endeavors to limit the ecological footprint of its products at every stage of their life cycle – from reducing raw materials consumption to reducing waste production. It is an approach that draws inspiration from the virtuous circular economy model.</p> <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>Mersen is committed to reducing the environmental impact of its activities. We have a proactive environmental policy that allows us to achieve maximum control over the impact of all our industrial operations including, regulatory compliance, monitoring our facilities, using resources responsibly, managing emissions and pollution.</p>	<p>P104 - 105</p> <p>P105</p> <p>P106 - 107</p>
	<p><u>Ref.:</u> 2018 Reference Document:</p> <ul style="list-style-type: none"> - Developing innovative and sustainable products - Developing products with a reduced environmental footprint, from design to recycling - Promoting environmentally-sound practices at all facilities 	

ANTI-CORRUPTION		
<p>- Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>In a bid to combat corruption at all levels and in all countries where the Group operates, since 2017 Mersen has been running a number of initiatives, particularly as part of the application of the French Sapin II Act: transparency, anti-corruption and the modernization of the economy.</p> <p>In addition to mapping corruption risks and establishing an ethics alert system, Mersen implemented specific training to complement the existing general Code of Ethics training. In 2018, 500 managers potentially exposed to the risk of corruption attended this training module.</p> <p>In addition, all third-party sales agent contracts are being amended to include corruption prevention measures.</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.</p> <p><u>Ref.:</u> 2018 Reference Document: - Business Ethics Code of Ethics (July 2017 update)</p>	<p>P121 – 122 P6</p>

RELATED DOCUMENTS

- Extract of Mersen’s 2018 Reference document: Chapter 4: Corporate Social responsibility and sustainable development
- Group Code of Ethics (July 2017 update)

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RESPONSIBLE GROWTH AND DEVELOPMENT

1. An ambitious CSR approach

As a major player operating around the world in multiple industrial sectors, Mersen has chosen to conduct its business according to an ambitious responsible development approach. Cognizant that continually improving its **social and environmental footprint requires permanent measurement, assessment and analysis**, the Group has established a cross-business CSR policy for all its employees and adapted to all levels of the organization.

The Group's CSR culture is rooted in its values and is the result of decades of Mersen's commitment to ethical and responsible development – at a time when questions of CSR were neither regulated nor prized by companies. The Group has always placed its human capital at the heart of its business, demonstrating a clear desire **for each employee make the most of their expertise and reach their full potential** and for each country where the Group is active to grow its business while still respecting the local culture by drawing on the strength of the Group's fundamentals in human resources, health and safety and ethics.

Mersen is also committed to **reducing its environmental footprint**. It has for almost 15 years run a number of initiatives to

this end, despite the relatively low impact of its business compared to other industries. The Group demonstrates its commitment through its **active involvement in leading sustainable markets** such as wind and solar energy, clean mass transit, by inculcating **best practice across its facilities**, and by working hard to reduce waste by enhancing the **performance, quality and efficiency of its products**.

Mersen is always raising the bar by **setting quantifiable goals that are often more ambitious than legal requirements, but nevertheless achievable**. The Group has made CSR part of its identity by always seeking to improve its performance across all aspects of CSR and engaging employees and business stakeholders alike. Although the Executive Committee is the driving force behind CSR initiatives, individual sites and local teams are given the latitude to implement policies as effectively, collectively and pertinently as possible. Our collaborative CSR approach forms the very foundation of an openly responsible and sustainable business.

2. The fundamentals of Mersen's CSR policy

Building on Mersen's fundamentals, and in particular its human capital, to develop and showcase its approach as a **socially responsible Group**.

Strengthening best practices already rolled out across the sites in order to continue to **reduce our environmental footprint**.

Expanding its activity in **sustainable development** markets and focusing development on **highperformance, innovative products**.

Transmit a shared **CSR culture** throughout the Group and give sites and teams the autonomy they need to implement this policy and effectively and appropriately adapt it to the field.

3. Organization

The Board of Directors is dedicated to promoting the company's long-term value creation by including social and environmental factors in its activities. It regularly reviews its exposure to social and environmental risks as part of Group strategy and, more specifically, ensures that measures to prevent and detect corruption and influence peddling are implemented.

In 2018, the Group decided to formalize its CSR organization. Thus, the General Management is proposing the Group CSR strategy for implementation with the assistance of the following specialized committees:

- **The EHS Committee**, comprising the Chief Executive Officer, the Human Resources Department, the Operational Excellence Department and the heads of both the Group's business segments. The Committee oversees all environmental and,

health and safety actions and indicators at Mersen, and meets on a monthly basis.

- **The Compliance Committee**, comprising the Chief Executive Officer, the Human Resources Department, the Compliance Officer and the Finance Department, meets on a monthly basis.

A CSR Committee, comprising the Chief Executive Officer, the Human Resources Department, the Finance Department, the Operational Excellence Department, the Compliance Officer and the Financial Communications Department, was officially formed in early 2019 and will meet at least quarterly.

Lastly, numerous cross-business committees and themes were established to monitor the progress of specific matters including diversity, Market Abuse Regulation (MAR) and Open Experts.

METHODOLOGY

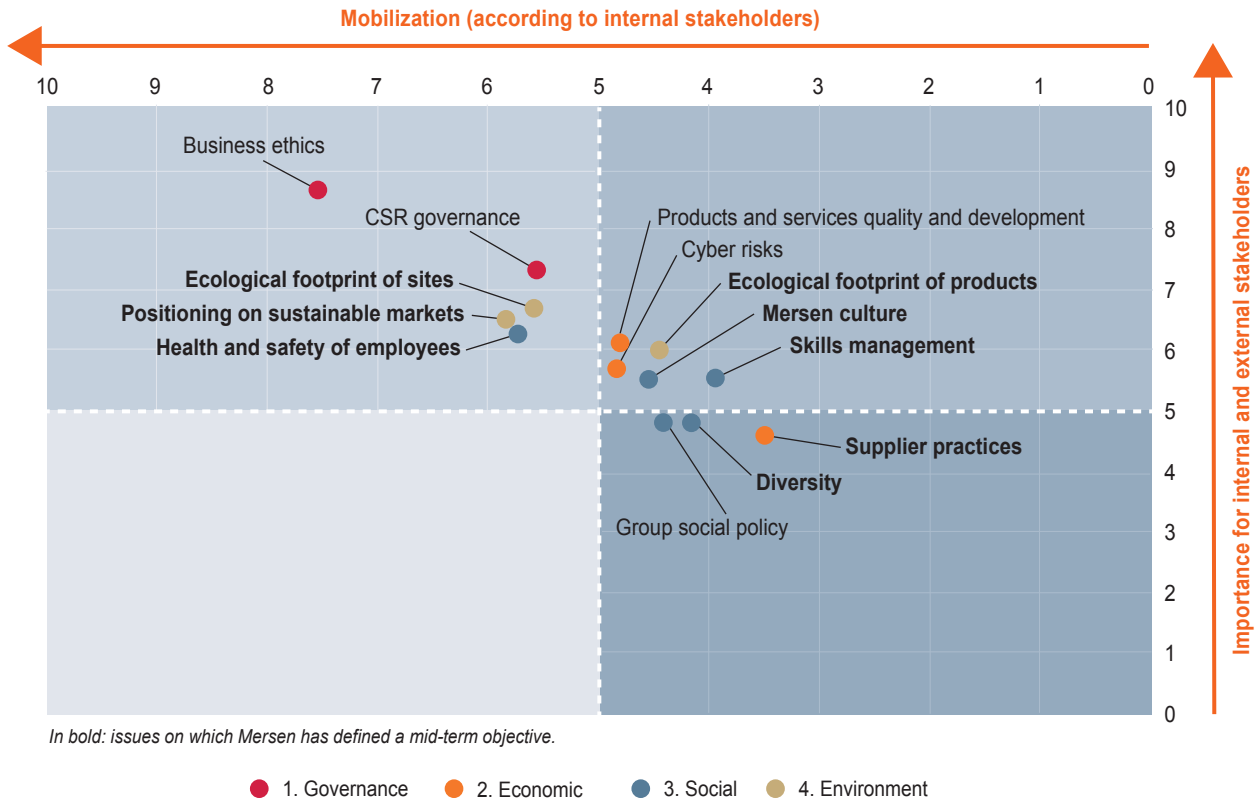
1. Materiality matrix: methodology

In 2018, Mersen developed its first corporate and social responsibility materiality matrix to **identify the main extra-financial risks and opportunities** to which the Group may be exposed in light of its businesses, the development of its markets and its organization. The matrix complements the risk map monitored by the Group (see the "Risk Management" section of the Management Report) and was performed with the assistance of an outside consulting firm.

The matrix is based on a series of interviews with the Group's main governance bodies. The main extra-financial risks and opportunities identified were then mapped in the form of a materiality matrix based on a questionnaire that was sent to some one hundred people representing the various internal and external stakeholders around the world.

Mersen collected just over 50% of these questionnaires, which mostly came from internal stakeholders (members of the Board of Directors and the Executive Committee, site managers, EHS managers and site HR managers).

2. Materiality matrix: 2018 results



Issues identified	Description	pages
Group social responsibility policy	Develop a social responsibility policy in line with international best practices and, if possible, above and beyond local requirements.	114
Mersen's culture	Build on and promote Mersen Group culture which draws on local leadership, trust, empowerment and collaboration.	112
Skills management	Have a forward-looking vision regarding jobs and skills, attract and manage talent, ensure the digital shift and support continuing professional development.	118
Diversity	Promote hiring women in all Group business lines, ensure equal treatment in the hiring process and professional development.	113
Employee health and safety	Ensure the safety of employees and develop health-related preventative measures across all Group facilities.	115
Positioning on sustainable markets	Develop a proactive environmental policy for the Group, ensure the compliance of its operations with the environmental regulations in force.	104
Ecological footprint of facilities	Manage operations-related pollution (emissions into the air, water and soil), consumption of materials (including energy) and prevent risks to which the local communities of all the Group's facilities may be exposed.	107
Ecological footprint of products	Optimize the ecological footprint of Mersen products by consuming fewer raw materials and producing less waste.	105
Supplier practices	Pay attention to the social and environmental practices of a targeted scope of suppliers.	103
Business ethics	Promote the Group's rules on ethics and ensure they are adopted by the Group's partners (including rules regarding corruption, fraud, competition, etc.)	121
Quality and development of products and services	Adapt to customer requirements and expectations, be at the cutting edge of technology and preempt technological disruption.	110
Cyber risks	Protect the Group from attacks on its information systems seeking to damage their operation, or manipulate, block or steal data.	110

3. CSR roadmap

Once the priority issues were clearly identified using the materiality matrix, a CSR roadmap was drafted around five commitments based on which General Management defined three-year action plans.

Priority commitments	Ambition	Objective
Ecological footprint of our products	Develop innovative products that contribute to the ecological transition.	<ul style="list-style-type: none"> • 55% of sales linked to sustainable development by 2021
Ecological footprint of our facilities	Reduce the environmental impact of our industrial sites by recycling and recovering waste.	<ul style="list-style-type: none"> • Improve by +15 points the part of waste recovered by 2021
CSR footprint of suppliers	Improve and secure the social and environmental performance of our supplier base.	<ul style="list-style-type: none"> • Evaluate our strategic suppliers by 2021
Health and safety of our employees	Develop and consolidate a culture of health and safety within the Group.	<ul style="list-style-type: none"> • Improve by 15% the number of safety visits by 2021 • FR1 ≤ 1.4 in 2021; SR ≤ 60 in 2021
Our human capital	Develop and retain our expertise through an organization that promotes collective intelligence.	<ul style="list-style-type: none"> • Human potential success rate +3 point by 2021 • 25% to 30% female managers & professionals by 2022 • 100% of managers having completed the Open Manager programs

DEVELOPING INNOVATIVE AND SUSTAINABLE PRODUCTS

1. Managing our suppliers

Our strategy and our commitments

As a global expert in electrical power and advanced materials, Mersen undertakes to be **mindful of the social and environmental practices associated with the development of its products**. This applies not only to our own internal practices, but also to those of our regular suppliers.

Because we are present in 35 countries, we are often required to factor in a variety of different legislation and widely varying local realities. This is why we make every effort to make sure our policy in this area is comprehensive. To this end, our supplier charter – currently being revised – will formalize our supplier relations and set the standard for virtuous collaboration.

In summary:

- Greater attention given to the practices of our suppliers.
- Determination to improve and secure their social and environmental performance.
- A charter to formalize our supplier relations (being revised).

Our initiatives

Other than technical specifications, a number of other criteria are considered when selecting Group suppliers. The Group is particularly attentive to those supplying material used for the manufacture of our products. This involves:

- **The application of environmental criteria in our purchasing process:** collaboration with local suppliers in order to reduce transportation costs and greenhouse gas emissions (use of recyclable materials, the widespread use of more eco-friendly packaging, etc.).
- **The adoption of pragmatic initiatives to reduce our environmental footprint:** efforts to reduce packaging weight and purchase of eco-friendly vehicles.

A locally-oriented policy

All Mersen sites contribute to their integration into the local communities through our purchasing policy. By working with local suppliers, 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 objectives (reduced costs and greenhouse gas emissions by limiting transportation).

Mersen formalized its approach with its **supplier relations charter**, which sets out its own requirements and encourages the implementation of best practices – including social and environmental practices. While not mandatory, the charter works as an incentive. It will be reviewed in 2019 to **better factor in CSR and Compliance**, two areas in which the Group made significant progress in 2018.

In addition, by 2021 the Group's key suppliers will be sent a **CSR questionnaire with a detailed evaluation scale**. The aim is to assess their social and environmental performance and risks with greater accuracy, and identify suppliers that require closer monitoring. The targeted suppliers are those that make up 80% of our materials purchases.

Our goals

- By 2021, evaluate strategic suppliers, i.e. those making up at least 80% of the value of material purchased by using a CSR questionnaire.
- Update the supplier relations charter over the course of 2019.

2. Developing innovative products that contribute to sustainable development

Our strategy and our commitments

Mersen operates in highly innovative sectors, including renewable energies, energy efficiency and clean mass transit, and as such, **invests in finding ways to help the green industry bloom**.

Our solutions contribute to the progress made in photovoltaic solar energy, and to the manufacture of wind turbine generators. We also work with hydro generator manufacturers, and help to **improve the performance and reliability of the equipment and infrastructure** of new forms of urban mass transit and electric vehicles. Mersen intends to maintain its business on these high-potential markets to generate organic growth.

In summary:

- R&D and innovation focused on supporting the green industry and in fine the fight against global warming.
- A recognized player on high-potential markets.
- Approximately 50% of Mersen's sales in 2018 were associated with sustainable development.

Our initiatives

For each of the sectors in which we operate, our Group endeavors to develop innovative products to help make development more sustainable. This drive is reflected in our R&D investments and in our overall focus on product performance, the lifespan of consumables and production costs.

Renewable energies

For many years, Mersen has been working alongside the leading manufacturers in the renewable energy sector. In addition to providing high-performance and sustainable solutions, we help get the energy produced to the customers.

Solar: Mersen supports the entire solar cell production process, from polysilicon manufacturing to silicon ingot pulling, and provides electrical protection for the panels. Our solutions optimize performance in terms of photovoltaic yield and energy efficiency.

Wind power: Mersen is the leading supplier of the wind energy sector, both in generator power distribution systems and yaw motors.

Hydroelectric: Mersen is the preferred partner for customers across the hydroelectric industry, from turbine manufacturers to power plant operators.

Energy storage: Mersen offers electrical component solutions for the design of industrial lithium-ion batteries, used in solar and wind energy.

Electronics

Mersen offers electronic manufacturers comprehensive solutions to cover their insulation, heat recovery and power conversion needs.

Semiconductors: Mersen develops products that are at once increasingly compact and efficient thanks to its premium, ultra-pure graphite offering. The quality and high-precision machining of our materials and coatings actively optimize manufacturing processes.

Power electronics: Mersen's solutions help manufacturers better adapt energy generation to needs, and therefore optimize the energy efficiency of their facilities.

Energy efficiency and saving on raw materials

Mersen is positioned on markets whose growth is linked to energy efficiency and the energy transition. Our solutions address both production costs, energy consumption of certain processes, and the final performance of products.

Manufacturing processes: Mersen provides optimized solutions for the entire high temperature process industry. We offer a range of high-performance insulation products providing significant energy savings. Other components are also used for speed drives to optimize the output of industrial equipment. For certain process, such as in mining and chemistry, Mersen's offering includes energy-saving and water consumption reducing units thanks to heat-recovery systems.

LED: Mersen provides graphite-based solutions and high-performance materials that are critical in the manufacture of LEDs. The increasing use of these particularly long-lasting bulbs has a considerable impact on electricity consumption.

Clean transportation

Mersen actively supports the development of clean transportation through its solutions that improve the performance and reliability of equipment and infrastructure.

Rail and urban mass transit: Mersen provides equipment for rolling stock and infrastructure electrical systems to enhance the reliability and performance these popular systems for transporting both people and goods.

Hybrid industrial vehicles and light electric vehicles: Mersen helps car manufacturers meet the challenges of this booming market. Thanks to our expertise in managing direct current in batteries, we are able to offer solutions to ensure the safety of the electrical circuit in the high-power electric cars of the future.

Our goals

- 55% of sales on sustainable development markets by 2021 (50% in 2018).

3. Developing products with a reduced environmental footprint, from design to recycling

Our strategy and our commitments

In addition to the performance of its products and their contribution in terms of sustainable development, Mersen endeavors to limit the ecological footprint of its products at every stage of their life cycle – from reducing raw materials consumption to reducing waste production. It is an approach that draws inspiration from the virtuous circular economy model.

In summary:

- Teams trained in eco-design.
- Every step of a product's life cycle is taken into account.
- Eco-sustainable redesign to cost.

Our initiatives

Mersen's approach draws on numerous strategies and initiatives that have been applied to every step of the life cycle of its products including, eco-design, reducing energy and raw materials consumption, optimizing the manufacturing process and lifespan of products and recycling.

Eco-design

In order to provide products with a reduced environmental impact, Mersen boasts **the best available techniques** to design its new manufacturing lines and products. From the initial design phase, this approach, called eco-design, factors in a product's environmental impact throughout its life cycle.

Requirements and specifications: Trained in eco-design, the R&D teams at Mersen integrate environmental impact reduction targets into the specifications of new products.

Monitoring and measuring impacts: Mersen uses a suite of tools to monitor and measure the impact of its products in real conditions. The Electrical Power segment uses EIME (Environmental Improvement Made Easy) software for **analyzing products' environmental impact** (water and air pollution, depletion of national resources, etc.) **at each stage of their life cycle**. When it comes to choice of raw materials, packaging weight, assembly steps, waste volumes and recycling, the software ensures the traceability of existing lines while providing a basis for comparison when developing future product lines.

Eco-sustainable redesign to cost: For several years, the Group has been developing this approach based on the functional analysis of a product. It 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. This approach will be systematically applied to new products.

Product recycling

Recycling of used products: Mersen has participated actively for several years in efforts to recycle fuse waste by reusing large amounts of the metal content of used fuses. Similar initiatives are underway for industrial brushes through a recovery program introduced to collect used brushes from customers to recycle the reusable metal content.

4. Promoting environmentally-sound practices at all facilities

Our strategy and our commitments

Mersen is committed to reducing the environmental impact of its activities.

We have a proactive environmental policy that allows us to **achieve maximum control over the impact of all our industrial operations** including, regulatory compliance, monitoring our facilities, using resources responsibly, managing emissions and pollution.

In summary:

- Compliance of all facilities with local environmental regulations.
- Management of the ecological footprint of products and use of best practices across the Group's sites.
- Risk prevention and reducing potential pollution.

Our initiatives

Mersen's environmental approach in the field translates into a quest to identify best practices and an extremely high level of constant vigilance. We **have entered a virtuous circle** that allows us to meet environmental requirements and keep ahead of changes in certain regulations.

Organization: a dedicated management system

In 2018, Mersen decided to implement an **environmental management system** for 2019. This commitment by the Executive Committee takes the form of a dedicated management system and regular reviews associated with internal objectives covering a number of themes, including:

- Compliance with regulations in force for products and facilities;
- Monitoring of facilities;
- Using resources responsibly (materials and components, water and energy);
- Greenhouse gas emissions, pollution of air and water, and waste from our facilities.

The system will draw on other systems that have been in place for several years.

Mersen's Health & Safety, Environment and Industrial Risks function has been part of the Operational Excellence Department since February 2017. It coordinates environmental actions and works closely with production sites.

Site managers: In accordance with the rules defined at Group level, each site manager is responsible for implementing an environmental management system that is effective, compliant with regulations and adapted to the local activity. Site managers may appoint an environmental manager to oversee these actions who reports functionally to the Health & Safety, Environment and Industrial Risks function.

Environmental correspondents: Since 2016, Mersen's environment correspondents in charge of monitoring regulatory developments in the company's principal operating regions (Europe, North America and China) report their findings to the Executive Committee twice a year.

ISO 14001 certification: At the end of 2018, 50% of the sites included in the scope were ISO 14001-certified, the recognized global standard for environmental management systems, vs 48% in 2017.

Environmentally-aware employees

Employees at production sites are trained in and made aware of environmental issues, recycling and energy efficiency through poster campaigns and information meetings. In 2018, training in environmental protection increased by 39% from 2017, mainly due to a one-off campaign at the Juarez site in Mexico.

Environmental training hours	2018	2017
Hours	3,634	2,663

Compliance with environmental regulations

Mersen is compliant with the regulations in force in the regions where it operates and works proactively to anticipate any regulatory changes. This approach is applied from Group headquarters down to each one of our sites in order to **limit the impact of future regulatory changes on our operations** (product bans, reporting, etc.). All the teams have been made aware of these issues and are prepared for any environmental challenges.

Regulatory watch: Mersen follows French and European regulatory shifts closely to get ahead of the entry into force of directives that could affect its business; for example, the Industrial Emissions Directive (IED), intended to prevent and reduce air, water and soil pollution from industrial facilities. The Group is also a member of the European Carbon and Graphite Association (ECGA), which contributes to dialog with European institutions on matters affecting the graphite industry.

Regulatory compliance: Every site is required to obtain operating authorization or an operating license from the relevant authorities and, if required, is subject to monitoring of its emissions into the air, water and soil. All of the Group's French manufacturing sites (Amiens, Angers, Bazet, Gennevilliers, La Mure, PagnysurMoselle, Pontarlier and Saint-Bonnet de Mure) are subject to regulations governing facilities classified for environmental protection (*Installations Classées pour la Protection de l'Environnement – ICPE*). Outside France, the Group's facilities are subject to similar regulations.

REACH compliance: The European REACH regulation (Registration, Evaluation, Authorization, and Restriction of CHemicals) is closely monitored by Mersen. The regulation makes manufacturers responsible for assessing and managing the risks associated with the chemicals they use. Since 2010, the Group has registered several products that make up graphite (primarily resins) and felt. At the May 31, 2018 REACH deadline to register chemicals making up an annual quantity of between 1 and 100 tons, the Group did not report any chemicals meeting this criterion. Coal tar pitch, considered as an intermediary product in manufacturing processes, is excluded from the REACH registration as it is untraceable in the end product.

Industrial Emissions Directive (IED): Four Mersen sites (Amiens, Gennevilliers, Pagny-Sur-Moselle and Holytown) are potentially concerned by the IED. Adopted in 2010, it aims to prevent and reduce air, water and soil pollution caused by industrial facilities by relying on the Best Available Techniques (BAT). In 2018, these sites were contacted by their respective regulatory authorities and at end-December 2018 their reports were still under review.

Seveso: None of the Group's sites are subject to the Seveso Directive.

Specific investments

Some of the investments made by Mersen were in areas related to the environment, such as:

- Compliance with environmental regulation;
- Reduction of water and energy consumption;
- Improvement in the rate of waste recycling and recovery;
- Renewal of operating licenses.

In 2018, the Group's environment-related investments totaled nearly €6 million.

In addition, every industrial project is subject to a preliminary potential environmental impact assessment. For example, when Mersen invested in purification furnaces for the Holytown site in the United Kingdom, HAZID (Hazard Identification) and HAZOP (Hazard and Operability) analyses were performed with the help of specialist consultants.

Investments to limit our urban environmental impact

In 2017 and 2018, investments were made to modernize production equipment at the Gennevilliers site in France in order to reduce the risk of the potential impacts of its activities on surrounding areas and the environment. Built in 1913, the plant is now located in a dense urban environment in a residential and retail area. Security systems were installed on some production equipment while other equipment, susceptible to the risk of failure, were replaced with the cooperation of administrative authorities.

In 2018, the Group's provisions for environmental risks totaled €0.9 million and are linked to minor decontamination subject in France.

in €m	2018	2017
Provisions for environmental risks	0.9	1.3

Noise pollution

Mersen has installed an extremely accurate environmental monitoring system at every one of its sites. While our industrial operations **generally do not generate noise pollution in excess of standards**, checks may be performed pursuant to applicable local regulatory requirements.

Responsible energy use

Every Mersen production site defines its targets and action plans to optimize its power consumption. While the Group strongly encourages the use of renewable energies, sites may use renewables sources at their own initiative. While the majority of sites are phasing in LED lighting, others are also introducing **heat-recovery systems that capture heat generated in industrial operations** to be re-injected into the heating network or reused as a source of energy.

Energy sources such as electricity, natural gas, LPG, fuel oil, propane and butane are used for heating workshops and offices, as well as in manufacturing processes. In the latter use, the Advanced Materials segment consumes the most energy for the operation of furnaces, industrial ovens and machining tools.

Energy consumption by category in 2018 (environmental scope)

in GWh	Renewable	Non renewable	Total
Electricity purchased	30.2	174.4	204.6
Electricity produced	0	0	0
Natural gas	0	184.6	184.6
Liquefied petroleum gas (LPG)	0	3.2	3.2
Fuel oil, propane, butane	0	1.3	1.3
TOTAL	30.2	363.5	393.7
% of energy consumption	7.6%	92.3%	

Energy consumption: share of renewables and sales ratio

		2018	2017	Difference
Energy consumption	GWh	393.7	341.0	+15%
% of renewable energy	%	7.6%	N/D	
Ratio to total sales	GWh/€m	0.45	0.42	+7%

In 2018, due to the increase in the Group's activity, its energy consumption grew by 15% to 394 GWh compared to 2017. The increase in the energy consumption to total sales ratio is due to a rise in the production of semi-finished carbon products in 2018 more energy-intensive than other Group's product lines.

To calculate the share of energy consumed from renewable sources, the Group used market-based data provided by the electricity providers, when available, and information on the national energy mixes, known as location-based data. These data were unavailable in 2017.

Dedicated solutions for the most energy-intensive sites

Mersen implements specific initiatives for its most energy-intensive sites. At the Holytown site in the United Kingdom, power distribution equipment, such as transformers and substations, are continuously adapted to regulate power and lower voltage supplied to equipment; this is expected to reduce consumption by between 10% and 12%. In Chongqing (China), furnaces were inspected and modified to reduce gas consumption.

Water consumption

Water is mainly used to cool equipment used in heating processes (firing, graphitization and impregnation of graphite) and as such does not constitute a major issue for the Group at any of its facilities.

Water consumption		2018	2017	Difference
Water	m ³	613,092	512,702	+20%
Ratio to total sales	m ³ /€m	698	629	+11%

The increase in the water consumption to total sales ratio is due to a rise in the production of semi-finished carbon products in 2018 more water-intensive than other Group's product lines.

Raw materials consumption

Graphite: The main raw materials used to manufacture graphite blocks, plates and tubes are coal tar pitch, coke and artificial graphite.

Some of the manufacturing residue from Mersen's production activities can be reused in the production processes of other Group products or sold to third parties to be used in other production processes.

Consumption of raw materials used to manufacture graphite

In tons	2018	2017	Difference
Pitch	7,276	6,216	+17%
Coke	7,654	7,088	+8%
Artificial graphite	3,500	2,966	+18%
Other	570	730	-22%
TOTAL	19,000	17,000	+12%

The numbers above correspond to material necessary to manufacture artificial graphite (excluding material for the process) on an annual basis and is estimated based on the Group's recipe.

The increase reflects the surge in the production of semi-finished carbon products in 2018.

Copper: Copper is an important material used for the manufacture of brushes, fuses and other switches.

Copper consumption		2018	2017	Difference
Copper	Tons	2,241	2,245	-
Ratio to total sales	Tons/€m	2.5	2.8	-8%

Figure excluding one plant in France and one in China in 2018.

Packaging and logistics

Timber and cardboard are used for outbound logistics to Mersen subsidiaries (transport between entities) and customers. The consumption of these resources is also monitored by the Group.

In tons	2018	2017	Difference
Timber	1,900	1,861	+2%
Cardboard	991	1,116	-11%
Total timber and cardboard	2,891	2,977	+3%
Ratio to total sales	3.3	3.6	-10%

Climate change: managing emissions and identifying risks

In order to better monitor and reduce both direct and indirect emissions, in 2018, Mersen adopted the **standards for quantifying greenhouse gases** as per the principles of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) GHG Protocol.

The selected emissions sources are as follows:

SCOPE 1: direct GHG emissions

- Emissions resulting from the combustion of natural gas, LPG, oil fuel, propane and butane multiplied by their respective emission factors.
- Emissions resulting from graphite production processes, namely the baking and graphitization of blocks, plates and tubes at the St. Marys, Chongqing, Amiens, Pagny-surMoselle and Bangalore sites.

- Emissions from other manufacturing processes were considered minor.
- Emissions resulting from sources of combustion associated with the transportation of employees, components and products on-site were considered negligible.

SCOPE 2: indirect GHG emissions

- Emissions resulting from the consumption of purchased electricity multiplied by their respective emission factors.

Table of GHG emissions in tons of CO₂

In tons	2018	2017	Difference
Direct emissions from burning gas and oil fuel (scope 1)	38,962	33,643	+16%
Direct industrial process emissions (scope 1)	17,700	15,900	+11%
Indirect emissions (scope 2)	94,295	77,819	+21%
Indirect emissions (scope 3)	N/D	N/D	
Total emissions	150,957	127,362	+19%
<i>Ratio to total sales (tons CO₂/€m)</i>	<i>171.8</i>	<i>157.6</i>	<i>+9%</i>

The increase reflects the surge in the production of semi-finished carbon products in 2018.

Scope 3 sources were identified in 2018 and will be examined from 2019.

Kyoto Protocol: Mersen does not have any fixed facilities in Europe subject to the scheme for greenhouse gas emission allowance trading under Directive 2003/87/EC implemented in the European Union as part of the ratification of the Kyoto Protocol, which entered into force in 2005.

Identification of risks: Mersen undertook to identify the main climate change-related factors near its production sites including flooding, heatwaves, freezing temperatures, hurricanes and storms, and disruptions to water supply. The Group has committed to perform a more in-depth assessment of these risks by 2021 and draw up an appropriate response plan as necessary.

Emissions and waste

In 2018, Mersen made waste management one of its major ecological and economic priorities. Accordingly, the Group committed to a **15 points increase in its waste recycling or recovery over the next three years**, i.e. from 41% in 2018 to 56% by 2021. Every site is encouraged to monitor each waste family in order to reduce their volumes.

Air: Mersen intends to systematically measure the level of atmospheric emissions (gas and particulate) of its facilities and implement the appropriate solutions to limit each type of emission.

Our **gas emissions** are essentially due to pyrolysis of raw materials to obtain graphite. These processes include gas emission processing systems to eliminate toxic products, sulfur dioxide (SO₂) and volatile organic compounds (VOCs). Such systems capture of an average of minimum of 95% of these pollutants.

SCOPE 3: indirect GHG emissions

- Emissions resulting from the production of the main raw materials used to produce graphite (see previous section).
- Emissions associated with the use of stainless steel, copper and ceramic fuses used to produce other products.
- Emissions associated with the transportation of purchases, employees (particularly by aircraft), sales and waste.

Our **particulate emissions** are due primarily to our processes for crushing raw material, silication used in our fuse manufacturing processes and graphite product machining. Each process includes a system to filter and capture particulate.

Soil: In agreement with local regulatory authorities, the Group closely monitors the risks associated with soil pollution by its facilities. To this end, certain sites have installed piezometers to monitor groundwater. Since 2017, Mersen has also strengthened its environmental auditing procedure for acquisitions by systematically measuring existing soil pollution.

Waste and recycling: Even through the waste generated by the Group's activities are negligible compared to other industries, Mersen has set itself a target to reduce its waste and increase the rate of waste recycling and recovery.

		2018	2017	Difference
Waste	Tons	14,502	12,413	+17%
<i>Ratio to total sales</i>		<i>16.5</i>	<i>15.2</i>	<i>+9%</i>
% of hazardous industrial waste		15%	13%	
% of waste recycled		41%	42%	
% of waste recovered		2%	2%	

The increase in dangerous waste in 2018 is due to the reclassification by the landfill of a type of formerly regular waste produced at the St. Marys site in the United States. Using the former definition, the rate of dangerous waste would have been equal to those in 2018.

Recycling of graphite dust

Artificial graphite is an inevitable by-product of graphite processes. It results from the dust that is produced when machining blocks and from the offcuts when machining parts from a large block. Because it is too fine to be used in a finished product, the dust is recovered and reused in the manufacturing process, thus significantly reducing purchases of this material.

Our performance

Ambition: Reduce the environmental impact of our industrial facilities.

- Increase recycling and recovery of waste from facilities by 15 points from 41% in 2018 to 56% by 2021.

5. Continuous improvement

Our strategy and our commitments

The operational excellence pillar of Mersen's strategy is the result of a proactive and ambitious approach. Its aim is to engage each employee, team and entity in **creating value for customers and continuously improving our internal performance**. The Group's operational excellence plan is focused on two closely-related drivers: disruptive transformation projects that lead to significant changes in our processes, and continuous improvement in front-line performance.

In summary:

- Operational excellence at the heart of our strategy.
- An advanced approach to continuous performance improvement.
- The customer is the focus of our attention and thoughts.

Our initiatives

An approach that is adapted to each site

Operational excellence involves **all the production units and sales offices in all 35 countries** where the Group operates. To this end, the Operational Excellence Department has defined a general framework to empower sites to run their own continuous improvement initiatives. Performance is tracked by the Group, which supports the implementation of employee initiatives and shares best practices with all sites.

Implementation: Management works with site continuous improvement managers to implement its strategy. Their role is to actively engage teams in action plans by providing them with proven methods and tools. Given their in-depth knowledge of their jobs and workstations, employees have an important role to play in the process.

Routine meetings: Daily meetings on site is an essential part of the Group's continuous improvement process. They are an opportunity to resolve problems as a team and are valued by operators and managers alike for the tangible time-saving results regarding design, production and administrative processes.

6. Protecting the Group and its reputation

The Group endeavors to protect its information systems from attacks intended to damage its systems or to manipulate, block or

steal data through simulated cyberattacks and awareness-building campaigns for all its employees.

THE GROUP'S FOUNDATION: HUMAN CAPITAL

1. A collaboration-oriented Group culture

Our strategy and our commitments

The men and women at Mersen are at the heart of the Group's culture. Whether it's by empowering employees, developing local leadership, promoting equality between men and women in all roles and across the business lines, or making disabled persons welcome at Mersen, we make a point of not only of **staying ahead of regulations but also going above and beyond our legal obligations**. The approach is adapted to each country and with the utmost respect for local specificities and cultures.

In summary:

- A proactive approach to diversity and equal opportunities.
- Unifying values shared by all employees.
- A strong Group culture that respects the specificities of local cultures.

Six major "Human Capital" programs

In early 2019, Mersen presented its six major "Human Capital" programs. Each program is sponsored by one or more members of the Executive Committee and sets out to strengthen the Group's strategy to promote a culture where people are the bedrock of the Group and its business development.

The six major programs are:

- Strengthening our culture and our values
- Consolidating our expertise
- Transforming our management culture
- Developing our project culture
- Improving employee induction
- Promoting diversity and gender balance

Workforce mapping

Workforce	2018		2017	Difference
Europe	2,361	34%	2,062	+299
Of which France	1,320	19%	1,303	+17
North America (including Mexico)	2,102	30%	2,012	+90
Asia-Pacific	1,782	26%	1,723	+59
Rest of the world	672	10%	587	+85
TOTAL	6,917		6,384	+533

Workforce	2018		2017	Difference
Engineers and managers	1,325	19%	1,183	+142
Technicians and supervisors	1,083	16%	1,004	+79
Employees	556	8%	562	(6)
Operators	3,953	57%	3,635	+318
TOTAL	6,917		6,384	+533

Workforce 2017	6,384
Scope	286
Hires*	2,051
Terminations*	(158)
Other departures	(1,646)
WORKFORCE 2018	6,917

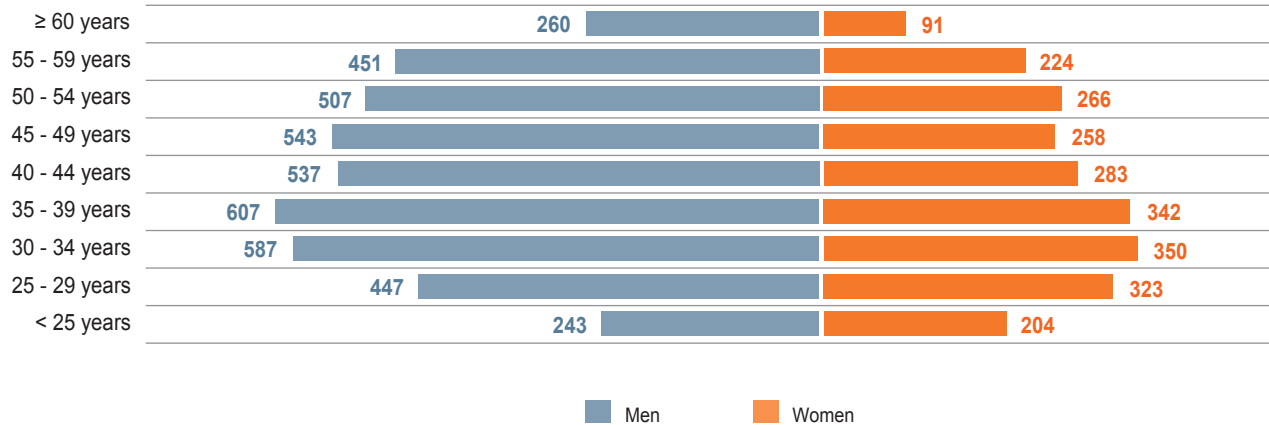
* HRIS scope

Absenteeism rate reaches 2.8% (Standard perimeter) vs 3.3% in 2017.

Changes in scope are related to the integration of acquisitions made over the year (FTCAP, Idealec) and the joint venture, Galaxy, in China. Recruitment occurs primarily at the sites exposed to strong-growth markets (Holytown, Juarez, etc.) and also includes the replacement of outgoing employees. Dismissals were for the

most part as a result of two major restructuring plans announced on September 13, 2016, and concerned two French sites.

The age pyramid is well balanced with the average age of Group employees being 41. Senior staff over 55 years of age make up 16% of headcount, unchanged from 2017.



Our initiatives

Values shared by all

Excellence, Collaboration, People-conscious, Agility & Entrepreneurial spirit and Partnering with our customers: these five values defined in 2016 are the result of a joint effort involving managers and the human resources community. They are the cornerstones of a Group culture that is strong, recognized and attractive because of the level of trust and responsibility given to employees.

In 2016, information workshops were held across the Mersen sites to allow employees to take better ownership of these values. A subsequent survey conducted globally made it possible to **compare these values with those encountered by staff on a daily basis**, as well with those they aspire to for Mersen's future. Based on this local and global vision, indicators were defined for each site (human potential success rate, pride of belonging, alignment with values, alignment with duties, rate of commitment, quality of action plans), together with actions plans which were implemented in 2017. The new survey conducted in 2018 confirmed this vision and revealed a rise in the human potential success rate.

In summary:

- The human potential success rate was 83% in 2016 and 85% in 2018.
- In 2018, 89% of employees stated that they were proud to be part of the Group.

New recruit integration program

To allow every new recruit to quickly find their feet and take ownership of the Group culture, Mersen developed the mandatory integration program called "I Become Mersen". It starts on the first day on the job: the new recruit is given a **welcome booklet and kit** containing all information he or she needs to learn about the Group. The program is then adapted to the profile of each new recruit.

While the appointment of a mentor is optional according to the site and position, all new-comers receive **internal training** – classroom and e-learning – covering safety, the Group's Code of Ethics, etc.

Engineers and managers take part in a specific training course that includes project management at Mersen and an overview of the Group's management framework. They also attend a **two-day integration seminar**, the "New Comers Event" during which Group directors present the Group and its activities, and participants visit industrial sites to learn about topics like safety and operational excellence.

Mersen also implemented a specific integration program, "We Become Mersen", for **new employees joining the Group as part of an acquisition**. The adapted program focuses on human, social and cultural aspects.

In summary:

- A mandatory integration program, "I Become Mersen".
- Training on safety and the Group Code of Ethics for all.
- A seminar dedicated to engineers and managers, "New Comers Event", organized in 2018 in all the regions in which we operate: America, Europe and Asia.
- Adaptation of the program for acquisitions: "We Become Mersen".

Diversity: collaboration based on the respect of local cultures

Present in 35 countries and on four continents, for many years Mersen has made the diversity of its teams' origins, training, cultures and ways of thinking **one of its quintessential strengths**. This very diversity is what drives collaboration between our teams and sparks our creativity so that we can better understand the needs of our customers around the world.

To preserve this diversity, our company culture inspires **mutual respect and recognition of the intrinsic value of each individual**, whatever their origin, and **combats all forms of discrimination**. Human Resources strives to ensure equal opportunities at every level, while maintaining and strengthening the multi-disciplinary capabilities of teams.

As a member of the United Nations Global Compact, Mersen is committed to eliminating all forms of discrimination in employment and occupation around the world. We also defend this cause within various organizations and regularly discuss best practices with other companies.

Success and close relationships through local management:

While Mersen enjoys a strong company culture, it needs adapt to local cultures to be truly effective. This is why virtually all the Group's sites are run by local managers. This balance of respecting our principles and values and recognizing local realities is what lends substance to the Group's human dimension.

Industrial plants	2018	Plants with a workforce of above 125	2017
Europe	22	6	19
Of which France	8	4	7
North America	13	4	13
Asia-Pacific	13	3	13
Africa and South America	5	2	5
TOTAL	53	15	50
Site managers with local nationality	90%		90%

Local initiatives in step with local realities: Through its activities, the Group naturally has an impact on local and regional development. Local teams take part in economic and charitable initiatives alike.

- An active role in competitiveness clusters: in France, Mersen actively participates in competitiveness clusters, which bring together groups of companies and institutions in a clearly identified geographic area and to focus on a specific topic.

For example, Mersen Boostec, located in the Midi-Pyrénées region, belongs to the European ceramics cluster (*Pôle Européen De La Céramique*) and Aerospace Valley (aeronautics, space and embedded systems). The Group also works with PRIMES, a local power mechatronics and energy management innovation platform, and is a member of the European center for innovative procedures (*Maison Européenne des Procédés Innovants – MEPI*).

Mersen Angers is a member of S2E2 (Smart Electricity Cluster), a competitiveness cluster specialized in renewable energies, electrical grids and energy efficiency.

- Initiatives supporting projects that reflect Group values: In all the countries where the Group operates, management and staff are involved in charitable work.

In South Africa, the Group supports organizations that help abused women and children and in Australia, employees work with the homeless.

In India, Mersen supports employees' families by providing access to training that could open up the job market. The Xianda site in China supports students in difficulty.

Most of the Group's sites around the world donate to local charitable organizations.

In summary:

- Equal opportunities and combating all forms of discrimination are at the heart of our approach.
- Member of the United Nations Global Compact since 2009.
- Site management entrusted to local managers.

Gender balance: ensuring equality in the workplace at all levels

The Group's primary objective, the **integration of an increasing number of women in all roles**, including roles in production, has over many years led to several initiatives in recruitment, professional development, communication, raising the awareness of managers, compensation, maternity/paternity leave, organizational changes, adaptation of workstations, etc.

	2018	2017
% of women in the Group's workforce	36%	37%
% of women managers	27%	27%
% of women managers and professionals	20%	20%

In 2018, Mersen set the target of employing **25% to 30% female managers & professionals** by 2022. To this end, the Executive Committee is therefore closely monitoring the action plans initiated at Group level and in its two business segments. Special attention is given to bottom-up feedback in order to **better identify any problems encountered by women** that hold them back in their professional development, and to better coordinate among the different countries and business segments.

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

WiN (Women in Mersen): Created in 2010, the WiN network brings together male and female Group employees who want to work together to promote cooperation and mutual assistance, encouraging growth through greater diversity. WiN gives employees the opportunity to meet and reflect on these matters outside the managerial structure, and aims to become an international network within the Group that can take part in inter-company events.

Women in China

The Shanghai site in China participated in numerous meetings with the Local Federation of Women to discuss themes specific to women, find ways to help women and generally promote women's rights.

Integration: a workplace suited to disabled workers

Mersen's disability policy is part of **an overall policy of fostering diversity**. The Group also regularly subcontracts with sheltered work agencies in France (ESAT) and equivalent entities in other countries.

In addition, several specific initiatives were run in a number of countries:

- **France:** a partnership was formed with ARPEJEH, a non-profit organization supporting educational projects for disabled school-age and university students. It provides an opportunity to accommodate disabled people and give them an introduction to the business world. Mersen Amiens works with a sign language institute to facilitate communication with one of its hearing-impaired employees.
- **India:** Mersen works with EnAble India to train its staff on how to accommodate and work with disabled colleagues. The site welcomes employees suffering from serious disabilities into its production unit.

- **Canada:** Mersen Canada prepared a facilities access charter for its disabled employees and customers.
- **Turkey:** The Mersen Gebze site specially re-fitted its work areas to facilitate circulation in the facility, including for people with reduced mobility.

Labor relations: putting the spirit in team spirit

Labor relations is a core component of Mersen's human resources policy. It forms part of a process of **continually seeking a balance between economic and social imperatives** and is adapted to all levels of the Group and in all its countries of operations – giving the utmost respect not only to Mersen's values and ambitions, but also to the local cultures and history of each site.

- **Europe:** Dialog with employee representative bodies at French and European level takes place at meetings of the Group Committee and the European Works Council respectively. Mersen's situation and its strategic priorities are discussed at these meetings, which complement existing employee representative consultation and discussion bodies within the Group's companies. In France, yearly meetings are held with each union organization.
- **United States:** The St. Marys plant has worked with an external union for many years discussing wages, working and employment conditions, and employee benefits. The unions meet on a regular basis to address issues of common interest in order to ensure alignment with mutual interests. The last contract was signed in 2016 and will be renegotiated in 2019.
- **Canada:** Since its creation in the 1960s, the Mersen Dorion subsidiary has a formal union accreditation by virtue of a contract that is signed every four to five years between Mersen and the union organization, United Food and Commercial Workers (UFCW). The contract covers several areas (wages, profit sharing, working conditions, health and safety, public holidays, etc.) and was recently renegotiated for a further five years, i.e. until 2024.
- **Brazil:** Mersen's staff representative bodies take part in various annual renegotiation discussions (wages, profit sharing, hour bank systems, etc.). Two committees, CIPA (health and safety) and PPR (profit sharing), also regularly oversee the Group's performance. Employees are also convened by General Management four times a year to discuss company strategy, market conditions and the performance of Mersen do Brasil.

Employment, training, learning: Mersen, partner to schools and universities

Mersen cultivates ties with the schools and universities in all its countries of operation in order to introduce young people to its sectors of activity and operations. As a strong advocate of learning, the Group is actively involved in **training the talents of tomorrow by awarding scholarships and welcoming young people at its various sites** through work-study contracts, internships or orientation visits. Several initiatives have been run locally to encourage the professional reintegration of people without access to employment.

- **France:** The Pagny-sur-Moselle facility collaborates regularly with local schools and universities (including EEIGM, Ensic, ENIM, Université Paul Verlaine, etc.). This partnership involves hours of training given by employees, participating in job forums, symposia and conferences, but also regular apprenticeship opportunities. The Gennevilliers site implemented a personalized training program to suit its production requirements in collaboration with an industrial and technological training center, AFORP. Fourteen people have been hired under professional training contracts through this program since 2015.
- **United States:** The St. Marys plant in Pennsylvania is involved with the local education committee and plays 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 also formed with engineering schools and universities; for example, the Newburyport facility in the United States, where the R&D Department is partnered with Northeastern University.
- **China:** Mersen's Xianda Shanghai site maintains a close relationship with local universities, in particular the Institute of Technology. Every year it organizes visits for students, and employees are regularly invited to present Mersen's business to future graduates.
- **South Africa:** Mersen formed a partnership with the SAJ Competency Training Institute to accommodate three trainee fitter and turners and help them gain experience before their final exams. This cooperation is part of the Group's succession and skills transfer program. One of the three young people involved was recruited by Mersen South Africa at the end of the training program.
- **India:** Mersen India runs a number of initiatives in partnership with schools and universities. These include plant tours, helping students with specific projects and career counseling for employees' children. Some 20 apprentices were also integrated into technical roles as part of a contract with local government.
- **Great Britain:** Mersen's industrial sites in Great Britain (Teesside and Holytown) have formed research partnerships with universities. Holytown ran a program with the University of Strathclyde and Innovate UK to help companies improve their competitiveness and productivity by making better use of their skills. Teesside also works with a local university.

WindLab: an initiative to develop wind power in Picardy, France

For several years Mersen has been involved in WindLab, a regional wind energy jobs training initiative in the Picardy region (France). This training offers job-seekers an opportunity to obtain a certificate that is essential for working in the booming wind energy sector.

Our goals

- Human potential success rate of 88% (+3 points vs 2018) by 2021.
- 25% to 30% female managers and professionals by 2022.

2. Health and safety: a constant priority

Our strategy and our commitments

In light of the Group's resolutely people-oriented culture, Mersen's policy puts health and safety requirements at the forefront of its priorities. This is made very clear and tangible at all the Group's sites where **every effort is made to ensure the safety of employees and develop health-related preventative measures**. Because we believe that all accidents can be avoided and every risk preempted, we have made the quest for health and safety excellence in the workplace a constant priority.

In summary:

- People at the heart of our concerns.
- Strict safety measures at all sites.
- Health-related training and preventative measures delivered on a regular basis to all employees.
- As asset for recruitment.

Our initiatives

An organization focused on efficiency

Mersen's Health & Safety, Environment and Industrial Risks function is part of the Operational Excellence Department. Health and safety measures and their results are reviewed each month by the Executive Committee during an EHS Committee meeting to **establish the Group's safety policy and the priority objectives**, particularly the prevention of serious accidents. In 2018, the Executive Committee updated its health and safety commitment and disseminated it to all its sites.

Health and safety management system: In accordance with the rules defined at Group level, each site manager is responsible for implementing an occupational health and safety management system that is effective, compliant with regulations and adapted to local activities. Every lost-time accident is immediately reported to the Executive Committee. Every reported accident (with or without lost time) is investigated in order to determine the appropriate technical solutions and training.

Health and safety correspondents and officers: The majority of Mersen's plants have a dedicated health and safety officer who is appointed by the site manager and who helps to implement the policy formulated by Group management. A network of correspondents by geographic area was also set up to perform cross-audits in each area, conduct more detailed audits at underperforming units and implement the Group safety policy formulated by the Executive Committee. Correspondents report to Group management on changes in local health and safety regulations.

	2018	2017
% of subsidiaries with a dedicated manager	95%	92%

Indicators: Every month, the Health & Safety, Environment and Industrial Risks function circulates a publication dedicated to safety reviewing the latest trends in Mersen's safety indicators and highlighting best practices. It is sent to site managers, safety managers and human resources managers, and is also available on the Group's intranet. Since 2011, the Group has included temporary staff in its reported accidents indicators and monitors this population closely which, by definition, is less familiar with equipment and associated risks than Group employees.

Safety indicators	2018	2017
Frequency rate of lost-time accidents (FR1)	1.5	1.6
Frequency rate of accidents with and without lost time (FR2)	4.1	4.4
Severity rate (SR)	71	64

Audits: Every year the Executive Committee decides on an audit campaign for its different sites. The audits are performed by the Group's Health & Safety, Environment and Industrial Risks function.

Analysis and monitoring: Shortfalls in the US Occupational Safety and Health Administration (OSHA) were analyzed in 2018. These shortfalls highlighted the need to complete the current management system through involving and making employees and managers aware of the program, annual appraisal and communication with contractors and temping agencies. The management system is scheduled to be updated in 2019.

The key factors of Mersen's health and safety management system

- Safety steering committees at all levels of the Group, from production sites to Executive Committee.
- A systematic risk assessment and implementation of preventative measures.
- Safety inspections and audits.
- Health and safety training for every employee at every workstation.
- The involvement of all employees to report and eliminate any danger.
- Safety golden rules, and systematic and event rituals.
- The distribution of a monthly publication on health and safety best practices.

A shared health and safety culture

Mersen's health and safety policy owes its effectiveness to the **involvement and awareness of its workers**, both long-term and temporary. The Group has set up training on these subjects and regularly organizes on-site theme events to highlight the appropriate best practices. Strengths and wins in accident prevention are also shared within the Group.

Training: Health and safety training for new and temporary staff comprises three complementary components: a mandatory presentation on health and safety in the Group, also available as an e-learning module and in many languages; a specific presentation at every site on each facility's general health and safety rules and procedures; a specific presentation on the risks and appropriate procedures for the workstation.

	2018	2017
Health and safety training (hours)	39,380	55,378

Awareness: A "safety week" is held every year at a number of sites. These awareness-raising events contribute to fostering a safety culture and feature themed workshops and guest speakers (emergency services, ergonomics experts and health professionals). Other than safety in the workplace, food hygiene and the risk of domestic accidents are also addressed.

Safety Awards: Mersen introduced an awards program to showcase the efforts and progress made by the Group's sites in the area of safety. The awards are given by the Executive Committee and reward the facilities' performance with regards to numbers of days without a lost-time accident. At the end of 2018, the results were as follows:

- 1 site with more than 4,000 days
- 5 sites with more than 3,000 days and less than 4,000 days
- 8 sites with more than 2,000 days and less than 3,000 days
- 15 sites with more than 1,000 days and less than 2,000 days
- 9 sites with more than 500 days and less than 1,000 days

Accident prevention and safety: fundamental to industrial sites

Identifying dangers and managing the risks inherent to each workstation is the Group's primary objective, with close attention given to "critical" risks that can lead to a fatal accident.

Risk assessment: Every one of Mersen's industrial sites performs an annual assessment of its safety risks in order to account for new potential risks as the result of equipment modifications or changes to local regulations. The assessments are also systematically reviewed after each accident or near miss to check that the cause of the accident had been listed, and as part of corporate safety audits. In 2018, 100% of sites reviewed and updated their risk assessment.

Safety visits and job hazard analyses: Fatal risks safety visits and workstation job hazard analyses (JHA) were carried out at all Mersen sites in 2016. At the end of 2018, 88% sites had completed their job hazard analyses and update them regularly, particularly in the event of changes in equipment or the detection of new risks.

Safety visits	2018	2017
Number of safety visits	4,124	3,954
Annual progress (as a %)	+4.3%	+3.9%

Audits: Corporate safety audits take place annually and since 2018, the process has been rounded out with cross-audits performed by geographic area. The cross-audits are conducted by specially trained individuals and serve to strengthen the sharing of operational experience and best practices. The program's organization by geographic area also helps to strengthen exchanges among facilities with the same local culture, promoting understanding and implementation of the solutions proposed. This mode of organization has also considerably increased the number of sites audited for health and safety. The target is to audit all the Group's industrial sites.

	2018	2017
Health and safety audits (% sites)	66%	26%

Reporting potentially dangerous situations and declaring "near misses": Any potentially serious or dangerous event that has occurred in any of the Group's facilities is systematically reported even if it has not caused an accident. A reporting tool for near misses was also implemented to improve the working environment and avoid potential accidents. In 2018, 1,125 near misses were reported compared with 820 in 2017.

Health: promoting well-being in the workplace

Mersen embarked on a program to develop well-being in the workplace and **emphasizes prevention while providing remedial measures where necessary.** While the program led to an agreement with all union partners in France, it was also rolled out in other countries where the Group operations with all the same requirements and respect of local legislation in force.

Prevention of risks and occupational stress: Multi-disciplinary working groups including operators, managers, technical departments, occupational medicine, safety officers, and the workplace health and safety committee were formed at the Group's sites to identify risks and improve workstation design in production, administrative and technical departments. These processes are intended to reduce inaptitude at work stations, occupational diseases and absenteeism. Mersen's objective is to take action as early as possible for prevention purposes.

Employee awareness training: In 2018, the Group pursued its efforts to train and raise the awareness among employees exposed to polycyclic aromatic hydrocarbons (PAHs) at facilities producing graphite products. Measures of prevent musculoskeletal disorders (MSDs) and rules regarding lifting heavy loads were also improved at certain sites with the help of ergonomics experts.

Occupational illnesses: The scope is limited to France due to wide variety of definitions for occupational illness across the Group's host countries. Occupational illnesses within the Group mainly concern musculoskeletal disorders.

Employees suffering from an occupational illness	2018	2017
Number of employees	6	8

Charter for a better work-life balance: This charter was updated in 2018 to integrate the Group's commitment to the reasoned and balanced use of digital devices. The charter addresses five issues: scheduling of meetings, maternity/paternity leave, flexible working hours and e-working, digital devices and managing rest periods. The charter will be distributed to all the Group entities and will be in line with the minimum rest times required by local legislation.

E-working: In France, as in the United States, arrangements for employees to work from home have been established in a structured way for several dozen employees. This intermittent practice is starting to develop throughout the Group in accordance with the demands and preferences of each country.

The right to disconnect: In France, an agreement on the right to disconnect was signed with the unions. It formalizes the rules for using digital devices in order respect rest time, and is being introduced through awareness campaigns aimed at managers and employees.

3. Encourage skills development

Our strategy and our commitments

Mersen operates in extremely complex and highly competitive sectors and owes much of its success to the **expertise of its teams and skills of its employees**. To retain its talent and attract new talent while adapting to the technical and technological developments of its markets, the Group established a human resources policy focused on continuing professional development. This is a forward-looking approach to employment that allows Mersen to make the necessary changes to maintain its reputation as a leader.

In summary:

- A proactive policy for continuing professional development.
- Supporting the professional development of employees in order to retain them and help them to continue to grow.
- A deep transformation of the management culture.
- A desire to attract new talent in order to continue to adapt to changes in the market and build on the expertise of the teams to continue to offer high-quality products.

Training (average number of hours per employee)	2018	2017
Group	12.2	13.5
<i>incl. Mersen Academy (e-learning platform)</i>	1.8	1.6
France	13.3	15.7

Scope included in HRIS, excluding the following sites: Portslade, Teesside, Holytown (UK), Moscow (Russia), Taipei (Taiwan).

Our goals

- Increase the number of safety inspections by 15% from 2018 levels by 2021.
- Attain a lost-time accident frequency rate (FR1) of less than or equal to 1.4 in 2021.
- Attain a lost-time accident severity rate (SR) of less than or equal to 60 in 2021.

Mersen Academy objectives

- 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 essentials, such as safety, quality, ethics and management.
- Reduce training costs.
- Promote interactivity and collaborative work within the Group.

Our initiatives

Project management and cross-business coordination: a shared method

Be it acquisitions, industrial adjustments or major investments, Mersen carries out major projects throughout the year. The successful execution of these complex projects relies on the use of a **shared management method**, the Global Project Standard (GPS).

In 2015, the methodology was revised by a working group comprising operational employees from the various business lines and project management experts. Group training and deployment methods were also reviewed.

E-learning: An e-learning module on the GPS method is used to familiarize employees with the broad guidelines and methods. It has been mandatory for new engineers and managers since 2016 and can be rounded out with in-depth classroom training given by in-house experts. In 2018, this training was complemented by role playing exercises.

Ambassadors: Thirteen ambassadors in charge of providing methodological support to the project teams were certified by the business segments and the Company's principal operating regions. They ensure that the GPS culture is applied and respected across the Group, assist and train project managers and their teams, and answer any queries they may have.

Open Manager: increasing quality of management

Faced with a changing, fast-moving world, Mersen has chosen to adapt its management culture through its Open Manager framework. Open Manager sets out the **management behaviors that are expected** throughout the Group management structure for corporate executives, middle managers and supervisors. It is broken down into five areas: Working with Everyone, Communicating and Making Sense, Motivating and Developing Employees, Building the Future, and Achieving and Raising Standards.

Identification of skills: 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 with external hires in key roles such as expertise area executives, business managers and product line managers.

Training: As part of the Mersen Academy, Mersen launched its "Management Fundamentals" training course in 2018 aimed at the entire Group management community. The purpose is to revisit the fundamental practices that managers need to apply in order to effectively manage their teams on a daily basis. In 2018, 74 out of the 76 participants were certified.

Personal development: Group senior management have access to a personalized development program. It uses 360° and Hogan-type assessments to draw up a development plan with the help of an executive coach. In 2017, these personalized programs were completed with coaching for the management teams throughout the year.

Career development: opportunities for every profile

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 geographic areas **by prioritizing mobility and the international diversity of managers**. This international mobility policy is underpinned by a desire to develop local talents and recognize skills, wherever they may be. This approach allows Mersen to encourage responsiveness to customers and foster growth and innovation.

Career committees provide the opportunity to assess the career outlooks of key managers in each of the businesses and to prepare individual skills development plans on a yearly basis. These reviews are conducted at facility and segment level and help to identify key and/or high-potential employees for review by the Management Committee's Talents Committee. These committees contribute to improving succession planning in the same way as experience interviews.

Evaluations: Individual evaluations are held for senior managers or other experienced managers who are expected to be promoted to a key management position in the short term. The aim is to check the suitability of the potential promotion and draw up a personalized development plan, which will also help employees succeed in their new role. Since 2018, evaluations for emerging talent have also been organized.

Managing human resources for the future

While the Group is preparing its future by identifying the skills it will need to ensure its growth going forward, employees also need to be aware of likely changes in their jobs so that they can **actively improve their own skill set**.

To this end, each business performs an annual forecast of the skills it will need in the medium term, based on strategic workforce planning and in step with its priorities and those of the Group. This analysis is consolidated at the Group level, based on Mersen's benchmark job framework.

Group Job map: Updated annually, it identifies and describes, for each of the 11 job fields (sales, marketing, business, R&D, production, production support, sourcing, information systems, human resources/safety/general services, finance and legal affairs, and business process owners), the 95 Group benchmark jobs shared by all divisions. This job map, along with challenges, specificities and associated skills, is used to increase the effectiveness of the Group's HR policies (hiring, mobility, training, etc.) and narrow down the types of skills in demand during the hiring phase.

Open Expert: Mersen's community of experts

To ensure the Group's development, and in particular to strengthen its technological excellence, Mersen set up **an expertise career path called "Open Expert"**, in parallel with its management path. It includes experts chosen for their key expertise in the Group's strategic business lines, as well as for certain behavioral skills.

Group champions, these specialists are volunteers who in addition to their expertise are especially skilled in **sharing know-how and galvanizing their colleagues to help move the Group forward**. Three levels were defined (experts, senior experts, executive experts) and 17 Open Experts had already been appointed in 2018, forming the foundation of a community dedicated to spreading the Group's culture of expertise.

Knowledge transfer: preparing for retirement

Planning ahead for departures linked to demographic trends in the Group's workforce is instrumental to the Group's human resource planning policy and is closely monitored in all countries. This includes training young people and keeping more senior employees on, often by appointing them as mentors so build bridges between generations and encourage skills transfer.

Hiring, integration and training young people: In France, despite the expiry of the *Contrat de Génération* action plan, Mersen has upheld its commitment to hire young people on fixed-term contracts while maintaining positions for 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. Mentors/subject matter experts are appointed to monitor young recruits and guide them through their arrival at the Company.

Retirement: All employees likely to retire within two to five years are eligible for an interview regarding their experience. Known as an "experience interview", the objective is to review the departing employee's knowledge and key skills, and arrange a transfer of these skills. The interview also serves to adapt the final phase of each employee's career to ensure it remains interesting and as useful as possible. Managers are eligible to receive training on how to prepare for these interviews that contribute to improving succession planning.

Tutoring: Highly motivated employees with expertise in a key area for the Group may be asked to become expert tutors. This kind of tutoring ensures the proper transmission of professional knowledge, which concerns everyone including experienced managers, engineers, technicians and operators.

Tools for better supporting and managing teams

Among the management essentials and innovative tools, Mersen offers its managers a **range of tools to help with managing teams and providing personalized support to every employee.**

Annual evaluation: The annual evaluation is a key element of the skill development process and is an ideal opportunity for discussion between employees and their direct manager. In addition to measuring individual performance and setting new targets, the evaluation is also an opportunity to assess current and upcoming skills development. If necessary, a mid-year evaluation at the end of the second quarter can be held in addition to the annual evaluation.

To ensure the success of the annual evaluations, Mersen has developed application in its Human Resources Information System (HRIS) that includes online forms. Managers around the world can familiarize themselves with these annual evaluations via training on the Mersen Academy 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.

Key findings report: Since 2018, at certain sites every new employee prepares a key findings report after their first three months. This is part of the Group's continuous improvement process and is an opportunity to assess employees' level of integration, and receive any questions and feedback.

Continuing education: Mersen rolled out e-learning access to all its employees worldwide in 2013. In addition to general training and customized vocational training, the online training portal, Mersen Academy, helps develop the skills of the Group's employees and support their professional 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 with KEDGE business school. It also gives access to mandatory on compliance, safety and ethics training.

Exit interviews: In 2018, Mersen introduced specific interviews for employees who choose to leave the Group in order to better understand their reasons and get an overview of their career with Mersen. These interviews aim to identify any potential issues and implement the appropriate action in order to better retain talent.

Reminder: SIRH objectives

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

Our goals

- Accelerate managerial transformation: 100% of managers trained in Open Manager by 2021.

BUSINESS ETHICS

Our strategy and our commitments

Mersen's development is driven by shared and mutual trust with all its stakeholders, be they employees, customers, suppliers, banks or shareholders. This is reflected **through values and ethics that are shared by all its employees** and applied responsibly, on a daily basis as, all levels from site management and human resources relations to financial transparency, anti-corruption and, of course, an ambitious sustainable development policy.

Our initiatives

Code of Ethics: collective and individual engagement

The Code of Ethics restates the collective and individual commitment of Mersen and its employees to establish and build on mutual trust both within the Group and with all our stakeholders. It formalizes each individual's commitment to apply the Group's values and **applies both to all Mersen employees, irrespective of their country or position, and to the members of the Board of Directors.**

The Code of Ethics was updated in 2017 and a mandatory online training module was established in 2018 in order to familiarize staff with it.

Mersen's Code of Ethics covers the following areas:

■ Relations within the Group

- Health & safety
- Harassment
- Equal opportunities
- Mutual respect

■ Relations with customers, suppliers and competitors

- Competition
- Active corruption
- Passive corruption
- Data confidentiality
- Conflicts of interest
- Choice of suppliers

■ Relations with shareholders

- Fair presentation
- Insider trading

■ Asset protection

- Confidentiality
- Use of corporate assets
- Group's reputation

■ Undertakings as a responsible business

- Accuracy of financial statements
- Environment
- Sustainable development
- Donation and patronage

The full Code is available on the Mersen website:
<https://www.mersen.com/group/ethics>.

A dedicated organization

To develop and coordinate its ethics and compliance policy effectively, in 2017 Mersen set up an **Ethics & Compliance function** that reports to General Management. The new function is tasked with (i) identifying and assessing any risks of non-compliance with laws or regulations which would damage the image, culture or financial stability of the Group, (ii) implementing appropriate procedures and processes to minimize such risks, (iii) informing and raising the awareness of Group employees of the main risks; and (iv) managing the "ethics hotline".

Extended scope: The scope of the Ethics & Compliance function covers the prevention of corruption (relations with third parties, vendor commissions outside Mersen, gifts, donations and patronage), export and trade restrictions (export restrictions, trade sanctions and embargoes), potential conflicts of interest, protection of sensitive data, and the fostering integrity and an ethical culture. The Ethics & Compliance function also works with the Human Resources Department to prevent illicit work and harassment, protect whistle blowers and ensure compliance with labor laws.

The Ethics & Compliance Committee comprising the Chief Executive Officer, the Chief Financial Officer, the Group Vice President for Human Resources and the Vice President for Risk and Compliance, develops the Ethics & Compliance function and facilitates the implementation of its initiatives. It meets at least three times a year and whenever necessary following an alert.

It supports the development of the Group's ethics culture and dedicated tools, and ensures the implementation of decisions. In the event of an ethical and/or compliance related alert, the Committee is called upon to analyze the situation and take action.

The Group Vice President for Audit, Risk and Compliance reports on the work of the Ethics & Compliance function to the Audit and Accounts Committee at least once a year.

Anti-corruption: a major priority

In a bid to combat corruption at all levels and in all countries where the Group operates, since 2017 Mersen has been running a number of initiatives, particularly as part of the application of the French Sapin II Act: **transparency, anti-corruption and the modernization of the economy.**

In addition to mapping corruption risks and establishing an ethics alert system, Mersen implemented **specific training** to complement the existing general Code of Ethics training. In 2018, 500 managers potentially exposed to the risk of corruption attended this training module.

In addition, all third-party sales agent contracts are being amended to include corruption prevention measures.

A responsible taxpayer

Mersen takes great care to **pay its taxes in all the countries where the Group operates**. The Group maintains good relations with the different local tax authorities and is committed to operating based on trust and transparency.

This fiscal approach is consistent with Mersen's business and strategy, and safeguards the value generated for the Group and its shareholders. The approaches tax risk, management and governance are monitored based on the principles of due diligence and materiality, and guarantees that the Group complies with all regulations in force in all the countries where it operates.

Tax burden: Mersen does not and will not engage in transactions of which one of the main reasons is to reduce its tax burden. The Group ensures the compliance of all its companies with their national tax legislation.

Transparency: None of the companies of the Mersen Group operates in an offshore financial center or in a jurisdiction that is considered by the OECD tax transparency report to be partially or non-compliant, with the exception of Tunisia (partially compliant). However, this presence is justified due to the purely industrial and commercial nature of operations (manufacturing and sales offices).

The 2018 projects of the Ethics & Compliance function

Sapin II Act:

- *Implementation of continuous monitoring of certain accounting transactions at all the Group's French sites.*
- *Initiation of a third-party monitoring procedure, primarily of customers and suppliers.*
- *Work toward compliance with the Conflict Minerals Regulation.*
- *Documentation and implementation of policies regarding conflicts of interest, gifts and invitations, donations and patronage.*
- *Training on Ethics Code*

General Data Protection Regulation (GDPR):

- *Implementation of a verification tool in compliance with the current standard, and verification of processing procedures for all the Group's EU subsidiaries.*
- *Bring all the Group's websites into regulatory compliance.*
- *Bring standard contracts of the information system policy and internal rules of the relevant EU subsidiaries into regulatory compliance.*

Other subjects:

- *Review of procedures relative to embargoes and export restrictions.*
- *Verify compliance with US International Traffic in Arms Regulations (ITAR).*

OTHER CSR INFORMATION

Given the nature of its industrial operations, Mersen does not consider the following themes to be key CSR risks and as such do not justify further development in this report:

- Reduction of food waste.
- The fight against food insecurity, the respect for animal welfare, and responsible, fair and sustainable food.

Regarding biodiversity, Mersen does not consider this subject as a key CSR risk. As part of Reach regulation, tests on graphite were conducted and did not reveal any environmental toxicity. To its knowledge, the other components of its products have little or no impact of biodiversity.

OUR REPORTING METHODOLOGY

This chapter contains the social, societal and environmental information required under Article R. 225-105-1 of the French Commercial Code, as amended by order no. 2017-1180 and implementing Decree no. 2017-1265, transposing Directive 2014/95/EU of the European Parliament and Council of October 22, 2014, relative to the publication of non-financial information.

1. Reporting scope

The CSR reporting scope encompasses the companies included in the financial consolidation scope based on the following principles:

- **Social and societal reporting:** All companies other than companies acquired within the last year.
- **Environmental reporting:** All companies whose on-site industrial production generated sales in excess of €15 million during the previous year, excluding joint ventures and companies acquired within the last year. Companies previously included in the scope of reporting whose production drops below the €15 million threshold remain within the scope of environmental reporting, provided that their sales do not fall below €7.5 million. These thresholds restrict environmental reporting to companies' that are representative of the Group's

business activities. In 2018, a site was excluded from the scope after its activity was relocated to another site already included in the reporting scope. In 2018, the companies included in the scope accounted for close to 76% of total sales.

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" section below also provides additional information linked to the definitions and/or the method of calculating certain indicators.

2. Organization of the reporting and methodology

Reporting framework

The Group has had a consolidated, single internal reporting framework since 2011 that formally defines and describes the processes and methods used to gather and report Mersen's CSR data.

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.

Reporting year

The data reported cover the period from January 1 to December 31, 2018.

Reporting process participants and their responsibilities

There are three levels of responsibility:

■ Corporate responsibility

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

- defines framework indicators;

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

■ Group companies' responsibility

Data reporting is the responsibility of the general manager of each company within the scope. 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;
- check the completeness and consistency of the data provided and implement the requisite checks and verifications by persons not involved in the collection process.

■ External organization

Audit and verification of data were performed in 2018 by an independent third-party organization, in accordance with the implementing Decree of August 9, 2017.

3. Notes on methodology

On account of the Group's global presence and some local legislation, indicator data collection methodologies are adapted to certain constraints of the Group.

Absenteeism

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

Lost-time accident

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 officers and against 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. FR1, FR2 and SR indicators include Mersen employees and temporary staff.

Agreement

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

Total headcount and breakdown by gender, age and geographic area

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

Employees suffering from an occupational illness (operations in France, i.e. 19% of headcount)

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 in one of the tables appended to the French Social Security Code (*Code de sécurité sociale*) or French Rural Code (*Code rural*).

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 limited list of jobs), when it has been established that the victim's regular work is the direct cause of the illness.
- 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 for headcount described above.

Training

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

- improve performance and help employees adapt to changes in their jobs;
- develop employees' talents and help them acquire new skills.

Excluded are, required training for the position, information meetings, regulatory training, internships and apprenticeships. 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.

Environmental protection training

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

Managers

Employees are considered to be managers when they hold a managerial function, including engineer, project manager or technical expert, or a team management position, with the exception of first-level management (supervisors).

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.

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 is present in a large number of countries, it is subject to the various local laws. It is unable to disclose quantitative information on this subject but provides qualitative information for some countries.

Senior employees

Over 55 years of age.

4. 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 headcount indicator is available for such companies (not included HRIS scope), which represented 94% of the headcount in 2018.

Once collected and prior to final consolidation, the data submitted by the subsidiaries is verified for consistency using various criteria, in particular absenteeism. Any value or change in value

considered suspect 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 will then be disregarded from the scope of consolidation.

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

5. Overview table of non-financial indicators

	Qualitative or quantitative Information	Scope*	Pages
DEVELOPING INNOVATIVE AND SUSTAINABLE PRODUCTS			
Organization of the company to take environmental concerns into account	Qualitative	Group policy	104 to 107
Managing our supplies	Qualitative	Group	103
Part of Sales geared towards sustainable development markets	Quantitative	Group	104
ISO 14001 certification rate	Quantitative	Environmental	106
Number of hours of environmental protection training	Quantitative	Environmental	106
Investments dedicated to environmental risk prevention	Qualitative	Group	107
Amount of significant provisions for environmental risks	Quantitative	Group	107
Energy			
Electricity consumption	Quantitative	Environnemental	107
Natural gas consumption	Quantitative	Environnemental	107
LPG consumption	Quantitative	Environnemental	107
Fuel oil, propane, butane consumption	Quantitative	Environnemental	107
Part of renewable energy in the energy consumed	Quantitative	Environmental	107
Water			
Water consumption	Quantitative	Environmental	108
Raw material			
Pitch consumption	Quantitative	Environmental	108
Coke consumption	Quantitative	Environmental	108
Artificial graphite consumption	Quantitative	Environmental	108
Copper consumption	Quantitative	Environmental	108
Packaging and logistics			
Wood consumption	Quantitative	Environmental	108
Cardboard consumption	Quantitative	Environmental	108
Greenhouse gases			
Scope 1 emissions	Quantitative	Environmental	109
Scope 2 emissions	Quantitative	Environmental	109
Scope 3 emissions	Quantitative	Environmental	109
Waste			
Hazardous industrial waste	Quantitative	Environmental	109
Waste recycled	Quantitative	Environmental	109
Waste recovered	Quantitative	Environmental	109

* Standard scope: refer to definitions given in paragraph 1 of the Reporting Methodology

	Qualitative or quantitative Information	Scope*	Pages
HUMAN CAPITAL			
Total workforce broken down by gender	Quantitative	Standard	112
Total workforce broken down by age	Quantitative	Standard	112
Total workforce broken down by geographical area	Quantitative	Standard	111
Headcount broken down by category	Quantitative	Standard	111
Number of new hires	Quantitative	Standard	111
Number of dismissals	Quantitative	Restricted	111
Number of departures	Quantitative	Restricted	111
Human potential success rate	Quantitative	Standard	112
Absenteeism rate	Quantitative	Standard	111
Labor relations	Qualitative	Standard	114
Diversity			
Diversity and equality policy	Qualitative	Standard	113
Disabled employees	Qualitative	Restricted	114
Percentage of women managers	Quantitative	Standard	113
Percentage of women on corporate governance bodies	Quantitative	Standard	113
Percentage of seniors	Quantitative	Standard	112
Percentage of site managers of local nationality	Quantitative	Standard	113
Health & Safety			
Health & Safety policy	Qualitative	Standard	115
Percentage of companies with a dedicated EHS manager	Qualitative	Standard	116
Frequency rate of occupational accidents with lost time (FR1) for employees and temporary workers	Quantitative	Standard	116
Frequency rate of occupational accidents with lost time (FR2) for employees and temporary workers	Quantitative	Standard	116
Severity rate (SR) of occupational accidents for employees and temporary workers	Quantitative	Standard	116
Number of safety visits	Quantitative	Standard	117
Occupational diseases	Qualitative	France	116
Number of hours of safety training	Quantitative	Standard	117
Health & Safety audits	Quantitative	Standard	117
Training			
Training policies implemented	Qualitative	Standard	118
Number of hours of training	Quantitative	Restricted	118
BUSINESS ETHICS			
Ethical policy	Qualitative	Group policy	121
Measures implemented to prevent corruption	Qualitative	Group policy	121
Managers who have attended the anti-corruption training	Quantitative	Standard	121

* Standard scope: refer to definitions given in paragraph 1 & 4 of the Reporting Methodology

REPORT VERIFYING THE NON-FINANCIAL INFORMATION STATEMENT

This is a free translation into English of the 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.

The Non-Financial Information Statement reviewed covers the year ended December 31, 2018.

Request, Responsibilities and Independence

At Mersen SA's request and pursuant to the provisions of Article L.225-102-1 of the French Commercial Code, we have verified the Non-Financial Information Statement (hereinafter the "Statement") for the year ended December 31, 2018 included in Mersen SA's registration document, as an independent third party certified by COFRAC under number 3-1341 (whose list of locations and scope are available at www.cofrac.fr).

Pursuant to Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code, the Management Board is responsible for preparing a compliant Statement which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

The Statement has been prepared in accordance with the reporting guidelines (hereinafter the "reporting procedures" of the company (hereinafter the "entity")). The Statement will be available on the entity's website along with a summary of the reporting procedures.

It is our responsibility to verify the Statement, which enables us to provide a reasoned opinion as to:

- The Statement's consistency with the provisions of Article R.225-105 of the French Commercial Code.
- The fairness of the information provided in accordance with Article R.225-105 I, 3 and II of the French Commercial Code.

We verified the Statement in an impartial and independent manner in accordance with the professional practices of the independent third party and pursuant to the French Code of Ethics applied by all members of Bureau Veritas.

Nature and scope of our work

In order to provide a reasoned opinion on the Statement's compliance and the fairness of the information supplied, we carried out our work in accordance with Articles A.225-1 to A.225-4 of the French Commercial Code and our internal methodology for the verification of the Statement, in particular:

- We obtained an understanding of the scope of consolidation to be considered for the preparation of the Statement, as specified in Article L.233-16 of the French Commercial Code. We also verified that the Statement covers all the entities within the scope of consolidation specified in the Statement.
- We obtained an understanding of the entity's activities, the context in which the entity operates, the social and environmental impact of its activities and the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation.
- We obtained an understanding of the content of the Statement and verified that it included the items listed in Article R.225-105 of the French Commercial Code:
 - Presentation of the entity's business model.
 - Description of the principal risks associated with all the consolidated entities' activities for each category of information set out in Article L.225-102-1 III, including, where relevant and proportionate, the risks associated with their business relationships and products or services, as well as the policies implemented by the entity, where applicable, and the due diligence procedures implemented to prevent, identify and reduce the occurrence of the identified risks.
 - The outcomes of these policies, including key performance indicators.
- We examined the entity's procedures for reviewing the impacts of its activities as listed in Article L.225-102-1 III, identifying and prioritizing the associated risks.
- We identified missing information, as well as information omitted without explanation.

- We verified that the Statement includes a clear and reasoned explanation for the absence of information regarding the principle risks identified.
- We examined the data collection process implemented by the entity to ensure the completeness and consistency of the information referred to in the Statement. We assessed the reporting procedures with respect to their relevance, reliability, understandability, completeness and objectivity, with due consideration of industry best practices, where appropriate.
- We identified the people within the entity who are in charge of all or part of the reporting process and interviewed some of them.
- We asked what internal control and risk management procedures the entity has put in place.
- Through sampling, we assessed the implementation of the reporting procedures, in particular the collection, compilation, processing and verification of the information.
- For the quantitative results (1) that we considered to be the most important, we:
 - performed analytical procedures and, using sampling techniques, verified the calculations and the consolidation of the data at the level of the Group and the verified entities;
 - selected a sample of contributing entities (2) within the scope of consolidation according to their activity, their contribution to the entity's consolidated data, their presence and the outcomes of work performed in earlier years;
 - performed tests of details, using sampling techniques, in order to verify the proper application of the reporting procedures, reconcile the data with the supporting documents and verify the calculations made and the consistency of the outcomes.
 - The selected sample represents 22% of headcount and between 18% and 90% of the values reported for the environmental data tested.
- We referred to documentary sources and conducted interviews with the people responsible for drafting the documents in order to corroborate the qualitative information that we considered to be the most important.
- We assessed the consistency of the information referred to in the Statement.
- Our work was carried out by an auditor between September 3, 2018 and the completion of our report and took a total of about five weeks. We conducted some 20 interviews with the people responsible for reporting at the time of this assignment.

Comments on the reporting procedures or the content of certain information

- The materiality matrix presented by Mersen SA in its non-financial information statement identifies and prioritizes the issues, thereby enabling the development of a roadmap. However, the non-financial information statement does not explicitly present the principle risks associated with the impacts of Mersen SA's activities, products and business relationships.
- Gradually broadening the involvement of external stakeholders in the construction of the materiality matrix will provide a more representative and balanced presentation of the issues and their positioning.
- The quantitative data in the human capital section of the Statement are not presented on a like-for-like basis and although the changes in consolidation scope are stated, this makes the document more complex to read.
- Compliance with the definitions and verification of quantitative and qualitative human resources data need to be improved throughout the entire data production chain.

(1) **Human resources information:** active headcount at December 31, broken down by gender, age and geographic distribution; share of sites with site managers of local nationality; number of recruitments; number of dismissals; percentage of women in the headcount, percentage of female managers and percentage of women in governing bodies; frequency rate of work accidents with lost days; severity rate of work accidents; number of safety visits, percentage of sites internally audited for health and safety; percentage of employees with a work-related illness; average number of training hours per employee.

Environmental information: electricity consumption; gas consumption; total energy consumption; water consumption; raw material consumption: coke and copper; packaging consumption: wood and cardboard; CO2 emissions, scope 1 and scope 2; tonnage of industrial waste and share of hazardous waste; share of waste recycled or thermally recovered.

Qualitative information: developing innovative products that contribute to sustainable development: electronics; developing products with a reduced environmental footprint, from their design to their recycling; promoting environmentally friendly practices throughout the sites; organization: a management system; a continuous improvement approach; health and safety: constant priorities; business ethics.

(2) Salem (United States), St Mary's (United States), Juarez (Mexico), La Mure (France), ST Bonnet de Mure (France).

Opinion on the Statement's compliance with the regulatory requirements

Based on our work, we have not identified any significant misstatement that causes us to call into question the Statement's compliance with the provisions of Article R.225-105 and the fairness of the information provided.

Reasoned opinion on the fairness of the Information

In conclusion, we have not identified any significant misstatement that causes us to call into question the fairness of the information presented in the non-financial information statement.

Puteaux, March 7, 2019

Bureau Veritas

Jacques Matillon

Vice-Chairman



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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POWER & ADVANCED MATERIALS



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