

# SUSTAINABILITY

## 2017

Chapter 4  
Registration Document



**ESSILOR**  
SEEING THE WORLD BETTER

# 4

CHAPTER



# SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

## Summary

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## IN BRIEF

# FOREWORD

"Our Mission as the world's leader in ophthalmic optics is to improve lives by improving sight. This purpose, which has driven all of the Company's decisions since its creation in 1848, represents both an opportunity and a social responsibility for the Group. Over half the world's population needs some form of vision correction - making poor vision the world's most widespread disability. This is why it is our ambition to eradicate poor vision within one generation.

To support this ambition, Essilor relies on its fundamentals - namely the development of its long-standing and growing employee shareholding, a unique governance in which its employee shareholders actively participate and our principles and values - and a long-term commitment to sustainable development. Our 67,000 employees are driven by the desire to contribute to an evolving society faced with social and environmental issues. Constantly innovating, engaging with all our stakeholders, reducing our environmental footprint, continuing to develop our inclusive business models and philanthropic initiatives, and promoting employee shareholding are some of the priority actions of our responsible commitment.

This year, we have made significant progress to continue to create shared value. In the last 4 years, more than 14 million people previously excluded from vision health care gained access to a pair of eyeglasses; and 54% of our employees are now Group shareholders. Moreover, we have pursued our initiatives in key areas that serve the Sustainable Development Goals of the United Nations, such as Human Rights, water management or adapting to climate change, and we have made progress in the first ten targets of our "2020 roadmap" presented in detail in this document.

We are proud that our approach has been recognized by the most demanding non-financial assessment bodies. In 2017, Essilor was again included in the Dow Jones Sustainability World & Europe Indices (DJSI); joined the Vigeo Europe 100 Index; and was included in the CDP "Water A List" for our ambitious commitment to optimizing the use and security of water resources.

For all of these reasons, I am pleased to renew our long-term commitment to the ten principles of the United Nations Global Compact, both in our strategy and in our day-to-day operations, and to share an annual review of our progress in this chapter of the 2017 Registration Document."

**Hubert Sagnières**  
**Chairman and Chief Executive Officer**

At December 31, 2017, Essilor was listed on the following non-financial indices: DJSI World & Europe, MSCI World ESG & SRI and World Low Carbon Leader, FTSE4Good, STOXX Global ESG Leaders, Euronext Vigeo Europe 120, ECPI indices and Ethibel Excellence & Pioneer.

Essilor also participates voluntarily in the disclosure of CDP, an international, independent non-profit organization that assesses companies' efforts to measure and reduce their greenhouse gas emissions and water footprint. In 2017, the CDP recognized the continuous progress Essilor has been making in these areas, awarding it an A- rating for its response to climate change and an A rating for water management. With the highest score, the Group appeared for the first time on the "Water A List" which comprises of 73 companies making ambitious commitments to optimizing water use and improving the security of water resources.

US magazine Forbes also ranked Essilor amongst the World's Most Innovative 100 Companies for the seventh year running.

The image contains a grid of logos for various sustainability and innovation indices and awards:

- MEMBER OF Dow Jones Sustainability Indices** (with a small circular logo)
- In Collaboration with RobecoSAM** (with a small circular logo)
- CDP A LIST 2017 WATER** (with a small circular logo)
- WE SUPPORT UN GLOBAL COMPACT** (with a globe icon)
- EURONEXT vigeo eiris INDICES EUROPE 120** (with a stylized globe icon)
- ECPI Sense in sustainability** (with a stylized globe icon)
- FTSE4Good** (with a stylized globe icon)
- MSCI** (with a network icon)
- STOXX Member 2017/2018 ESG LEADERS INDICES** (with a stylized globe icon)
- Forbes 2017 THE WORLD'S MOST INNOVATIVE COMPANIES POWERED BY THE INNOVATOR'S DNA** (with a small circular logo)

# INTRODUCTION

## 4.1 Essilor's approach to sustainable development

### 4.1.1 The value chain and stakeholders

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

#### Value chain

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

- **production plants:** the Group has 34 production plants in 17 countries. Each year, they produce more than 500 million lenses via lens polymerization or resin injection moulding. The production plants account for the majority of direct environmental impacts due to of the chemical products and raw materials that they use, the energy they consume, the emissions they generate and the waste they produce. Given the concentration of environmental impacts, Essilor places the emphasis on the management of water and energy and the processing of waste, as well as on occupational health and safety measures;
- **distribution centers:** Essilor has 14 distribution centers in 12 countries. Situated close to manufacturing units, the role of these centers is to coordinate the logistics flows between suppliers and customers. Most of the impacts of these centers are therefore felt in terms of greenhouse gas emissions from transportation (air and road freight, etc.). Furthermore, the high number of employees and the nature of their activities, requires extreme vigilance in terms of occupational health and safety;
- **prescription laboratories:** the Group has 481 laboratories, edging facilities and local distribution centers which are major sources of local employment. As the final link in the value chain, surfacing and coating finished lenses before they are marketed to professional customers, prescription laboratories are crucial for ensuring product quality and conformity. The environmental footprint of the prescription laboratories is fragmented and limited, and derives primarily from the use of chemical products and the consumption of energy and water;

● **optical retailers and chains:** the Group supplies optical retailers and chains in over 100 countries and sells optical products online (contact lenses, prescription spectacles and sunglasses) through several local websites, serving a rapidly expanding global distribution channel. Information security, data protection and product promotion have been identified as major issues for the Group;

● **Operational, R&D and Administrative Divisions:** a limited portion of the Group's employees work in the registered offices, R&D centers and Operational and Administrative Divisions. While the social impact of these facilities is very significant, the environmental impact is low (energy from buildings, paper, greenhouse gas emissions associated with business travel, electrical and electronic waste, etc.).

See Section 1.3.1.3 of this document.

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#### Ecosystem

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

Depending on the situation, interactions between stakeholders and Essilor may serve a range of different purposes:

- ◆ to listen, by setting up a consultation process for the purpose of anticipating business developments, the market and regulations, and also manage risks and identify opportunities;
- ◆ to hold discussions to involve stakeholders in strategic decisions: customer satisfaction surveys, employee opinion surveys, organization of forums, training sessions, etc.;
- ◆ to inform, by providing reliable factual data using different kinds of communication methods made available to the relevant stakeholders (brochures, website, annual reviews, questionnaire responses, various requests, etc.);

- ◆ to contribute to growth via partnership projects, particularly in the fields of health and the environment: support for patients' associations, humanitarian aid programs and partnerships with universities.

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

#### Main stakeholders

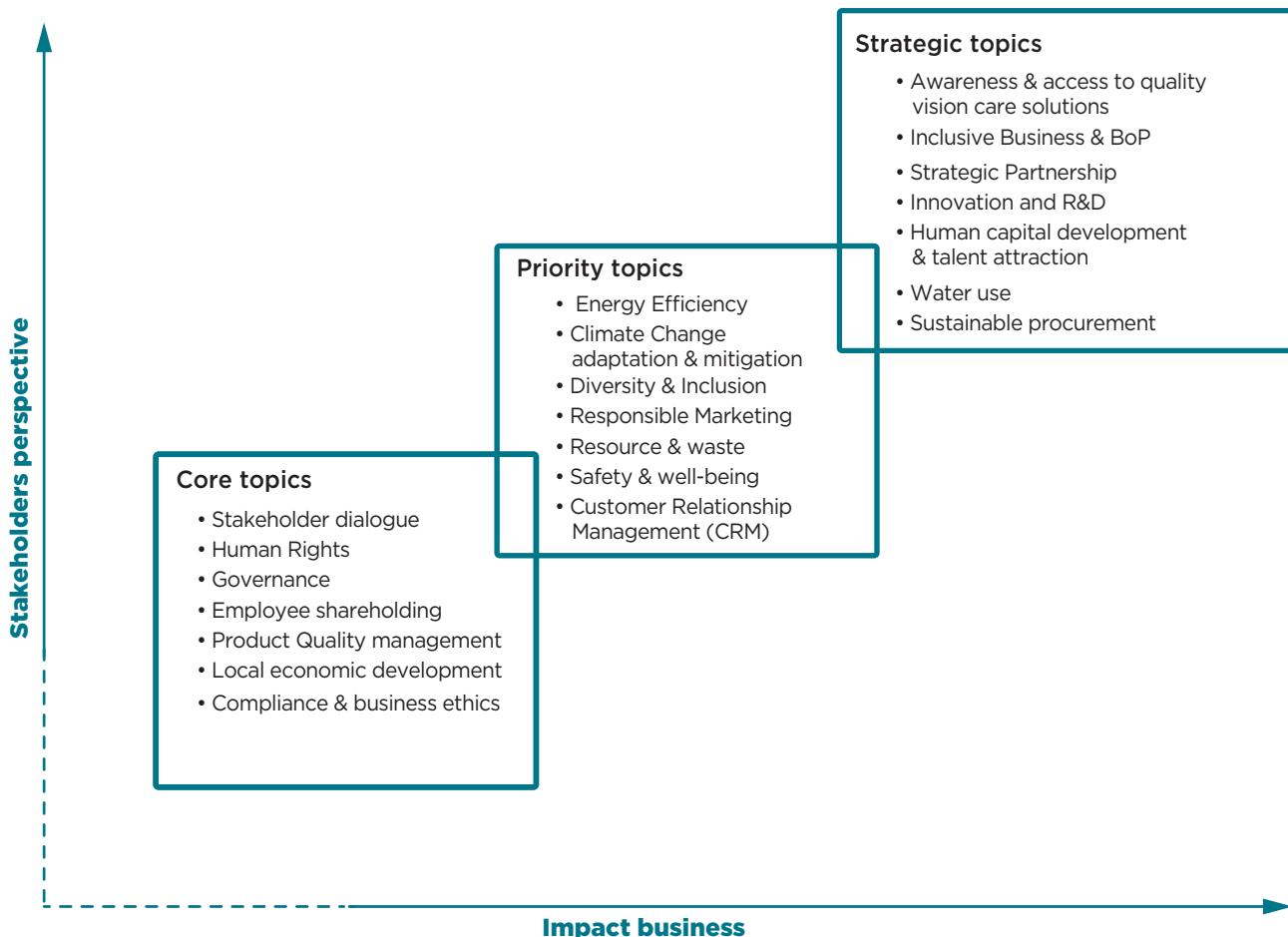
Main stakeholders	Main issues
Employees & representative organizations	Quality of working conditions Recruitment/Attracting and retaining talent Skills development Equal opportunities, diversity and inclusion
Business partners	Shared commitment to social and environmental concerns Collaboration on innovation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

## 4.1.2 Essilor's sustainable development priorities

### Materiality assessment

The Group defines and develops its sustainable development strategy using a materiality assessment, so that it can continually assess and prioritize stakeholder requirements, identify new risks and opportunities related to social and environmental issues, focus non-financial reporting and publications on major issues and ensure the Group's reporting complies with international standards.

For the past two years, regulatory changes and feedback from stakeholders (key account customers, investors, new UN development goals, etc.) have confirmed the priority and strategic dimensions of initiatives which directly aim to fulfil the Group's Mission, lead to a greater focus on sustainable procurement and the circular economy in the wider sense (see Section 4.5.5), and highlighted two major themes: climate change (see Section 4.5.4), and human rights (see 4.6.2). The Group has updated the materiality matrix below based on this information.



Note:

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

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

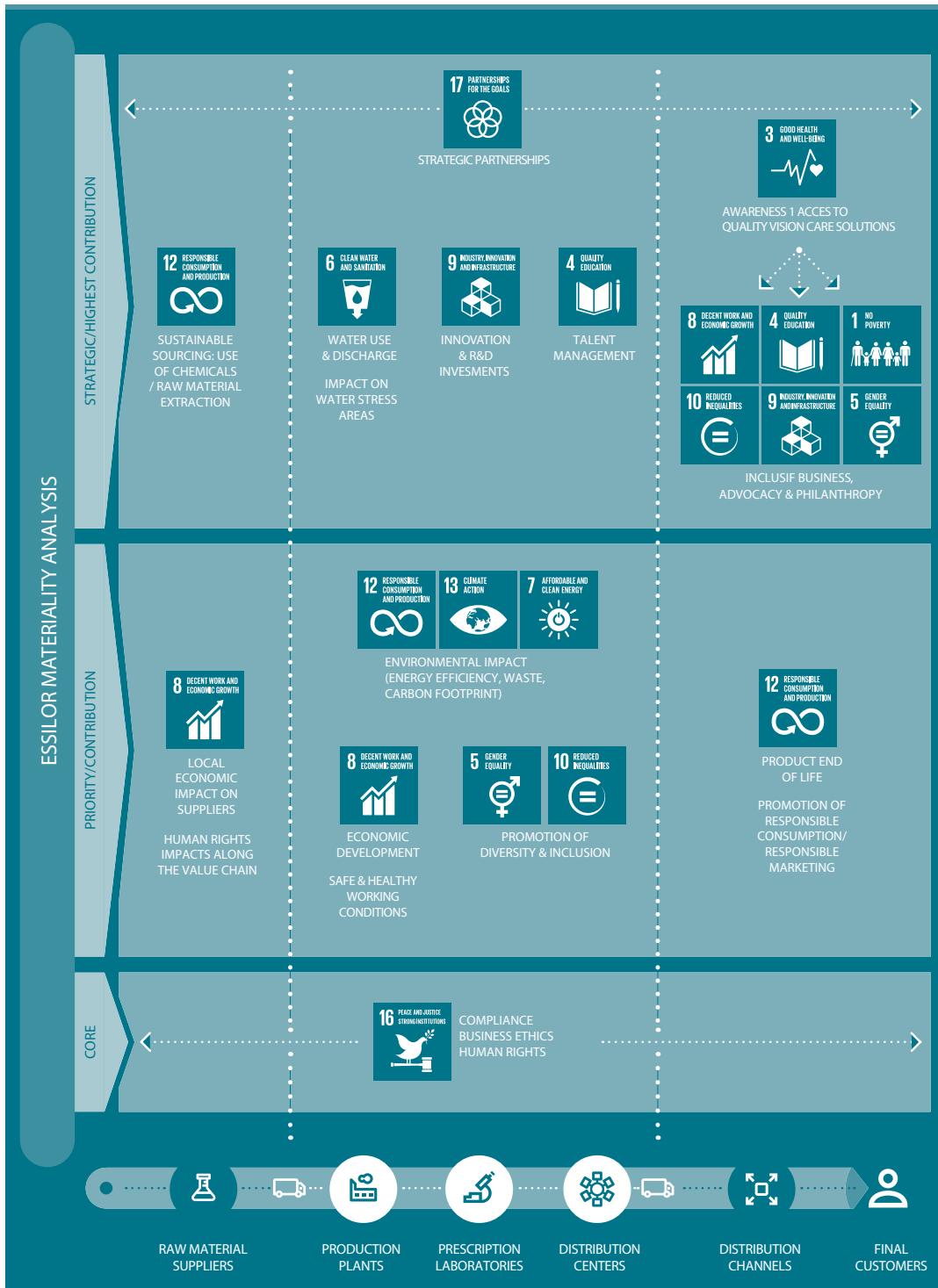
Core: pillars of Essilor's business culture.

## UN Sustainable Development Goals

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

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

In 2017, Essilor published a specific report outlining the action plans and commitments it has entered into for each of the 13 selected SDGs. See Section "Sustainability" and "Mission" on [www.essilor.com](http://www.essilor.com).



## 4.1.3 Sustainable development strategy driven by our Group Mission

On the basis of the materiality assessment, supplemented by an analysis of the Group's contribution to the SDGs, Essilor has strengthened its sustainable development strategy to serve the Group's Mission according to three supporting pillars, by specifying the actions it will take in certain key areas (see details on [www.essilor.com/en/sustainability](http://www.essilor.com/en/sustainability)):

### Group Mission: Improve lives by improving sight

The Group is committed to the global challenge of helping to correct, protect and prevent risks to the visual health of the planet's 7.4 billion inhabitants. To this end, Essilor has identified four key focus areas: raising awareness, product and service innovation, inclusive business and strategic giving. See Section 4.3 of this document.

#### 1. CARING FOR AND ENGAGING OUR PEOPLE

The Group's employees are the leading players in and contributors to Essilor's sustainable development. The Group's employee policy focuses on four areas: ensuring employee health and safety and providing quality working conditions; training, developing skills and talent; integrating employees and all forms of diversity; and finally, promoting employee shareholding along with their participation in the governance and employee consultation through social dialogue. See Section 4.4 of this document.

#### 2. OPTIMIZING THE ENVIRONMENTAL FOOTPRINT

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

#### 3. WORKING WITH SOCIETY

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

## 4.1.4 Main objectives for 2020

Essilor has defined a “2020 roadmap” with specific internal objectives and is working on all levers of employee engagement. This approach enables the entire Group to be involved, with building of momentum, measuring of impacts and monitoring of progress. The Group published in 2017 the ten main objectives shown in the table below:

Aims	Ambition		Objectives for 2020	Progress made	% of progress to target
Creating wearers	Bring tangible social and economic benefits to individuals and their communities: “improving lives by improving sight”	1	Improve the lives of 50 million individuals “at the base of the pyramid” <sup>(a)</sup> <i>(cumulative, reference year 2013)</i>	13.4 million	27%
		2	Create 25,000 primary vision care providers <i>(cumulative, reference year 2013)</i>	5,718	23%
		3	Invest €30 million in philanthropic visual health programs <i>(reference year 2014)</i>	30 million + additional €19 million	163%
Optimizing environmental footprint	Contribute to tackle climate change and its impacts through sustainable management of energy and water resources	4	Reduce water intensity by 20% compared to 2015 baseline <sup>(b)</sup>	-10%	50%
		5	Reduce energy intensity by 15% compared to 2015 baseline	-3%	20%
Caring for and engaging our people	Engage employees in the sustainable growth of our business & ensure a safe and rewarding working environment	6	Decrease by 30% work-related injury frequency rate (compared to a 2015 baseline) towards a zero accident goal	-14%	47%
		7	Give 100% of employees access to Essilor University online training platform	60%	60%
		8	35% of employees as shareholders, with a longer-term ambition of 50%	54%	154%
Working with our society	Lead sustainable business practices in our industry through responsible sourcing and procurement	9	100% of strategic suppliers receive external CSR audit	92%	92%
		10	100% of preferred suppliers acknowledge Essilor’s Supplier Charter	57%	57%

**(a)** “Base of the pyramid” refers to underprivileged and high-risk populations characterized by high rates of poverty, living on less than \$2.50 a day.

**(b)** Objectives measured on each “good” lens produced by a selection of the upstream plants with the highest environmental footprint.

In addition, Essilor’s compensation policy aims to contribute to the achievement of the Group’s objectives and the deployment of its Mission: improving lives by improving sight.

Hence, in 2017, Essilor introduced specific criteria linked to its Mission, its Principles & Values and its sustainable development program in calculating the annual variable salary component of the members of the Management Committee and the business committees, as well as the key managers in each entity of the Group.

## 4.2 Governance and management of sustainable development

### 4.2.1 The CSR Committee

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

The CSR Committee met three times in 2017, with an attendance rate of 100%. In its supervisory role, it was consulted primarily on:

- the progress of the new innovative, inclusive socio-economic models, through the 2.5 New Vision Generation entity, the philanthropy and all awareness-raising initiatives;
- review of the Group's sustainable development roadmap and the key measures to be implemented;
- evaluation of the direct and indirect economic and societal impacts of Mission activities;
- changes in the way Essilor's non-financial performance is perceived by recognized raters;
- assessment of the main CSR risks;
- review of the reports published regarding sustainability topics, particularly as regards current regulatory obligations.

See Section 2.1.2.6 of this document.

### 4.2.2 The Sustainable Development department

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

The role of the Sustainable Development department is to coordinate the initiatives implemented within the various functional departments (Environment, Health and Safety, R&D, Human Resources, Marketing, etc.) and the three main geographical areas: North America, Europe and the rest of the world (Latin America, Asia, Middle East, Russia & Africa), with the following main responsibilities to:

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

The Sustainable Development department oversees a Global Steering Committee that brings together all the major functional and geographic divisions to coordinate the deployment of the Group's sustainable development roadmap, report best practices and discuss cross-functional issues (e.g. Human rights, non-financial reporting, climate change, etc.).

The Sustainable Development department is also regularly consulted by the CSR Committee.

## 4.2.3 Organization of non-financial reporting

The aim of non-financial reporting is to provide Essilor with a tool for managing and measuring the effectiveness of its sustainable development programme, as well as to ensure compliance with Article 225 of the French Grenelle 2 law and with the principal sustainability reporting standards. This year, the Group has begun to prepare for changes to its non-financial reporting to apply European Directive no. 2014/94, to be implemented in France in 2018 in accordance with decree no. 2017-1265, voted in August 2017.

### Organization and protocol

Essilor collects environmental, social and societal data using a software application named "Sustainability" that replicates the structure of the Group's unified financial reporting system. "Sustainability" has similar procedures for consolidating financial information and a specific glossary outlining the indicators and their definitions. A network of contributors from a range of disciplines (human resources, environment-health-safety, etc.) reports information, which is reviewed by the Finance departments of each entity then checked and consolidated at Group level by the Sustainable Development Department.

A non-financial reporting campaign is organized annually to consolidate data from different entities. Given the data collection process and the key performance indicators have not been changed (same themes and structure) in 2017, the reporting protocol has been improved (more details and specific examples for each indicator, easier to use, etc.) and refined to take into account regulatory changes and stakeholder expectations. In addition, the reporting protocol is now available in five languages: French, Chinese, English, Portuguese and Spanish, to facilitate the work of subsidiary teams and improve data quality. See Section 4.7 of this document.

### Scope of reporting

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

This year, by including in particular the recently-acquired entities, the non-financial reporting covers 100%<sup>(1)</sup> of the Group entities, exceeding its commitment to reach a target of 85% in 2017. The coverage rate for each indicator is specified in the disclosure for each indicator. See Section 4.7 of this document.

### Reporting period

To optimize the organization, coordination and integration of financial and non-financial reports, Essilor collected the majority of its social, environmental and societal information over a period of 12 months from October 1, 2016 to September 30, 2017. However, certain information was collected during the calendar year from January 1, 2017 to December 31, 2017; this is followed in the text or the indicator tables by a superscript at sign (@).

### Compliance and standards

Essilor has made public its social, environmental and societal information since 2002, in accordance with the French NRE law of May 2001. Since the 2012 fiscal year, the Group has complied with Article 225 of the French Grenelle 2 law. Next year, the Group will follow the principles defined by decree no. 2017-1265 concerning transposition into French law of the European directive on non-financial reporting. Finally, Essilor continues to follow the guidelines of the Global Reporting Initiative Standards. See Section 4.7 of this document.

The information presented in this chapter has been reviewed by PwC, an independent third-party organization, in accordance with the regulations resulting from Article 225 of the Grenelle 2 law. See in Section 4.8 of this document the Report of the Independent Third-Party Organization for further details.

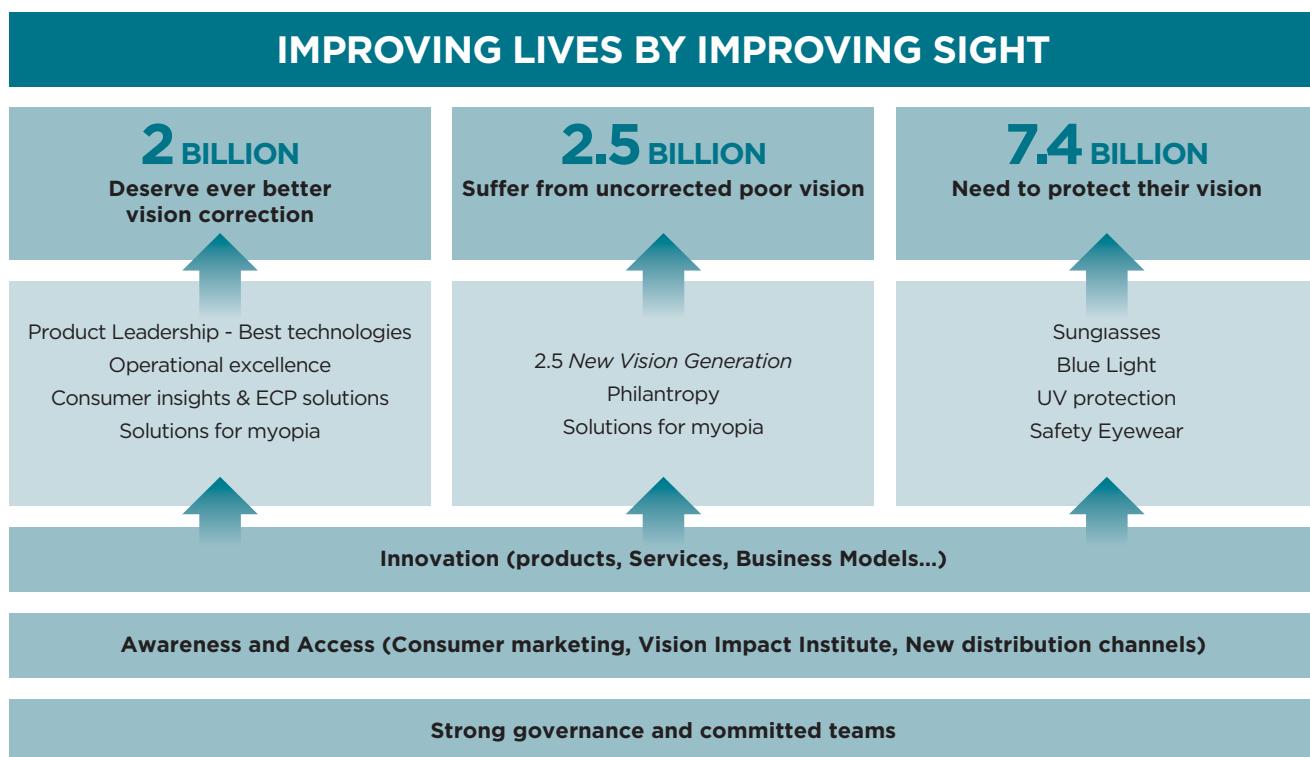
<sup>(1)</sup> Four entities representing less than 100 employees (0.01%) were exempted from non-financial reporting in 2017 for the following reasons: one entity in Miami was affected by hurricane Irma and three entities stopped their activity at the end of 2017. Given the specific cases above, Essilor considers that the 2017 non-financial reporting covers 100% of the Group's entities and workforce.

# ESSILOR MISSION

## 4.3 Improving lives by improving sight

Providing everyone, everywhere, with access to quality vision care is Essilor's biggest challenge in terms of sustainable development. This challenge lies at the crossroads between the Group's economic activity and its social contribution through the major positive impact on quality of life as a result of better vision.

The Mission to improve lives by improving sight drives the Group to continue its efforts to help even more of the planet's 7.4 billion people, 2.5 billion of whom suffer from poor vision and still do not have access to visual correction. Essilor designs, manufactures and sells a wide range of solutions to correct, protect and prevent visual health risks.



Essilor's actions on four fronts help to fulfil this Mission:

- 1) make as many people as possible aware of the importance of good vision;
- 2) innovate responsibly for current and future customer needs;
- 3) develop inclusive business models; and lastly,
- 4) drive strategic giving initiatives.

## 4.3.1 Raising awareness of the importance of good vision

The main reason for large numbers of people lacking the visual correction they need can be primarily explained by a lack of awareness of vision problems. Many people have never had an eyesight test, or have never been able to see properly in their life.

To address this, Essilor is investing locally, nationally and internationally to raise awareness of the importance of visual health and of having regular eyesight tests. Different initiatives are taken:

- ◆ the global “Put Vision First™” campaign. On World Sight Day 2017, Essilor highlighted the importance of complete, regular eyesight tests in over 50 countries and provided an online eyesight test as a first step for checking vision;
- ◆ the global partnership with *Fédération Internationale de l’Automobile* (International Automobile Federation). Launched in 2017, this partnership aims to highlight good vision as an essential factor in road safety as part of the FIA’s “Action for Road Safety” campaign. “Check your eyesight” is now one of the FIA’s golden rules, along with other key risk factors such as speed, alcohol and safety belts (e.g. “Never drink and drive”, “Buckle up”, etc.). Road safety continues to be a key focus area for the Group, with particular efforts in India which attracted government support;
- ◆ national public awareness-raising campaigns, such as “Think About Your Eyes™” in the United States are organized in partnership with industry players and our stakeholders;
- ◆ creation of consumer information websites to educate people about the importance of regular eyesight tests, protecting their eyes from damage caused by UV light (e.g. [www.eyes-and-sun.com](http://www.eyes-and-sun.com)) and from blue light, and how to choose frames to suit their face (e.g. [www.mavuemeslunettes.fr](http://www.mavuemeslunettes.fr));
- ◆ regular eye exam campaigns, arranged locally by Essilor subsidiaries or by the Group’s philanthropic organizations;
- ◆ support for initiatives to gather statistical data on the social and economic impact of poor vision to obtain government support to invest in visual health improvement programs. Since 2016, Essilor has been part of the Eyelliance coalition and has been involved in drafting the World Economic Forum’s Report, “Eyeglasses for Global Development: bridging the Visual Divide”. This report demonstrated that investing in access to vision correction would lead to considerable gains in terms of economic and social development, entirely in line with the SDGs.

In 2012, Essilor lent its support to the founding of the Vision Impact Institute. The aim is to raise public awareness of the importance of correcting and protecting eyesight and to

make good vision a global priority. It analyses and publishes the results of relevant scientific studies and recommends changes to public health policy.

The Institute is steered by a consultative committee with four independent members, focusing on two objectives: accelerate the production of new studies on visual health, particularly in areas where data is missing, and reach a wider audience to make people aware of these issues.

Since it was founded, the Institute has launched a website - [www.visionimpactinstitute.org](http://www.visionimpactinstitute.org) - providing a single database of 250 peer-reviewed reports and studies to prove the need for advances in visual correction and visual health in general. This year, 86 new studies were published and the website was translated into a new language, French, in addition to the English, Chinese, Spanish and Portuguese versions already available.

In 2017 the Institute was actively engaged in raising awareness among the global population of the importance of visual health. The following two examples illustrate its work:

- ◆ in India, the Observatory supported media events to foster dialogue with the ministries to implement awareness-raising programs for students, motorists and public transport drivers;
- ◆ in the United States, the Observatory created a multi-stakeholder partnership, “Kids See: Success”, so that every child entering nursery school can have their eyesight tested.

## 4.3.2 Sustainable innovation for customers’ current and future needs

### Innovation at Essilor

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

Optical lenses are high-technology products. Although innovation is essential, it is also very important to continue working to improve existing solutions. This makes it possible to respond to all new needs which arise as a result of demographic and lifestyle changes.

Each year, Essilor devotes a significant part of its revenue for Research and Innovation, so that it can respond to market trends in visual health driven by several major social trends (ageing population, use of digital technology, new “Base of the Pyramid”, or BoP, consumers, etc.). In 2017, this amounted to €217 million before deduction of research tax credits.

## Meeting consumer expectations

Innovation is everywhere within the Group, and it is now taking on new forms, combining technologies with an understanding of the whole range of consumer needs: across the following three dimensions: visual correction, eye protection and prevention of eye disease.

Essilor defines its innovation priorities by listening to consumers and paying attention to their unmet and specific needs, as well as their lifestyles.

In order to meet this challenge, marketing and innovation are inseparable. From the very beginning, the Group's Centers for Innovation and Technology work in direct contact with the markets. The centers detect "weak spots" by observing technology and competitors. Later on, researchers work with the marketing teams and the "Global Engineering" Department to quickly make innovations available to consumers.

In order to place the consumer at the very heart of the innovation process, Essilor created five "roadmaps" for different consumer types, each of which constitutes a specific market for the Company:

- Kids & teens;
- Young adults;
- Mid-life;
- Seniors;
- Next Generation Consumers.

Each "roadmap" is made up of multidisciplinary teams and uses Design Thinking methods to accelerate the ideation and innovation process.

## A global organization

At Essilor, R&D is structured around four Centers for Innovation & Technologies, at the heart of major current and future markets and close to centers of international expertise. It operates as a collaborative, creative network, fostering synergies, speeding up execution and promoting the emergence of new applications.

This approach has resulted in Forbes magazine ranking Essilor as one of the 100 most innovative companies in the world for the seventh consecutive year

## Including sustainable development in innovation

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

- Collaborative. This means that stakeholders (universities, research centers, suppliers, customers, professional associations, etc.) can be involved from design through to

the launch of the innovation. Essilor has forged over twenty partnerships with universities and public research bodies: *Institut de la Vision* in Paris, CNRS, Inserm, Polytechnique Montreal, Universities of Shanghai and Wenzhou in China, etc. Furthermore, the Group makes use of open innovation such as the See Change Challenge, which was launched by BoP innovation Lab at the end of 2016. See Section 4.3.3 of this document;

● Eco-designed. Essilor endeavors to develop products with an ever-decreasing impact on the environment by analyzing the product's life cycle, favoring eco-design, working with its subcontractors (purchasing raw materials with less environmental impact, etc.) and optimizing production processes. For example:

- Essilor now only promotes lighter, more resistant and more environmentally-friendly corrective lenses that are manufactured from thermosetting resins or thermoplastic materials,
- the Costa brand has also implemented a Kick Plastic initiative, which involves using bio-sourced resins or recycled materials,
- in 2017, the online optical group Clearly launched a new brand of environmentally-responsible glasses called "Main + Central". The frames are made of a highly durable and biodegradable material called "Natura", which can be returned to the Company for recycling when customers want to change their style.

Furthermore, no new chemical component requiring toxicology tests is used in the Group's innovations. Lastly, Essilor does not conduct any tests on animals;

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

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

### 4.3.3 Developing inclusive business models

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

Reaching people on low incomes, often designated as "Base of the Pyramid" (BoP) consumers, requires a totally different and innovative approach in terms of products, pricing and distribution. Training micro-entrepreneurs in primary vision care is one of the keys to expanding access to good vision. It also helps create local jobs and combat poverty.

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

Since 2013, Essilor has put in significant resources to develop and roll out inclusive business solutions that involve skill building of local youth and creating infrastructure to dispense Primary Vision care.

These solutions demand close collaboration with local organizations, hence Essilor is co-constructing partnerships with NGOs, social entrepreneurs and regional or national governments for its inclusive business models. This provides the Group with a better understanding of local needs and obstacles to build a framework for ensuring long-term sustainability projects.

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

- the "BoP Innovation Lab", the Innovation Laboratory for the Base of the Pyramid, supported by the Singapore Economic Development Board, is an internal incubator, accelerator and facilitator which works on inclusive business models with teams and foundations across the Group, to raise awareness and maximize impact. As an incubator, the Lab develops and evaluates inclusive business models tailored to the local context or customer needs. As an accelerator, the Lab provides strategic and operational support to on-site teams to implement the projects. As a facilitator, the Lab builds and strengthens relations with key partners, social enterprises, foundations and development agencies. It works in close collaboration with Essilor's inclusive business entity, 2.5 New Vision Generation™ (see description below), to select programs, evaluate their social impacts, make any adaptations that may be necessary and develop new products, solutions

and business models in line with the needs of BoP consumers. In 2016-17, Essilor organized an open innovation challenge to support innovative ideas and develop new technologies to measure visual defects in populations without access to visual correction. This challenge involved the whole Group ecosystem working together (such as start-ups, universities, app developers, eyesight professionals, etc.) to develop low-cost, easy-to-use and easy-to-deploy solutions. The best solutions are under development so that they can be tested on the market;

- the "2.5 New Vision Generation™" ("2.5 NVG") business structure leverages dedicated sales and logistics teams in key geographical areas of Asia, Latin America and Africa. It focuses on the adaptation and local deployment of solutions for BoP customers so as to create an initial network of infrastructure and vision care micro-entrepreneurs ("Primary Vision Care Providers"). These poorly served communities often lack access to vision care facilities. Essilor's goal is to create 25,000 primary vision care providers by 2020. At the end of 2017, the Group had attained over 23% of its target i.e. 5,718 primary vision care providers on a cumulative basis. This implies agile, scalable business models. For example, in India, where the 2.5 NVG structure originated, Essilor has developed the Eye Mitra™ ("friends of the eyes" in Sanskrit) programme with the aim of training under-employed young people as vision technicians. They receive training and the equipment needed to start a "micro-business" carrying out eye exams and dispensing eyeglasses for the inhabitants of rural or semi-urban areas. In 2017, almost 4,000 Eye Mitra™ partners have already been created to provide vision care services to their communities. An impact study conducted by the Dalberg practice highlighted the major socio-economic contributions this program has made (see Section 4.6.5.).

Based on the expertise acquired from the Eye Mitra™ programme, the 2.5 NVG teams also developed the Vision Ambassador™ programme, which is designed to train individuals to screen for near-vision problems in adults over the age of 45 and sell over-the-counter reading glasses as a complementary business. At the end of 2017, this program had over 1,800 Vision Ambassador™ partners in nine countries: China, Brazil, India, Indonesia, Cambodia, Vietnam, Ivory Coast, Kenya and South Africa.

At the end of 2017, the 2.5 NVG products were being distributed in 45 countries. Almost 3.3 million people were fitted with eyeglasses this year, compared with 2.2 million in 2016, 1.2 million in 2015 and 300,000 in 2014.

## 4.3.4 Strategic Giving

Essilor continued to deploy its philanthropic initiatives around the world in 2017, holding it as its duty to provide the most disadvantaged individuals, who live below the international poverty line, with the vision care that they need.

Essilor's philanthropic activities include awareness-raising campaigns, eye exams, donations of lenses and frames, and funding for local programs led by charities, health care voluntary organizations or institutional partners. To this end, the Group works with many NGOs such as Lions Clubs International, Brien Holden Vision Institute, Optometry Giving Sight, the *Samu* (social humanitarian emergency service in Paris), *le Secours populaire français* (a non-profit organization devoted to fighting poverty and discrimination in France and beyond), the Rothschild Ophthalmology Foundation, Vision Aid Overseas, Sight Savers, Standing Voice and Orbis International.

To ensure the success of these initiatives, the Group has established a Foundation (Essilor Vision Foundation), with legal entities in seven countries, and in 2015 launched the Vision For Life™ funds in France and the United States, endowed with €30 million to finance programs with long-term impact around the world.

In 2017, through the Group's own philanthropic organizations and those of its partners, thanks to their involvement in around 200 programmes operating in 50 countries, over 3,000 employee volunteers tested the sight of 3 million people and fitted 500,000 people with glasses to correct their eyesight. The Group's subsidiaries have donated over 450,000 pairs of glasses to the NGO Restoring Vision, bringing the total number of recipients of donated glasses to over one million in 2017.

Through its Vision For Life™ endowment fund, the Group, helped create the Our Children's Vision coalition of over 50 NGOs, all working to combat poor vision, which has enabled 1.2 million people to receive visual healthcare since its creation.

## Essilor Vision Foundation™

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

Some examples of projects in 2017:

- in the United States, one child in four has an eyesight problem that affects learning. According to the Center for Disease Control and Prevention, vision impairment is one of the most common disabling conditions in children in the United States. The Foundation operates in every state through more than 140 partnerships with other NGOs and works with more than 500 schools to bridge the gap between vision care needs and vision care access. One of its flagship programs, Kids Vision For Life™, provides direct vision care in schools by offering eye exams. A mobile clinic with facilities to create eyeglasses on-site means that most students leave with their own pair of eyeglasses the day of the exam. In 2017, over 250,000 optical items were supplied to disadvantaged people;
- in China, the Essilor Foundation continued implementing these programs for children in almost 20 provinces, resulting in over 400,000 schoolchildren receiving eyecare;
- in India, over 300,000 people received free eye tests, and over 30,000 of these were disadvantaged children who were fitted with glasses to correct their sight;
- for the rest of the ASEAN region, the Foundation rolled out programs in nine countries, raising awareness and providing free vision screenings to 175,000 people. Over 50,000 people were fitted with glasses to correct their eyesight;
- finally, in Australia and New Zealand, over 4,200 pupils had their sight tested as a result of a campaign in schools. These initiatives were reported in the local media and helped educate millions of people about how important good eyesight is for academic success.

Furthermore, under the Opening Eyes global partnership between Essilor, the "Special Olympics" NGO and the Lions Club International, the Essilor Foundation has screened more than 400,000 children and adults with intellectual disabilities since 2002. In 2017, a total of 200 events took place around the world, with more than 3,000 athletes screened in addition to the 13,200 athletes who were equipped with a pair of sunglasses.

## Vision For Life™

The Vision For Life™ endowment fund (in France) and the non-profit-making Essilor Social Impact Fund (in the United States) are continuing with their mission, begun in 2015, to help tackle the global challenge of poor eyesight by raising awareness, developing skills in regions with no access to the most basic visual health solutions, supporting the creation of infrastructure such as vision centers and improving access to eyecare.

Essilor has made a contribution of €30 million to these two organizations, making it the world's largest strategic giving program dedicated to eliminating Uncorrected Refractive Error. In 2017, Essilor group made an additional donation totaling €19 million to roll out new philanthropic programs worldwide.

Consequently, initiatives are ongoing in many countries:

- In France, philanthropic initiatives fall into four categories:
  - access to eye tests and basic optical equipment for underprivileged people. These initiatives are delivered in partnership with humanitarian associations such as the *Secours populaire français* (a non-profit organization devoted to fighting poverty and discrimination in France and beyond) or the *Samu social* (a humanitarian emergency service), *Médecins du Monde*, as well as public or private organizations such as the AP-HP and the Rothschild Ophthalmology Foundation, where Vision For Life™ was also involved in setting up the first "PASS-O" unit in France, which provides access to ophthalmology care and eyeglasses for almost 5,000 people without medical insurance per year,
  - initiatives aimed at young people from deprived neighborhoods, to raise awareness about how important good visual health is for their future. Awareness was raised among over 20,000 young people, and over 5,000 received a free eye test,
  - initiatives for refugees, including a pilot scheme at a refugee center in the Paris region, which tested the sight of 400 people, 200 of whom were fitted with glasses,
  - finally, in early 2017, a partnership began with the French Ministry of Education to raise awareness and provide all involved parties with training on the importance of good eyesight for academic success. This partnership will continue in 2018;
- In Europe, Poland began a three-year program to screen and fit 10,000 residents of a children's home with glasses. In 2017, almost 4,000 children had their eyesight tested;
- In 2017, a range of programs were implemented in Africa, including:
  - in Ethiopia, the partnership with the British NGO Vision Aid Overseas was renewed for three years to test the eyesight of 90,000 people and fit 20,000 of them with glasses,
  - in Tanzania, the partnership with the NGO Standing Voice continued, providing over 4,000 albino children with UV protection and corrective lenses if needed,
  - a new project was launched in the Ivory Coast in conjunction with the Magic System Foundation to help primary school children from disadvantaged areas access visual correction. A first initiative took place in 2017 involving 300 children, and new schools will be added to the program in 2018,
  - finally, in South Africa, with the launch of the Kids Right to Sight program, which aims to test over 11,000 disadvantaged children every month and fit glasses where needed.

## Combined impact of inclusive business and strategic giving initiatives

Essilor aims to improve 50 million lives at the BoP by 2020. At the end of 2017, the Group had reached more than 27% of its target, i.e. 13.4 million people equipped with eyeglasses on a cumulative basis since 2013. This includes direct contribution of 11.6 million via the Group's various initiatives in inclusive business and strategic giving but also in indirect contribution of 1.8 million through the "Our Children's Vision" coalition of which Essilor is a founding member.

# SOCIAL INFORMATION

## 4.4. Caring for and engaging our people

Essilor's success is deeply intertwined with the 66,918 (full time equivalent) employees worldwide who, irrespective of their role and the work that they do, are committed to developing, producing and promoting the innovative products and services that contribute to the Group's Mission: to improve lives by improving sight.

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

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

Through its human resources policy, Essilor also hopes to encourage the development and personal fulfilment of its employees, by offering them opportunities for growth as part of a global, diversified, multicultural Group in multiple locations. This aim entails a working environment that

respects their physical and moral integrity and ensures equal treatment at all times.

Ensuring these conditions are met means that Essilor is able to attract and retain talent as well as to improve the employability of its staff - in particular, by facilitating access to training throughout their career and by broadening their roles and experience so as to encourage increased autonomy and responsibility.

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

4

As of December 31, 2017, Essilor had 66,918 employees worldwide according to the financial consolidation method. The average workforce for 2017 was 66,118 employees (according to the consolidated personnel costs for the period).

		2017	2016	2015
<b>Total workforce (FTEs) at the end of the period</b>		66,918 <sup>(@)</sup>	63,676 <sup>(@)</sup>	60,883 <sup>(@)</sup>
<b>Average workforce (FTEs) for the year</b>		66,118 <sup>(@)</sup>	63,107 <sup>(@)</sup>	60,503 <sup>(@)</sup>
<b>Breakdown of the workforce (FTEs) by geographical area</b>				
	North America	14,123 <sup>(@)</sup> (21.1%)	13,476 <sup>(@)</sup> (21.2%)	12,456 <sup>(@)</sup> (20.5%)
	Europe	11,934 <sup>(@)</sup> (17.8%)	12,141 <sup>(@)</sup> (19.1%)	10,613 <sup>(@)</sup> (17.4%)
	Latin America/Africa/Asia/Australia/Middle East/Russia	40,861 <sup>(@)</sup> (61.1%)	38,059 <sup>(@)</sup> (59.7%)	37,814 <sup>(@)</sup> (62.1%)

**Note:** FTE = Full Time Equivalent.

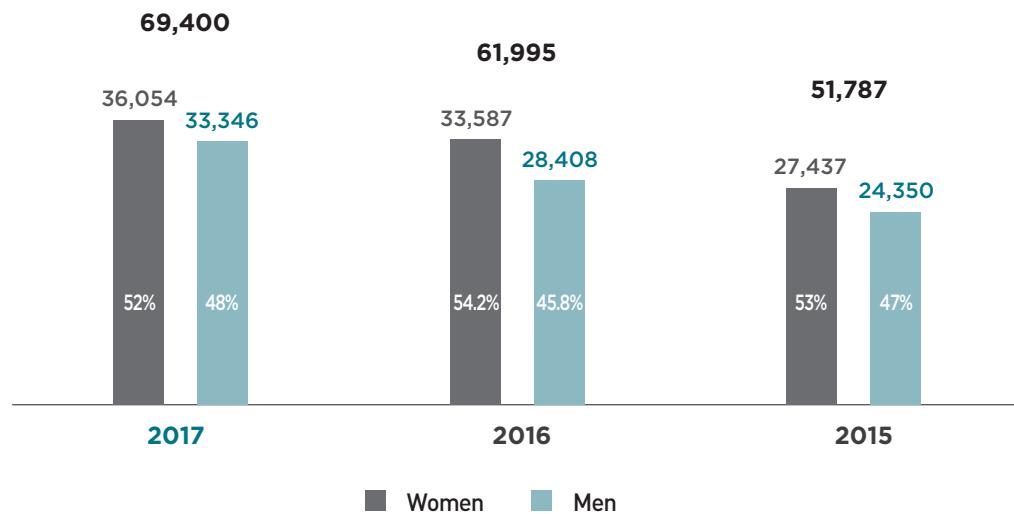
	2017	2016	2015
<b>Reporting Coverage</b>	100%	91.9%	85.6%
<b>Workforce (headcount) covered by 2017 reporting (end of period)</b>	69,400	61,995	51,787

**Note:** Reporting coverage is calculated based on the workforce of the financial consolidation scope at end of 2017. The reporting coverage grew from 91.6% in 2016 to 100% in 2017. Four entities representing less than 100 employees (0.01%) were exempted from non-financial reporting in 2017 for the following reasons: one entity in Miami was affected by hurricane Irma and three entities stopped their activity at the end of 2017. Given the specific cases above, Essilor considers that the 2017 non-financial reporting covers 100% of the Group's entities and workforce. This significant increase is due to the strengthening of the organization of reporting and the involvement of all entities. The rise in workforce reported (headcount) is mainly due to expansion of the reporting scope.

## Workforce breakdown by gender

		2017	2016	2015
<b>Breakdown of the workforce by gender (based on the workforce covered by reporting)</b>	Women	36,054 (52.0%)	33,587 (54.2%)	27,437 (53.0%)
	Men	33,346 (48.0%)	28,408 (45.8%)	24,350 (47.0%)

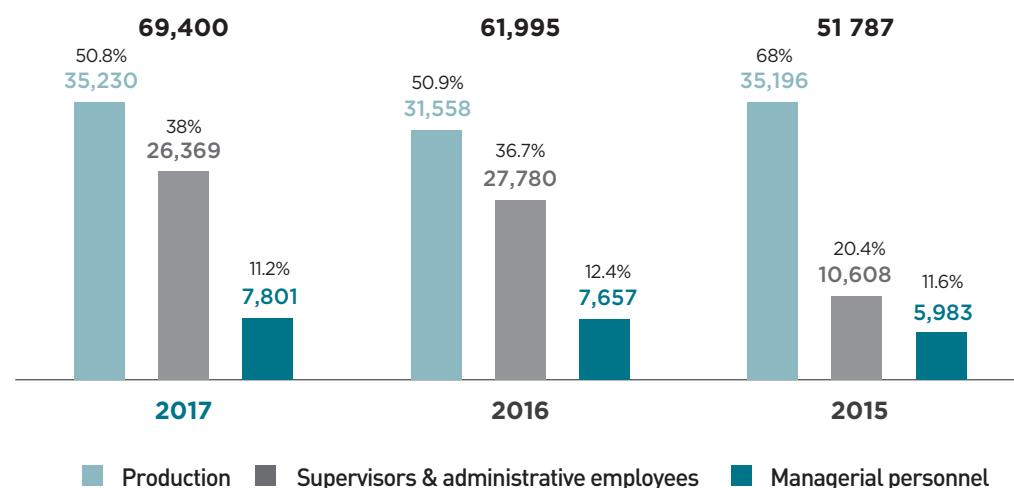
*Note:* There is no significant changes in distribution of employees by gender compared with previous year.



## Workforce breakdown by function

		2017	2016	2015			
<b>Breakdown of the workforce by function (based on the workforce covered by reporting)</b>	Production staff	35,230	50.8%	31,558	50.9%	35,196	68.0%
	Supervisors and administrative employees	26,369	38.0%	22,780	36.7%	10,608	20.4%
	Managerial personnel	7,801	11.2%	7,657	12.4%	5,983	11.6%

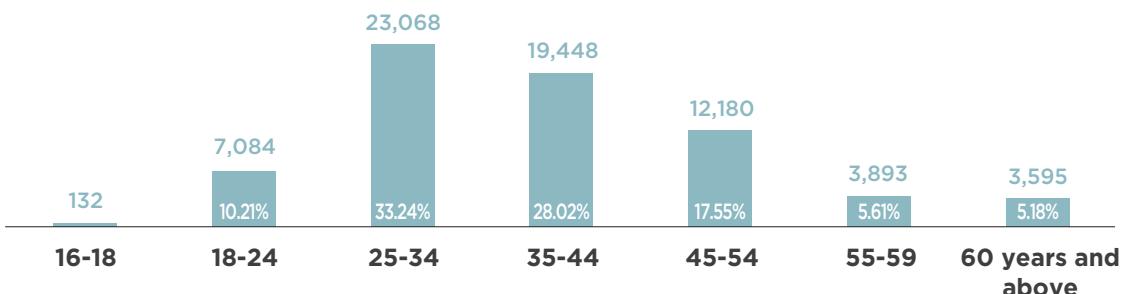
*Note :* According to the Group's definition, the "production staff" category includes employees working at production plants; "Supervisors and administrative employees" includes individuals who have management responsibility and/or are employed in an office. Lastly, "Managerial personnel" comprises Executive Directors, managers and experts.



## Workforce breakdown by age

	Age	2017	2016	2015
<b>Breakdown of the workforce by age group (based on the workforce covered by reporting)</b>	16 to 18	132 (0.19%)	167 (0.27%)	161 (0.31%)
	18 to 24	7,084 (10.21%)	6,297 (10.16%)	5,644 (10.90%)
	25 to 34	23,068 (33.24%)	20,245 (32.65%)	16,537 (31.93%)
	35 to 44	19,448 (28.02%)	17,065 (27.53%)	14,179 (27.38%)
	45 to 54	12,180 (17.55%)	10,968 (17.69%)	8,946 (17.28%)
	55 to 59	3,893 (5.61%)	3,769 (6.08%)	3,341 (6.45%)
	60 and over	3,595 (5.18%)	3,484 (5.62%)	2,979 (5.75%)

**Note:** The reported workforce under 18 years old is mainly from entities in China and Brazil where the minimum legal working age is 16. The other, very limited, cases are trainees or apprentices. People in this age group are employed in accordance with local regulations.



4

## New hires, layoffs and turnover

	2017	2016	2015
<b>Total new hires</b>	17,848	14,548	N/A

**Note:** The data reported covers 100% of the Group workforce. The increase of Group recruitment is mainly increase of reporting scope.

	2017	2016	2015
<b>Total layoffs</b>	2,279	1,632	N/A

**Note:** The data covers 100% of the Group workforce. The layoff was mainly in Brazil, USA, Mexico and China, which was linked to the reorganization of the Group and local employment culture.

	2017	2016	2015
<b>Voluntary turnover rate</b>	9.0%	10.0%	10.0%

**Note:** The turnover rate disclosed is based on the voluntary departures of the Group. It is calculated based on a sample of entities which represents 66% of the Group total workforce and covers all the geographic regions where the Group operates and all the Group's business activities.

## Salary changes

Total salaries in 2017: €2,298 million <sup>(@)</sup>

Total salaries in 2016: €2,142 million <sup>(@)</sup>

Total salaries in 2015: €2,045 million <sup>(@)</sup>

Change between 2017 and 2016: + 7.28%

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

## 4.4.1 Ensuring health and safety with a quality working environment

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

### Health and safety in the workplace

As part of a continued drive to improve occupational health and safety conditions and reach the target of zero workplace accidents, the Group has set itself the target of decreasing the work-related injury frequency rate by 30% by 2020 (reference year 2015). At the end of 2017 and on this scope, the Group had already attained 47% of its target, with a 14% reduction.

In collaboration with the Human Resources Department, the Global EHS (Environment-Health-Safety) Department, leads the Group's approach to health and safety. It includes

experts in occupational health and safety, as well as in the management of chemical products and in ergonomics. It defines the annual targets and is supported by a network of EHS coordinators at the Group's main sites, to whom it provides assistance and technical operational support, such as standard procedures, action plans and on-site audits.

Occupational health and safety policies at the plants are shaped by OHSAS 18001 guidelines, as well as Essilor's EHS guidelines. The key objectives are to improve awareness, training and communication on health and safety issues.

As of December 31, 2017, the production plants in Brazil (1), China (1), the United States (1), France (2), Ireland (1), Mexico (1), the Philippines (2) and Thailand (1) were OHSAS 18001-certified. As a result, the percentage of certified environmental management systems in the Group's upstream production plants was 83% (10/12).

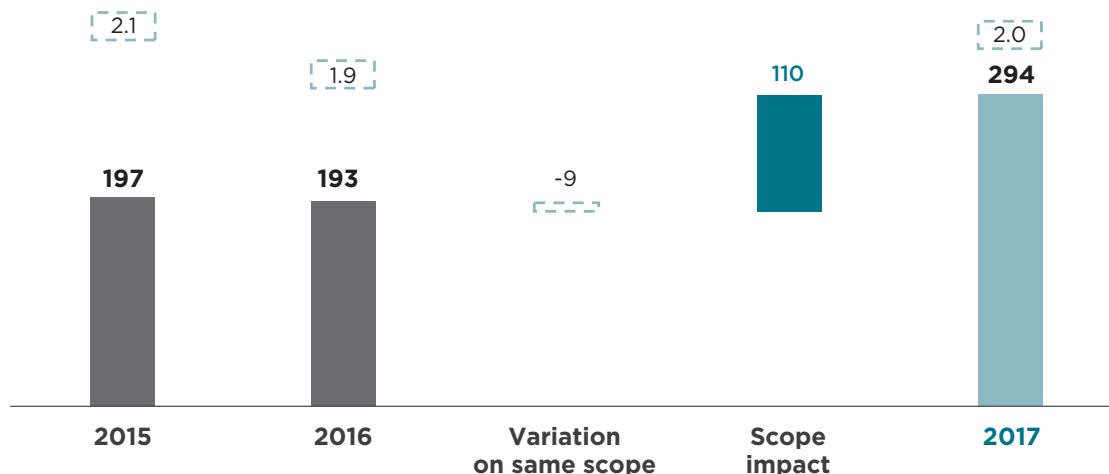
The development and launch of new products now include a new process called Stages & Gates which aims to coordinate the work of the various departments, from design to deployment at production plants. This process includes occupational health and safety and environmental requirements in an effort to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

### Health & safety indicators

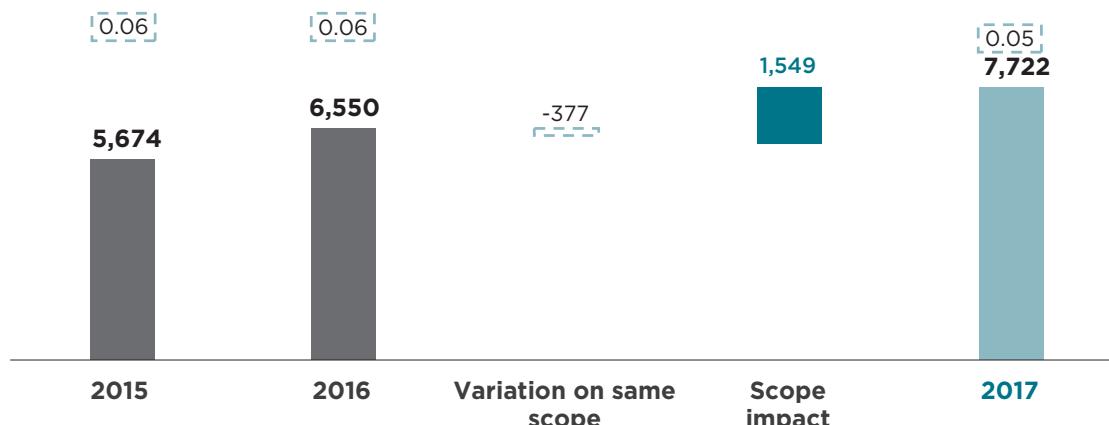
	2017	2016	2015
Work-related injuries with lost work time	294	193	197
Work-related injuries without lost work time	463	333	431
Fatal accidents	1	0	0
Lost days due to work-related injuries with lost work time	7,722	6,550	5,674
Frequency rate of work-related injuries with lost work time for the period	2.0	1.9	2.1
Severity rate of work-related injuries with lost work time for the period	0.05	0.06	0.06

**Note:** The increase in the number in work-related injuries is mainly due to the increase in the reporting coverage. Reporting scope has significantly increased from 74.8% in 2016 to 98% in 2017. Given the increase of the number of cases of work-related injuries, both the frequency rate and severity rate remain stable. Disregarding the increased scope of 2017, both frequency rate and severity rate of work-related injuries have decreased. At the end of 2016, one of the Group's employees in the Middle East tragically lost his life in a road accident on a work-related journey.

#### ACCIDENTS WITH LOST WORK TIME (FREQUENCY RATE FOR THE PERIOD)



#### LOST DAYS (SEVERITY RATE FOR THE PERIOD)



## Occupational illnesses

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

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

a special emphasis is placed on chemical management with a focus on preventing employee exposure. Based on a risk assessment approach, prevention and protection actions are underway, such as: Group-wide replacement program, technical systems to extract steam and fumes, automatic filling machines, adaptation of work stations, training sessions and specially adapted personal protective equipment. The effectiveness of these actions is verified by periodic sampling or via continuous monitoring, in addition to appropriate medical surveillance of employees.

These programmes were continued in 2017.

## Absenteeism

	2017	2016	2015
Absenteeism rate	2.9%	3.4%	5.1%

**Note:** The absenteeism rate is calculated as a weighted average based on the number of lost work days. The coverage rate was 89% of employees covered in the 2017 reporting, across all of the Group's core businesses and geographical areas.

## Working time organization

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

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

## 4.4.2 Training and the development of skills and talent

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

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

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

From very early on, Essilor created its training schemes and put in place means of identifying and developing talent. Today, a number of initiatives are lead regarding training and talent management.

### Training and development

The Essilor group has set up a flexible, consistent training platform to support its growth (online sales, sunglasses, etc.) while meeting the employability needs of individuals and teams.

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

#### ESSILOR "U", AN ONLINE TRAINING PLATFORM

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

Essilor University (Essilor "U") is based on an easy-to-use digital training platform, which connects all new employees from any of the Group's entities across the world, including those from key partner entities. In 2017, 10,000 employees joined Essilor "U" - a total of 42,000 employees are now connected and have access to the training solutions on offer at all levels. Particular focus was placed on welcoming and integrating new employees. These initiatives will continue in 2018 with more extensive industry-related content and programs, such as marketing and human resources, and improved access to content on mobile devices (smartphones and tablets). The Group's goal is to ensure all employees

have access to Essilor "U" by 2020. In 2017, 64% of employees were connected to the platform.

The digital offering is built around the Group's fundamental principles: Mission, Strategy, Leadership, Finance, Regulatory Compliance, Optical and Products. Over 51,900 courses were completed in 2017. The availability of more content, either online-only or in combination with other programs, has boosted career development opportunities and given more concrete expression to the "digital" aspect of learning, encouraging each employee to play an active role in their own development.

#### MANAGERIAL CAREER PATHS

There are three classroom-based training programs available to Group managerial staff:

- for those who primarily work with their teams in the strategic operational performance functions, the General Management Program (GMP) offers a selection of business topics (strategy, marketing, finance, innovation and change management) as part of a learning program that focuses on the Group's management methods and approaches. Organized in three major regions, the program is run in partnership with three prestigious management schools: ESSEC (France), Nanyang Business School (Singapore) and McCombs School of Business (USA). It has a common curriculum to which an appropriate local component is added to help with the acquisition of new theories and sharing of internal practices. In 2017, a program in Chinese was rolled out for our employees and partners in China, Taiwan and Hong Kong. India has also introduced a similar program for its young talent;
- for those who are primarily involved in transforming key strategic objectives and rolling these out to their teams, the Advanced Management Program (AMP) has a dual purpose. Firstly, it develops a strategic approach for steering change in an environment where analyzing value creation is essential and where innovation plays a key role in the relationship with customers and consumers. Secondly, it focuses in particular on personal development and managing teams or projects in a global context. This program has been put together in partnership with Thunderbird School of Global Management (USA); in 2017, a group of 32 managers began this program, which will continue in 2018 with an experiment focusing on the Group's Mission in Tunisia;
- a Senior Management Program (SMP) was delivered in 2016 for the first time, in partnership with INSEAD. It is primarily aimed at employees with a direct role in devising and managing strategy at the managerial level, and has two focus areas: maximizing the value created with strategic agility elements, innovation, management of partnerships and negotiations, then secondly, organizational efficiency, with the management of complex organizations, value analysis and optimization of commitment.

To complement the aforementioned business management programs, a special leadership development program, Transition from Manager to Leader (TML), was revisited and rolled out on a regional basis to meet a growing demand from managers. Its goal is to help them to develop as leaders, to be impactful and to coach their teams in fostering a respect for the Group's values. They receive guidance from coaches who help them to identify their strengths and work on areas for development, as well as support from their peers.

In 2017, over 340 managers received training on 11 different programmes.

### PROGRAMS FOR SPECIFIC TOPICS, BUSINESS AREAS AND REGIONS

In addition, Group subsidiaries and functions create their own training programs in order to meet the specific needs of a region or business, or in response to an operational limitation (e.g. global dispersal of a community of experts...).

“Grow Your Team” - Devised by the Group’s Operations Department, this program aims to strengthen management practices and management excellence (lean manufacturing, etc.). It involves the entire management chain and is designed not only to create momentum for learning and cohesion based on shared management principles but also to develop a culture of feedback for collective improvement and increased commitment, and enhance employees’ performance and personal development. The course was developed centrally and is being rolled out with local trainers in conjunction with the entire HR structure.

In 2017, almost 350 managers were enrolled in this program, which involved classroom sessions, online modules supported by Harvard Manage Mentor<sup>®</sup>, joint-development between peers, and ongoing managerial support;

• “LOFT” - The purpose of the LOFT (Learning Organization For Tomorrow) program launched in 2007 is to promote the exchange of best practices and the generation of shared know-how. Since then, an organizational structure for learning has been introduced, with trainers in laboratories and production sites who are trained to be trainers; they then, in turn, train their colleagues at their workstations. Content for the LOFT program is now managed in conjunction with Essilor University;

• “EVE” - The EVE programme, created in 2010 by French multinational food products company Danone, is a leadership program for women which aims to contribute to the development of strong, inspiring individuals in sufficient numbers to bring change to the business. Essilor has joined forces with other sponsor companies and, in 2017, 15 employees took part in sessions held in France and China.

In 2018, Essilor will continue to connect more employees to Essilor U, by enhancing the training offer and communicating best practices in an effort to enhance the digital learning culture of each employee. The Group will include more partners in its training and development network and improve consistency with the Group’s initiatives. Essilor will also continue to devise innovative solutions tailored to the needs expressed or perceived by the business units. These solutions will be closely related to the development of skills and talent at both the local and the global level.

## Total number of local training hours

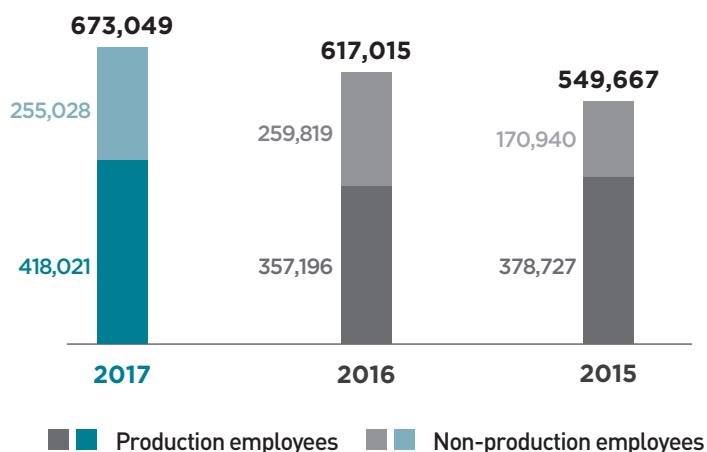
To monitor overall training activity across all locations of the Group, the subsidiaries are asked to track the “Number of training hours” indicator for production staff and all other management positions (supervisors, administrative employees and managerial personnel).

	2017	2016	2015
Number of training hours for production employees	418,021	357,196	378,727
Number of training hours for non-production employees	255,028	259,819	170,940
<b>TOTAL</b>	<b>673,049</b>	<b>617,015</b>	<b>549,667</b>

**Note:** To avoid training hours being counted twice, reporting on training is divided into two main sections: local training and online training. Local training includes training for production staff and non-production staff.

The local training coverage rate was 76% of all group employees, largely increased compared with 2016, resulting in a rise in the number of training hours declared.

The Group's online training is collected and consolidated separately via Essilor "U", the Group's online training platform.



## Talent management

In order to attract, develop and retain talent, in 2017 Essilor's Talent Management Department continued with the rollout of a comprehensive approach built on several initiatives:

- deploy the Successfactor software (e-Talent) as a comprehensive talent management tool to appraise performance, review talent and prepare succession plans at the global level and also to set growth targets to continue our employees' development;
- implement a dedicated recruitment platform for internal and external use. This makes it easier for employees to find vacancies within the Group and, as such, provides more internal mobility opportunities. It also improves the efficiency of the external process and supports our efforts to become an “employer of choice”;
- improve the “employer” brand: maintain a regular presence on the international campuses of top-ranking management schools (INSEAD, ESSEC, HEC, NUS, NTU, SMU, CEIBS, etc.) by making presentations on the Group's businesses, job and career fairs, presenting Essilor case studies, and so

on. This complements campaigns on social networks such as LinkedIn™;

- develop internal talent-acquisition capacity to create a uniform experience for candidates and fill vacancies more quickly;
- globally launch the ETP (“Emerging Talent Program”) which targets recruits from the best campuses, and offers students a rotation within a region or globally. It has already been launched in Europe, AMERA and for the Finance function;
- develop the COMET program, which is an accelerator for talented young employees in the Group, and support them in their career plans;
- continue to improve training programs, including AMP, GMP and TML;
- launch several mentoring programs across the organization, such as the Reverse mentoring initiative in France.

## 4.4.3 Employee integration and inclusion of all forms of diversity

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

Essilor firmly believes that getting the best ideas and different perspectives is crucial to the Group's success and as such is committed to developing an inclusive work environment that promotes diversity. Inclusion begins with the Group's ability to welcome new employees, introduce them to the Group's culture and strategy, respect the uniqueness of each individual, and promote the value created at Essilor when all these different profiles work together.

### Onboarding new employees

At Group level, onboarding can be achieved through the Essilor "U" training platform which was open to over 42,000 employees in 2017, with the ambition to continue increasing this number in 2018. An induction program is made available to new employees when their online account is created. The program is also visible in a special section of the Group's intranet site. Providing information about the fundamentals of Essilor's business, its Mission, its Principles and Values, and key points regarding safety and regulatory compliance, it allows each new employee to feel that they are fully involved in helping to achieve the Group's goals. In 2017, a new e-learning module, available in eight languages, was introduced to the Group's fundamentals and core businesses.

"Vision Essilor" is the induction program offered to welcome new managers; it includes a full week in direct contact with General Management to explore the Group's core businesses, strategy and culture. In 2017, Vision Essilor attracted 130 participants from 36 countries.

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

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

Essilor's diversity and inclusion policy covers several major priorities: ensuring equal opportunity; supporting geographical development and adaptation to local cultures; optimizing the organization; and using the Group's social, human and cultural richness to boost economic performance.

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

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

The Group's *Diversité, Allons plus loin* ("Diversity – let's aim higher") program, which was launched in 2015, drives this strategy and has four main aims:

- ◆ to monitor changes in the situation using relative indicators for gender, age, nationality, participation in training and new hires, etc. This makes it possible to identify focus areas and progress made;
- ◆ to encourage local teams to take more action in this area; since 2016, March has been diversity and inclusion month at the Group when many subsidiaries involve their employees: breakfast on the theme of gender diversity, special evening with traditional costumes and dishes from different cultures, competition and diversity quiz; awareness-raising exhibition on disabilities, etc. Further, internal networks for women are being developed: in the USA, France, within the e-commerce subsidiary Clearly in Canada and Singapore;
- ◆ to enhance the HR and management processes so that there is richer diversity and greater benefits as a result: for every new job offer for a key position, whether internal or external, there must be a woman on the shortlist who fits the desired profile; in some countries, such as France, any job offered externally must first be publicized with firms specializing in the recruitment of people with disabilities; at the Group level, introduction of a quarterly discussion committee (the Best Practices D&I Committee) comprising some 15 "local diversity ambassadors"; local initiatives also exist, such as the IDEA Committee - Inclusion & Diversity @ Essilor of America - in the United States;
- ◆ to implement initiatives to support the professional development of all employees: "Female leadership" program, such as the EVE program initiated at Danone in which Essilor has been involved since it was set up five years ago; specific courses to attract and develop talent in the United States, Europe and Asia; training on diversity and subconscious bias aimed at a wide variety of profiles within the Group, with pilot sessions for all managers in France and all US employees.

## MEASURES TAKEN TO PROMOTE THE EMPLOYMENT AND INTEGRATION OF PEOPLE WITH DISABILITIES

The Group pays keen attention to the issue of disability. Efforts made within the Group are reflected around the world in awareness campaigns and training initiatives, actions to promote fair and sustainable recruitment, job security for people with disabilities, and the development of a purchasing policy that involves the protected worker sector. In Colombia, Servioptica, an Essilor business partner, also won recognition from the United Nations last year for its

good practice in terms of employing people with disabilities. In France, a guide has been produced to assist managers who are key players in integrating people with disabilities. Similarly, Essilor entities have introduced measures to promote the employment and integration of people with disabilities. Recruitment procedures allow such individuals to access genuine job opportunities. All reasonable efforts are made to make a workstation suitable for and accessible to an individual with a disability. Essilor does not engage in any discrimination based on a person's disability in respect of employment, the job itself or promotional opportunities.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Number of employees with a disability	617	523	466
Percentage of employees with a disability	0.9%	0.8%	0.9%
Number of associated jobs created	85	84	81

**Note:** To continuously improve the reporting data quality, a mistake was identified for 2016 reporting of disabled hiring. The 2016 data have been restated accordingly. The reporting coverage rate of 2017 is 99% of the Group's total workforce. The percentage of employees declared as having a disability remained the same as the previous year.

In France, since 2007, Essilor has signed four collective bargaining agreements on the continued employment of people with disabilities and their integration within the Group. Essilor is a member of two non-profit associations. In France, that support the inclusion of people with disabilities, Club Handicap & Compétences and Club Être, sharing best practices and taking part in think tanks on the issue with other stakeholders. This commitment by the Company and its social partners to the practical implementation of a sustainable, coherent proactive policy, is reflected in an increase in the employment rate for employees with disabilities, from 3.44% in 2007 to 4.59% in 2016.

The fourth collective bargaining agreement on the integration and continued employment of people with disabilities was signed in late 2015 for a term of three years, from 2016 to 2018. This agreement, implemented by Essilor's Mission Handicap and a network of 21 internal officers, is structured around four main lines of action:

- ◆ continued employment of Essilor staff with disabilities, using a range of appropriate aids;
- ◆ rollout of a sustainable recruitment plan with decisions based on objective, skills-related criteria;

- ◆ develop use of the protected worker sector;
- ◆ continued training, awareness and communication efforts in respect of disability.

In 2017, Essilor in France celebrated the 10<sup>th</sup> anniversary of its Disability mission. To commemorate this event, a series of videos featuring the testimonies of employees as well as a travelling exhibition were presented to all employees. Furthermore, Essilor France launched the *Engagez-vous pour la diversité!* (Commit to Diversity!) initiative, which encouraged employees to devise actions to promote diversity. Teams discussed key issues, such as equality in the workplace, disabilities and inter-generational issues. All managers were offered diversity training to break down stereotypes and prejudice.

## ANTI-DISCRIMINATION POLICY

Essilor has implemented a specific procedure that is invoked in the event of employees reporting allegations of discrimination. Such issues may relate to a job or to an occupation.

## 4.4.4 Employee shareholding & management/employee consultation

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

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

### Employees – Essilor's main shareholder

Since its establishment, Essilor has been committed to a strong internal employee shareholding policy. With 54% of employees now holding shares in the Group in 2017 thanks to the Boost international plan (detailed below), Essilor very quickly met its initial target of 35% of employee shareholders by 2020 and its even more ambitious target of 50% in the long term.

Actively involving as many employees as possible in the Company, its growth and success over the long term is a key

element of Essilor's cultural foundations, one of the Group's founding principles and is critical to its performance.

Employees are Essilor's main shareholder, and this has given rise to an original method of governance that encourages dialogue and involves employees in the Group's key decisions. It also means that the interests of employees are aligned with those of shareholders. The employee shareholding is multi-faceted and tailored to the legal framework of each country. Valoptec Association, a non-profit association under the French 1901 law, brings together more than 7,583 active and retired employee shareholders. Internal shareholders have the largest single shareholding in the Group.

Essilor International's Employee Shareholding Department sets up and manages the employee shareholding plans for all Essilor group companies. In 2017, new countries were included in the shareholding plans: Chile, Colombia, Ivory Coast, Costa Rica, Morocco and Sri Lanka.

In 2017, the 2017 Boost international plan included 21,522 new employee shareholders. This plan covered 14 countries: Germany, Brazil, Chile, China, Colombia, Costa Rica, Ivory Coast, India, Italy, Mexico, Philippines, Sri Lanka, Thailand and the USA. This plan is open to almost all employees in these countries, and the subscription rate was 69%. This goal to develop and further strengthen the shareholding culture includes all the Group's host countries and all employees, regardless of their professional status.

As of December 31, 2017, employees and partners held 8.4% of the share capital and 14.4% of voting rights.

	2017	2016	2015
Number of employee shareholders	35,866 <small>(@)</small>	13,557 <small>(@)</small>	12,944 <small>(@)</small>
Percentage of employee shareholders	54.2%	21.5%	21.4%

**Note:** Data concern only active employee shareholders as of December 31, 2017. Percentage calculation is based on an average of 66,118 employees for the full year 2017.

## Organization of dialogue between management and employees

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

The forms of representation include the following: Optical Union, in Brazil; Shanghai Essilor Optical Company Limited Trade Union, in China; Committee for Dialogue and Information Sharing within Essilor (CEDIE), in Europe; Group Committee in France, Karmika Sangha, in India; Confederation of Filipino Workers Essilor Manufacturing Philippines Incorporated Chapter, in the Philippines; Essilor Workers' Union of Thailand, in Thailand; as well as many activity committees, communication committees, employee committees, factory committees, safety committees, welfare committees and similar structures.

Numerous initiatives are conducted in the countries of operation in the spirit of labor-related dialogue that the Company embodies. Staff negotiations vary from one establishment to another, but Essilor consistently promotes these throughout the world as a factor in employee satisfaction. Global staff opinion polls continue to be conducted periodically within the Group.

In late 2015, the Group launched its fifth employee opinion poll, which achieved a high response rate of nearly 80%. The poll revealed that 93% of employees said they were satisfied working at Essilor and that the average satisfaction rate for all questions combined was 85%. These results had improved over the previous survey. A new survey will be conducted in 2018.

## Overview of collective agreements

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

Most collective bargaining agreements relate to the provision of both long-term benefits (medical cover, pensions, diversity and disabilities, life assurance, etc.) and short-term benefits (performance bonuses, distribution of performance shares, shareholding, etc.) which attract and retain employees who contribute to the Group's performance through their expertise and talent. Agreements signed on such issues typically have a broader framework in respect of general working conditions and therefore include occupational health and safety.

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

Essilor recognizes the eight fundamental conventions of the International Labor Organization (ILO), particularly compliance with freedom of association and the right to collective bargaining, the abolition of all forms of forced or compulsory labor, abolition of child labor and removal of discrimination in employment and occupation. To date, no activity has been identified as presenting a compliance risk in this area.

# ENVIRONMENTAL INFORMATION

## 4.5. Optimizing the environmental footprint

In the mid-20<sup>th</sup> century, Essilor both revolutionized the optics industry and substantially reduced its environmental footprint by introducing ORMA lens (for ORganic MAterial'). This would replace the mineral lens and lead to the cessation of impactful manufacturing methods. Since this innovation, the environmental impact of production activities has been significantly reduced and is now limited to water and energy consumption, special-waste management and water discharge treatment. The materials and chemical products used in the production process are subject to stringent regulations in terms of environmental protection and are supplied by industries with good environmental practices allowing associated impacts to be controlled.

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

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

Responsibility for overseeing the Group's environmental impact reduction program lies with the Global EHS Department. To fulfil this responsibility, it relies on a network of EHS coordinators at production plants.

4

### 4.5.1 Strengthening environmental management

#### Environmental assessment and certification

Given its industrial activities, historically, Essilor has implemented environmental management systems that conform to the ISO 14001: 2015 standard. Since December 31, 2005, the Essilor mass production plants in Brazil (1), China (1), the United States (1), France (2), Ireland (1), Mexico (1), the Philippines (2) and Thailand (1) have all been certified to ISO 14001. Some Essilor partners are also ISO 14001-certified, such as Nikon Essilor in Japan.

As a result, the percentage of certified environmental management systems of the Group's upstream production plants was 83% (10/12). In 2017, inspection audits were carried out as planned.

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

#### Environmental training

In 2017, in addition to the training and awareness-raising initiatives inherent in ISO 14001-certified systems, the various entities saw the delivery of numerous training courses on aspects of environmental management. The Global Environment, Health and Safety (EHS) Department continued with the rollout of a program to raise partners' awareness of the EHS policy and management tools via Essilor "U" (e-learning) and dedicated seminars.

## Provisions and guarantees for environmental risk

Essilor made no provision for environmental risks in 2017.

	2017	2016	2015
Monetary value of significant fines	0	0	0

### Noise pollution

No complaints about noise, odor or any other form of specific pollution were received in 2017.

### Biodiversity & land use

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

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

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

## 4.5.2 Reducing water use

### Management of water

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

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

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

The Group has a few sites located in areas of water stress, such as in India (EMIL) and Mexico (SOFI). The Group may be faced with restrictions on water withdrawals imposed by local authorities, an increase in the cost of water and potentially, questions from local stakeholders who are also dependent on water resources. To mitigate these water-related risks, sites are introducing more stringent

water-management programmes and setting specific water-reduction targets. In this case, the Group fosters and sustains the conditions for dialogue between public sector services, water suppliers and NGOs to anticipate changes in the availability and cost of water, so as to adjust production. This policy was recognized at Essilor's production plant in Shanghai, which includes SEOCL (production of finished and semi-finished lenses) and CHLOE (Rx laboratory for the domestic and foreign markets), named as a "company attentive to water-saving" by the Shanghai government. Only 22 companies have received this distinction.

Aware of its impact on the environment, Essilor has voluntarily contributed to the work of the CDP<sup>(1)</sup> regarding its water footprint. In 2017, the Group was awarded the highest distinction for its leadership in the field of water management. With the highest score of "A", the Group appeared for the first time on the "Water A" list 2017, a ranking of 74 global companies which have made ambitious commitments to optimize water use and improve the security of water resources. Finally, the Group aims to continue its efforts by cutting its water use per good lens produced by 20% by 2020 compared to 2015, on a scope that represents the majority of its water impacts. In 2017, on this same scope and as part of the Reboost program (see section below), the Group reduced the amount of water used in its manufacturing process by 10%.

(1) The CDP is an organisation which supports disclosure of the environmental impact of major corporations.

## Reduction program

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

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

- water mapping on the main mass production plants and laboratories;
- a comparison of the sites’ water performance with the benchmark process, or “water model”;
- a medium-term plan to reduce each area of water use.

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

In 2017, the water use of the first sites to participate in the Reboost programme decreased. The scope of the Reboost programme’s action has now been extended to all mass production sites and export laboratories, as well as to the 15 largest prescription laboratories. The programme has focused in particular on coating machines, implementing solutions to reduce and reuse water. The Group continued to install intelligent meters at the main sites. The ultimate goal is to equip some 50 sites with these solutions. In 2018, the Global EHS Department will continue to roll out eco-design and environmentally-friendly behavior solutions across the entire “Reboost Water” scope.

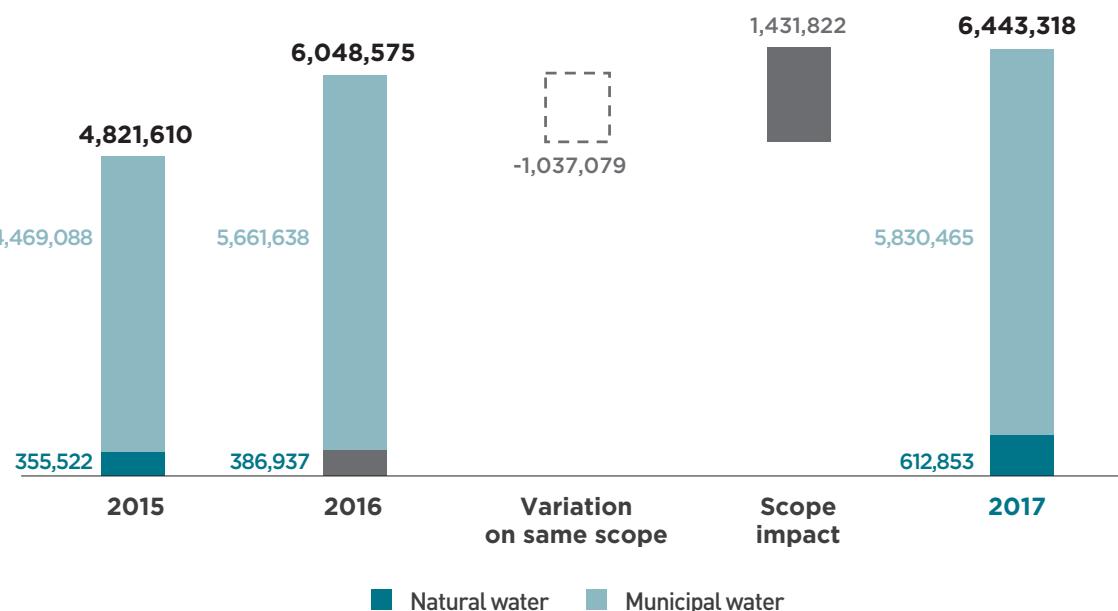
### Water Withdrawals (m<sup>3</sup>)

	2017	2016	2015
<b>Water Withdrawals (m<sup>3</sup>)</b>	6,443,318	6,048,575	4,821,609
Municipal water	5,830,465	5,661,638	4,469,088
Breakdowns by source	612,853	386,937	352,521

**Note:** Water withdrawals in 2017 were relatively stable compared with 2016. The data reported this year covers 89% of the total number of employees reported.

Based on the 2016 reporting scope, water withdrawals decreased by 17%, thanks to the Group’s efforts in water reduction and various water-saving initiatives across the Group. Larger participation rate and the expansion of perimeter has an impact of 22% of the total water use of 2017.

### WATER USE (M3)



## Water discharge control program

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

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

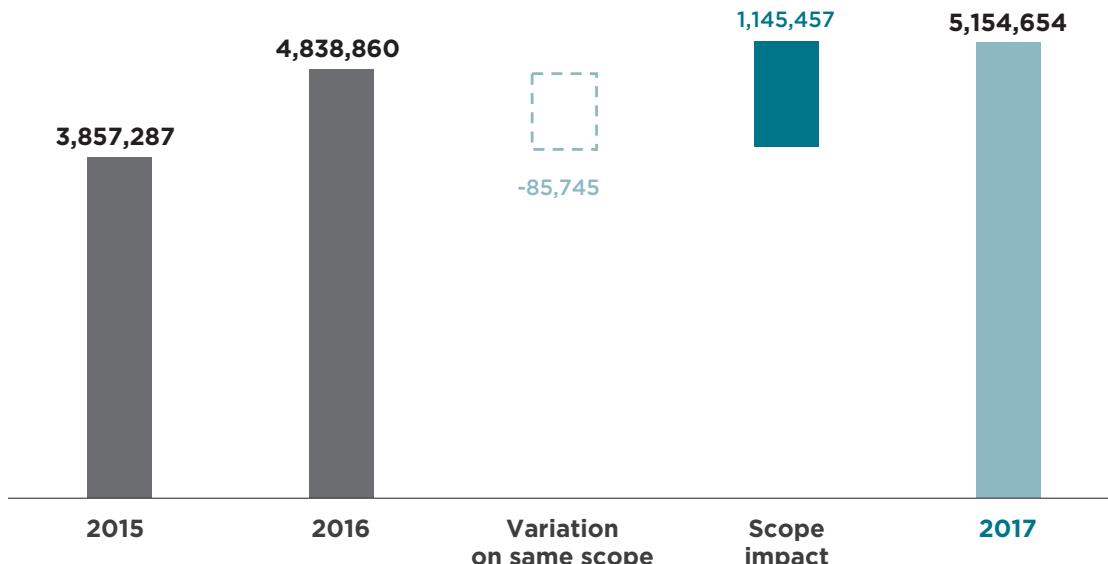
In 2016, the Group had only two incidents related to water discharge, which took place in Thailand. The impact was non-significant and a remediation plan has been put in place. One of the lessons learned was that the measures taken to reduce water withdrawals led to an increased concentration of pollutants. In 2017, the Group implemented measures to monitor wastewater more accurately. Meanwhile, Essilor has introduced the "Wastewater Model" program, on the same scope as Reboost Water, to compare sites' performance against the benchmark process and facilitate the rollout of initiatives designed to control water discharge. The program has identified the action that must be taken to avoid such incidents in the future.

Essilor also continued to invest in water treatment plants, particularly in China, on the three production plants in Danyang. The Group had more than 90 water treatment plants in 2017.

	2017	2016	2015
<b>TOTAL VOLUME OF WATER DISCHARGED (m<sup>3</sup>)</b>	<b>5,154,654</b>	<b>4,838,860</b>	<b>3,857,287</b>

**Note:** The volume of water discharges is calculated from the difference between water withdrawals and water consumption. Essilor's water consumption is mainly due to evaporation during the manufacturing process. Knowing the percentage of water consumption of different manufacturing operations and geographic regions can vary from one mass production plant or prescription laboratory to another, the Group estimated its level of water consumption at 20% of the water withdrawals based on the Group's expertise and reinforced on the basis of a sample of entities accounting for 87% of the Group workforce. That is to say, the volume of water discharges of the Group is estimated to be 80% of the Group water withdrawals.

WATER DISCHARGES (M<sup>3</sup>)



## 4.5.3 Energy efficiency in production and distribution

### Energy & Production

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

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

As with water, the Reboost programme incorporates energy efficiency initiatives.

Reboost Energy now incorporates three areas of focus:

- ◆ a review of the energy efficiency of manufacturing processes (heat chambers, vacuum processing machines, etc.) and peripheral units, such as compressed air, chilled water and air conditioning units...;
- ◆ raising awareness among technicians and maintenance teams, and providing them with training. One of the three online training sessions available on the Essilor Academy - Save Energy (EASE) intranet site is designed to provide training and a continuous flow of information on good practices, and monitor energy saving technological developments;

- ◆ improving the energy efficiency of existing buildings.

With regard to the energy mix, to date it is still difficult for most sites to use renewable energy, except in countries where these are available and offered as an option to industrial customers by energy providers.

The Reboost Energy program will continue in 2018 and beyond, with the goal of achieving a 15% reduction in energy intensity per good lens produced by 2020 (compared with 2015) on a scope that represents the majority of the Group's energy consumption. Essilor has also voluntarily contributed to the work of the CDP Climate. In 2017, the Group was awarded an "A-" rating in recognition of its efforts and continuing investments, having shown leadership in this area.

Furthermore, the program is led by an internal committee of energy experts whose goal is to:

- ◆ share best practice;
- ◆ report on proven solutions/innovations (for production processes as well as for non-process equipment and process operating parameters); and
- ◆ prioritize the solutions to be deployed throughout the Group based on the criteria of simplicity, costs and expected benefits.

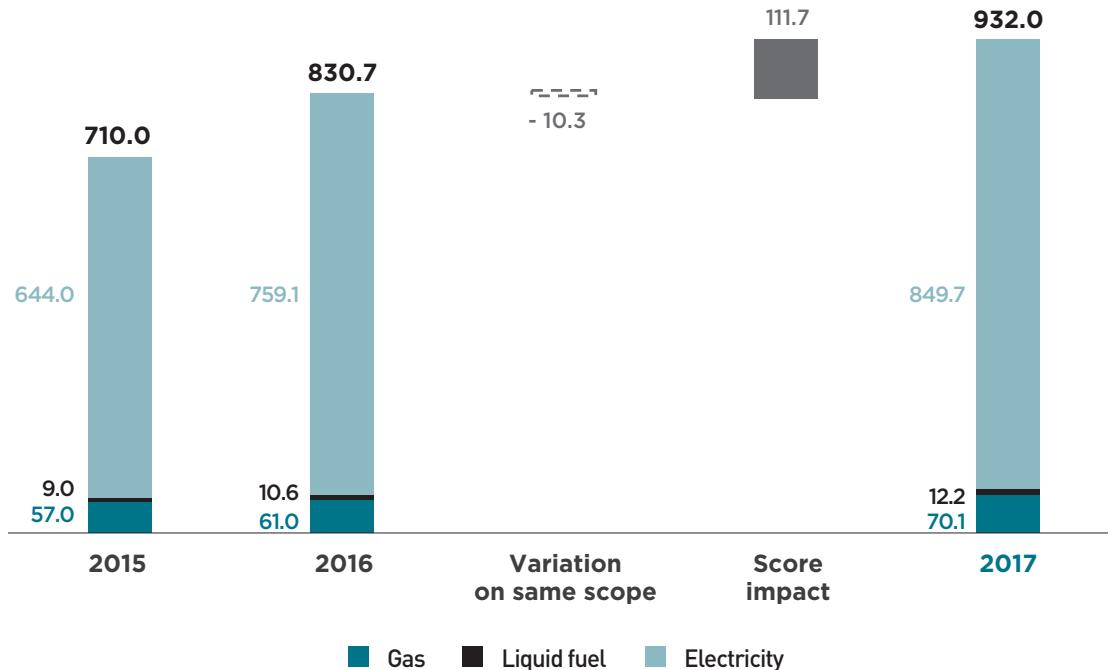
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### Direct energy consumption by primary energy source

		2017	2016	2015
<b>Total consumption</b> (units: GWh)		932.0	830.7	709.4
Breakdown by type	Electricity	849.7	759.1	643.7
	Gas	70.1	61.0	56.7
	Liquid fuel	12.2	10.6	9.0
Renewable energy		193.7	174.8	NA
	% of renewable energy	20.8	21.0	NA

**Note:** The increase in total energy consumption in 2017 is mainly due to the expansion of the reporting scope. The related reporting coverage rate was 92.2% of all employees. At constant scope, energy consumption decreased by around 1%. The scope effect accounted for 13% of total energy consumption in 2017. Renewable energies are calculated on the basis of the average percentage of renewable energy in the energy mix by country according to the International Energy Agency's (IEA) database.

### ENERGY CONSUMPTION (GWH)



## Energy & transportation

Energy used by transportation is measured using three categories: primary (flows to a distribution center or offshore prescription laboratory, regardless of the point of origin), secondary (flows to a subsidiary, regardless of the point of origin) and tertiary (flows to the customer, regardless of the point of origin). See details in Section 4.5.4

### 4.5.4 A limited carbon footprint

In 2017, building on the achievements of the Paris Agreement and the United Nations COP23 conference, Essilor renewed its commitment to limit its greenhouse gas emissions and maintain its position as a low-carbon business. With this in mind, the Group signed up to the French Climate Pledge, along with 91 other French companies which have committed, over the next three years, to limit their impact on the climate, notably by financing energy efficiency programs, optimizing their production equipment and logistics chains, and innovating in the field of low-carbon products and services.

The Group has also made improvements to its "Climate" program, in three areas:

- monitoring the main sources of greenhouse gas (GHG) emissions;
- mitigating GHG emissions;
- adapting to climate change.

#### 4.5.4.1 Monitoring the main sources of GHG emissions

In 2017, the Group took a very proactive approach to measure the GHG generated by its operations, conducting two complementary initiatives:

- Improving the way the main GHG emissions categories published in this document are measured, by consolidating the data collection channels and by extending the reporting scope;
- Assessing the Group's overall carbon footprint, taking into account all sources of emissions across the value chain.

All this work follows the "Greenhouse Gas Protocol" (GHG Protocol), the international set of standards for greenhouse gas accounting. Under this Protocol, there are three categories:

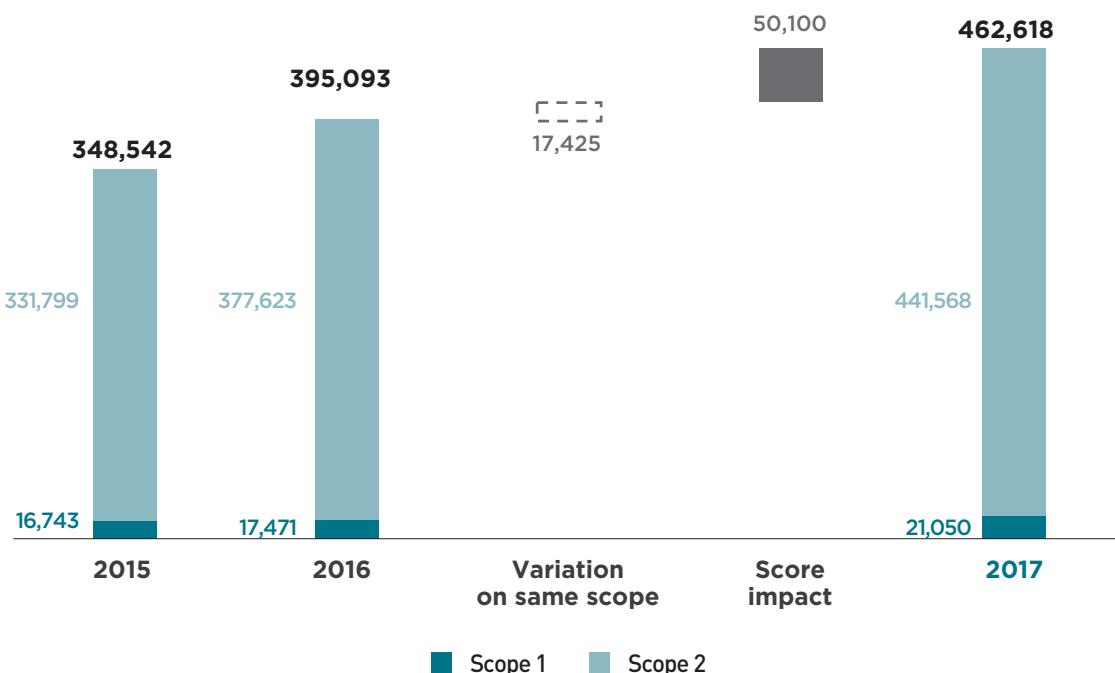
- Scope 1 – Direct GHG emissions occur from sources that are owned or controlled by the company;
- Scope 2 – GHG emissions from the generation of purchased energy (e.g.: purchased electricity) consumed by the company;
- Scope 3 – all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

## DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS DERIVING FROM ENERGY CONSUMPTION (SCOPE 1 AND 2)

Since 2015, Essilor has been working on an extended reporting scope for its greenhouse gas emissions, and has reviewed the associated calculation methodology. The Group uses the main emissions factors *via* the databases of the French Environment and Energy Management Agency ([www.ademe.fr](http://www.ademe.fr)).

	2017	2016	2015
<b>TOTAL SCOPE 1+2 EMISSIONS (UNITS: TCO<sub>2</sub>EQ)</b>	<b>462,618</b>	<b>395,093</b>	<b>348,542</b>
<b>Scope 1</b>	<b>21,050</b>	<b>17,470</b>	<b>16,743</b>
Gas	17,102	13,661	13,841
Liquid fuel	3,948	3,809	2,902
<b>Scope 2</b>	<b>441,568</b>	<b>377,623</b>	<b>331,799</b>
Electricity	441,4568	377,623	331,799

**Note:** The increase in GHG emissions (Scope 1 + Scope 2) in 2017 was mainly due to the expansion of the reporting scope. With the same reporting scope, the Group's GHG emissions only rose by 4%, mainly due to the energy consumption increase in certain countries with high carbon emission factors (China, India, Laos).



## INDIRECT GREENHOUSE GAS EMISSIONS DERIVING FROM TRANSPORTATION (SCOPE 3)

Three main sources of emissions were defined:

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

Since 2015, to focus on the material impacts, the Group has been working with a reference reporting scope in terms of volume and geographical coverage, covering all three types

of transportation and has been continuously integrating more subsidiaries and locations in the reporting scope.

The 2017 emissions cover 30 mass production plants, five offshore prescription laboratories and 7 distribution centers, covering most locations of the Group's lenses business with international transportation flows. The increase in reporting scope has an impact of 8% of the total 2017 emission.

Based on the same reporting scope of 2016, Group emissions linked to logistics activity has increased by 15% due to the increase of transported volume and relocation and reorganization of certain logistic centers. The group aims to reduce the GHG emission linked to logistics activities in the coming years.

	2017	2016	2015
<b>TOTAL SCOPE 3 EMISSIONS ASSOCIATED WITH TRANSPORTATION (UNITS: tCO<sub>2</sub>EQ)</b>			
Development factors	Impact related to transported volume & reorganization of logistics flows	260,876	226,371
	Impact of reporting scope expansion	21,112	

## ASSESSING THE GROUP'S OVERALL CARBON FOOTPRINT

As previously stated, in 2017, Essilor performed its first global carbon assessment of its business. On the basis of the structure and the data from the GHG reporting (see previous paragraph), the Group has taken into account all sources of emissions along its value chain (raw materials, transportation to customers, depreciation of buildings, end of product life, etc.). The Group's carbon footprint is estimated at 2.7 million tCO<sub>2</sub>eq, across all scopes (Scopes 1, 2 & 3).

This work has enabled us to:

- ◆ confirm that our current reference reporting scope, with a total of 744,606 t, is consistent, representing 28% of our total estimated footprint;
- ◆ provide more detailed information on the largest sources of emissions;
- ◆ improve our knowledge of Scope 3 so as to begin dialogue with our stakeholders (transporters, suppliers, etc.);
- ◆ identify the next focus areas in terms of reporting;
- ◆ confirm Essilor's positioning as a low-carbon company.

#### 4.5.4.2 Mitigation

While implementing its growth strategy, the Group is committed to reducing the environmental impact of its operations, particularly its carbon footprint.

Reducing the Group's GHG emissions is also an opportunity to reduce the associated costs (energy, transportation), limit energy dependence (even if relatively moderately), anticipate the application of binding climate agreements (taxes, quotas) and meet the expectations of investors and financial institutions, as well as of key account customers in this area.

The analysis of GHG emissions shows that there are three main sources of emissions:

- transportation between suppliers, plants, laboratories and customers;
- purchasing, including basic materials to manufacture the lenses;
- the energy used at the lens production plants and prescription laboratories.

As regards transportation, the Group continues to optimize its supply chain by favoring regional flows between the production plants and the prescription laboratories, by increasing the use of sea transportation and reducing the use of air transportation and by requiring logistics subcontractors to use more environmentally-friendly transportation methods.

As part of its Supplier Sustainability program (see 4.6.3), Essilor also works in partnership with its suppliers to improve the environmental profile of its products (e.g.: using less packaging, eco-design) to reduce the associated carbon footprint.

Finally, at its plants and laboratories, Essilor has implemented an ambitious energy efficiency program, "Reboot Energy" (see 4.5.3).

#### 4.5.4.3 Adapting to the consequences of climate change

Essilor was one of the first signatories of the United Nations' Caring for Climate initiative in 2007, and - being aware from a very early stage of the effects of climate change - it has gradually included these effects in its operations. As such, analyzing the consequences of climate change on Essilor's operations is part of managing operational risks at the Group's manufacturing plants and those of its strategic suppliers. The Group assesses these risks and integrates them into its overall risk management strategy so that it can seek the most appropriate solutions.

The main risks identified are:

- severe weather events (cyclones, hurricanes and typhoons) which can cause damage to plants and slow down the logistics chain;
- periods of extreme drought, which may affect water availability;
- or inversely, an increase in the frequency and intensity of precipitation, which may slow down production processes and potentially threaten employee security;
- finally, fluctuating costs of energy and raw materials (e.g.: additional taxes on fossil energy, carbon tax levy, etc...).

Essilor has defined two focus areas in response to climate change:

- Managing operational risks: a major focus area, broken down into three complementary components:
  - environmental audit prior to acquisition of any new business partner, to assess their exposure to climate change,
  - improvement to the environmental management system at the plants by implementing specific action plans to ensure better prevention of and adaptation to all climatic risks. As such, the Group pays close attention to the choice of location for its industrial facilities,
  - business continuity plan to ensure that production and business activity continues, even in the case of a weather event that could slow down a production plant or disrupt the logistics chain;
- Developing the product range: eye protection needs in response to a context where climate change may impact the quantity or nature of harmful rays have not yet been evaluated with sufficient precision. However, the protective function of the corrective lens may be incorporated, particularly as a response to the harmful nature of ultraviolet light in general, which is filtered by Xperio<sup>®</sup> lenses and several other ranges of sun lenses with different E-SPF<sup>®</sup> index values.

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

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Materials used (tons)	21,110 (a)	18,000 (a)	16,700 (a)

**Note:** resins, monomers, minerals.

Environmental impact studies, for the most part based on life-cycle analyses conducted in 2017, show that Essilor's operations do not present any risks of discharges into the air, water and ground which could seriously affect the environment. However, these activities generate special waste, which must be handled and processed in a particular way.

For many years now, Essilor has been committed to a strategy which combines improvement to manufacturing yields (quality management, continuous improvement, eco-design, etc.) with the promotion of the "3Rs": Reducing the volume of materials used in the various processes (manufacture, distribution), Reuse and Recycle raw materials and packaging.

To cite a few examples by way of illustration:

- the use of cupless cardboard boxes; these offer a number of benefits, including dispensing with the plastic cup previously used for the semi-finished lens, without altering the level of protection;
- the development by the Equipment Division of a system for blocking lenses in surfacing operations which breaks with existing technologies and paves the way for the gradual replacement by all market players of conventional blocking systems, some of which use metal alloys;
- the compacting of polycarbonate shavings and residues from the surfacing process to reduce the weight of waste and recover water, which is then filtered and reinjected into the prescription laboratory's in-house system;
- partnerships with waste managers for incineration of waste with recovery of the energy;
- recycling by subcontractors of certain used effluents (oils, acids etc.), for reuse in Group facilities.

Essilor is pursuing this as part of a more comprehensive circular economy approach. For example:

- in 2017, the Group introduced reusable shuttle packaging, known as "Bulkpack", between the manufacturing plants and the laboratories, significantly reducing packaging waste;
- Essilor has also analyzed waste generation at its main plants, export laboratories and the 15 largest prescription laboratories. This work involved mapping the amount and type of waste, as well as the associated processing solutions. It became apparent that the structures of existing local waste treatment measures play an important role when it comes to managing waste sorting at Group sites;
- Essilor's environmentally-responsible paper policy has received recognition by WWF France. Essilor improved its performance since it was ranked 8<sup>th</sup> in the PAP50 survey in 2013. Its paper use per employee has fallen by 19%; over 300 tons of papers have been recycled and its recycling rate is close to 100%.

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

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

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

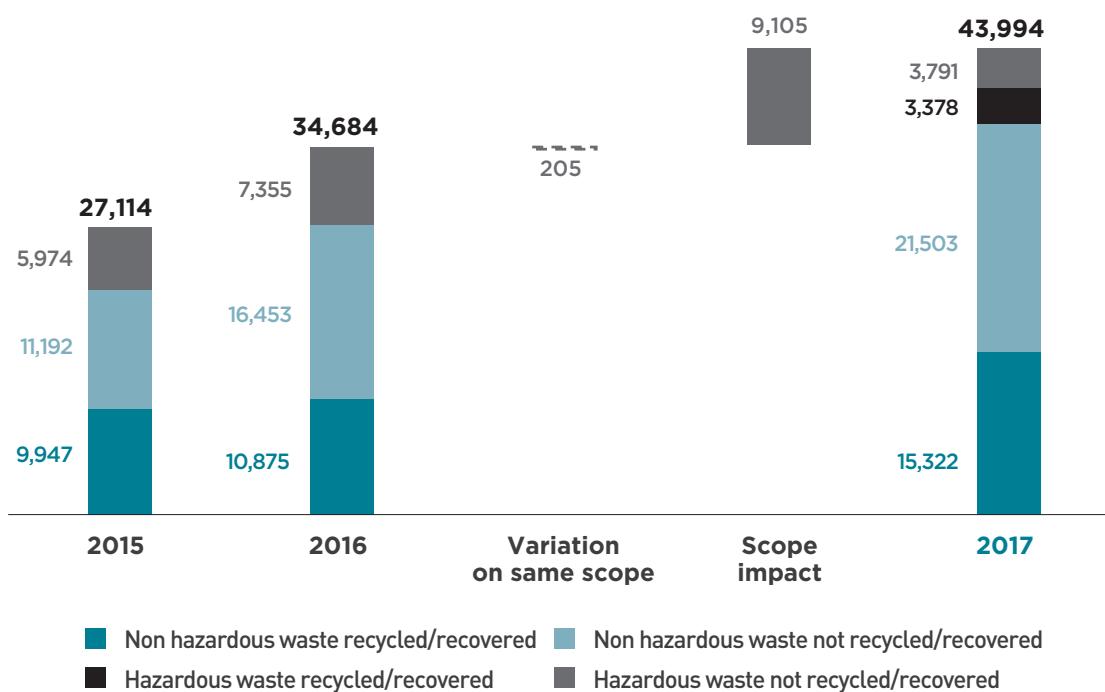
Lastly, Essilor believes that combating food waste is a collective challenge, even if it is not a challenge for the Group in the context of its own activities. However, the Group still educates its employees about this issue.

## Total volume of waste

	2017	2016	2015
<b>TOTAL WASTE (UNITS: T)</b>	<b>43,994</b>	<b>34,683</b>	<b>27,113</b>
<b>Ordinary (non-hazardous) waste</b>	<b>36,825</b>	<b>27,328</b>	<b>21,139</b>
Recycled/Recovered	15,322	10,875	9,947
Not recycled/not recovered	21,503	16,453	11,192
<b>Special (hazardous) waste</b>	<b>7,169</b>	<b>7,355</b>	<b>5,974</b>
Recycled/Recovered	3,378	2,434	N/A
Not recycled/not recovered	3,791	4,921	N/A

**Note:** The increase of waste of 2017 is mainly because of the expansion of reporting perimeter, which covers 82% of the group headcount. With the same scope of 2016, waste increased by less than 1%. Larger participate rate and the expand of perimeter has an impact of 21% of the total waste.

## WASTE (T)



## Accidental spills

	2017	2016	2015
Number of accidental spills	1	2	2

**Note:** In 2017, there was one accidental chemical spill. This spill was dealt with immediately and had no significant environmental or social impact. Actions and remediation plans were implemented.

# SOCIETAL INFORMATION

## 4.6 Working with society

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

As a signatory of the Global Compact, Essilor has undertaken to promote the ten universally accepted principles relating to human rights, labor standards, the environment and the fight against corruption. Essilor also contributes to the United Nations Sustainable Development Goals through its Mission.

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

### 4.6.1 Fair business practices

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

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

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

This entails devising a system to prevent risks of corruption and training employees in how to apply it properly, in compliance with local regulations and the Essilor Principles

and Values. In 2015, the Group decided to make improvements in this area by appointing a Chief Compliance Officer and putting together a network of local correspondents.

Finally, as an industry leader, Essilor is highly vigilant with regard to compliance with competition rules and takes care to prevent conflicts of interest.

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

- the Essilor Principles and Values formalize the general conduct rules to be followed by every employee;
- a Code of ethics, available in the first quarter of 2018, reaffirms that Essilor is accomplishing its mission to "improve lives by improving sight", driven by its Principles and Values. This Code will be deployed through face-to-face training for managers and employees, supplemented by e-learning training. It will then be asked to acknowledge receipt of the Code and its understanding by all employees;
- the Minimum Control Standards (MCS) formally enshrine 80 internal controls which are generally considered to be the most crucial to have in place. Brochures explaining these procedures to employees have been translated into 32 languages. The MCS also form the basis of the annual self-assessment questionnaire for internal control;
- the Group Standards Guide, which brings together the various rules of internal control covering the main Group-level organizational processes;
- detailed rules and policies (local, regional and/or Group level);
- *ad hoc* working groups devoted to the implementation of specific regulations, such as REACH, UK Bribery, the Modern Slavery Act, "*Devoir de vigilance*" and California Proposition 65;
- development of a formal competition law compliance program;
- preparation and implementation of a formal Group corruption prevention guide, explaining the common rules and principles to be observed throughout the Group in addition to local laws.

## Prevention of corruption

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

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

EthicsLine, the internal warning system - which covers different areas (HR, CSR, legal, finance) within the limits set by local regulations - available throughout the Group is part of this corruption prevention effort. Accessible to every employee, it can also be used to seek advice on other human rights-related issues (data protection, sexual harassment, safety, etc.).

## Compliance with competition rules

The Group's legal risk prevention policy is structured around the three main risks associated with its business activity. As such, for Essilor, a major player in its market, compliance with the rules of competition law and commercial practices is an essential pillar of its risk prevention policy. The compliance program has been formally established and its rollout allows the Group to promote and reinforce good competition law practices in trade relations with Group partners and stakeholders.

## 4.6.2 The Group's commitment and vigilant approach to human rights

### A Mission that helps promote human rights

Seeing well is essential for daily wellbeing and good quality of life. Good vision allows an individual to acquire knowledge, access employment and integrate socially within their environment. That is why Essilor's teams are active worldwide in their drive to "improve lives by improving sight" with the aim of providing better vision to the world's

7.4 billion people. Through its mission, operations and organization, Essilor plays a role in protecting a fundamental human right: access to visual health. Its expertise, global presence and capacity for innovation have resulted in more than a billion people worldwide already wearing Essilor products.

### Respect for human rights along the entire value chain

Essilor's commitment to the respect and promotion of human rights was formally marked by its signing of the United Nations Global Compact; a commitment which has been renewed every year since its first signing in 2003 and which is supported at the highest level in the Company, by the Chairman and Chief Executive Officer. The ten principles of the Global Compact concerning human rights, working conditions, the environment and the fight against corruption have thus been applied and continually reinforced for nearly 15 years.

Moreover, the development in recent years of international standards has informed the Group's approach. Since 2010 and the adoption of several international laws, human rights must be a core focus of any responsible corporate policy. Accordingly, Essilor has decided to base its sustainable development approach on the United Nations Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Furthermore, the Group complies in particular with the English law, the "Modern Slavery Act" (of which the statement by the Chairman is available on [www.essilor.com](http://www.essilor.com)) and with the "duty of care" law adopted in France in 2017. More generally, Essilor makes every effort to ensure that its activities comply with the International Bill of Human Rights and the principles on fundamental rights set out in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

In accordance with our "Principles and Values", Essilor complies with the laws and regulations applicable in the countries in which it operates. The Group also operates in some geographic regions which have been identified as "sensitive" where regulations and the enforcement of laws on human rights may be poor. Essilor is committed to doing business in compliance with international standards on the protection of human rights, and to take continuous action to prevent any negative impacts on human rights and remedy them should they arise.

As part of this process the Group regularly updates and improves its policies, commitments, procedures and actions in order to remain vigilant at all times to the consequences of its activities (including its value chain) upon human-rights.

In 2014 the Group realized a first mapping of human rights-related risks as linked to the Group's activities; this led to a better understanding of the challenges involved in each type of business activity (lenses, equipment, Sunglasses & Readers) and in each geographic region, for human rights issues where Essilor could have an impact. On the basis of that analysis, Essilor spent several months working with human rights experts and stakeholders to identify priority actions to strengthen its vigilance approach. Today, this approach consists of the Group's human rights vigilance plan, required by the recent French law on the "duty of care" for parent and subcontracting companies.

In 2017, Essilor set up a Group-wide operational working group made up of the heads of Human Resources, Purchasing, Sustainable Development, EHS, Compliance, and internal experts to improve its policy and vigilance plan to ensure the respect and promotion of human rights. The policy has five dimensions:

- ◆ commitment: by publishing a Code of ethics aimed at all the Group's employees, particularly managers;
- Furthermore, Essilor strives to conduct its supplier relationships in an exemplary fashion and in accordance with its Principles and Values. The Group's Supplier Charter, available at [www.essilor.com](http://www.essilor.com), describes the four guidelines to be followed; one of these is respect for human rights and labor standards. See Section 4.6.3;
- ◆ identifying and managing risks: by completing new risk mapping of Essilor's operations and suppliers to prioritize the Group's actions. In parallel, the Purchasing Department performs "field" audits of its suppliers during which respect for human rights is discussed;
- ◆ raising awareness and training for employees: via dedicated e-learning modules on the "Essilor U" platform, as well as classroom-based training;
- ◆ an alert mechanism: in 2017, Essilor rolled out the alert system already in place in North and South America across the whole Group. This system, called EthicsLine, allows employees to report any concerns they may have, including on human rights, via a secure website;
- ◆ reporting: Essilor includes performance indicators on human rights in its Sustainable Development reports, particularly those specified by the Global Reporting Initiative (GRI). By monitoring these indicators, Essilor evaluates the effectiveness of the risk prevention initiatives it has implemented.

This working group coordinates action plans and monitors measures in place related to human rights. The working group reports on the results of its work to the Global Sustainable Development Steering Committee, which oversees the implementation of the Group's commitments. See Section 4.2.2.

Essilor has also joined the French association *Entreprises pour les Droits de l'Homme - EDH* (Companies for Human Rights) to share best practice and improve the Group's approach. EDH provides tools and advice on implementing the United Nations Guiding Principles on human rights.

For information about EHS and environmental risks more specifically, see Sections 4.4.1 and 4.5 of this document.

## 4.6.3 Sustainable purchasing in supplier relations

Essilor maintains mutually-beneficial relations with its suppliers and subcontractors: they are essential partners in its operations and growth, and the Group supports their performance by helping them, particularly in the field of international expansion. Essilor therefore seeks to establish

constructive dialogue with them and develop a durable, balanced relationship with respect for ethics and social and environmental issues.

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

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

- ◆ all listed suppliers and subcontractors comply with the principles set out in the Supplier Charter (see [Essilor.com](http://Essilor.com)), and from a contractual standpoint, comply with general purchasing conditions, which include clauses on the obligation to comply with the International Labor Organisation's Fundamental Conventions and local legislation, particularly as regards minimum wage, working hours, the environment and health and safety, and on the protection of human rights (forced labor, child labor, etc.);
- ◆ the CSR performance of suppliers and subcontractors (representing 80% of overall expenditure) complies with the Group's requirements. In this regard, the Purchasing Department assesses their performance by means of a shared evaluation platform run by EcoVadis;
- ◆ risk management is addressed by regular, systematic assessments of all listed suppliers. In the event of suspicion, the Purchasing Department will trigger on-site audits and requires suppliers to take remedial action if the risk is proven.

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

- ◆ promoting World Sight Day: in 2017, the Purchasing team held a series of events for suppliers and their employees to raise awareness about the importance of good eyesight and highlighted this issue on their own social networks. Over 50 suppliers in 15 countries (Europe, Asia, North and South America) across various sectors (e.g.: transportation, IT, catering services, etc.) took part in this initiative. This resulted in around 500 sight tests being carried out and over 1 million people being made aware of the issue via social media;
- ◆ local inclusive purchasing programs (developing business in the protected worker sector, local sourcing to boost the local economy in all countries where Essilor operates, increased purchasing from suppliers representing minorities);
- ◆ free services negotiated with one of our digital marketing agencies to overhaul the website of our Essilor Vision Foundation™;
- ◆ eco-design (development of cardboard-only packaging instead of a mix of cardboard and plastic, such as the "Cupless" concept);
- ◆ use of bio-sourced materials in the manufacture of frames;
- ◆ fitting equipment at our manufacturing plants to reduce water and energy use, or recycle it (solar panels, increased use of renewable energy, etc.);
- ◆ analysis of the life cycle of the main raw materials used to manufacture the lenses.

Finally, a CSR Purchasing training program aimed at the Group's entire Purchasing Department has been introduced across all regions. In 2017, 50% of the team had already received this training.

In 2018, the Purchasing Department plans to provide its suppliers with training tools to better understand the CSR issues and objectives.

In 2017, Essilor won the international Corporate Social Responsibility category at the 2017 World Procurement Awards for its purchasing policy due to the Supplier Sustainability Program.

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

## 4.6.4 Sustainable product marketing

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

### Quality & Customer satisfaction

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

The Quality and Customer Satisfaction Department reports directly to the Senior Vice President, Global Engineering and liaises with the Group's innovation platform. It has three key aims:

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

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

	2017	2016	2015
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	0	0	0

### Responsible marketing

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

- responsible marketing initiatives aim to ensure that product-related communication is accurate and complies with the regulations on advertising. This responsibility is exercised in conjunction with local authorities and consumer associations, which notify Essilor customers of potential discrepancies with the claimed benefits of the products. Essilor has developed a platform called "The Media Place", which contains templates and "marketing packs" approved by the Group for use by all entities, to ensure overall consistency;
- Essilor has also implemented a process to substantiate the claims of its products to ensure that for each one (i) there is evidence to support the claim and (ii) the performance of the products in a laboratory is also maintained during manufacture. The benefits of Group products are based on extensive wearer tests and usage tests either in real life or under experimental conditions. For example, Essilor has opened a House Lab and a Car Lab to test the performance of its products in real-life settings;

● furthermore, Essilor is active in ensuring that the sales networks provide honest, accurate information to customers on the benefits of Essilor products. Regular training (classroom or online) is provided for the sales force and eye care professionals to remind them of the current standards and the rules of integrity in customer relations. Each of the Group's distribution subsidiaries monitors its own compliance with local applicable laws, standards and voluntary codes;

- lastly, honest communication also calls for transparency in the public positions that the Group adopts in its dealings with the authorities and professional associations and for the consistency of these positions with the targets for sustainable development. In accordance with French law, the Company has no political involvement. It works with its local public sector stakeholders and participates in the development of international standards and in other work relating to its areas of business. It also belongs to professional associations for its industry whose mission is to improve awareness of the importance of good vision. The Group is a member of ASNAV, Association Interprofessionnelle pour l'Amélioration de la Vue (interprofessional association for improving vision), of GIFO, a French optical industry group, of the EUROM 1 European optical industry group and of the Vision Council in the United States.

## 4.6.5 Direct and indirect socioeconomic contribution

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

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

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

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

The Group's economic value breaks down into many components (revenue, operating expenses, salaries and expenses, donations, taxes and duties, dividends, etc.) that are available in this 2017 Registration Document.

Essilor's socio-economic footprint for fiscal year 2017 can be summarized by the following items in descending order of importance:

- ◆ revenue: €7,490 million;
- ◆ suppliers: €3,300 million;
- ◆ employees/compensation: €2,298 million;
- ◆ shareholders: €364 million;
- ◆ duties and taxes: €132 million, representing a tax rate of 13.0%; and
- ◆ financial expenses: €49 million.

Over and above its economic contribution, Essilor's Mission helps to improve the quality of life and the productivity of millions of individuals by correcting their sight. A key contributor to this shared value creation, the Group's 2.5 NVG Division deploys inclusive business models to provide local vision correction at an affordable price for low-income populations in 45 countries in Asia, Latin America and Africa (see Section 4.3).

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

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

- ◆ a boost to the local economy, with an average of US\$770 in income generated for suppliers and SMEs for each participant in the Eye Mitra™ program;
- ◆ an increase in income of 64% for Eye Mitra™ partners, who also feel more respected in their community;
- ◆ growth in productivity for 59% of new eyeglass wearers<sup>(1)</sup>, who gain an average of one-and-a-half hours a day in their daily tasks.

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

(1) 75% of women who buy their glasses from an Eye MitraTM partner are doing so for the first time.

# 4.7 Methodology note & correspondence tables

## 4.7.1 Methodology note

### Scope of reporting

According to the Group reporting protocol, new entities acquired for less than one year are granted one year before being integrated into the Group reporting system. This year, by including in particular the recently-acquired entities, the non-financial reporting covers 100% of the Group entities, exceeding its commitment to reach a target of 85% in 2017. Four entities representing less than 100 employees (0.01%) were exempted from non-financial reporting in 2017 for the following reasons: one entity in Miami was affected by hurricane Irma and three entities stopped their activity at the end of 2017. Given the specific cases above, Essilor considers that the 2017 non-financial reporting covers 100% of the Group's entities and workforce. This significant increase compared with previous years is in line with our target to achieve a 100% coverage rate by 2020. Reporting coverage of each indicator has been specified in the footnote of each indicator.

### Calculated Indicators

As defined in the Group's reporting protocol:

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

### Method for calculating GHG emissions

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

In 2017, the Group continued to follow the GHG Protocol standard and used the databases of the *Agence française de l'Environnement et de la Maîtrise de l'Énergie* ([www.ademe.fr/](http://www.ademe.fr/)) for conversion factors.

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

- Gas: 244 gCO<sub>2</sub>e/kWh LCV;
- Liquid fuel: 324 gCO<sub>2</sub>e/kWh LCV.

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

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

- China: 766 gCO<sub>2</sub>e/kWh;
- United States: 522 gCO<sub>2</sub>e/kWh;
- France: 82 gCO<sub>2</sub>e/kWh;
- Thailand: 513 gCO<sub>2</sub>e/kWh;
- Philippines: 481 gCO<sub>2</sub>e/kWh.

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

Transportation is classified as follows:

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

The reporting scope covers all three types of transportation. Essilor has successfully integrated the transportation of new products and locations into the 2017 Report.

## 4.7.2 Correspondence table for the criteria of the Grenelle 2 law

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

**Reference**

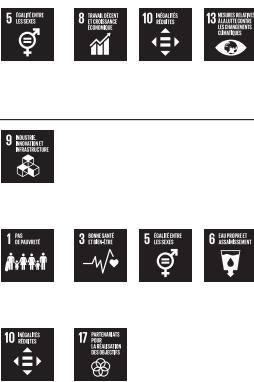
<b>Pollution</b>	
Measures of prevention, reduction or repair of discharges into the air, water and ground, impacting severely the environment	4.5.1, 4.5.2, 4.5.4 et 4.5.5
Consideration of noise and of any other activity specific pollution	4.5.1
<b>Circular economy</b>	
(i) Waste prevention and management	
Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste	4.5.5
<b>Actions against food waste</b>	
ii) Sustainable use of resources	
Water consumption and water supply adapted to local constraints	4.5.2
Consumption of raw materials and measures implemented to improve efficiency in their use	4.5.5
Energy consumption and measures implemented to improve energy efficiency and renewable energy use	4.5.3
Land use	4.5.1
<b>Climate change</b>	
Significant greenhouse gas emissions items generated as a result of the Group's activity, particularly by the use of goods and services they provide	4.5.4
Adaptation to consequences of climate change	4.5.4
<b>Biodiversity protection</b>	
Measures implemented to protect and conserve the biodiversity	4.5.1
<b>SOCIETAL</b>	
<b>Regional, economic and social impact of the Company's activities</b>	
Impact on employment and regional development	4.6.5, 4.3.3 and 4.3.4
Impact on local populations	4.6.5, 4.3.3 and 4.3.4
<b>Relations with stakeholders, including associations of integration, educational institutes, associations for the protection of the Environment, consumers organization and local populations</b>	
Conditions of the dialogue with stakeholders	4.1.1
Actions of partnership and sponsorship	4.3.1, 4.3.3, 4.3.4
<b>Subcontractors and suppliers</b>	
Integration of social and environmental issues into the Company procurement policy	4.6.3
Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility	4.6.3
<b>Fair practices</b>	
Action implemented against corruption	4.6.1
Measures implemented to promote consumers health and safety	4.3.1, 4.3.2 and 4.6.4
<b>Other initiatives undertaken to promote human rights</b>	
Other actions implemented to promote Human Rights	4.6.2 and 4.6.3

## 4.7.3 Correspondence table for the Guidelines of the GRI, SDGs and UNGC

Following the recommendations of the Global Reporting Initiative Standards, United Nation Global Compact (UNGC) Principles and United Nation Sustainable Development Goals (SDGs), all the indicators and information disclosed in this chapter have been reviewed and audited by PwC according to the modalities explained in the ITO Report in appendix 4.7.8.

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

GRI Standards	UNGC Principles	SDGs	Topic	Reference
<b>Ethics and integrity</b>				
102-16	Principle 10		A description of the organization's values, principles, standards, and norms of behavior.	4.6.1
<b>Governance</b>				
102-18			Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	2.1 and 4.2.1
<b>Stakeholder engagement</b>				
102-40			Provide a list of stakeholder groups engaged by the organization.	4.1.1
102-41	Principle 3		Report the percentage of total employees covered by collective bargaining agreements.	4.4.4
102-42			Report the basis for identification and selection of stakeholders with whom to engage.	4.1.1
102-43			Report the organization's approach to stakeholder engagement.	4.1.1
102-44			Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	4.1.1
<b>Reporting practice</b>				
102-45			a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not considered by the report.	Note 2.2 of Chapter 3
102-46			a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	4.2.3 and 4.7.1
102-47			A list of the material topics identified in the process for defining report content.	4.1.2
102-48			The effect of any restatements of information given in previous reports, and the reasons for such restatements.	4.4 and 4.5
102-49			Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	4.2.3
102-50			Reporting period for the information provided.	4.2.3
102-51			Date of the most recent previous report (if any).	2015 Registration Document covering fiscal year 2015
102-52			Reporting cycle (such as annual, biennial).	4.2.3
102-53			Provide the contact point for questions regarding the report or its contents.	invest@essilor.com
102-54			Claims of reporting in accordance with the GRI Standards.	4.7.3
102-55			The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.	4.7.3
102-56			Report the organization's policy and current practice with regard to seeking external assurance for the report.	4.8

GRI Standards	UNGC Principles	SDGs	Topic	Reference
<b>MATERIAL TOPICS</b>				
103-1			a. An explanation of why the topic is material. b. The Boundary for the material topic, which includes a description of where the impacts occur and the organization's involvement with the impacts. c. Any specific limitation regarding the topic Boundary.	4.1 of the 2014 Registration Document and 4.1.2
103-2	Principle 1 Principle 8		For each material topic, the reporting organization shall report. a. An explanation of how the organization manages the topic. b. A statement of the purpose of the management approach. c. A description of the following, if the management approach includes that component (Policies, Commitments, Goals and targets, Responsibilities, Resources, Grievance mechanisms, Specific actions, such as processes, projects, programs and initiatives).	Description of the managerial approach for each issue
103-3			For each material topic, the reporting organization shall report an explanation of how the organization evaluates the management approach.	Description of the managerial approach for each issue
<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>Economic performance</b>				
201-1			Direct economic value generated and distributed.	4.6.5
201-2	Principle 7		Financial implications and other risks and opportunities for the organization's activities due to climate change.	4.5.4
<b>Indirect Economic Impacts</b>				
203-1			Infrastructure investments and services supported.	4.3, 4.3.1, 4.3.2, 4.3.3, 4.3.4 and 2015 "See Change Report"
203-2			Significant indirect economic impacts.	4.3, 4.3.1, 4.3.3, 4.3.4, 4.6.5 and 2015 "See Change Report"
<b>Anti-corruption</b>				
205-2	Principle 10		Communication and training on anti-corruption policies and procedures.	4.6.1
<b>Anti-competitive Behavior</b>				
206-1			Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	Note 26 of Section 3.4, 4.6.1
<b>Materials</b>				
301-1			Materials used by weight or volume.	4.5.5
<b>Energy</b>				
302-1	Principle 7 Principle 8		Energy consumption within the organization.	4.5.3
302-2	Principle 8		Energy consumption outside of the organization.	4.5.3
302-5	Principle 8 Principle 9		Reductions in energy requirements of products and services.	4.3.2

GRI Standards	UNGC Principles	SDGs	Topic	Reference
<b>Water</b>				
303-1	Principle 7 Principle 8	 	Water withdrawal by source, both a total figure for 'volume of water withdrawn' and a breakdown of this figure by each of the sources listed.	4.5.2
303-2	Principle 8	  	Water sources significantly affected by withdrawal of water.	4.5.2
<b>Biodiversity</b>				
304-1	Principle 8		Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	4.5.1
<b>Emissions</b>				
305-1	Principle 7 Principle 8	  	Direct greenhouse gas (GHG) emissions (Scope 1).	4.5.4
305-2	Principle 7 Principle 8	  	Energy indirect greenhouse gas (GHG) emissions (Scope 2). Report gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO <sub>2</sub> equivalent, and gross market-based energy indirect (Scope 2) GHG emissions if applicable. Report standards, methodologies, assumptions, and/or calculation tools used.	4.5.4
305-3	Principle 7 Principle 8	  	Other indirect greenhouse gas (GHG) emissions (Scope 3).	4.5.4
<b>Effluents and waste</b>				
306-1	Principle 8	  	Total water discharge by quality and destination.	4.5.2
306-2	Principle 8	 	Total weight of waste by type and disposal method, with the breakdown of hazardous waste and non-hazardous waste; the breakdown of these figures by disposal methods (e.g., reuse, recycling, composting) is to be reported where applicable.	4.5.5
306-3	Principle 8	 	Total number and volume of significant spills.	4.5.5
<b>Environmental Compliance</b>				
307-1	Principle 8		Non-compliance with environmental laws and regulations.	4.5.1
<b>Employment</b>				
401-1	Principle 6	 	New employee hires and employee turnover.	4.4
<b>Occupational health and safety</b>				
403-2		 	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	4.4.1
<b>Training and education</b>				
404-1	Principle 6	 	Average hours of training per year per employee by gender, and by employee category.	4.4.2
404-2		 	Programs for upgrading employee skills and transition assistance programs.	4.4.2
<b>Diversity and equal opportunities</b>				
405-1	Principle 6	 	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	2.2.1.1 and 4.4

GRI Standards	UNGC Principles	SDGs	Topic	Reference
<b>Non-discrimination</b>				
406-1	Principle 6		Incidents of discrimination and corrective actions taken.	4.4.3
<b>Child Labor</b>				
408-1	Principle 5		Operations and suppliers at significant risk for incidents of child labor, and measures to contribute to the elimination of all forms of child labor.	4.6.2 and 4.6.3
<b>Forced or Compulsory Labor</b>				
409-1	Principle 4		Operations and suppliers at significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	4.6.2 and 4.6.3
<b>Local Communities</b>				
413-2	Principle 1		Operations with significant actual and potential negative impacts on local communities.	4.5.2 and 4.5.4
<b>Supplier social assessment</b>				
414-2	Principle 2		Negative social impacts in the supply chain and actions taken.	4.6.2 and 4.6.3
<b>Customer Health and Safety</b>				
416-1			Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	4.3.2 and 4.6.4
416-2			Total number of incidents of non-compliance with the regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	4.6.4
<b>Marketing and Labelling</b>				
417-3			Total number of incidents of non-compliance with the regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	4.6.4
<b>Socioeconomic Compliance</b>				
419-1			Non-compliance with laws and/or regulations in the social and economic area.	4.6.4

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

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

## For the year ended December 31, 2017

To the Shareholders,

In our capacity as Statutory Auditor of Essilor International (Compagnie Générale d'Optique), appointed as independent third party and certified by Cofrac under number 3-1060<sup>(1)</sup>, we hereby report to you our report on the consolidated human resources, environmental and social information for the year ended December 31, 2017, included in the Management Report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

## Company's responsibility

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

## Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

## Statutory Auditor's responsibility

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

- attest that the required CSR Information is included in the Management Report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is

provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);

- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not for us to express an opinion on the compliance with the other legal provisions applicable, in particular those set out by the article L.225-102-4 of the commercial code (plan of vigilance) and by the law No 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved 14 persons and was conducted between October 2017 and February 2018 during about 12 week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 concerning our conclusion on the fairness of CSR Information.<sup>(2)</sup>

## Attestation regarding the completeness of CSR Information

### Nature and scope of our work

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

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

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

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

(1) whose scope is available at [www.cofrac.fr](http://www.cofrac.fr).

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

## Conclusion

Based on the work performed, we attest that the required CSR Information has been disclosed in the Management Report.

## Conclusion on the fairness of CSR Information

### Nature and scope of our work

We conducted about 12 interviews with about 10 persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

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

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

Regarding the CSR Information that we considered to be the most important and whose list is given in annex:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations of the data. We also verified that the information was consistent and in agreement with the other information in the Management Report;

● at the level of a representative sample of entities, Essilor Da Amazonia (Brazil), Multi Optica Distribuidora LTDA (Brazil), Servioptica (Colombia), FGX US (United-States), EO Operation - Gentex (United-States), Essilor International (France), BBGR Provins (France), GKB RX Lens Private (India), Optodev (Philippines), Essilor Manufacturing Philippines Inc. (Philippines), Transitions Optical Philippines (Philippines), selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. This work represents 19% of headcount considered as typical size of the social component, and in average 18% of environmental data considered as characteristic variables of the environmental component.

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

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

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

## Conclusion

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

Neuilly-sur-Seine, March 5, 2018

**PricewaterhouseCoopers Audit**

One of the Statutory Auditors

**Cédric Le Gal**  
Partner

**Sylvain Lambert**  
Partner of the "Sustainable Development" Department

## Appendix: CSR Information that we considered to be the most important.

### **Human resources:**

- Total workforce and breakdown of employees by gender, age and geographical area;
- Recruitments and dismissals;
- Frequency rate and severity rate for work accident;
- Total number of hours of training;
- Promotion and respect of the OIT conventions regarding the freedom of association and of collective negotiation,
- Promotion and respect of the OIT conventions regarding the elimination of discrimination regarding employment and profession,
- Promotion and respect of the OIT conventions regarding the elimination of forced or obligatory labour,
- Promotion and respect of the OIT conventions regarding the abolition of child labour.

### **Environmental information:**

- The Company's organization to take into account environmental concerns, and if necessary the evaluation steps or certifications with regards to the environment;
- Preventive measures, recycling, reuse, other forms of recovery and waste disposal;

- Consumption and provisioning of water considering the local constraints;
- Consumption of raw materials and the measures taken to enhance efficiency in their use;
- Energy consumption, the measures to enhance energy efficiency and the usage of renewable energy;
- Significant sites of greenhouse gas emission due to the Company's activity, notably through the use of goods and services it produces (scope 1, 2 and 3).

### **Social information:**

- Territorial, economic and social impact linked to the Company's activity in terms of employment and sustainable development;
- Territorial, economic and social impact linked to the Company's activity on local people;
- The inclusion of social and environmental concerns in the purchasing policy;
- The importance of sub-contractors for the Group, their relationship with the Group, and their implementation of CSR.

# ESSILOR

SEEING THE WORLD BETTER

**ESSILOR INTERNATIONAL**

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A French Limited Company (*Société Anonyme*)

with capital of €39,442,579.02

Créteil trade and Company registry n°712 049 618

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