



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.

July 2020

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".

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	2019 Universal Registration Document, Code of Ethics, Procurement charter for a sustainable supply chain, Anticorruption code of conduct	
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>In 2019, Mersen has also formalized its approach with its procurement charter for a sustainable supply chain, which sets out its own requirements and encourages the implementation of best practices. It reaffirms Mersen’s commitment to protecting human rights and urges its suppliers and subcontractors to respect the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, and the international law on human rights.</p> <p><u>Ref.:</u> 2019 Universal Registration Document: - Social responsibility and sustainable development - Ethics & Compliance Code of Ethics (July 2017 update) Procurement charter for a sustainable supply chain (2019)</p>	<p>P98-133 P125-127 P4 P7</p>

LABOUR RIGHTS		
<p>- Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<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>- Principle 4: the elimination of all forms of forced and compulsory labor;</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>- Principle 5: the effective abolition of child labor; and</p>		
<p>- Principle 6: the elimination of discrimination in respect of employment and occupation.</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.: 2019 Universal Registration Document: - Diversity: collaboration based on the respect of local cultures Code of Ethics (July 2017 update) Procurement charter for a sustainable supply chain (2019)</p>	<p>P114 P4 P7</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 51% of Mersen’s sales in 2019 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</p> <p>P105</p> <p>P106 - 111</p>
	<p><u>Ref.:</u> 2019 Universal Registration Document:</p> <ul style="list-style-type: none"> - Developing innovative products that contribute to sustainable development - 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. A training course first implemented in 2018 is followed by all employees directly exposed to these issues due to their department (e.g., sales, sourcing) or position (management staff).</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 to develop and coordinate an effective and sustainable ethics and compliance policy. They are also supported with an anticorruption code of conduct which is circulated internally and published on Mersen’s website, which restate the collective and individual commitment of the Group and its employees.</p> <p><u>Ref.:</u> 2019 Universal Registration Document: - Ethics & Compliance Code of Ethics (July 2017 update) Anticorruption code of conduct Procurement charter for a sustainable supply chain (2019)</p>	<p>P125 – 127 P6 P10</p>

RELATED DOCUMENTS

- Extract of Mersen’s 2019 Universal Registration Document: Chapter 4: Corporate Social responsibility and sustainable development
- Group Code of Ethics (July 2017 update)
- Procurement charter for a sustainable supply chain (2019)
- Anticorruption code of conduct

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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. Aware that continually improving its **social and environmental footprint requires continuous monitoring, assessment and analysis**, the Group has established a cross-segment CSR policy for all its employees and adapted to all levels of the organization.

Mersen's CSR culture is rooted in its values and is the result of decades of commitment to ethical and responsible development at a time when CSR was 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 to 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 local cultures by drawing the Group's strong fundamentals in human resources, health and safety and ethics.

Mersen is also committed to **reducing its environmental footprint**. For almost 15 years, it has 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, and clean transit, by inculcating **best practice throughout all its facilities** and by working hard to reduce waste by enhancing the **performance, quality and efficiency of its products**.

Although Mersen has chosen to **set itself ambitious CSR objectives, they are always quantifiable and 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 **high-performance, innovative products**.

Transmitting a shared **CSR culture** throughout the Group and giving sites and teams the autonomy they need to implement this policy and effectively and appropriately adapt it to their region.

3. Organization

The Corporate Social Responsibility strategy has been implemented across the Group as follows:

Top management

The Board of Directors is dedicated to promoting the Company's long-term value creation by including social and environmental challenges 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.

The Executive Committee proposes and implements the CSR strategy.

Group committees

The 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. It meets quarterly to review the Group's medium-term objectives and make sure that Group's progress on CSR issues are properly publicized outside the Group.

The HSE Committee, comprising senior management, the Human Resources Department, the Operational Excellence Department and the heads of both the Group's segments. The Committee oversees all health, safety and environmental actions and indicators at Mersen and meets on a monthly basis.

The Compliance Committee, comprising senior management, the Human Resources Department, the Compliance Officer and the Finance Department, meets on a quarterly basis to guide the function, ensure the proper deployment of action plans and analyze and guide actions in the event of an ethics and/or compliance alert

Working groups

Working groups could be created specifically to monitor progress in certain areas, such as the "Diversity" and "Open Experts" groups, whose members include people from operations teams.

4. Non-financial ratings

The Mersen Group's ESG performance has been rated "BB" by MSCI ESG Research.

It won a bronze EcoVadis medal for its Group-wide CSR performance.

In France, the Group is included in the Gaïa Index, which evaluates the non-financial performance of listed mid cap companies. Of the panel of 230 intermediate size companies and SMEs listed on the Paris stock exchange that feature in this index, Mersen ranks 38th. The Company ranked 47th in 2018.

CSR MATERIALITY MATRIX

1. 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 and is based on a series of interviews with the Group's main governance bodies carried out by an external audit firm. The main non-financial risks and opportunities identified were then mapped in the form of a materiality matrix based on a

questionnaire that was sent to people representing the various internal and external stakeholders around the world.

In 2018, Mersen collected questionnaires that mostly came from internal stakeholders (members of the Board of Directors and the Executive Committee, site managers, HSE managers and site HR managers). In 2019, Mersen broadened its analysis and asked external stakeholders (clients and members of the financial community) for their opinions to help it accurately identify the CSR topics that it needs to address.

2. 2019 update

Overall, and with very few exceptions, internal stakeholders (in 2018) and external stakeholders (in 2019) have a very similar understanding of the issues.

However, the Group's materiality matrix was modified in 2019 to take into account the following points:

Governance

- External stakeholders all viewed the structure and efficiency of CSR governance as a key issue.
- External stakeholders also placed a higher value on community involvement.

Economics

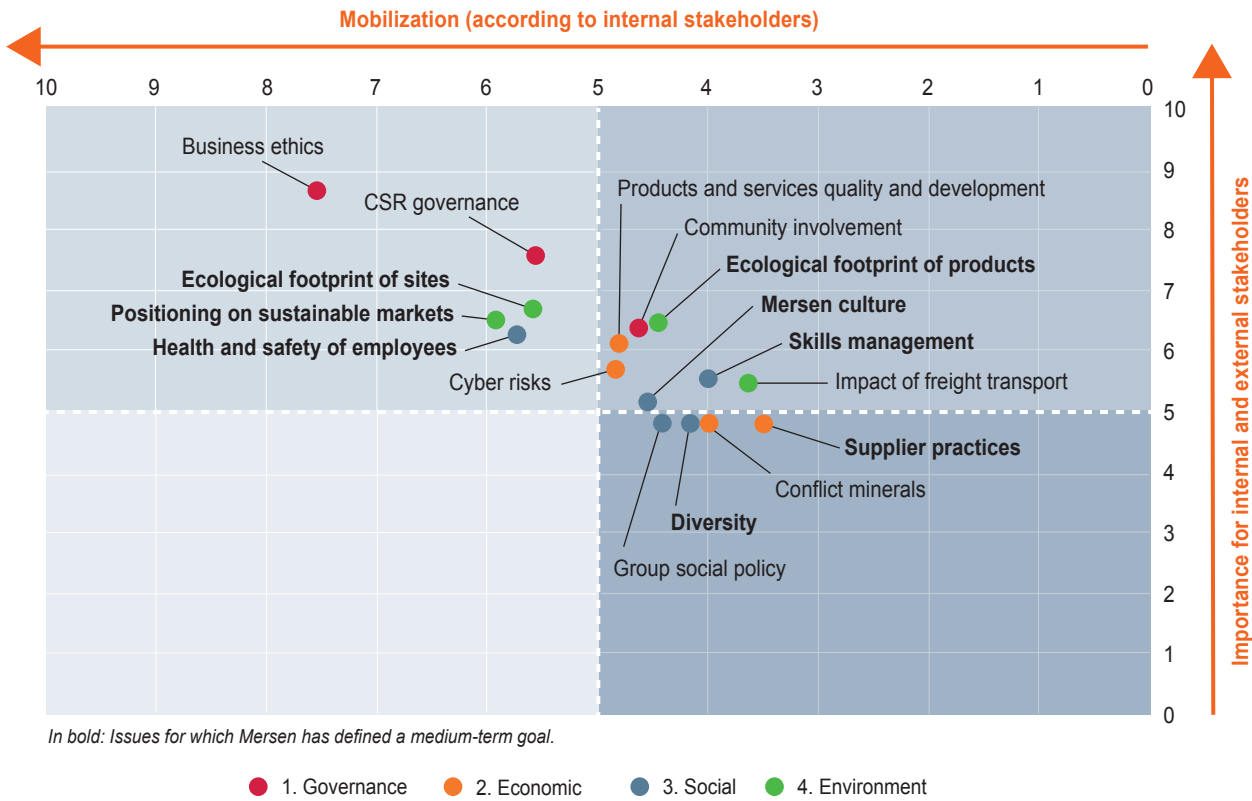
- Issues related to raw materials (controversial metals) and supplier practices are more important for external stakeholders.

Employees

- Mersen culture has greater significance for internal stakeholders than external ones.

Environment

- External stakeholders are more aware of issues related to products' carbon footprints, both upstream (product ecological footprint) and downstream (impact of transportation).



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.	112
Mersen's culture	Build on and promote Mersen Group culture which draws on local leadership, trust, empowerment and collaboration.	113
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 segments, ensure equal treatment in the hiring process and professional development.	114
Employee health and safety	Ensure the safety of employees and develop health-related preventative measures across all Group facilities.	122
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 located near Group facilities may be exposed.	106
Ecological footprint of our products	Optimize the ecological footprint of Mersen products by consuming fewer raw materials and producing less waste.	105
Impact of transportation	Optimize goods transportation (raw materials, intermediate and final goods) and employee travel.	103
Supplier practices	Pay attention to the social and environmental practices of a targeted scope of suppliers.	103
Cyber risks	Protect the Group from attacks on its information systems seeking to damage their operation, or manipulate, block or steal data.	127
Quality and development of products and services	Adapt to customer requirements and expectations, be at the cutting edge of technology and preempt technological disruption.	105
Conflict minerals	Responsibly manage our supply of metals with potentially negative social and/or environmental impacts.	103
CSR governance	Ensure the Group's governing bodies take CSR into account and include it in Group strategy. Involve the Company's senior management in developing CSR initiatives.	99
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.)	125
Community involvement	Interact with public authorities. Promote and leverage local initiatives for sponsorship, partnership or dialog with the communities and regions where the Group operates.	115

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 senior management defined a three-year action plan at the end of 2018.

Priority commitments	Ambition	2021 objective (unless other date specified in the table)
Ecological footprint of our products	Develop innovative products that contribute to the ecological transition.	<ul style="list-style-type: none"> • 55% of sales will be linked to sustainable development
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 the proportion of waste recycling by 15 points
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
Health and safety of our employees	Develop and consolidate a culture of health and safety within the Group.	<ul style="list-style-type: none"> • Increase the number of safety visits by 15% • LTIR \leq 1.4; SIR \leq 60
Develop our human capital	Develop and retain our expertise through an organizational structure that promotes collective intelligence.	<ul style="list-style-type: none"> • 3-point increase in human capital achievement rate • 25% to 30% women managers and professionals by 2022 • 100% of managers completed the Open Manager program

4. 2019 Achievements

Ambition	2019 Achievements
Develop innovative products that contribute to the ecological transition.	<ul style="list-style-type: none"> • 51% of sales linked to sustainable development
Reduce the environmental impact of our industrial sites by recycling and recovering waste.	<ul style="list-style-type: none"> • Percentage of waste recycled: +7 points • Establish quarterly reporting on waste • Share best practices
Improve and secure the social and environmental performance of our supplier base.	<ul style="list-style-type: none"> • Write a procurement charter for a sustainable supply chain • Finalize a CSR self-assessment questionnaire for our suppliers
Develop and consolidate a culture of health and safety within the Group.	<ul style="list-style-type: none"> • 12.5% increase in safety visits • LTIR = 1.4 • SIR = 64
Develop and retain our expertise through an organizational structure that promotes collective intelligence.	<ul style="list-style-type: none"> • 23% women managers and professionals (up 3 points from 2018) • 51% of managers completed the Open Manager program

DEVELOPING INNOVATIVE AND SUSTAINABLE PRODUCTS

1. Managing suppliers

Mersen's strategy and 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 its own internal practices, but also to those of regular suppliers.

Present in 35 countries, Mersen is often required to factor in a variety of different legislation and widely varying local realities. This is why it makes every effort to make sure its policy in this area is comprehensive. The procurement charter for a sustainable supply chain, which is now available in five languages (English, German, Chinese, Spanish and French), formalizes relations and sets the standard for virtuous collaboration.

The Group takes special care to verify the source of minerals that may be used to manufacture its products and equipment, especially those that could come out of conflict zones.

Commitments:

- Determination to improve and secure social and environmental performance.
- A charter to formalize supplier relations, which would also include a self-assessment grid.
- Special attention paid to avoiding conflict minerals.

Initiatives

Procurement charter

In 2019, Mersen formalized its approach with its **procurement charter for a sustainable supply chain**, which sets out its own requirements and encourages the implementation of best practices – including social and environmental practices. The procurement charter reaffirms Mersen's commitment to preventing slavery and protecting children's rights throughout the Group's supply chain.

Our regular suppliers are given copies that they are asked to sign. The charter is available on the Group's website.

The Group concentrates its efforts on suppliers that make up 80% of its materials purchases. In 2019, it finalized a CSR questionnaire with a detailed self-assessment grid that will help to better integrate and evaluate their CSR and Compliance performance.

The Group has also established a procedure to evaluate third-party corruption risk, including suppliers, using an internal database. All new suppliers will be assessed using a risk table, with high-risk suppliers being examined more closely.

In addition, some of the Group's sites try to work with local suppliers to:

- reduce transportation costs and greenhouse gas emissions (use of recyclable materials, the widespread use of more eco-friendly packaging, etc.);
- reduce environmental impacts through the adoption of pragmatic initiatives: efforts to reduce packaging weight and purchase of eco-friendly vehicles.

The Group will begin to identify areas of progress to reduce the CO₂ impact of its freight transport.

Commitment to verifying mineral sourcing (conflict minerals)

Mersen had its suppliers confirm that they and their own suppliers comply with the EU Conflict Minerals Regulation and equivalent US legislation (Article 1502 of the Dodd-Frank Act). These regulations aim to help stem the trade in four minerals – tin, tantalum, tungsten and gold – which sometimes finance armed conflict or are mined using forced labor.

The Group's procurement charter sets out the commitments that suppliers must make regarding the sourcing of tin, tantalum, tungsten and gold (and any other substances that could someday be added to the list of conflict minerals) used in products they supply to the Group.

Summary

Objectives

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

2019

- Develop a CSR and Compliance selfassessment grid
- Disseminate the procurement charter for a sustainable supply chain
- Establish a corruption risk evaluation process

2021

- Evaluate our strategic suppliers using a self-assessment questionnaire

2. Developing innovative products that contribute to sustainable development

Mersen's strategy and commitments

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

Mersen's solutions contribute to the progress made in photovoltaic solar energy, and to the manufacture of wind turbine generators. It also works with hydroelectric generator manufacturers, and helps to **improve the performance and reliability of the equipment and infrastructure** of new forms of urban mass transit and electric vehicles.

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

In summary:

- R&D and innovation focused on supporting the green industry and combating global warming.
- A recognized player on high-potential markets.
- Significant investment in manufacturing to strengthen a leading position on sustainable development markets.

Sustainable development markets

Renewable energies

For many years, Mersen has been working alongside the leading manufacturers in the renewable energy sector. In addition to providing highperformance and sustainable solutions, it helps get the energy produced to customers.

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

Wind power: Mersen is the leading supplier in 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 electronics 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. Its 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 highperformance insulation products providing significant energy savings. Other components are also used for speed drives to optimize the output of industrial equipment. For certain processes, 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 of 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 its expertise in managing direct current in batteries, it is able to offer solutions for battery management and safety.

Objectives

- Develop innovative products that contribute to the ecological transition

2019

- 51% of sales in sustainable development markets

2021

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

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

Mersen's strategy and commitments

The Group manufactures products and solutions that are mainly made of:

- artificial graphite, which is an inert natural material without any special impact on the environment, in the Advanced Materials segment;
- ceramic components and recyclable materials (especially copper and silver) in the Electrical Power segment.

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 the next few years, the Group will carry out a study with its major customers to improve product end-of-life management, especially through recycling programs.

In summary:

- Products and solutions that have little or no impact on our natural environment.
- Every step of a product's life cycle is taken into account.
- An analysis of recycling programs.

Initiatives

Mersen relies on several priorities and initiatives throughout the entire product life cycle to reduce the environmental footprint of its products.

Product design

In order to provide products with a reduced environmental impact, Mersen uses the **bespoke techniques** to design its new manufacturing lines and products. From the initial design phase, this approach factors in a product's environmental impact throughout its entire life cycle.

Technology watch: 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 natural 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: Mersen has been developing this approach based on the functional analysis of products. 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.

In keeping with this, in 2019 the Group launched the next generation of Modulostar fuse holders, a key Mersen product. The product was redesigned to reduce its environmental footprint without affecting its functionality.

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.

PROMOTING ENVIRONMENTALLY-SOUND PRACTICES AT ALL FACILITIES

Mersen is **committed to reducing the environmental impact of its products and industrial sites.**

Our environmental strategy is built on complying with local environmental regulations governing all of our industrial operations, using resources responsibly, reducing our climate impact, controlling all types of emissions and minimizing our waste ⁽¹⁾.

In summary:

- Compliance with environmental regulations
- Responsible use of resources
- Emissions and waste reduction

1. Organization: a new dedicated management system

In keeping with its 2018 commitment, Mersen implemented an **environmental management system** in 2019. It is based on a written commitment made by the Executive Committee and shared with all employees, and a dedicated system that includes the following components:

- organization, objectives and steering committees;
- compliance with applicable regulations, operational control and emergency procedures;
- responsible use of resources (materials and components, water and energy);
- climate change through greenhouse gas emissions;
- other emissions polluting air, soil and water, and waste.

The environmental management system established in 2019 formalizes the structure and initiatives implemented over several years.

The HSE Committee, comprises the Chief Executive Officer, the Human Resources Department, the Operational Excellence

Department and the heads of both the Group's segments. The Committee oversees all environmental and health and safety actions and indicators at Mersen and meets on a monthly basis.

The Group's **Health & Safety, Environment and Industrial Risks function** is part of the Operational Excellence Department, which is responsible for implementing the Group's environmental program across all industrial sites.

Site managers are responsible for implementing an environmental management system that is effective, compliant with regulations and adapted to the local activity. They must appoint an environmental manager to oversee initiatives and report to the Health & Safety, Environment and Industrial Risks function.

Environmental site managers are in charge of monitoring site action plans, coordinating activities and evaluating progress.

Local environmental correspondents are in charge of monitoring regulatory developments in their respective operating regions (Europe, North America and China) and report their findings to the Executive Committee twice a year.

2. Compliance with environmental regulations

Compliance with environmental laws and regulations is the foundation of the environmental program.

Compliance with environmental regulations: Mersen identifies environmental legislation at both local and national levels, including permits and authorizations, codes applicable to the Group and voluntarily measures, and then shares them across all industrial sites.

For each industrial site, Mersen ensures that site management's action plan takes these requirements into account, the potential

impacts are analyzed and updated information is shared with site employees and throughout the Group.

As much as possible, Mersen identifies the impact of environmental regulations on each of its sites and is deliberate in its approach to making decisions. The Group is a member of the European Carbon and Graphite Association (ECGA), which contributes to dialog with European institutions on matters affecting the graphite industry.

(1) The 2018 data in this chapter was adjusted to include 2019's expanded reporting scope (see the Reporting Methodology section in this chapter).

Directive 2010/75/EU of November 24, 2010, the Industrial Emissions Directive (IED): four of our sites in France (Amiens, Gennevilliers and Pagny-Sur-Moselle) and the United Kingdom (Holytown) may be affected by this regulation. 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). These sites were contacted by their respective regulatory authorities for a review of their operations on the basis of the best available techniques.

Directive 2012/18/EU of July 4, 2012, known as the Seveso 3 directive: none of our European sites are subject to this regulation.

Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of CHemicals (REACH) was strictly implemented 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. Coal tar pitch is considered to be an intermediary product in the manufacturing processes and is excluded from the REACH registration as it is untraceable in the graphite end product. At the May 31, 2018 deadline to register chemicals with an annual total of between 1 and 100 tons, the Group did not report any chemicals meeting this criterion.

3. Investments

The Group systematically includes sustainable development in its investment projects. When projects begin, a health, safety and environment (HSE) study is carried out to assess potential impacts and anticipate environmental risks.

Mersen makes some of the investments in areas related to the environment, such as:

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

In 2019, the Group's HSE-related investments totaled nearly €5.3 million. Most of these were smaller individual investments of less than \$50,000.

In 2019, the Gennevilliers site located in a dense urban setting completed a modernization project that began in 2017 and cost several million euros. It brought some equipment into compliance while making other equipment safer to use.

At December 31, 2019, the amount of environmental risk provisions totaled €4.8 million, up €3.9 million from December 31, 2018. This change is the result of the acquisition of the Columbia, Tennessee site in the United States, where operations were halted by the previous owner in 2015. At the time of the acquisition, an

Operational control and emergency procedure: operations identified as having significant environmental impacts, legal requirements and environmental objectives were listed for each site. The most complex operations are managed using documented procedures. Employees receive regular information on environmental commitments, the related environmental management system and their role in meeting program requirements. They are trained on appropriate procedures and are also required to understand the possible consequences of failure to comply. Since 2017, Mersen has strengthened its environmental audit procedure for industrial real estate sales and acquisitions.

Despite Mersen's best efforts, the risk of accidents and other emergency situations remains. An appropriate response and the development of emergency procedures, can reduce injury rates, prevent or minimize environmental impacts, protect lives and minimize the loss of assets.

ISO 14001 certification: at the end of 2019, 39% of the sites included in the scope were ISO 14001-certified, the recognized global standard for environmental management systems, vs. 34% in 2018.

This figure rises to 59% for sites with more than 125 people.

environmental audit without any soil or groundwater sampling led Mersen to set aside a €4.2 million provision as a precautionary measure in case of proven risk pollution as the site comes gradually back on line.

in €m	2019	2018
Provisions for environmental risks	4.8	0.9

Environmentally-aware employees

Training and signage campaigns are the main methods used to raise employee awareness about responsible behavior, energy efficiency, and waste reduction and recycling.

In 2019, environmental protection training increased by 48% from 2018.

Environmental training	2019	2018
Hours	6,840	4,615

4. Use of resources

Responsible energy use

The Group is committed to using energy efficiently. Every Mersen production site measures its energy usage per production unit and develops an action plan to control and improve its consumption.

Its two major sources of energy are electricity and natural gas, which are used by Advanced Materials to produce graphite and felt.

All sites are continuing to replace their lighting with LEDs and even next-generation bulbs that represent significant savings.

Some sites of the Group are ISO 50001 certified (France, India).

Energy consumption by category in 2019

in GWh	Renewable ⁽¹⁾	Non renewable	Total
Electricity purchased	38.3	190.7	229.0
Natural gas	0	176.9	176.9
Liquefied petroleum gas (LPG)	0	3.1	3.1
Fuel oil, propane, butane	0	3.1	3.1
TOTAL	38.3	373.9	412.2

The Group encourages every site to increase the percentage of renewable energy in its total energy consumption. This is now one of the criteria used to select electricity providers during the tendering process.

Consumption of energy from renewable sources ⁽¹⁾

		2019	2018	Difference
Energy consumption	GWh	412.2	425.1	-2%
% of renewable energy	%	9.3	8.9	
Ratio to total sales	GWh/€m	0.43	0.48	-9%

In 2019, the Group's energy consumption fell by 2% from 2018, while the consumption to sales ratio (GWh/€M) fell by 9%. This can be explained by the ongoing effort to reduce gas consumption in graphite production and a lag between sales and energy consumption, due to the long manufacturing and processing cycle of semi-finished carbon products.

Chongqing and Holytown cut down on gas consumption

The Chongqing (China) and Holytown (UK) sites are continuing initiatives begun in 2018 to check and modify some furnaces to reduce their natural gas consumption.

Water consumption

The Group uses water primarily to cool equipment used in heating processes (firing, graphitization and impregnation of graphite), ensuring water quality before disposal.

Water consumption		2019	2018	Difference
Water	m ³	683,478	693,565	-1,5%
Ratio to total sales	m ³ /€m	719	789	-9%

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 residue from manufacturing graphite can be reused without additional processing in other production processes within the Group or by external units. These residues are called by-products.

Consumption of raw materials used to manufacture graphite

In tons		2019	2018	Difference
Pitch		7,314	7,262	+0.7%
Coke		7,720	7,665	+0.7%
Artificial graphite		3,607	3,496	+3.2%
Other		955	952	0%
TOTAL		19,596	19,375	+1.1%

The numbers above correspond to annual graphite production (excluding materials for processes) and are estimated based on the Group recipe. In 2019, volumes showed no change from 2018, which is in line with the tonnage of graphite produced.

(1) To calculate the percentage of energy from renewable sources consumed, the Group uses data provided by the electricity providers and, in the absence of market-based data, information on national energy mixes, known as location-based data.

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

Copper consumption		2019	2018	Difference
Copper	Tons	2,639	2,880	-8%
Ratio to total sales	Tons/€m	2.8	3.3	-15%

The decrease in copper consumption can be partially attributed to product mix.

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	2019	2018	Difference
Timber	2,687	2,086	+29%
Cardboard	1,506	1,366	+10%
Total timber and cardboard	4,193	3,452	+21%
Ratio to total sales	4.4	3.9	+12%

5. Climate change

Emissions assessment

Since 2018, Mersen has abided by 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 graphite production processes, namely the baking and graphitization of blocks, plates and tubes at the St. Marys, Chongqing, Amiens, Pagny-sur-Moselle and Bangalore sites.
- Emissions from other manufacturing processes were considered negligible.
- Emissions resulting from the combustion of natural gas, LPG, fuel oil, propane and butane multiplied by their respective emission factors.
- Emissions from company cars.

SCOPE 2: indirect GHG emissions

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

SCOPE 3: indirect GHG emissions

- Emissions related to the procurement of goods and services.
- Emissions related to industrial investments.
- Emissions related to waste.
- Emissions related to business travel and commuting.
- Emissions related to sea, air and road transportation.
- The Group has established a rule for updating this data: Scope 1 and 2 calculations will be updated every year, while Scope 3 calculations will be updated every three years.

In keeping with its commitment, the Group calculated indirect Scope 3 emissions for 2018, as defined above. Emissions related to use and end-of-life for products sold were excluded for 2018.

In 2020, the Group will refine its calculation of Scope 3 emissions.

Table of GHG emissions in tons of CO₂

In tons	2019	2018	Difference
Direct emissions from burning gas and fuel oil	37,855	40,541	-4%
Direct industrial process emissions	16,778	17,618	-5%
Direct emissions from company cars	1,358	1,358	
Scope 1 emissions subtotal	55,991	59,517	-4%
Indirect emissions related to electricity consumption	108,970	106,813	+1%
Scope 2 emissions subtotal	108,970	106,813	+1%
Indirect emissions related to the procurement of goods and services		124,948	
Indirect emissions related to sea, air and road transportation		39,013	
Other indirect emissions		42,828	
Scope 3 emissions subtotal		206,789	
TOTAL EMISSIONS	371,750*	373,119	0%
Ratio to total sales (tons CO ₂ /€m)	391	425	-8%

* Includes 2018 data for Scope 3.

For several years the Group has been involved in initiatives to reduce electricity consumption for both economic and environmental reasons. In 2019, indirect emissions related to electricity consumption represented 29% of total emissions.

In 2020, the Group committed to confirming the suitability of emissions factors, especially those used for manufacturing procedures that may not be covered by the industry's published standards.

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.

Reducing Mersen's impact

Impact of climate change on operations: 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.

Impact of transportation

Materials and goods transportation by sea, air or road amounted to 39,013 tons of CO₂ in 2018, i.e., 10.5% of total emissions. Air transportation accounts for 81.5% of that total. For several years the Group has been involved in initiatives to reduce the volume of goods and materials transported and has chosen to use low-cost, low-emissions forms of transportation where possible.

In addition, the Group's company car policy encourages each employee to opt for an environmentally friendly company car, based on a CO₂ criterion.

Grouping shipments: a value-added best practice

The Mersen Brazil site has established a system for grouping shipments from the same geographic areas. Every year, the site fills more than 1,300 orders, which it groups into less than 200 shipments. This method of supply chain optimization has significantly reduced its CO₂ emissions related to goods transport. This has also resulted in savings of several hundred thousand euros per year.

6. Emissions, waste and noise pollution

Air, soil, and water polluting emissions and waste from our facilities have been identified as an important environmental challenge for minimizing our industrial sites' impact on the environment. Reducing them is both a regulatory requirement and an environmental performance goal.

Emissions

Air: to preserve air quality around its sites, Mersen intends to systematically measure the level of atmospheric emissions (gas and particulate) and implement the appropriate solutions to limit each type of emission.

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 an average minimum of 95% of these pollutants.

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

Soil and water: in partnership with local regulatory authorities, the Group closely monitors the risks associated with soil and water pollution at 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 and groundwater pollution levels.

Waste and recycling

Although the waste generated by the Group's activities is negligible compared to other industries, Mersen has set itself a goal of reducing its waste and increase the rate of waste recycling and recovery. Since 2019, each industrial site has categorized its waste by type and end use (by-products, recycling, recovery or landfill).

In 2018, the Group committed to a **15 points increase in its waste recycling or recovery over three years. Based on 2019's expanded environmental reporting scope, that means increasing the percentage of waste recycled or recovered from 46% to 61% between 2018 and 2021.**

In 2019, the Group carried out initiatives to reach 53%. The concept of "by-products" was clarified to include undesirable production residues introduced into external units without additional processing. This includes graphite dust, and graphite and copper scraps. By-products are included in the recycling rate.

Waste from all industrial sites		2019	2018	Difference
Waste	Tons	19,192	17,171	+12%
Ratio to total sales	Tons/€m	20.2	19.5	3%
Including hazardous waste	%	13.1	14.8	
Including waste recycled (including by-products)	%	53	46	

Recycling 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.

Noise

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.

Objectives

- Reduce ecological footprint of facilities

2019

- 7-point increase in waste recycling in relation to 2018

2021

- 15-point increase in waste recycling from 46% in 2018 to 61% by 2021

THE GROUP'S FOUNDATION: HUMAN CAPITAL

1. A collaboration-oriented Group culture

Mersen's strategy and commitments

The men and women at Mersen are at the heart of the Group's culture. Mersen strives to empower employees, develop local leadership and to promote equality between men and women in all roles and across segments. The approach is adapted to each country 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:

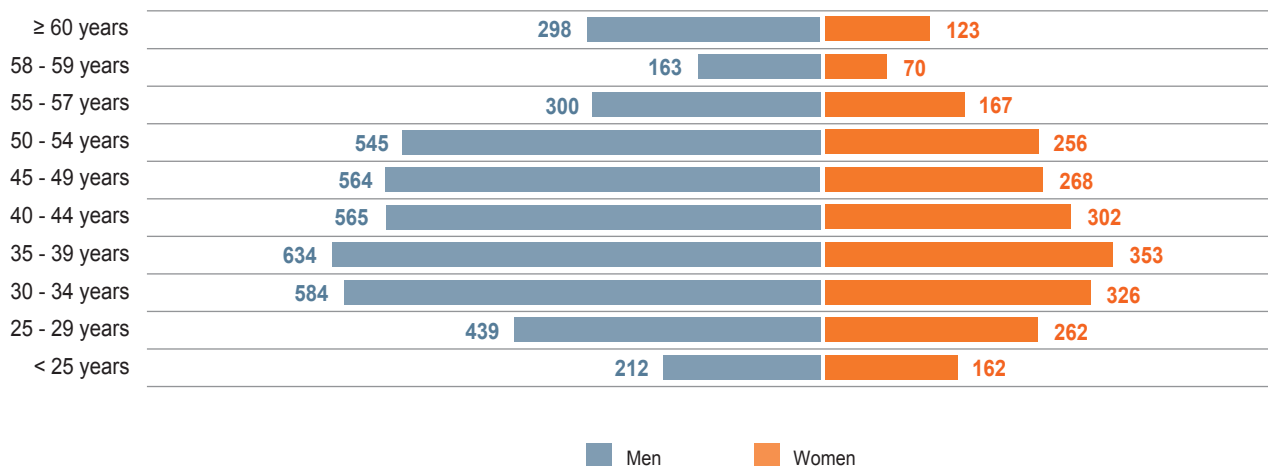
- Strengthening our culture and our values
- Consolidating our expertise
- Transforming our management culture
- Developing our project culture
- Improving employee induction
- Promoting diversity and gender balance

Workforce mapping

Workforce	2019		2018	Difference
Europe	2,411	36%	2,361	+50
Of which France	1,364	20%	1,320	+44
North America (including Mexico)	2,033	30%	2,102	-69
Asia-Pacific	1,796	26%	1,782	+14
Rest of the world	564	8%	672	-108
TOTAL	6,804		6,917	-113

Workforce	2019		2018	Difference
Engineers and managers	1,592	23%	1,325	+267
Technicians and supervisors	1,366	20%	1,083	+283
Employees	307	5%	556	-249
Operators	3,539	52%	3,953	-414
TOTAL	6,804		6,917	-113

The age pyramid is well balanced with the average age of Group employees being 41.9. Senior staff over 55 years of age make up 16% of headcount, unchanged from 2018.



Workforce	2019
Permanent employment contracts*	5,210
Fixed-term employment contracts*	1,594
TOTAL	6,804
HRIS scope temporary contracts (average annual FTE)	672

* HRIS scope

Movements during the year

Workforce 2018	6,917
Scope	+44
Hires*	+1,542
Terminations*	0
Other departures*	-1,619
Adjustments	-80
WORKFORCE 2019	6,804

* HRIS scope

Changes in scope are related to the integration of acquisitions made over the year (AGM Italy and Columbia).

Recruitment occurred primarily at US sites and sites exposed to strong-growth markets (Holytown, Gennevilliers, Songjiang) and also included the replacement of outgoing employees and seasonal hires (notably in China).

Adjustments are for errors identified at site level that cannot be changed after the fact. They are acceptable because they represent approximately 5% of movements observed throughout the year.

The absenteeism rate was 3.3% vs. 2.8% in 2018.

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.

Starting in 2016, information workshops were held across 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 as 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. 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 the 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 elearning – 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 2019 in all the regions in which Mersen operates: 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 teams and sparks creativity so that Mersen can better understand the needs of its customers around the world.

To preserve this diversity, Mersen's corporate 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. It also defends this cause within various organizations and regularly discusses best practices with other companies.

Success and close relationships through local management:

While Mersen enjoys strong corporate culture, it needs to 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 Group principles and values and recognizing local realities is what lends substance to the Group's human dimension.

Industrial sites	2019	Sites with a workforce of above 125	2018
Europe	23	6	22
Of which France	8	4	8
North America	14	4	13
Asia-Pacific	13	3	13
Africa and South America	5	2	5
TOTAL	55	15	53
Site managers with local nationality	89%		90%

Community involvement

The Group influences local and regional development because it has facilities around the world. It promotes local initiatives implemented by local teams, while also making sure these initiatives comply with the Group's values and Code of Ethics.

Local teams take part in economic (with local partners) 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.
 - 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*) and the Technacol platform (adhesives engineering).
 - 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.
 - It offers merit-based scholarships to students in South Africa, South Korea and at its Toronto and Dorion locations in Canada.
 - In South Africa and Brazil, sites help provide bikes to children and young adults to make it easier for them to get to school or work.

- In India, Mersen funds an organization that provides training to vulnerable young women and supports employees' families by providing access to training that could open up the job market.
- The Chongqing site in China helps distribute books and materials to a school in a remote area.
- Most of the Group's sites around the world donate to or organize collection drives for local charitable organizations (cancer or Alzheimer's research, children's homes, retirement homes, etc.). Some work together to support local charities.

In summary:

- Equal opportunities and combating all forms of discrimination are at the heart of Mersen's approach.
- Member of the United Nations Global Compact since 2009.
- Site management entrusted to local managers.
- A commitment to developing the regions where the Group operates.

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.

	2019	2018
% of women in the Group's workforce	35	36
% of women in senior management*	29	27
% of women managers and executives	23 ⁽¹⁾	20

* Board of Directors and Executive Committee.

(1) In 2019, this figure was restated for all movements caused by internal reclassification, which should be analyzed at the Group level.

In 2018, Mersen set the target of employing **25% to 30% women managers and executives** by 2022. To this end, the Executive Committee is therefore closely monitoring the action plans initiated at Group level and in its two segments. A Diversity Committee was created in 2019. It includes four members of the Executive Committee and is intended to strengthen the Group's approach to diversity, either through direct measures or by proposing initiatives to the Executive Committee that are aimed at promoting women. The Committee supports local initiatives, especially through the Mersen WiN women's network.

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 segments.

Agreement in favor of professional equality: at the start of 2019, management and all union organizations renewed their commitment to gender equality in the workplace by signing a new three-year agreement. This agreement sets the rules for hiring, such as requiring that candidates of both sexes be considered for a position, and is meant to improve work-life balance.

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. After the launch of a network in France several years ago, a Europe-wide network was launched in 2019 and held a meeting in Barcelona in November.

Diversity training: the Group has developed diversity training that will be given to all managers in 2020.

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. It can also help them prepare to look for an internship or write a resume. Mersen Amiens works with a sign language institute to facilitate communication with one of its hearing-impaired employees.
- At Saint Bonnet de Mure, specific training and customized follow-ups have been set up for disabled employees to help integrate them into the work force and develop their skills. Comparable initiatives are being carried out on sites in Milan, Italy, and M'Ghira, Tunisia, which works closely with one of Handicap International's local partners.
- **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 re-fitted its work areas to facilitate circulation in the facility, including for people with reduced mobility.

10,000 companies for inclusion and integration

In December 2019, Mersen Boostec joined the French Ministry of Labor's "10,000 companies for inclusion and integration" (10 000 entreprises pour l'inclusion et l'insertion) plan, which aims to encourage businesses to hire vulnerable workers. In this respect, the site had already committed to organizing a factory visit for young job-seekers, hiring interns from low-income communities and carrying out specific initiatives for people with disabilities (two people were hired in 2019). In 2019, the site also participated in a locally organized initiative aimed at helping people without diplomas be recognized for their skills. This initial experiment was a success, as it introduced Mersen to a highly motivated candidate who was hired under a professional training contract in July after completing a machining internship with the Company.

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 2019 for a term of three years.

- **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 renegotiated in 2019 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, hours banking systems, etc.). Two committees, CIPA (health and safety) and PPR (profit sharing), also regularly oversee the Group's performance. Employees are also convened by senior management four times a year to discuss company strategy, market conditions and the performance of Mersen do Brasil.

- **United Kingdom:** the Teesside site launched a partnership with the local university that combines research projects with student internships. This has led to the Company hiring two engineers in the last two years. Two Science, Technology, Engineering and Mathematics (STEM) representatives in the Teesside and Holytown teams were also encouraged to spread the word in schools and universities.
- **India:** Mersen continued its partnership with Skill India. At this point it has welcomed 60 apprentices through the program, which helps young people acquire operational skills over three years while continuing their studies. The site 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.

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 Industri'Elles event held on May 10, 2019 at the Pagny-sur-Moselle site welcomed approximately 30 young women from the Louis Vincent High School in Metz in an effort to change the industry's image and attract more women for engineering or executive positions. The St. Bonnet de Mure site welcomed a class from the school of mining in cooperation with the site's WiN network.

Mersen machining school

Created to address the difficulty in recruiting high-precision machining specialists, Mersen's in-house school at the Gennevilliers site offers a seven-month work-study certificate program in partnership with AFORP, a professional training body. Chiefly geared to job seekers, the program is also open to Mersen employees, allowing them to earn an additional qualification. Since it was established, 34 people have been trained, including 14 who were hired on permanent contracts and two on temporary contracts.

Objectives

- Develop and retain our expertise through an organization that promotes collective intelligence

2019

- 23% of women managers
- +3 points vs. 2018

2021-2022

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

2. Encourage skills development

Mersen's strategy and 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)	2019	2018
Group	13.7	12.2
<i>Mersen Academy (E-learning platform)</i>	4.7	1.8
France	14.8	13.3

HRIS scope

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

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 questions 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: 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. At the end of 2019, 496 managers had obtained internal certification.

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 segments 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 segments. 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 segments, as well as for certain behavioral skills.

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 20 Open Experts had been appointed by the end of 2019, 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 to build bridges between generations and encourage skills transfer.

Hiring, integrating 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. 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 "experience interview" aimed at reviewing the departing employee's knowledge and key skills and arranging 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, which help improve succession planning.

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

Tools for better supporting and managing teams

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 can be held in addition to the annual evaluation.

To ensure the success of the annual evaluations, Mersen has developed an 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.

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.

Career reviews are another tool providing 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. The information is then used by each site to further develop their own continuous improvement programs.

Continuing education: Mersen has been expanding access to its e-learning platform to its employees worldwide since 2013. In addition to general training and customized vocational training, the online training platform 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 certification with KEDGE business school. It also provides access to mandatory compliance, safety and ethics training.

In 2019, the Group certified 420 managers worldwide (496 since the training course was launched) as part of the "Management Fundamentals" program and opened several new training courses on Mersen Academy, including an online module on anti-trust compliance, risks and practices. A total of 14,900 hours of training were logged on Mersen Academy in 2019, a significant increase on the previous year. Over 3,000 employees worldwide have access to the e-learning platform.

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 appropriate measures in order to better retain talent.

Objectives

- Accelerate managerial transformation thanks to the Open Manager training program.

2019

- 496 managers trained (51%) of which 420 in 2019

2021

- 100% of managers having completed the Open Manager programs.

3. A motivating compensation policy

Employee compensation policy

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

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

Direct compensation is composed of the following:

- **Basic salary:** the fixed amount of compensation that corresponds to the position occupied. A basic salary must be competitive and fair, both within the Group and in relation to market practices. Mersen ensures that salaries attract and retain as many employees as possible. Competitiveness surveys make it possible to analyze, on an annual basis, salary competitiveness in a particular market.
- **Annual bonus:** paid to eligible employees for group and individual performance and based on annual targets, whose composition and achievement criteria are reviewed annually.

- Profit-sharing: mandatory in France under profit-sharing legislation and supplemented by incentive agreements in each of Mersen's French subsidiaries. Profit-sharing is also offered to employees in a large number of Mersen's host countries. In 2019, 52% of Mersen employees around the world received a bonus under the profit-sharing scheme.

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

- Health care: the Group covers, either directly or by means of contributions paid to an insurer, all or part of the health care costs incurred by employees. In general, employees also contribute to the costs.
- Benefits plan: ensures the continued payment of the employee's salary in the event of a long-term illness. In the case of disability, the benefits plan provides employees with an income or lump sum to compensate their loss of income. In addition, some plans provide for the payment of a lump sum to beneficiaries in the event of an employee's death. The employer funds all or part of the plan; in the latter case the employee also contributes to the costs.
- Retirement: Mersen, with the participation of employees in some cases, contributes to retirement plans which complement compulsory schemes. These additional retirement plans are increasingly defined contribution plans. Mersen's policy aims to maintain the replacement rate (i.e., pension paid as a percentage of the last salary received before retirement). If necessary, Mersen offers to set up a supplementary retirement plan. As such, in 2020 two supplementary retirement plans will be created, to be co-financed by the employer and the employee: one for the German subsidiaries and the other for the Spanish subsidiaries.

Changes in direct compensation in 2019

Basic salaries

At Mersen, an employee's basic salary, which is a core component of their compensation, is reviewed yearly. The increases allocated take into account the needs expressed by each entity and make it possible to at least offset the annual inflation of living costs. In 2019, the average rise was 4% compared with the previous year for the Group as a whole.

Yearly bonus

The yearly bonus, which is a major component of variable compensation, consists of three schemes, each of which corresponds to a specific employee category. The first is for Group senior managers and the second for other managers. Lastly, the sales force benefits from a bonus that emphasizes the achievement of individual objectives: 70% of the total bonus corresponds to sales. If annual sales targets are exceeded, this maximum rate may be increased. The ratio for exceeding the maximum rate for individual objectives can reach 2.15, i.e., more than 150% of the total bonus.

As of 2017, Mersen has added a collective objective that is common to all bonus schemes. This objective is the Group's operating margin before non-recurring items. Its weighting is identical, irrespective of the type of bonus, i.e., 30% of the total bonus. The objective to be achieved with regard to the operating margin before non-recurring items is set yearly. If this objective is exceeded, an additional amount is paid to all employees who are eligible for a bonus scheme. This supplementary amount ranges from 1 to 1.4 times the maximum rate allocated to the operating margin before non-recurring items, i.e., at most 42% of the total bonus.

In addition to Mersen's bonus schemes, some countries implement variable compensation schemes that are open to some or all employees. These schemes correspond either to local bonus or profit-sharing schemes. It should be noted that local bonuses for employees who do not benefit from Mersen's bonus schemes are in place in some of Mersen's Chinese and Indian facilities.

Profit-sharing

Apart from France, profit-sharing is implemented in certain countries, such as the United States, Canada, Mexico, the United Kingdom, Spain and Turkey, through profit-sharing schemes, which benefit either all employees or those who do not benefit from the Mersen bonus schemes. In China, Mersen decided to gradually implement a profit-sharing system as of 2019.

Diversity of the welfare benefits offered

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

In France, Mersen has offered employees in all subsidiaries standard supplementary coverage for health costs since 2012. Mersen decided to offer employees additional coverage in order to maintain the same levels of reimbursement as those prior to the implementation of the "responsible" contract, which capped reimbursements under certain circumstances. Joining this scheme is optional. The supplementary coverage is fully charged to employees.

At 69 of its subsidiaries, Mersen offers the following supplementary schemes:

- Healthcare: 45 subsidiaries
- Benefits: 30 subsidiaries
- Retirement: 43 subsidiaries

4. Health and safety: a constant priority

Mersen's strategy and commitments

Mersen **pledges to provide the best possible work environment for the well-being, health and safety of its employees.** Since the Group is convinced that all accidents can be avoided and every risk preempted, it has made the quest for health and safety excellence in the workplace a constant priority.

Its health and safety strategy is built on manager engagement, hazard and risk assessments, safety rules, training, observations and incident analysis. Mersen will continue to improve the work environment for its employees by following prevention plans and measuring health and safety performance.

In summary:

- Commitment to the health and safety of managers
- Risk assessment by employees
- Safety rules, training and observations
- Incident analysis

Initiatives

The Group's health and safety program takes a proactive approach to its work environment in order to identify and eliminate any hazards that could harm people's health or cause injury.

Organization: Updating the management system

The **health and safety management system** was updated in 2019 to simplify it, strengthen employee involvement and introduce an annual review of the health and safety program. It is based on the Executive Committee's written commitment sent to all employees and includes the following components:

- Structure, objectives and safety steering committees.
- Engagement from managers, health and safety indicators and the annual prevention plan.
- Risk assessments, compliance with regulations, sub-contractors' prevention plans and health protection.
- Golden rules on safety.
- Program awareness, training tailored to different sites and roles and an emergency evacuation procedure.
- Observations, safety visits and audits.
- Incident analysis and potentially dangerous events.

The **HSE Committee**, comprises the Chief Executive Officer, the Human Resources Department, the Operational Excellence Department and the heads of both the Group's segments. The Committee oversees all environmental and health and safety actions and indicators at Mersen and meets on a monthly basis.

The **Group's Health & Safety, Environment and Industrial Risks function** reports to the Operational Excellence Department and oversees the implementation of the Group's health and safety program at all manufacturing sites.

Mersen site managers are responsible for implementing a safety management system that is effective, compliant with regulations and adapted to the local activity. Site managers must appoint a Health & Safety manager to oversee these actions who reports functionally to the Health & Safety, Environment and Industrial Risks function.

Site Health and Safety Managers are in charge of site action plans, coordinating activities and measuring progress. In 2019, 73% of sites had a Health and Safety Manager, compared with 70% in 2018.

Regional Health and Safety Coordinators (for Northern Europe, Southern Europe, China, India, North America and South America) conduct cross-audits within their scope where a Health and Safety Manager from one site reviews how the safety management system is implemented at another manufacturing site. These coordinators also monitor regulatory developments in their respective operating regions.

The **Safety Council** is made up of the Operational Excellence Department staff, Industrial Directors from each Business Unit and the Regional Health and Safety Coordinators. Its role is to implement and maintain the health and safety management system at all sites and organize health and safety audits.

Audits: Each year, the Executive Committee draws up a program of corporate audits for the Group's different sites. These are carried out by the Health & Safety, Environment and Industrial Risks function and are in addition to the cross-audits. All audits combined covered 75% of the Group's sites in 2019, compared to 66% in 2018. **The Group continues its efforts to make sure each site undergoes an annual audit.**

Health & safety audits	2019	2018
Percentage of all Group sites subject to corporate audits and cross-audits	75%	66%

OHSAS 18001 or ISO 45001 certification: At the end of 2019, 29% of sites were certified to OHSAS 18001 or ISO 45001, the recognized global standard for environmental management systems, up from 23% in 2018.

A shared health and safety culture

Mersen's health and safety policy owes its effectiveness to the **involvement and awareness of the people working on its sites, be they employees, temporary staff or sub-contractors**. The Group has set up training on these subjects and regularly organizes on-site themed events to highlight the best practices. Strengths and wins in accident prevention are also shared within the Group.

Safety performance indicators have included temporary staff in accident rates since 2011 and sub-contractors since 2019. These two groups are monitored closely as they are less familiar with equipment and associated risks than Group employees.

The frequency rate of occupational accidents with or without lost time (Lost-Time Injury Rate, or LTIR, and Total Recordable Incident Rate, or TRIR) measures the number of reported accidents per million hours worked, and the Severe Injury Rate, or SIR, measures the number of days of lost time per million hours worked.

In 2018, the Group set itself targets for 2021 of an LTIR of 1.4 and an SIR of 60. Results for 2019 are on track with meeting these targets.

Rate of accidents per million hours worked	2019	2018
Lost-Time Injury Rate (LTIR)	1.4	1.5
Total Recordable Incident Rate (TRIR)	3.4	4.1
Severity Injury Rate (SIR)	64	71

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, and a specific presentation on the risks and appropriate procedures for the workstation. The number of hours of training increased by 21% between 2018 and 2019.

Health and safety training	2019	2018
Hours	52,115	43,180

Risk assessment and safety visits: At the end of 2019, 97% of manufacturing sites had carried out the risk assessment within the previous 12 months (100% in 2018), and 90% of them had completed the job hazard analysis, or JHA (88% at end-2018). Management safety visits, or MSVs, are a useful way to open up discussions with employees about workplace safety. Mersen aims to **increase the number of its sites by 15% between 2018 and 2021**. As part of that objective, the Group updated the MSV procedure and introduced training for all management committees at manufacturing sites. Quality dialogue with employees and immediate corrective action are emphasized to maintain safety culture on the ground for those affected most.

Management Safety Visits (MSVs)	2019	2018
Number of safety visits	4,639	4,124
% progress	+12.5%	

Awareness: A "safety week" is held every year at nearly all Mersen manufacturing sites. These awareness-raising events, which help foster a safety culture and feature themed workshops and guest speakers (emergency services, ergonomics experts and health professionals), are a great success with employees. Other than safety in the workplace, health, food hygiene and the risk of domestic accidents are also addressed.

Safety Awards: Mersen gives out awards to manufacturing sites that have logged a record number of days without lost-time accidents. At the end of 2019, the results were as follows:

- 3 sites with more than 4,000 days.
- 5 sites with more than 3,000 days and less than 4,000 days
- 7 sites with more than 2,000 days and less than 3,000 days
- 13 sites with more than 1,000 days and less than 2,000 days
- 10 sites with more than 500 days and less than 1,000 days

Understanding health risks

Identifying workers' exposure to health hazards is more complex than identifying safety risks. The risks may involve substances hard to feel, or they may not immediately affect the individual's health. In updating its health and safety management system in 2019, the Group expanded health protection measures focused on the following areas:

- Chemicals
- Noise and dust
- Workstation ergonomics

- Medical supervision of workers, in particular symptoms of stress and musculoskeletal disorders, or MSDs.
- **Preventing chemical risks:** All products and substances that come on to Mersen's manufacturing sites are authorized and monitored by the site's Health and Safety Managers. Risk assessments are requested regularly from both internal and external medical services. Periodic air quality checks are conducted in line with legal requirements. The information is then included in the risk assessment. The Group is pursuing its education and training efforts initiated several years ago about exposure to polycyclic aromatic hydrocarbons (PAHs) at facilities producing graphite products.
- **Noise and dust:** The Group has a constant concern to protect its employees and local residents from noise caused by machinery and transportation sources. First and foremost, the Group aims to comply with regulations in the countries where it operates. It consistently seeks to eliminate the source of noise. However, if the source cannot be eliminated, protective measures are taken. Noise sources are measured and analyzed to determine sound levels. Depending on local restrictions, sound levels are measured as far as the site's boundaries and surroundings if it is located near a residential neighborhood. This was the case, for example, for the Gennevilliers site near Paris, located in a dense urban area. Pumps were also replaced to reduce the level of sound emitted.

- Dust is primarily emitted during the processes to transform graphite and to fill fuses with sand. Graphite dust collection systems are monitored closely in line with regulations under a priority preventive maintenance program.
- **Workstation ergonomics:** MSD prevention and load carrying rules are two priority focuses to improve ergonomics. Multidisciplinary working groups have been formed to adapt workstations, with the help of ergonomics experts at some sites.

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

Employees suffering from an occupational illness	2019	2018
Number of employees	6	6

Objectives

- Health and safety of employees

2019

- 12.5% increase in safety visits from 2018
- LTIR = 1.4
- SR = 64

2021

- Increase the number of safety inspections by 15% from 2018 levels.
- Attain a lost-time accident frequency rate (LTIR) of less than or equal to 1.4.
- Attain a lost-time accident severe injury rate (SIR) of less than or equal to 60.

PROTECTING THE GROUP AND ITS REPUTATION

1. Ethics & Compliance

Strategy and commitments

Mersen's development is driven by shared and mutual trust in 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 at all levels, from site management and human resources relations to financial transparency, anticorruption and, of course, an ambitious sustainable development policy.

Organization

Set up in 2017, the Ethics and Compliance Department develops and coordinates the Group's ethics and compliance policy effectively and sustainably.

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".

It supports the development of the Group's ethics culture and dedicated tools, and ensures that decisions are properly implemented. In the event of an ethical and/or compliance related alert, the Committee is tasked with analyzing the situation and deciding on the measures to be taken. The Ethics and Compliance Department also works with:

- The Human Resources Department to prevent illicit work and harassment, protect whistleblowers, ensure compliance with labor laws and train employees.
- The Legal Department to ensure that regulations are interpreted properly.
- Internal Audit, which takes compliance issues into account in its audit program and guidelines.
- Specialized committees (CSR, MAR, HSE, etc.) that deal with compliance.

A compliance newsletter is issued every quarter to raise awareness about compliance issues throughout the Group. In 2019, the newsletter's main topics included regulations on embargoes, the General Data Protection Regulation (GDPR) and France's anti-corruption legislation (Sapin II Act).

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.

This work is supervised by an Ethics and Compliance Committee comprising the Chief Executive Officer, the Chief Administrative and Financial Officer, the Group Vice President for Human Resources and the Group Vice President for Audit, Risk and Compliance.

The role of this Committee is to:

- Guide the Group's Ethics and Compliance function.
- Approve the options proposed.
- Ensure that the tools chosen are correctly rolled out.
- Analyze and steer measures taken in response to ethics or compliance alerts.

The Committee meets every quarter and whenever necessary following an alert. Once a year, the Committee calls on an external firm to issue an opinion on the Group's compliance policy.

Guidelines

The Group has implemented several charters and procedures to clearly define rules. The first of these documents is the Code of Ethics, which is supplemented by more specific codes and policies.

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 its stakeholders. It formalizes each individual's commitment to apply the Group's values and **applies to all Mersen employees, irrespective of the country in which they work or their position, as well as 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 raise staff awareness.

Mersen's Code of Ethics covers the following areas:

- Relations within the Group.
- Relations with customers, suppliers and competitors.
- Relations with shareholders.
- Asset protection.
- Undertakings as a responsible business.

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

The Anti-Corruption Code of Conduct: effectively combating corruption

Mersen's development is driven by shared and mutual trust with all the stakeholders in its ecosystem. This is reflected in the values and business ethics shared by all employees and applied on a daily basis at every level of the organization, as part of a responsible business approach that extends from financial transparency to combating bribery and corruption.

Mersen has already published a Code of Ethics that covers various ethics-related topics, including corruption. The AntiCorruption Code of Conduct presents the rules to be implemented and respected in order to combat corruption at all levels and in all countries where Mersen is present. The Code is available on the Group's website.

Its rules cover the following areas:

- Public officials
- Gifts and hospitality
- Donation, patronage and sponsorship
- Facilitation payments
- Third-party due diligence
- Conflicts of interest
- Accounting records and internal controls

Mersen takes a zero-tolerance approach to corruption. Any breaches of this Anti-Corruption Code will therefore result in sanctions.

A training course first implemented in 2018 is followed by all employees directly exposed to these issues due to their department (e.g., sales, sourcing) or position (management staff).

The Group is launching an e-learning course in early 2020 on its platform aimed at all new hires in these roles.

Third-party due diligence (Sapin II Act)

Mersen brought its procedures into compliance with France's Sapin II Act for third-party due diligence.

The Group developed a tool for performing an initial analysis of new partners (suppliers, customers and agents) worldwide based on three criteria: revenue generated, country and end market. The assessment is based on data published by Transparency International.

If a potential risk is detected in the analysis, more in-depth study is conducted based on data from a recognized independent source.

Information meetings on regulations and training to use the tool will be organized in early 2020 for sales and sourcing managers worldwide.

Implementation of the General Data Protection Regulation (GDPR)

The GDPR came into effect in May 2018. It is applicable to citizens of the European Union and aims to protect people whose personal data is processed and to hold those who handle data more accountable.

In 2017, the Group formed a work group to determine the measures required to comply with the regulation. The Group officially appointed a Data Protection Officer in early 2019 to step up the action needed to implement these measures.

The Group has called on a specialized external firm since the beginning of 2019 to ensure its data protection policy is compliant with the GDPR. The firm has also assisted Mersen in developing a roadmap to better structure its actions and cover all relevant topics.

To help coordinate the implementation of this approach, the Group draws on a network of local correspondents at Group companies located in the European Union. The correspondents have received training on how to go about their new responsibilities.

The following specific documents, codes or charters set out different aspects of compliance and practices applicable in all countries:

- User charter.
- Social media charter.
- Personal data protection charter.
- Website privacy policy.
- Procedure for exercising GDPR rights.

Whistleblowing system

A whistleblowing hotline has been available since the end of 2017 to allow any individual who wants to report an issue to the Group to do so safely and anonymously.

A procedure on this hotline and for whistleblowers was completed in 2019. It describes the process for handling reports and the protection measures for whistleblowers. Mersen is committed to ensuring that no disciplinary measures are taken against whistleblowers who act in good faith.

Two channels can be used to report issues:

- for internal staff, a dedicated email address is available: ethics@mersen.com.
- for internal or external stakeholders, a contact form is available on the Group's website.

The Chief Compliance Officer and Group Vice President for Human Resources are authorized to receive and handle these reports with due care.

Nine cases were brought to Mersen's attention in 2019, including two through the website. Eight of the reports were investigated, and the cases have since been closed. The ninth case is recent and still under review. Depending on the circumstances, investigations were conducted internally or with the help of an external firm. Disciplinary action was taken for cases of proven misconduct.

Other policies implemented

To meet national and international regulatory requirements, Mersen has in recent years implemented strict procedures on sensitive issues, such as trade embargoes, export restrictions and end users of its products.

Mersen manufactures and delivers some products with sensitive and strategic applications, and must comply with specific regulations, such as dual-use items.

Mersen must also abide by national regulations on embargoes in the countries where it operates. Due to the extraterritorial application of some laws, especially US legislation, all Group companies may have to comply with certain US regulations (e.g., OFAC regulations with regard to counter terrorism sanctions).

The Group has updated its competition law training course, which is now available on Mersen Academy, the Group's e-learning platform. The course was taken by 669 people in 2019 and is mandatory for staff with the highest exposure to this issue.

Policy oversight

As described at the beginning of this section, the Ethics and Compliance Committee is mainly responsible for monitoring and implementing policies and for assessing progress on various issues on a quarterly basis. The Committee reports on compliance to the Group's Executive Committee and the Audit and Accounts Committee at least once a year.

As part of its control program, the Internal Audit Department introduced tests in 2019 to ensure that the ethics and compliance policy is effectively implemented and observed. Under the compliance monitoring process, the following points are verified:

- Compliance with embargoes.
- Export controls and compliance with OFAC regulations.
- Gifts, invitations and donations.
- Implementation of ethics and anti-corruption training.
- Conflicts of interest.

A responsible taxpayer

The Group takes great care to ensure it pays its taxes in all the countries where the Group operates. Mersen maintains good relations with the different local tax authorities and works to carry out all its business activities in a spirit of trust and transparency.

This responsible tax policy is consistent with Mersen's business and strategy, and safeguards the value generated for the Group and its shareholders. The approaches to tax risk, management and governance are monitored based on the principles of due diligence and materiality, and guarantee 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 may benefit from incentives in some countries, such as higher or accelerated deduction rates for R&D expenses and investments. However, these incentives are applicable to all companies and are not specific to Mersen.

Transparency: No Mersen Group companies operate in an offshore financial center or in a jurisdiction that is listed in the OECD tax transparency report to be partially or non-compliant, with the exception of Tunisia (partially compliant before it joined the OECD Global Forum—the country's rating has not yet been reviewed by the OECD). However, this presence is justified due to the purely industrial and commercial nature of operations (manufacturing and sales offices).

The 2019 projects of the Ethics & Compliance function

Sapin II Act:

- Continuous monitoring of certain accounting transactions at all the Group's French and European sites.
- Selection of the third-party due diligence tool.
- Documentation and implementation of the Anti-Corruption Code of Conduct.
- Implementation of the whistleblowing procedure.
- Updated conflict of interest statements.

General Data Protection Regulation (GDPR):

- Network of GDPR correspondents formed across units affected by the regulation.
- Streamlining of the register of processing activities.
- Implementation of a procedure for handling rights requests.

Other subjects:

- Publication of a compliance newsletter to raise awareness of Group employees about various issues (embargoes, GDPR, anti-corruption).
- Work on a Group procedure on dual-use items.

2. Protection of information systems

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

or steal data by simulating cyberattacks and running awareness-building campaigns for all its employees (see internal control).

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 on biodiversity.

REPORTING METHODOLOGY

This chapter contains the labor, social 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. Reporting principles are described in a set of guidelines that is updated every year (v34 in 2019).

In 2019, the Group expanded its scope of environmental reporting and is therefore publishing adjusted figures for 2018.

1. Reporting scope

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

- **Standard reporting:** All companies included in the consolidation scope.
- **Labor reporting:** All consolidated companies included in the HR information system (HRIS) (accounting for 97% of Group employees) (80). Only the total headcount indicator is published to include all companies covered by standard financial consolidation reporting (86).
- **Social reporting:** All Group companies (86).
- **Safety reporting:** All Group companies operating in manufacturing (59) except for accidents (LTIR, TRIR, SIR) which cover all Group companies.

- **Environmental reporting:** All Group companies operating in manufacturing (59).

- Certain exclusions from the scope of reporting have been 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.

2. Reporting periods

Quantitative indicators are calculated using the following method:

- **Labor data:** for the period from January 1, 2019 to December 31, 2019 (12 months), with figures reported as at December 31, 2019.
- **Safety data:** for the period from January 1, 2019 to December 31, 2019, or for companies acquired within the last year, as of the date they were integrated into the Group.

- **Environmental data:** for the period from January 1, 2019 to December 31, 2019, or for companies acquired within the last year, as of the date they were integrated into the Group.

3. Data collection

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.

3.1 Labor information

Labor information is collected through the HR information system (HRIS) used in all the Group's consolidated companies, with the exception of a few entities (especially companies recently integrated into the scope of consolidation). For these companies (scope not covered by the HRIS), only the workforce indicator is available.

Once collected and prior to final consolidation, the data submitted by the subsidiaries is verified for consistency on various criteria. 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 by that value will then be disregarded from the scope of consolidation.

3.2. Safety information

Safety indicators are collected monthly through the Calame reporting system implemented at all Group companies. Indicators on accidents cover Mersen employees as well as temporary workers and employees from outside companies working at Mersen sites.

Once collected and prior to final consolidation, the data submitted by the subsidiaries is verified for consistency on various criteria. Any value or change in value considered suspect is verified with the relevant site, which will be asked to correct or explain the data.

3.3 Environmental information

Environmental indicators are collected annually through the Calame reporting system. Data is entered by HSE managers at each site. Only data on waste is collected on a quarterly basis.

Once collected and prior to final consolidation, the data submitted by the subsidiaries is verified for consistency on various criteria. Any value or change in value considered suspect is verified with the relevant site.

3.4 Social information

Qualitative indicators are collected annually through a questionnaire sent to all subsidiaries.

4. Reporting process participants and their responsibilities

There are three levels of responsibility:

■ Corporate responsibility

In conjunction with the Human Resources Department (for labor information) and the Financial Communication Department (for social information), the Health & Safety, Environment 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 the companies and ensures that they are clearly understood by providing adequate information and training.
- Coordinates data collection.
- Ensures that the reporting schedule is adhered to.
- Checks the completeness and consistency of the data collected.
- Consolidates the data.
- uses and analyzes the data.

■ 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 exhaustiveness 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 2019 by an independent third-party organization, in accordance with the implementing Decree of August 9, 2017.

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

Reported accident

Bodily or psychological harm or injury that is the sudden consequence of an event that occurred due to or in the course of work-related activity, which has led to treatment by a health professional, and which must be reported to the occupational health and safety authority according to local regulations.

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. The LTIR (Lost Time Injury Rate), TRIR (Total Recordable Incident Rate) and SIR (Severe Injury Rate) indicators include Mersen employees, temporary workers and external companies.

Agreement

All arrangements made and accepted by the management of an operating company, segment 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., 20% 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 on 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 of 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 the employee adapt to changes in their jobs.
- Develop employees' talents and help them acquire new skills.

Excluded are: required training for the position, information programs, regulatory training, internships and apprenticeships (during education courses). 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 (HSE) manager

An HSE 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 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.

6. Overview table of non-financial indicators

	Qualitative or quantitative Information	Scope*	Pages
PROMOTING ENVIRONMENTALLY-SOUND PRACTICES AT ALL FACILITIES			
Organization of the company to take environmental concerns into account	Qualitative	Standard	106
Managing suppliers	Qualitative	Standard	103
Part of Sales geared towards sustainable development markets	Quantitative	Standard	104
ISO 14001 certification rate	Quantitative	Environmental	107
Number of hours of environmental protection training	Quantitative	Environmental	107
Investments dedicated to environmental risk prevention	Qualitative	Standard	107
Amount of significant provisions for environmental risks	Quantitative	Standard	107
Energy			
Electricity consumption	Quantitative	Environmental	108
Natural gas consumption	Quantitative	Environmental	108
LPG consumption	Quantitative	Environmental	108
Fuel oil, propane, butane consumption	Quantitative	Environmental	108
Part of renewable energy in the energy consumed	Quantitative	Environmental	108
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	109
Packaging and logistics			
Timber consumption	Quantitative	Environmental	109
Cardboard consumption	Quantitative	Environmental	109
Greenhouse gases			
Scope 1 emissions	Quantitative	Environmental	109
Scope 2 emissions	Quantitative	Environmental	109
Scope 3 emissions	Quantitative	Environmental	109
Waste and recycling			
Total industrial waste	Quantitative	Environmental	111
Hazardous industrial waste	Quantitative	Environmental	111
Waste recycled	Quantitative	Environmental	111
HUMAN CAPITAL			
Total workforce broken down by gender	Quantitative	Standard	113
Total workforce broken down by age	Quantitative	Social	113
Total workforce broken down by geographical area	Quantitative	Standard	112
Headcount broken down by category	Quantitative	Standard	112
Number of new hires	Quantitative	Social	113
Number of dismissals	Quantitative	Social	113
Number of departures	Quantitative	Social	113
Human potential success rate	Quantitative	Standard	113
Absenteeism rate	Quantitative	Social	113
Labor relations	Qualitative	Standard	116

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

	Qualitative or quantitative Information	Scope*	Pages
Diversity			
Diversity and equality policy	Qualitative	Standard	114
Disabled employees	Qualitative	Standard	116
Percentage of women managers	Quantitative	Standard	115
Percentage of women on corporate governance bodies	Quantitative	Standard	115
Percentage of seniors	Quantitative	Social	113
Percentage of site managers of local nationality	Quantitative	Standard	114
Health & Safety			
Health & Safety policy	Qualitative	Standard	122
Percentage of companies with a dedicated HSE manager	Quantitative	Safety	122
Lost-time Injury Rate for employees and temporary workers (LTIR)	Quantitative	Standard	123
Total Recordable Incident Rate for employees and temporary workers (TRIR)	Quantitative	Standard	123
Severity injury rate employees and temporary workers (SIR)	Quantitative	Standard	123
Number of safety visits	Quantitative	Safety	123
Occupational diseases	Qualitative	France	124
Number of hours of safety training	Quantitative	Standard	123
Health & Safety audits	Quantitative	Standard	123
Training			
Training policies implemented	Qualitative	Social	118
Number of hours of training	Quantitative	Social	118
BUSINESS ETHICS			
Ethical policy	Qualitative	Standard	125
Measures implemented to prevent corruption	Qualitative	Standard	125

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

REPORT VERIFYING THE NON-FINANCIAL INFORMATION STATEMENT

The Non-Financial Information Statement reviewed covers the year ended December 31, 2019.

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, 2019 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 Board of Directors 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.
 - selected a sample representing 22% of headcount and between 20% and 84% 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 a team of seven auditors between October 3, 2019 and the completion of our report, and took a total of about five weeks. We conducted over 30 interviews with the people responsible for reporting at the time of this assignment.

Comments on the reporting procedures or the content of certain information

Without qualifying the conclusions below, we provide the following comments:

- 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.
- For the audited year, the various reporting scopes were not governed by clearly established written rules regarding moving inside or outside the scope that relates to industrial sites, consolidated companies and sites where workers are based.
- The scope 3 emission calculations still contain inaccuracies and justifications to be provided for 2020.
- For a number of indicators, we are not certain that they have been reported uniformly (e.g., hours worked by subcontractors, natural gas adjustment factor), and clarifications are required for the reporting protocol.

(1) **Human resources information:** active headcount at December 31, broken down by gender and geographic distribution; share of sites with site managers of local nationality; number of recruitments; number of departures; percentage of women managers and percentage of women in governing bodies; absenteeism; LTIR and SR (employees, temporary workers and subcontractors); 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; human potential success rate.

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, scope 2 and scope 3; 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; diversity policy, ethical policy, procurement charter and sales linked to sustainable development.

(2) On-site audit of human resource and environmental information: Xianda (China), Songjiang (China), Juarez (Mexico), Holytown (United Kingdom), Gennevilliers (France). A remote audit was conducted on some environmental information for the St Mary's site (United States).

- Data related to three Mersen sites located in the United Kingdom are not recognized as reliable in relation to two indicators: average number of training hours per employee and absenteeism. The data from these three sites, relating to 2.8% of Group employees, has not been consolidated at the Group level.

Conclusion

In conclusion, 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.

Puteaux, February 28, 2020

Bureau Veritas

Laurent Mallet

Managing Director



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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MERSEN PURCHASING
CHARTER FOR
A SUSTAINABLE
SUPPLY CHAIN



Photo by H-A-M-A-N-N on Unsplash

SUSTAINABLE DEVELOPMENT COMMITMENTS AT MERSEN

As a major player operating in multiple industrial sectors and around the world, Mersen conducts its business according to **ambitious responsible development values and goals** and is mindful of the environmental and social practices associated with the development of its products, both within the Group and at its suppliers.

Mersen adheres to the laws that apply in each of the countries in which it operates as well as the international laws decreed by the United Nations. It has been a signatory of the United Nations Global Compact and endorsed its ten principles since 2009.



Summary

1.
**SUPPLIER
COMMITMENTS**

2.
**SUPPLIER
SELECTION PROCESS**

3.
**PREFERRED
SUPPLIER**

1.

Supplier commitments



1.1 Dignity and respect

HUMAN RIGHTS

Mersen suppliers and subcontractors respect the *International Labor Organization's Declaration on Fundamental Principles and Rights at Work*, and the international law on human rights and combat all forms of modern slavery.

Mersen suppliers and subcontractors are not complicit in any form of human rights abuse and ensure that mechanisms exist to guarantee respect for the following principles at their sites and, where relevant, those of their own suppliers: abolition of child labor, elimination of forced and compulsory labor, freedom of association and the right to collective bargaining, elimination of discrimination in the workplace, fair treatment and compliance with all applicable laws regarding wages, benefits and working hours.

CHILDREN'S RIGHTS

Mersen shall not work with suppliers and subcontractors who make use of child or forced labor. The minimum age is set at 15, except for hazardous works where it should be 18.

If a supplier or a sub-contractor is operating on one of Mersen's sites, the minimum age of any of their employees will be 18 years, except in the framework of internships or vocational training programs, organized in co-operation with schools and training institutes or approved by the competent authorities.

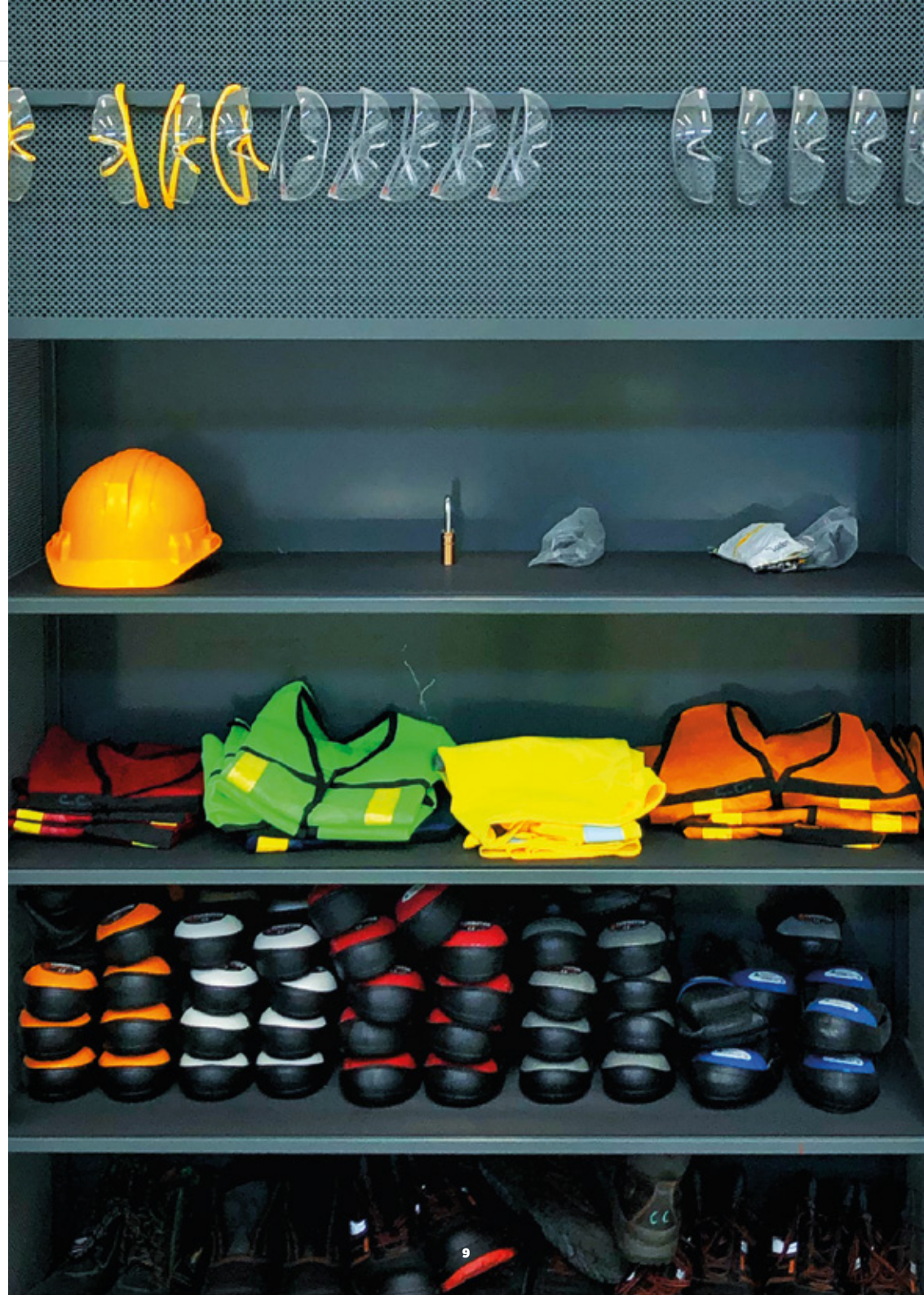
HEALTH & SAFETY

Mersen suppliers and subcontractors undertake to implement the necessary measures **to protect and keep their employees, their subcontractors and the local communities safe**. They ensure that their health & safety policy is well known and understood by employees and is applied irrespective of commercial, business and financial obligations. They identify and assess potential emergency situations in the workplace and tied to their operations, and minimize their impact by implementing emergency plans and response procedures.

Mersen suppliers and subcontractors systematically comply with Mersen's safety rules when operating on one of its sites.

LABOR PRACTICES

Mersen suppliers and subcontractors strive to maintain and continuously improve a working environment where employees are given training and development opportunities, where rewards are proportionate to the contribution made by employees and where employees have the opportunity to engage in constructive dialogue with their employer.



1.2 Business integrity

Mersen suppliers and subcontractors apply the highest standards of **business and personal ethics** and follow all applicable laws and regulations in the countries where they operate.

CORRUPTION & ANTI-COMPETITIVE PRACTICES

Mersen suppliers and subcontractors comply with all competition laws and regulations. They are committed to combating all forms of corruption, extortion, fraud and bribery. They do not attempt to offer any benefits to Mersen employees in order to facilitate their business with the Group.

Mersen suppliers and subcontractors are committed to transparency and accountability in their business dealings and strive to detect and prevent illegal and unethical activities in the form of commercial transactions by screening their business partners, transactions and materials.

If a supplier or a subcontractor carry out work at the request of or for a Mersen employee involved in any procurement decision-making process, it will inform and disclose this information to the site plant manager prior to execution.

Mersen's Anti-Corruption Code of Conduct is available on the Group website at www.mersen.com

If you have any concerns about unethical practices:

you should complete the form available on the website
www.mersen.com/group/ethics

DATA CONFIDENTIALITY

Mersen suppliers and subcontractors are committed to respecting and safeguarding the confidentiality of any Mersen proprietary information, including without limitation, intellectual property, project information or expertise, and production, labor-related or commercial data, and to not disclosing any information that may be detrimental to Mersen.

Mersen suppliers and subcontractors undertake not to use any Mersen images, brands or products to promote their company during trade fairs, customer visits or external presentations, without the prior written acceptance of a duly authorized Mersen representative.

SUPPLY CHAIN

Mersen suppliers and subcontractors undertake to promote and communicate on the principles of sustainable procurement in their own supply chain.

RESPONSIBLE TAXPAYER

Mersen suppliers and subcontractors are committed to paying all taxes owed in all the countries in which they operate.

1.3 Protection of the environment and communities

ENVIRONMENTAL MANAGEMENT SYSTEM

Mersen suppliers and subcontractors maintain an environmental management system which enables them to continually improve environmental performance. Documentation about this management system is updated and made available to Mersen upon request.

REGULATORY COMPLIANCE

Mersen suppliers and subcontractors comply with the applicable environmental laws and regulations in the territories in which they operate, and possess all the necessary environmental permits and registrations. Where this is not the case, they are committed to informing Mersen and fulfilling all your legal duties.

Mersen suppliers and subcontractors take steps to offer products with the lowest possible impact on the environment in terms of production, use and at end-of-life given the technology available.

Mersen suppliers and subcontractors take the necessary measures to protect the environment by optimizing natural resources in accordance with the principles of "Reduce, Reuse and Recycle".

Any hazardous products or materials that they produce are always accompanied by up-to-date environmental information in the form of safety data sheets.

RoHS and REACH compliance

Suppliers are committed to ensuring that deliveries comply with the concentration thresholds set out in the Restriction of Hazardous Substances (RoHS) Directive and contain no more than 0.1% w/w of Substances of Very High Concern (SVHC) specified on the candidate list and in Annexes XIV and XVII of the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation for deliveries in Europe (according to the available updated list at the moment of the delivery, see <http://echa.europa.eu/web/guest/candidate-list-table>).

RISK PREVENTION AND CONTINGENCY PLAN

Mersen suppliers and subcontractors have procedures in place to prevent incidents. In the event that an incident should occur, they have procedures which are designed to mitigate consequences that may have an impact on the environment.

Mersen suppliers shall draw up a contingency plan for potential natural disasters or damages that may disrupt the supply of materials to Mersen sites. The plan should mitigate the risk of an interruption in supply. Suppliers also need to ensure the protection of Mersen property such as tools and provide access to them in the event of an actual disaster.

CONFLICT MINERALS

All suppliers and sub-contractors are obliged to provide documentation and other information regarding the origin of any tantalum, tin, tungsten, gold or other minerals (or other materials that may be listed in the future by the U.S. Secretary of State) contained in products supplied to Mersen. They should ensure that their imports of minerals and metals are only sourced responsibly and that they are not linked to conflicts.

2.

Supplier selection process



At Mersen, we seek to do business with partners that have already made a commitment to sustainable development, or that are willing to take steps in this direction. Successful customer-supplier relationships are based on a variety of factors such as **technical specifications, quality, price, innovation, service and technology, environmental and social impact.**

BIDDING PROCESS

Mersen suppliers are selected according to the competitiveness of their entire offer. They are invited to take part in the bidding process by answering a Request for Quotation and Request for Information (RFQ, RFI).

A supplier's selection is based on factors such as: ability to meet specifications and standards, technical capabilities, price competitiveness, future cost reduction, quality, logistics, innovation, environmental and social practices and financial stability.

CORPORATE SOCIAL RESPONSIBILITY QUESTIONNAIRE

Suppliers should complete an online self-assessment covering their Health & Safety, Environment, Business Integrity, Labor & Human Rights practices. The replies to this questionnaire are an important step to developing a business partnership with Mersen. A supplier scoring system will be established to drive improvement.

MINIMUM QUALITY SYSTEM REQUIREMENTS

Suppliers shall develop, document, implement and maintain a quality system that will ensure that products and services conform to contractual agreements. Quality systems should be based on ISO 9001. Suppliers shall endeavor to have their quality systems certified as ISO 9001-compliant.

COMPLIANCE COMMITMENTS

Suppliers shall inform Mersen of any changes in their organization. Mersen will not continue working with a supplier that repeatedly fails to abide by this Purchasing Charter, particularly the ten principles of the UN Global Compact and/or the Conflict Minerals Policy.

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 environmental, social and labor practices.

Supplier Relationship Management is done through Mersen's Supplier Portal. The suppliers are responsible for creating and maintaining their account by updating any changes to its CSR policy, certifications and compliance with regulations (RoHS, REACH, Conflict Minerals, etc.).

www.mersenvendor.bravosolution.com



SUPPLIER EVALUATION CRITERIA

The Mersen Purchasing Process includes the Supplier Performance & Development Program, which is aimed at best-in-class performance in 6 areas:

- Quality
- Delivery & Logistics
- Competitiveness
- Cooperation & Responsiveness
- Innovation Support
- Corporate Social Responsibility

SUPPLIER IMPROVEMENT PLAN

Any gaps in performance on one of the 6 criteria must be tackled by suppliers themselves or through development programs initiated and followed by the Mersen Purchasing team and the Supplier Quality Development team (Quality, Logistics, Lean management, etc.), to optimize the performance of the end-to-end supply chain to maximize customer satisfaction.

NON-COMPLIANCE

Should the self-assessment process, follow-up steps or other evidence indicate that Purchasing Charter criteria are not being met, supplier may be required to provide adequate explanations and/or evidence that corrective action is planned to amend the situation and prevent any recurrence.



3.

Preferred supplier



Mersen promotes cooperation with best-in-class suppliers who wish to develop and improve their performance in order to develop business with Mersen.

To become a preferred supplier, the following key criteria are required:

- A daily performance meeting Mersen evaluation criteria (technical capabilities, innovation, quality, delivery, cost competitiveness, capacity, service, corporate social responsibility).
- A company's strategy that matches Mersen's marketing portfolio and technology roadmaps.
- An ability to innovate and provide ideas for improving the environmental impact of the supply chain with Mersen (reduction in CO2 emissions, recycling of materials, reduction in energy & raw materials consumption, etc.).
- An endorsement of Mersen's contractual terms and Purchasing Charter.
- An ability to build an offer for multiple Mersen sites in one region or across several regions.

Signature

All suppliers are encourage to sign this document and return it to its Mersen's contact, hence committing to the Purchasing Charter for a sustainable supply chain.

If you are registered on Mersen's Supplier portal, you can also validate your commitment through the platform.

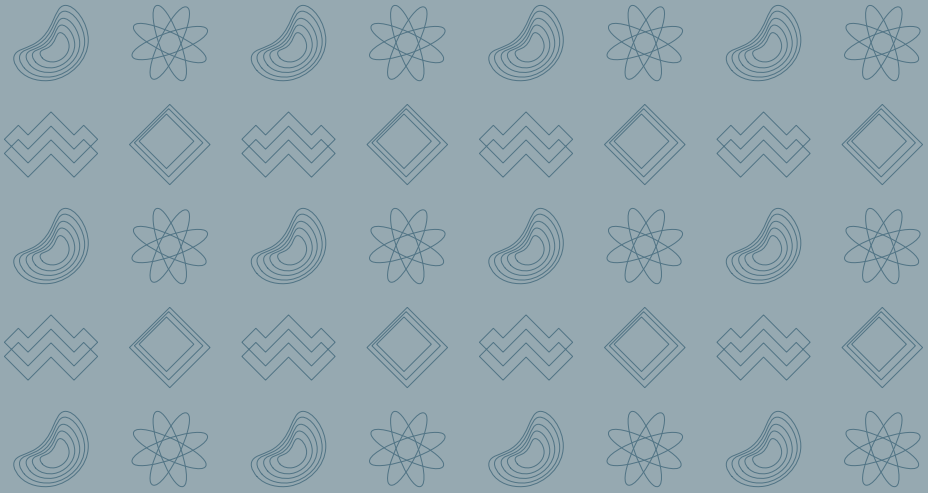
Comments

Supplier:

Supplier representative:

Date:

Mersen's charters and reference policies are available on the Group's website.



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ANTI-CORRUPTION
CODE OF
CONDUCT



Mersen's development is built on relationships of trust with all the stakeholders in its ecosystem.

This is reflected in the values and business ethics shared by all employees and applied on a daily basis at every level of the organization, as part of a responsible business approach that extends from financial transparency to combating bribery and corruption.

Mersen has already published a Code of Ethics that covers various ethics-related topics, including corruption.

This Anti-Corruption Code of Conduct ("Anti-Corruption Code") presents the rules to be implemented and respected in order to combat corruption at all levels and in all countries where Mersen is present.

Mersen takes a zero-tolerance approach to corruption. Any breaches of this Anti-Corruption Code will therefore result in sanctions.

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1.

Context and Scope of Application



Mersen's Anti-Corruption Code applies to all employees and all companies working for a Group entity, both in France and abroad. Here, a "Mersen employee" means any person working for the Group on a contractual basis, regardless of the duration. A "company working for the Group" means any company that supplies or purchases goods or services to or from Mersen, or serves as the Group's representative (agent), both in France or abroad. Every Mersen employee in every Group company has a duty to behave in an exemplary manner and to comply in full with the rules of conduct set out in this Anti-Corruption Code.

The Code reaffirms the Group's collective commitment to establishing and developing an ethical business culture in the following areas:

- Relations within the Group.
- Relations with our customers, suppliers and competitors.
- Relations with our shareholders.
- Protection of our assets and business.
- Our commitments as a responsible business.

This Anti-Corruption Code clarifies and expands on the guidance provided in the Code of Ethics, notably as regards relations with our customers, suppliers and competitors. Any questions about the Code's interpretation or application should be addressed to the employee's line manager or to the Group Compliance Officer.

Mersen's Code of Ethics is available via the following link:

<https://www.mersen.com/group/ethics>

2.

General Rules and Specific Situations



DÉFINITIONS

a. corruption

Corruption is defined as an act whereby a person working in the public or private sector directly or indirectly solicits, offers, accepts or gives a gift, offer or promise to carry out, obstruct or abstain from carrying out an act pertaining directly or indirectly to his or her function, in order to obtain or maintain a commercial or financial advantage or influence a decision.

There are two types of corruption:

- Active corruption is when a person provides or promises to provide an undue gift or advantage.
- Passive corruption is when a person accepts or requests an undue gift or advantage in exchange for agreeing to act or not to act in a given situation.

Public corruption is even more severely punished by the law than private corruption. Public corruption occurs when one of the (active or passive) parties to the corruption is someone who:

- Represents a public authority (police officer, member of the armed forces, government minister, civil servant, etc.).
- Exercises a public function (notary, court-appointed receiver, etc.).
- Holds an elected office (member of parliament, senator, local councilor, etc.).

Corruption involving a judge is the most severely punished form of corruption in France, where it is not just an offense but a crime.

Private corruption is corruption that does not involve any of the persons described above but does involve someone who holds a position of responsibility in a company or other organization, such as the head of a non-profit association or an NGO, a referee or a doctor.

Often disguised as standard business or social practice, corruption can take many forms, including bribes, hospitality, gifts, sponsorships and donations.

b. Influence peddling

Influence peddling occurs when someone requests or receives an undue gift or advantage in exchange for the use of their perceived or real influence on a decision to be made by a third party.

Three parties are involved: the beneficiary who provides the undue gift or advantage, the intermediary who uses his or her influence or connections, and the target (public official, judge, expert, etc.) who has the authority to make the decision.



SANCTIONS

The criminal sanctions imposed for corruption are particularly hefty and apply to both private individuals and legal entities.

In France, they include financial sanctions (up to €5 million for legal entities and up to €1 million and 10 years in prison for private individuals), as well as additional sanctions, such as disqualification from public tenders.

Corruption can also cause serious damage to a company's reputation and significantly impact its value.

PRINCIPLES AND RULES

Employees must not commit acts of corruption or influence peddling in France or abroad or use intermediaries such as agents, consultants, advisors, distributors or other business partners in order to commit such acts.

Many of the situations described in this Anti-Corruption Code are likely to be considered acts of corruption or influence peddling in the event of non-compliance.

Anyone faced with a situation that could fall within the scope of this Anti-Corruption Code should ask themselves the following questions:

- Does this comply with the applicable laws and regulations?
- Does it comply with the Anti-Corruption Code? Is it in the interests of the company and devoid of any personal motives?
- Would I be embarrassed if my behavior were made public?

2.1 Public Officials

DÉFINITIONS

The term “public official” refers to anyone who represents a public authority, exercises a public function or holds an elected office.

PRINCIPLES AND RULES

The sanctions for corrupting a public official are even more severe than those imposed for private corruption.

All dealings with public officials must be in compliance with the laws and regulations governing such dealings (i.e. with the laws and regulations applicable in the country to which the public official belongs). Any advantages granted to a public official in a country where this is not prohibited by local legislation must be carried out in full transparency and submitted for prior approval from management, in accordance with the Mersen Gifts and Hospitality Policy.

Example

Question: An employee would like to invite a customer who is a foreign public official to the opera in Paris and wonders whether he should pay for the customer’s transportation and accommodation.

Answer: The invitation to the opera itself seems acceptable, provided that prior approval is obtained from the employee’s line manager. Expressions of courtesy are not out of the question, as long as they are in line with the customer organization’s internal compliance rules and that the company does not expect anything in return. However, depending on the circumstances, it might be better not to extend such an invitation, if the customer could influence the choice of suppliers in a future call for tenders, for example, or if such an invitation might be considered inappropriate in that particular business relationship.

On the other hand, the company must never pay a public official’s transportation or accommodation costs.



2.2 Gifts and Hospitality

DÉFINITIONS

eA gift is an advantage in any form that someone provides as a sign of thanks or friendship, without expecting anything in return.

Offering or accepting meals, accommodation or entertainment (shows, concerts, sporting events, etc.) is considered to be hospitality.

The following principles and rules do not apply to Mersen-branded “goodies”

PRINCIPLES AND GUIDELINES

Gifts and hospitality may resemble or be perceived as acts of active or passive corruption. Considerable care must therefore be taken with regard to gifts, expressions of courtesy and hospitality, whether given or received. While an invitation to a show may help establish a good relationship, it may also be perceived as a way of influencing a decision that favors a particular person or company.

As indicated in the Mersen Gifts and Hospitality Policy, it is strictly prohibited to:

- Give or receive any sum of money or anything of value with a view to obtaining an unfair advantage or influencing a decision
- Give or receive gifts at a time when strategic issues are at play in the relationship with the customer or partner (calls for tender, signing of agreements, etc.).
- Conceal gifts or invitations (e.g. as personal business expenses).

Examples of best practice:

- Inform your business partner of the Mersen Gifts and Hospitality Policy from the very start of any new business relationship.
- Contact your manager or, failing that, your Human Resources manager if you receive an expensive gift or invitation.
- Request permission from your manager before giving a gift or invitation of value. Make sure you are familiar with local laws and customs before giving gifts or any other benefits.

- Take into account the policy of the company where the individual receiving the gift or invitation works.
- Contact your manager or, failing that, the Group Compliance Officer if you have any doubts whatsoever.

For more detailed guidance in this area, please consult the Mersen Gifts and Hospitality Policy, which is available on the Cintral intranet under Compliance.

Example 1

A Mersen employee receives a watch from a supplier as a Christmas gift. The value of the watch exceeds €150. Can the employee accept the gift?

Answer: No, because the value of the gift is such that it may affect the employee's impartiality during subsequent calls for tender. The employee should return the watch and explain to the supplier that Mersen's internal policies do not allow them to accept such a gift.

Example 2 :

A Mersen employee invites two customers to a restaurant for a total cost of €350. What rule applies in this situation?

Answer: The employee must obtain prior approval from their line manager, because the value of the invitation exceeds €150 per guest.

2.3 Donations, Patronage and Sponsorship

DÉFINITIONS

Donations are advantages granted to a company, foundation or non-profit association in the form of money and/or benefits in kind. They are given for a specific purpose, such as research, training or environmental protection/sustainable development or for a charitable or humanitarian cause.

Corporate patronage and sponsorship enable the company to provide financial or material support to a social, cultural or sporting initiative in order to disseminate and showcase the company's values.

PRINCIPLES AND RULES

Requests for donations, patronage or sponsorship must be considered with care, particularly those received from people in a position to influence the company's operations or who may benefit personally if the request were granted. This type of support must be given without seeking any specific advantages from the beneficiary, other than enhancing the company's image.

It should also be noted that Mersen does not support the following organizations, projects or events:

- Organizations that do not comply with internationally recognized human rights and labor standards.
- Organizations or programs that discriminate on the basis of race, religion or gender.
- Organizations, projects or events that promote gambling, smoking, drinking, drugs or weapons (this does not include organizations that help addicts reintegrate society).
- Organizations that are devoted to a political cause or the promotion of a political party.
- Organizations that are devoted to religious activities.
- Activities or organizations that may result in a conflict of interest.
- Projects that benefit a Mersen employee or the family of a Mersen employee.

Example

Question: A non-profit organization that you support in a personal capacity asks you whether Mersen can donate equipment to help the organization develop a project.

Answer: Mersen can help you support general interest initiatives, provided they are in line with the company's strategy. You should therefore speak to your manager, who will assess whether the project is aligned with Mersen's strategy. You must not, under any circumstances, make a commitment on Mersen's behalf for the use or loan of equipment without prior authorization.

For more detailed guidance in this area, please consult the Mersen Donations and Patronage Policy, which is available on the Cintral intranet under Group Charters.



2.4 Facilitating Payments

DEFINITION

Facilitating payments are unofficial payments (as opposed to official, legitimate taxes and other fees) made with the intention of facilitating or speeding up the formalities involved in an administrative process, such as a permit or visa application or a customs inspection. Under French law, they are considered to be acts of corruption.

PRINCIPLES AND RULES

Facilitating payments are strictly prohibited at Mersen.

Example

Question: A Mersen employee would like to expedite the customs process for a delivery of goods that their customer needs urgently. Could the employee offer a small sum of money to a customs officer for this purpose?

Answer: No. This would be considered a facilitating payment and is strictly prohibited by Mersen.

2.5 Third-Party Due Diligence

DÉFINITION

Third-party due diligence refers to the assessment of third parties with which the company has business dealings, be they private individuals or legal entities. Third parties may represent a high risk of corruption in certain cases, particularly when dubious practices are likely to put the Group at risk.

Third parties include business partners, suppliers, service providers, agents, customers and intermediaries.

PRINCIPLES AND RULES

To minimize the risk of corruption, Mersen group companies are asked to check that the third parties with which they wish to work (suppliers, customers, agents, distributors, etc.) have not been implicated in any cases of corruption. This applies to both the legal entities themselves, and to their executives and shareholders. Where necessary, the Group's subsidiaries must carry out appropriate due diligence, depending on the volumes and countries involved.

The tool implemented in 2019 will help teams to ensure third-party compliance. The aim of this verification is to avoid working with companies that (i) do not meet the ethical standards Mersen has set for itself or (ii) have been implicated in cases of corruption or other business-related offenses such as laundering, the financing of terrorism or the breach of economic sanctions or trade embargoes..

Any employee who has doubts about a third party's integrity should contact the Group Compliance Officer.

2.6 Conflicts of Interest

DÉFINITION

A conflict of interest is any situation in which an employee's personal interests conflict with their professional responsibilities.

PRINCIPLES AND RULES

Employees must report any potential or actual conflicts of interest.

Conflicts of interest may arise if:

- A Mersen employee has a financial interest in a company with commercial links to the Group.
- An employee sells or leases any property he or she owns to Mersen.
- A family member of the Mersen employee (spouse, son/daughter, parent, brother/sister, etc.) is hired in the same unit and has a direct reporting link with the employee.
- An employee leads Mersen to purchase goods or services from a third company in which one or more of his/her family members hold a decision-making position.
- A Mersen employee is also a local, regional or national government representative, particularly in the event of a call for tenders to which a Group company responds.

Example

A Mersen employee owns a business run by his wife. This company could potentially provide services and respond to Mersen calls for tender. The Mersen employee must declare the potential conflict of interest in advance by filling out the relevant form.

Once the document has been filled out and sent, the employee's line manager and site manager can decide whether or not to allow the company to participate in the tender. The final decision will be made in line with the usual selection criteria and the employee shall not have a say in the final decision of whether or not to work with the company.



For more detailed guidance in this area, please consult the Mersen Conflicts of Interest Policy, which is available on the Cintral intranet under Compliance.

2.7 Accounting Records & Internal Controls

DÉFINITION

Companies must ensure that their accounting teams and internal or external auditors take particular care during control procedures to detect any acts of corruption that might be concealed in the company's accounting records.

PRINCIPLES AND RULES

Anyone involved in accounting control procedures, such as audits, must take particular care to ensure that the accounts are true and fair. Some specific accounts and / or type of book recording should be regularly analyzed.

Examples

- Entries made excluding worked days (weekends, holidays)
- Postings directly between the bank accounts and the income statements
- Some special accounts (donations, grants, gifts, etc...).



3.

Putting the Code into Practice



3.1 Training

Employees have a duty to read this Anti-Corruption Code carefully and to complete the training programs provided by the company to help combat corruption (including the Anti-Bribery module available via the Mersen Academy). New hires must receive awareness training within six months of their arrival.

3.2 Whistleblowing System and Whistleblower Protection

All employees should address any queries or questions to their line manager or the Group Compliance Officer, particularly if:

- They become aware of a risk of corruption.
- They believe, in good faith, that someone has breached or is breaching the Code.

As for breaches of the Code of Ethics, employees can report any concerns about compliance with the Anti-Corruption Code by sending an email to the following address: **ethics@mersen.com**

Employees who report actual or potential breaches of the Anti-Corruption Code selflessly and in good faith (whistleblowers) will be protected from any form of retaliation.

Their identity and the allegations made will be treated confidentially, in line with the applicable laws and regulations.

Whistleblowers who report concerns in good faith do not risk any disciplinary measures, even if the subsequent investigation shows that their allegations were unjustified. On the other hand, whistleblowers who misuse the system may face disciplinary and/or legal action.



3.3 Whistleblowing System and Personal Data Protection

Pursuant to the personal data protection regulations applicable in the European Union, any person identified as part of a whistleblowing procedure, whether the informant or the person suspected of wrongdoing, has the right to access their personal data.

They also have the right to request that their personal data be rectified or removed if inaccurate, incomplete, ambiguous or out-of-date. Data subjects can exercise their rights by sending an email to the following address:

- data-protection@mersen.com
- Ou écrire à l'adresse suivante : Mersen Tour Eoho 2, Avenue Gambetta 92066 La défense Cedex, à l'attention du Data Protection Officer.

Employees are encouraged to read the Whistleblowing System Procedure, which is available on Cintral under Compliance.

The Group's personal data protection policy is also available on the Cintral intranet, under Group Charters/Personal Data Protection (GDPR).



3.4 Sanctions for Breaches of the Code

Employees who do not comply with these rules may be held personally liable and exposed to criminal or other sanctions depending on the applicable laws and regulations.

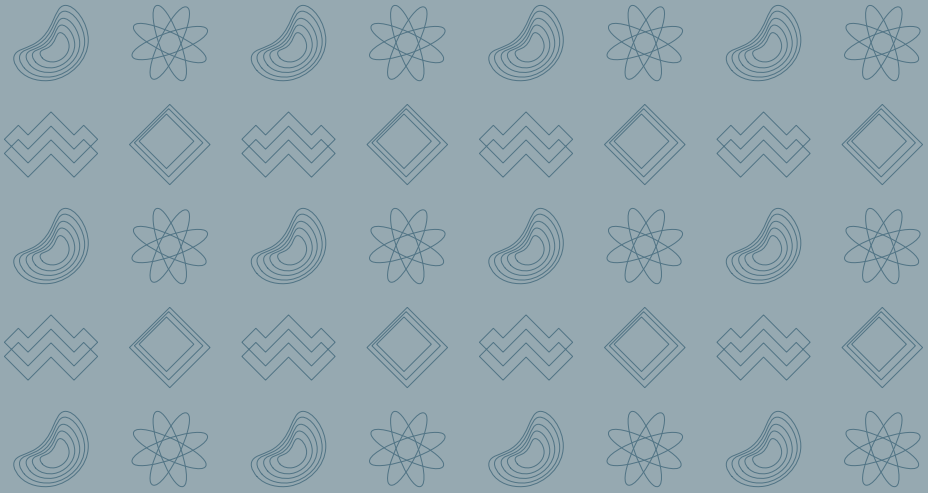
The company undertakes to:

- Take all reports seriously.
- Investigate allegations diligently.
- Assess the facts objectively and impartially.
- Take appropriate corrective measures and disciplinary action.
- Take all steps necessary to ensure that the process remains confidential.

3.5 Applying the Code: Responsibility and Supervision

Every employee has a duty to comply with this Anti-Corruption Code as part of the responsibilities associated with their position.

The Group Compliance Committee will regularly review the Code's application and the actions taken in response to whistleblower reports.



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