MERSEN
Expertise, our source of energy

2021 URD

Universal Registration Document

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This is a translation into English for convenience purposes only of the (universal) registration document of the Company issued in French and it is available on Mersen website www.mersen.com

1 Group Profile

1. 2021: A REMARKABLE PERFORMANCE

Mersen's 2021 results are remarkable in every way. They are a testament to the Group's robust and flexible business model, designed to allow it to grow while adapting to the changing economic environment. Mersen achieved major wins and continued to invest in medium-term growth over the year, all while delivering on its CSR commitments. This performance would not have been possible without the hard work and local commitment of employees across Mersen's 35 host countries – 91% of whom are proud to be part of the Group (2021 survey).

This year saw a return to more normal operations for the Group after a year shaped by the impacts of the health crisis in 2020, even though Mersen had not been strongly affected industrially as most of its manufacturing sites had been able to continue their activities. The successive waves of the epidemic in most countries throughout 2021 continued to affect employee mobility, but to a much lesser extent than in 2020.

Group sales came to €923 million in 2021, up 8.9% compared with 2020. This strong growth reflects Mersen's positioning in very dynamic markets, such as solar power and semiconductors, and, more generally, in markets that contribute to sustainable development, which account for 56% of Group sales. Mersen benefited from the rebound in global demand, which resulted in a strong performance in process industries. The Group also acquired the remaining 50% stake in Fusetech from Hager in 2021. Based in Kaposvar in Hungary, Fusetech produces cost-competitive industrial fuses for the European market. Thanks to this growth, the Group has returned to sales levels close to those of 2019.

Mersen adapted very quickly to the new environment of rising raw material and energy prices and pressure on supply chains. It began passing on these cost increases in its sales prices during the year, while the supply difficulties only affected certain product lines without impacting their competitiveness. The Group also implemented the adaptation plan it had announced at the end of 2020 to respond in particular to the anticipated lasting decline in sales in the chemicals and aeronautics markets.

All of these measures, together with the strong recovery in volumes, enabled the Group to achieve a significant improvement in its profitability between 2020 and 2021, recording an EBITDA margin in 2021 close to 2019 levels.

Net income also increased sharply in the year, to over €58 million (€54 million attributable to Mersen shareholders).

The Group generated strong operating cash flow (before capital expenditure) despite a strong recovery in activity that impacted the change in working capital for the year (in contrast to 2020). This very good performance enabled Mersen to finance the major investment program planned for 2021.

As part of this program, the Group significantly increased its capital expenditure in 2021 to anticipate the needs of and meet strong future demand in highly promising markets, such as semiconductors, solar power and electric vehicles. In parallel, it invested in the modernization of certain plants and its information system. It also pursued its strategic investment program in the Columbia plant in the United States in order to start producing extruded graphite there in 2022.

Mersen maintained a solid financial position, with net debt of €193 million at year-end, corresponding to a net debt/EBITDA ratio of 1.42.

The Group carried out a private placement in 2021 for a combined amount of USD 60 million and €30 million, which enabled it to extend the maturity of its debt to six years.

Finally, Mersen completed its CSR roadmap, having met most of the objectives it had set for 2021, while preparing a new roadmap for the period 2022-2025. The Group's commitment in this area forms an integral part of its long-term strategy and is based on four pillars, as described in chapter 4 of this document.

In terms of the Group's ownership structure, the most notable event of the year was Ardian's sale of its interest in February after being a shareholder since 2009.

On the strength of Mersen's good full-year performance, solid outlook and strong balance sheet, the Board of Directors will ask shareholders at the Annual General Meeting to approve the payment of a dividend of €1 per share for 2021, in line with the Group's dividend policy.

The beginning of 2022 was marked by a conflict that broke out suddenly between Russia and Ukraine. The Group's economic and balance sheet exposure to these two countries is very low (0.3% of sales, no direct supplier and no plants). At the date this document was published, it was not possible to measure the potential indirect impacts of this crisis.

2. 2021 KEY FIGURES

SALES

€923M

+8.6% VS 2020

EARNINGS

€149M

EBITDA

€93M

OPERATING INCOME BEFORE NON-RECURRING ITEMS

€54M

NET INCOME

DIVIDEND PER SHARE

€1.00

Subject to shareholder approval at the Annual General Meeting

BREAKDOWN BY MARKET

PROCESSES 32%
- Hot processes
- Metallurgy
- Glassmaking
- Die-Casting

ELECTRONICS 23%
- Si and SiC semiconductors
- Power electronics

ENERGIES 20%
- Solar
- Wind
- Hydro
- Conventional

TRANSPORTATION 14%
- Rail
- Aeronautics
- Aerospace
- Electric vehicles

CHEMICALS 11%
- Specialty chemicals
- Isocyanate
- Chlor-alkali
- Phosphoric acid

56%

SALES IN **SUSTAINABLE DEVELOPMENT MARKETS**

FINANCIAL STRUCTURE

10.8%

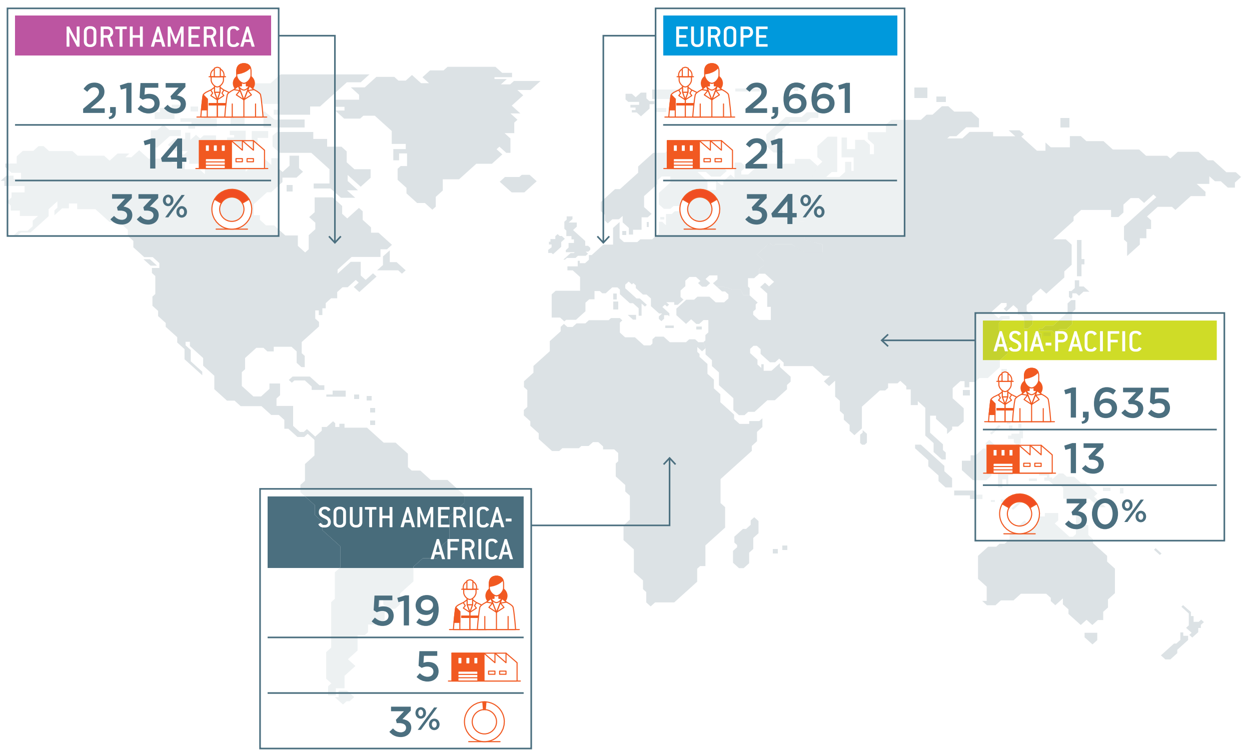
RETURN ON CAPITAL EMPLOYED

1.42

NET DEBT TO EBITDA RATIO

MERSEN WORLDWIDE

Number of employees | Number of manufacturing sites | Share of sales



6,968 EMPLOYEES

53 SITES WORLDWIDE (incl. 15 > 125 employees)

18 R&D CENTERS

98% OF SITE MANAGERS RECRUITED LOCALLY

COMMITMENTS

UN GLOBAL COMPACT
WE SUPPORT

MSCI
ESG RATINGS
A

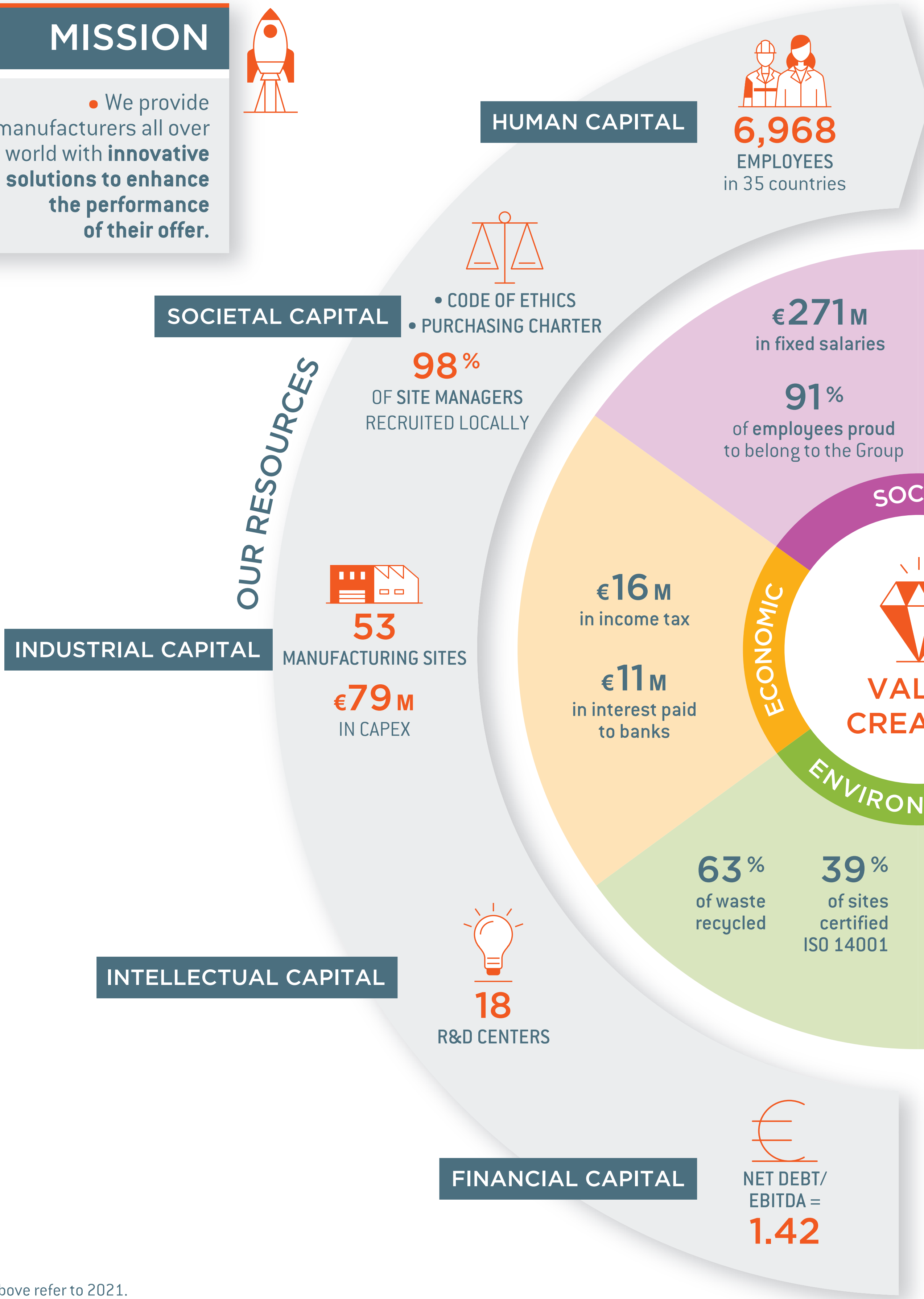
CCC	B	BB	BBB	A	AA	AAA

GOLD
2021
ecovadis
Sustainability Rating

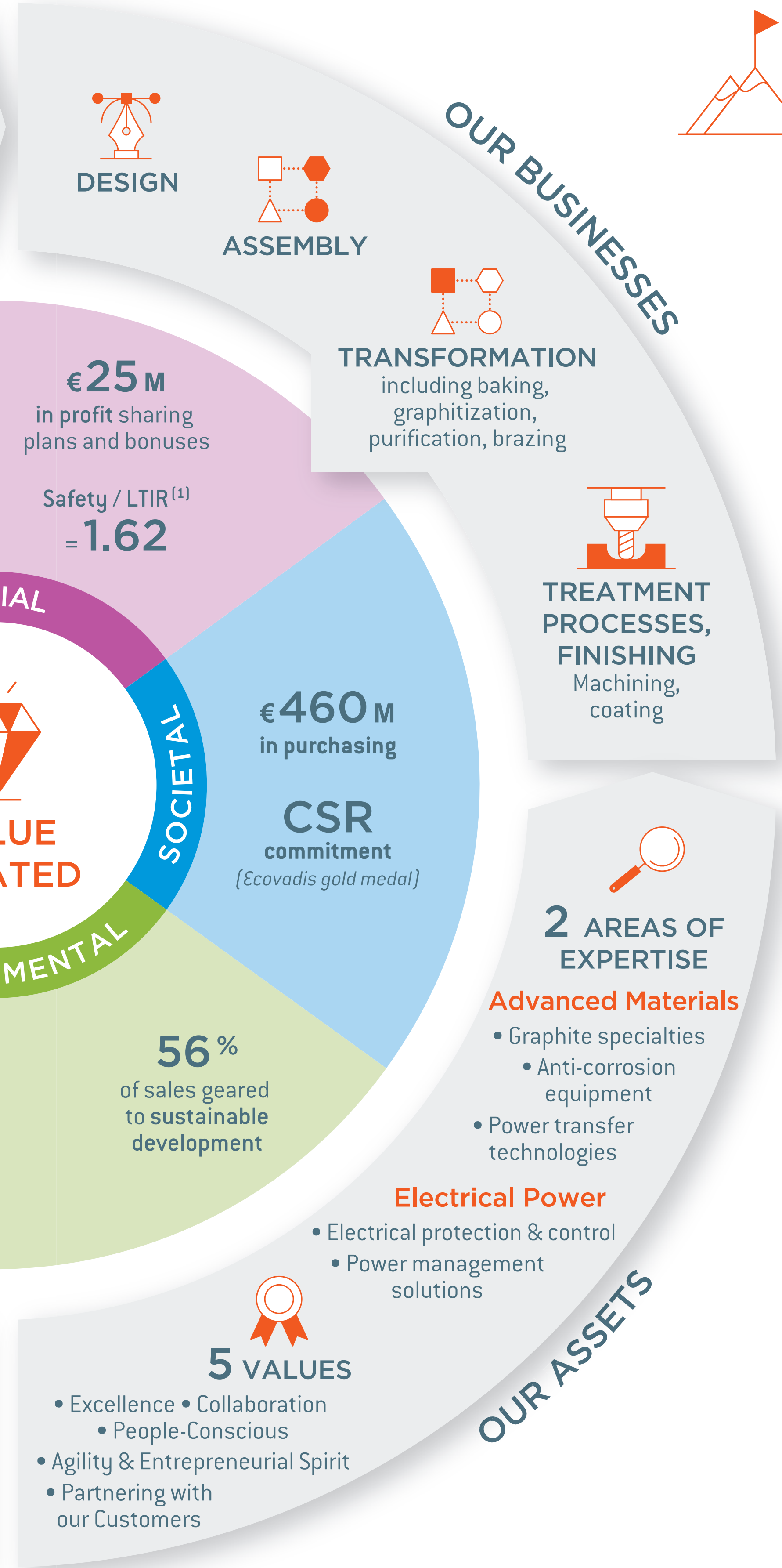
3. Business model

MISSION

- We provide manufacturers all over the world with **innovative solutions to enhance the performance of their offer.**



All data above refer to 2021.



OUR MID-TERM AMBITION

- Pursuing the **development of solutions** tailored to our customers' needs by relying on our high value-added expertise.
- Fostering growth in buoyant markets that contribute to sustainable development **by offering innovative and sustainable solutions.**
- Continuing to implement our competitiveness and performance program while taking a **socially responsible approach.**
- Optimizing **human capital development** by providing a motivating work environment.

(1) Lost-time injury rate.

4. Vision, mission and values

At Mersen, our vision, mission and values inspire the decisions and actions that drive our development.

Our ambition is to contribute to technological progress across the globe. We are convinced that our products and solutions are essential to progress and technological innovation, which gives the Group a role to play in improving the way we live and in protecting the environment and its resources.

To implement our vision and fulfill our purpose, the Group adheres to a set of shared values: **Excellence**, because it enhances our competitiveness and protects our flexibility and future; **Collaboration**, because by pooling our skills and working together we will progress together more rapidly and more effectively; **People-Conscious**, because our people are part of our culture; **Agility & Entrepreneurial Spirit**, because they are a game changer in today's complex environment; and **Partnering with our Customers**, because they are the strategic allies for whom we develop innovative products.

4.1. Group strategy

As a global expert in electrical power and advanced materials, Mersen is a key player in manufacturing industries around the world. Its strategy is anchored by four major pillars:

1. **Pursuing the development of solutions tailored to our customers' needs by relying on our high value-added expertise**

   Mersen offers a wide range of products, services and solutions in our two areas of expertise – electrical power and advanced materials. To effectively address customers' specific needs, the Group draws on its network of 18 R&D centers located close to its customers across the world. This proximity gives Mersen unique insight into the challenges facing each player and enables the Group to offer custom-designed, innovative solutions backed by state-of-the-art technology. Mersen is also pursuing its policy of targeted acquisitions to provide its customers with an enhanced experience and expand its operations in certain regions.

2. **Fostering growth in buoyant sustainable development markets by offering innovative and sustainable solutions**

   Mersen works closely with major industry players around the world and uses its international sales and manufacturing network to strengthen its leadership positions in each of its markets. It focuses its efforts on markets with significant medium-term growth potential that contribute to the sustainable development of the planet, including from solar energy to electronics, energy storage and electric vehicles.

3. **Continuing to implement its competitiveness and performance program while taking a socially responsible approach**

   Mersen wants to gain in operational efficiency while constantly improving the security and safety of its plants and the people who work there and strengthening its ties with stakeholders in its host communities. The Group has implemented a global operational excellence initiative for all parts of the company, from operations through to sales, with special emphasis on improving safety and reducing the environmental footprint of its production sites.

4. **Ensuring human capital development by building on Mersen's strong identity**

   Mersen promotes a culture where people are the bedrock of the Group and its development. It has built a robust, deep-rooted and attractive culture by offering employees genuine trust and accountability, and by respecting local cultures and fighting all forms of discrimination. The Group also has a policy of continuous skills development.

4.2. Resources

Mersen works side-by-side with its customers all over the world. The Group draws on its production base of 53 manufacturing sites in approximately 35 countries, the majority of which are overseen by local managers to facilitate interaction with local stakeholders.

The Group leverages its knowledge of its customers' challenges to offer innovative products and solutions, which are sometimes developed jointly, and draws on its network of 18 R&D centers across the world. Its agile strategy and structure means it is able to stay ahead of market and environment trends and seamlessly adapt its products and services to changing needs.

But Mersen's major strength is its employees: nearly 7,000 people around the world who drive the Group's development according to a strict code of ethics that guides all of the Group's activities and operations.

4.3. Innovation, and research and development policy

Innovation is essential to Mersen's smooth operation, as it enables the Group to preserve its market share and competitiveness in a constantly changing world, become a major player in emerging markets and gradually transform the Company by expanding its number of products and services.

4.3.1. R&D organization

Mersen's R&D organization is built on a lean central structure headed by the Group's Chief Technical Officer (CTO), who oversees the long-term vision and manages priorities in line with the Company's strategy. Each activity splits its efforts between "everyday" innovations and very ambitious projects, in terms of both the challenges to be solved and the value of the developments in question for Mersen. The Group's R&D and Innovation People are approximately 170.

The Group devotes around 3% of its sales to research and development for products, materials and processes, and to technical sales efforts so as to constantly adapt its solutions or services to each customer's specific requirements. Most of this expenditure is financed internally.

The Group offers a select group of employees the option of professional careers focused primarily on the development of critical technical expertise for Mersen. Assembled in the Open Expert community, their role is to ensure that the Group's internal scientific culture and know-how are leveraged and passed on. Often at the forefront of their respective fields, they are the force behind the collaborative work that Mersen shares with research institutes outside the Group with a view to driving our developments.

4.3.2. Partnerships to strengthen R&D

The Group relies on a network of partnerships and collaborations with external players such as universities and large national research centers, which play a key role in helping the Company to develop core knowledge, without which it would quickly become impossible for Mersen to deliver solutions to the increasingly complex problems which its customers need to solve.

The main partnerships cover the development of mathematical models to simulate complex phenomena such as heat propagation through porous materials or certain aging phenomena, as well as research into materials for carbon-based battery electrodes that foster energy efficiency and longevity.

4.3.3. The Innovation Challenge

The Innovation Challenge is designed to encourage and reward individual or collective initiatives that can contribute to the Group's growth or improve its performance. It is an annual event and culminates in two prizes:

- The "Growth +" prize rewards a team for putting forward a successful growth project whose execution is already contributing significantly to Mersen's sales growth.
- The "Best creative" prize rewards the best innovative idea whose future implementation could make a lasting contribution to the growth or improvement of the Group's net income.

4.3.4. Eco-design

In 2021, Mersen strengthened its mastery of eco-design methodology. Going forward, electrical protection products across the entire range will be designed taking into account their environmental impact, during production, use and end-of-life recycling.

4.3.5. Major projects in 2021

In 2021, the Group entered into a strategic technical partnership with Soitec, a world leader in the design and production of innovative semiconductor materials, to develop a new family of polycrystalline silicon carbide (poly-SiC) substrates for the electric vehicle market. The two companies' teams will benefit from the expertise of Soitec's Substrate Innovation Center at CEA-Leti to validate milestones reached in the industrialization process.

It also announced a collaboration with Autoliv, a world leader in automotive safety systems, to enable the production of disconnection devices incorporating Autoliv's proven Safety Switch pyrotechnic technology and Mersen's fuse hybridization concept. These devices can cut off a power source of up to 1,000 V in just a few milliseconds, thereby preventing a dangerous arc from forming.

Other developments focused on products for the battery market (bus bars for Li-ion cell interconnection, fuses for residential storage batteries, carbon felt for flow batteries) and the electric vehicle market (auxiliary and battery protection fuses). The Group also designed a new graphite heat exchanger, providing enhanced resistance to thermal shocks.

4.4. Expertise

Since its beginnings at the end of the 19th century, Mersen has gradually transformed into an industrial group with recognized expertise in two key areas – Advanced Materials and Electrical Power – where it holds leadership positions or is the joint world leader. The Group primarily develops innovative solutions tailored to its customers' needs[(1)].

The Group's value chain is built on a series of key stages that apply to:

- Bespoke product and solution design
- Supply of raw materials or components
- Manufacture, processing and/or assembly and machining
- Finishing and treatments
- Transportation, delivery and service

4.4.1. Advanced Materials segment (AM)

- Sales of €507 million
- 55% of total sales
- World no. 1-2[(2)] in graphite anticorrosion equipment
- World no. 1-2[(2)] in brushes and brush holders for industrial electric motors
- World no. 1-2[(2)] in high-temperature applications of isostatic graphite

Product range and applications

In the Advanced Materials segment, the Group operates across the entire value chain, from the design and manufacture of materials (graphite, silicon carbide and carbon fiber insulation) to the design of final products in line with customer needs.

The Advanced Materials segment offers a range of solutions and products designed to perform the following principal functions:

- Resistance against very high temperatures: Mersen's range includes isostatic graphite equipment, carbon-carbon composites, flexible and rigid felt, and silicon carbide for solar applications, semiconductors and other refractory processes, electrodes for electrical discharge machining, kiln linings, etc. Since 2019 and the acquisition of the Columbia site (United States), the Group has also produced specialty extruded graphite.
- Protection against corrosion: this is provided by equipment using graphite, reactive metals (tantalum, zirconium, titanium, etc.), silicon carbide and fluorinated polymers (PTFE) for the chemical, pharmaceutical and metallurgy industries.
- Electric power transfer: the Group's range provides stable and constant generation, flow and transformation of electrical current in industry (steel, mining, etc.), energy (power plants, wind farms, etc.) and transportation (rail, aeronautics, aerospace and maritime). This function is carried out with brushes, brush holders and slip rings used in generators and motors, and with third-rail current collectors and special collection systems.

Main competitors (in alphabetic order):

- Helwig Carbon – USA – brushes, brush-holders and pantograph strips
- Morgan Advanced Materials – UK – brushes, brush-holders and pantograph strips
- Schunk – Germany – isostatic graphite finishing, brushes, brush-holders and pantograph strips
- SGL Carbon – Germany – isostatic graphite, anticorrosion systems, extruded graphite and rigid felt
- Tokai Carbon – Japan – isostatic graphite and extruded graphite
- Toyo Tanso – Japan – isostatic graphite

4.4.2. Electrical Power segment (EP)

- Sales of €416 million
- 45% of total sales
- World no. 1[(2)] supplier of components for the power electronics market
- World no. 2[(2)] in industrial fuses
- World no. 1[(2)] in current collection for the rail market

Product range and applications

The Electrical Power segment offers a range of solutions and products designed to perform the following principal functions across the entire electrical chain:

- Equipment and people protection: prevent the destruction of industrial and commercial electrical equipment, ensure an uninterrupted power supply and help to stabilize the electrical network. This function is performed by industrial fuses and all related accessories and by surge protection devices (to protect against damage from power surges).
- Power conversion: change the nature, voltage, intensity or frequency of the current to meet very diverse applications, such as motor speed variation, the transformation of solar and wind energy, and the management of battery-based systems (electric vehicle or stationary storage). To perform this function, Mersen designs cooling devices, laminated bus bars, capacitors and high-speed fuses that are integrated around power electronics components or in the architecture of battery packs.

(1) Some businesses are covered by the regulations on the control of exports of dual-use items and technology.

(2) Internal source: the Group operates in niche markets. It draws on its in-depth sector expertise and the financial and technical documentation published by its competitors to establish its market position.

Competition

Mersen operates in cutting-edge markets where it holds leadership positions or is the joint world leader. Its competitors include several large international groups, as well as smaller regional players. None of its competitors cover all of Mersen's wide range of products. Specifically, Mersen is the only group with an offering for power electronics industry players that includes high-speed fuses, cooling devices, laminated bus bars and capacitors.

The Group's industrial fuse and surge protection device ranges stand out for their ability to offer a wide range of products that meet various regional standards (e.g., UL, IEC, BS or DIN) and are aligned with the needs of the majority of its distributor and OEM customers.

In the rail sector, the Group complies with the International Railway Industry Standard (IRIS).

Main competitors (in alphabetic order):

- Boyd Corp – USA – cooling devices
- Dehn – Germany – surge protection devices
- Eaton – USA – industrial fuses
- Littelfuse – USA – industrial fuses
- Methode – USA – bus bars
- Phoenix Contact – USA – surge protection devices
- Rogers – USA – bus bars
- Siba – Germany – industrial fuses
- TDK Electronics – Japan – capacitors
- WDI – China – bus bars

4.5. Markets

Our world's transformation continues to gather pace, driven by major trends like urbanization, digitalization and the reduction of energy use and its impact on the climate. After a year disrupted by the consequences of the health crisis in 2020, demand picked up in most markets in 2021, with the notable exception of aeronautics and rail, as travel remains largely restricted. In the medium term, the solutions that Mersen brings to its markets (renewable and conventional energies, power electronics, semiconductor manufacturing, green transportation, aeronautics, corrosive chemicals and process industries) mean the Group has a key role to play in developing tomorrow's world.

4.5.1. Energies

Mersen develops solutions for the world's principal energy sources and contributes to the energy transition by developing renewable energies across the globe.

Solar power

Photovoltaic technology is now a major global energy source. Capacity installation continued in 2021, bringing the total to 164 GW, up significantly compared with 2019 (118 GW[1]). Growth is expected to continue in the coming years, especially in China, driven by ease of installation and competitive costs. In 2022, capacity installation will represent between 196 GW and 212 GW[2].

Global installed capacity now totals around 920 GW.

Mersen offers solutions for the entire photovoltaic industry:

- It is a key partner for leading polysilicon manufacturers around the world for which it develops graphite machined components (purified and sometimes coated), such as ultra-pure graphite electrodes used in the process for transforming silicon from a gaseous state into a solid.
- It produces all the graphite components for silicon ingot pulling which are needed to guarantee the purity of solar cells and to control the temperature of hot zones during crystallization (purified graphite heater, flexible felt insulation, carbon insulation, etc.). Mersen is particularly well positioned in Cz (czochralski) ingot pulling technology, which currently delivers the highest yield.
- It offers a full range of solutions for the protection of photovoltaic panel installations (circuit breakers, fuses and surge protection devices).
- It delivers power electronics solutions for the conversion and distribution of solar energy (high-speed fuses, capacitors, cooling devices and laminated bus bars which can be used in an integrated architecture).

Mersen has customers across the value chain from polysilicon manufacturers such as Wacker Chemie and OCI and solar cell manufacturers such as Longi, Zhonghang or Jinko to power converter developers such as GE and TMEIC. Its range of solutions for the protection of photovoltaic installations is typically sold through electrical distributors such as Affiliated Distributors, Rexel and Sonepar.

(1) Source: IHS Markit.
(2) Source: PV Infolink.

Wind power

Installed wind power capacity Is estimated at more than 780 GW worldwide at the end of 2021, making it a very attractive replacement market for Mersen. Global installed capacity could reach 1,100 GW in 2025.

Mersen's range of solutions ensure safe and continuous wind power generation. They are primarily aimed at wind turbine generator manufacturers, but also at wind farm managers in the replacement market.

- The Group works with leading wind turbine generator manufacturers for which it supplies carbon brushes, brush holders and slip ring assemblies.
- It offers modular solutions which provide greater flexibility to wind turbine manufacturers and operators such as signal transmission systems, brushes and brush holders for yaw motors, and grounding systems.
- Its full range of fuses, fusegears, fuseholders and surge protection devices protect generators and controls.
- It delivers power electronics solutions for the conversion and distribution on the network of wind energy using high-speed fuses, capacitors, laminated bus bars and cooling devices for wind power electronics.

Mersen also develops maintenance services to optimize wind energy production, including technical diagnostics, equipment verification, installation and components replacement.

Its customers include wind turbine (Siemens-Gamesa, GE, Vestas, etc.) and generator (Indar and Siemens, etc.) developers, as well as wind farm managers (Nawsa) and power converter developers.

Energy storage

The energy storage market includes stationary batteries used primarily in renewable energy applications, and mobile batteries used to power electric vehicles (see Transportation market).

For stationary batteries, Mersen operates at every level:

- For redox flow batteries, Mersen supplies flexible carbon felt for battery electrodes,
- It markets DC surge protection solutions for battery modules and laminated bus bars to connect battery cells,
- It markets a full range of DC surge protection solutions with fuse-based and hybrid devices, and high-power relays for battery racks and packs,
- Its offering for battery containers includes high-speed DC protection fuses,
- Mersen also provides power conversion solutions such as high-speed fuses, capacitors, laminated bus bars and cooling devices. Mersen's solutions are needed to convert the battery's direct current (DC) to alternating current (AC).

Conventional energies

In conventional energies, Mersen supplies an entire range of products and solutions. In particular, the Group offers power transfer (brushes, slip rings and slip ring assemblies, brush holders, and monitoring solutions) and turbine sealing (carbon and graphite joints and bearings) solutions and ensures safe and continuous power management (fuses, fusegears, cooling devices and bus bars).

4.5.2. Electronics

Mersen's technologies support the development of semiconductors for all digital applications. The Group also provides the power electronics needed for electric power conversion.

Semiconductor manufacturing

The semiconductor market is evolving rapidly. In addition to silicon-based semiconductors (microprocessors and memory) used in data networks and computers, demand for compound semiconductors is also on the rise. Their wide range of applications include LED lighting using a gallium nitride (GaN) based active layer and opto electronic components with an indium phosphide (InP) substrate.

For power electronics components (IGBT, MOSFET, JFET, DIODE), manufacturers have traditionally used silicon-based semiconductors but are now turning increasingly to silicon carbide (SiC) semiconductors. These products are more powerful, efficient and compact. The SiC semiconductor market is on the rise and set to accelerate further as of 2023, in line with development in the electric vehicle market.

In 2021, the $600 billion semiconductor market enjoyed very strong growth of 20%, but was unable to satisfy total demand, especially from carmakers. The power components market is smaller – around $1 billion – but demand is also very strong, driven by demand for electric vehicles.

Mersen supplies high-grade, ultra-pure graphite for the manufacture of semiconductors. The quality of the graphite combined with Mersen's high-precision machining and coatings help to maximize the yield of the power semiconductor manufacturing process and are also well-adapted to the latest generations of components, which are increasingly miniaturized but need to handle increasingly high current and voltage requirements.

The Group meets the very specific needs of the following processes:

- Metal Organic Chemical Vapor Deposition (MOCVD), which is a corrosive chemical process that deposits thin layers at high temperatures and is notably used in the production of high-performance LEDs. Mersen produces coated graphite supports for this process.
- Ion implantation, which is used to locally modify the composition and physical properties of a substrate by introducing doping agents, is a technology that operates thanks to a new generation of high-energy machines. Mersen is the preferred supplier of Applied Materials, which is the world leader in this technology.
- SiC semiconductors: thanks to its unique expertise in providing rigid felt with guaranteed thermal homogeneity at 2,400°C, Mersen is very well positioned with the main producers of silicon carbide monocrystals. It also supplies graphite for the sublimation process used to make SiC monocrystals.

Its customers include SiC wafer developers and manufacturers such as SiCrystal and Dow Corning, and original equipment manufacturers such as Applied Materials.

In late 2021, Mersen signed a strategic technical partnership with Soitec, a world leader in the design and production of innovative semiconductor materials, to develop a new family of polycrystalline silicon carbide (poly-SiC) substrates for the electric vehicle market. This development is aimed at optimizing SiC power components developed using Soitec's SmartSiC™ technology.

Power conversion

Power electronics convert electrical power into the energy form required for its intended use, for example direct current into alternating current. Power converters provider greater flexibility in the way that energy is used and greater efficiency in the way that it is managed, transported and distributed.

Each year, the power conversion market grows by an average 4% to 5%, depending on the power range, mainly led by demand for electric vehicles, rail traction systems, renewable energies and speed drives for electric motors in industrial facilities.

Mersen's custom-made offering for high-power applications helps equipment suppliers to optimize the design of their power converters (Samsung, Siemens, GE, Schneider Electric, Rockwell, etc.).

Mersen's specialized teams and design engineers, combined with an integrated offer of components, including laminated bus bars, capacitors, high-speed fuses and cooling devices, strengthen Mersen's position as a key player on the power electronics market.

4.5.3. Transportation

Mersen supports the growing mobility of people and goods around the world. With its solutions for the rail and electric vehicle markets, the Group contributes to the reduction of CO_2 emissions.

Rail

Growth and transformation in the rail industry is being driven by global trends, such as globalization, urbanization and sustainable development. The retrofit market, which is dependent on the use of rolling stock, has been particularly muted since early 2020, due to traffic restrictions. However, projects to build new subway and tram lines moved forward, although some were slightly delayed.

Mersen offers rail manufacturers and system operators solutions to enhance the performance and reliability of their equipment. The Group is a recognized player in this market due to its ability to meet all rail standards and certifications, and to offer innovative solutions. Its market success is also the result of unique long-standing positioning with major rail manufacturers in addition to a local commercial and industrial presence, especially now that orders are increasingly subject to the requirement that products be produced or assembled locally.

The Group's expertise also extends to rail infrastructure for urban and freight rolling stock. It develops solutions for:

- Supplying energy to motors and auxiliary systems via power conversion systems thanks to its offering of cooling devices, capacitors, bus bars and high-speed fuses;
- Distributing energy to motors thanks to current collector devices (pantograph strips or third rail shoes), brushes and brush holders.

Mersen works with all the major rail market players such as Alstom, Bombardier, Siemens, GE, CRRC, etc.

Aeronautics

Since 2020, the aeronautics market has been impacted by the health crisis and travel restrictions. This comes after several years of strong growth in commercial aviation.

Mersen's offer helps to enhance the reliability and efficiency of aircraft with solutions that offer reductions in weight, fuel consumption and total operating costs. Its range of products is designed to:

- Optimize equipment, key components for auxiliary motors, air conditioning, electrical power generation and distribution systems;
- Improve flight conditions through the use of wear-resistant composite materials and brushes and brush holders designed for aircraft pressure systems;
- Reduce energy consumption thanks to optimal electronics cooling, low-inductance laminated bus bars, turbine blade positioning devices and components with lower friction rates.

The Group's materials and heat processing solutions are also used in manufacturing processes for superalloy reactor blades.

Mersen targets leading industry subcontractors for major aircraft manufacturers, such as Safran, Thales and Rolls Royce.

Electric vehicles

The electric vehicle (BEV, HEV or PHEV[1]) market is thriving, with both the passenger vehicle, and industrial and commercial heavy vehicle segments enjoying robust growth. The market is expected to grow even faster in the future, particularly for vehicles with battery voltages above 400 V, which is Mersen's target market. Growth is estimated to triple between 2020 and 2025.

The Group's solutions are primarily aimed at the high-end BEV and industrial and commercial heavy vehicle markets:

- Its offering for battery modules and packs includes high-speed fuses, bus bars and cooling devices. The Group also develops hybrid solutions to protect passengers by disconnecting high voltage batteries in the event of a shock or proven electrical faults.
- Its offering for power converters includes water cooling solutions that meet thermal management needs, laminated bus bars that provide for the safe flow of electricity between various components and capacitors that filter power conversion signals.
- In addition to all the advantages associated with its high-speed fuses, cooling devices, capacitors and laminated bus bars, Mersen's electric vehicle stations are also equipped with surge protection devices, for overall optimal protection.

Mersen's customers include automobile manufacturers, first and second tier subcontractors and battery manufacturers. The market is gradually taking shape and could still experience significant change.

Aerospace

Optical instruments for space exploration and ground-based observatories require precise and stable geometrics that can withstand drastic changes in temperature, rapid acceleration and strong vibrations. Thanks to its unique properties, including lightness and exceptional thermomechanical stability, silicon carbide is widely used in aerospace applications.

Mersen supplies silicon carbide mirrors and structures for telescopes, particularly for use by Airbus Defense and Space in its observation satellites (e.g., Herschel, Gaia and PeruSat), as well as by the French National Space Agency (CNES) in such missions as MicroCarb. Mersen was also chosen to manufacture the final mirror for the Extremely Large Telescope (ELT) project run by the European Southern Observatory (ESO). In 2021, it celebrated the launch of NASA's James-Webb telescope, having supplied equipment for the NIRSpec spectrograph developed by Airbus for the ESA.

4.5.4. Corrosive chemicals

Tens of thousands of chemical products are present in our day-to-day environment – in PVC construction materials, in polyurethanes used in the automotive industry, in silicones for adhesives and in high-performance plastics used in new technologies. All these chemicals are produced according to procedures using corrosive substances in high-temperature environments.

Mersen has developed advanced materials and acquired expertise in industrial equipment to provide customized solutions suited to highly corrosive chemical processes.

The Group offers equipment designed to meet the most stringent production requirements, in particular for phosphoric acid, chlor-alkali, active pharmaceutical ingredients, isocyanates, acid and specialty chemicals.

(1) Plug-in Hybrid Electric Vehicle.

Made from graphite, SiC or reactive metals, its customized solutions:

- Perform heat exchange and reaction functions: heat exchangers;
- Transfer highly corrosive and high-temperature fluids: columns, reactors, pressure vessels, piping, fittings and bellows.

In addition to individual items of equipment, Mersen offers turnkey systems that combine engineering, design, equipment manufacturing, project management and on-site commissioning of equipment.

Lastly, on the pharmaceutical market Mersen provides technological solutions that meet the purity requirements of processes, with a range of equipment using silicon carbide and noble metals.

Mersen's customers are the world's leading chemical manufacturers such as OCP (phosphate), Evonik, Grasim Industries (viscose), Novartis (pharmaceuticals), etc.

4.5.5. Process industries

Process industries is Mersen Group's original market. Mersen supplies process industries with a wide range of products and purpose-built solutions. It supports the changes occurring across all of these industries, in particular changes linked to energy efficiency.

These markets are highly dependent on the global economy and GDP growth. For this reason, they benefited greatly from the rebound in activity in 2021, after the sharp slowdown in 2020.

Mersen's expertise covers the following areas:

- Metallurgy with electrical solutions for foundries and furnaces, hot and cold rolling mills, galvanic lines and electrolysis systems.
- High temperature furnaces with graphite refractories, thermal insulation and flexible graphite composite systems.
- Sintering processes, which require the use of graphite refractory tools to withstand extreme pressure and temperature during processes.
- Glass, including glass molding and handling. The Group has developed specific graphite grades to answer to market expectations.
- Rubber and plastic with solutions designed for very specific operations (extrusion, injection, high temperatures, constant or variable speed, etc.).
- Pulp and paper with high-performance electrical solutions (for pulping machines, winders, rollers, driers, etc.) and mechanical and sealing solutions (for pumps and other systems).

Mersen's customers are the world's leading manufacturers such as Arcelor Mittal, Owens Illinois, Saint-Gobain, International Paper, LafargeHolcim, etc.

4.6 Value creation

Mersen is convinced that its medium and long-term development can only be achieved through a combination of business, financial and nonfinancial performance and through respect for all of its stakeholders – starting with customers, who have always played a central role in the Group's strategy.

Mersen therefore aims to approach its value creation model from several angles:

- Social: for the benefit of employees and their families.
- Societal: through its contribution to host communities (using local suppliers, paying local taxes, supporting community initiatives, etc.).
- Environmental: through its contribution to the development of environmentally responsible activities, such as renewable energies, electronics, energy efficiency and clean transportation.
- Economic: for the benefit of its shareholders and financial partners.

5. Medium-term ambitious plan

Mersen's vision is to play a role in improving the way we live and in protecting the environment and its resources. The Group's products and solutions, custom-built for demanding customers, are essential to progress and technological innovation. Mersen's ambition for 2025 reflects this vision.

Mersen is positioned in markets buoyed by strong long-term growth trends, namely renewable energies, green transportation and electronics. Specifically:

- The Group is a major supplier across the entire solar photovoltaics value chain. Thanks in particular to its unique footprint in China, where 90% of its solar cells are manufactured, Mersen is targeting sales of €100 million by 2025;
- The Group has developed expertise in advanced materials that are essential to the manufacturing process of both silicon and silicon carbide semiconductors. Mersen has also formed a strategic partnership with Soitec to develop a new range of substrates for the electric vehicle market. Overall, these segments could represent €170 million in sales by 2025;
- The Group is investing in the electric vehicle market. For several years, Mersen's growth strategy has involved reinforcing its teams, qualifying its sites to automotive standards and entering into partnerships with automotive stakeholders. Thanks to its efforts, sales could be between €40 million and €70 million by 2025.

Annual growth in these markets is expected to average around 18%.

All other markets are expected to grow by an average of 4% per year. The Group is expecting the aeronautics and rail markets to return to 2019 levels. Process industries and the chemicals market should follow global industry trends.

The Group's performance over the period will benefit from the expected volume effect. In addition, Mersen's positioning as a provider of customized high-tech solutions gives it pricing power. The impacts of the operational excellence plans deployed throughout the organization should enable it to offset possible inflationary effects.

Buoyed by this growth model and by sustainable market trends, Mersen's ambition for 2025 – barring a major economic slowdown and at current exchange rates – are:

- Sales of around €1.2 billion;
- Operating margin before non-recurring items of at least 11%;
- EBITDA margin representing at least 17.5% of sales;
- ROCE of at least 12%.

These goals are accompanied by a new CSR roadmap for 2022-2025, following the successful completion of the previous roadmap. The Group is pursuing its commitments in terms of:

- A sustainable supply chain;
- Limiting environmental impact through commitments to reduce GHG emission intensity and water consumption and to increase waste recycling;
- Promoting equal opportunity, diversity, a social responsibility policy for all and health and safety at work;
- An exemplary ethics and compliance culture.

6. Taxonomy reporting

6.1. Regulatory environment

The European Union (EU) has issued Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment (known as the Taxonomy Regulation)[(1)]. It requires companies to disclose key performance indicators for the 2021 financial year, indicating the share of their turnover, capital expenditure and eligible operating expenditure derived from products and/or services associated with economic activities considered environmentally sustainable within the meaning of the Regulation and its delegated acts for the first two objectives, namely climate change mitigation and adaptation.

This Regulation has been supplemented by:

- The Climate Delegated Act of June 4, 2021 and its annexes[(2)] supplementing Regulation (EU) 2020/852 by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation;
- Delegated Regulation 2021/2178 of the European Commission of July 6, 2021 and its annexes supplementing Regulation (EU) 2020/852 by specifying how to calculate the KPIs and the narrative information to be disclosed[(3)];
- The proposals of the Technical Working Group in the August 2021 Platform on Sustainable Finance report.

6.2. Definitions

An economic activity is **eligible** if it is listed in Annexes I and II of the Taxonomy Regulation Climate Delegated Act of June 4, 2021[(4)] as contributing to the following two climate objectives (fiscal 2021):

1. climate change mitigation,
2. climate change adaptation.

   An economic activity has been defined as **qualifying** for the European Taxonomy if, according to Mersen, it contributes to the environmental objectives as described in Articles 10-15 of Regulation (EU) 2020/852 of June 18, 2020. Pending the publication of the Delegated Acts in 2022, Mersen has referred to the list of activities proposed by the Technical Working Group in the August 2021 Platform on Sustainable Finance report, in connection with the following objectives:

3. sustainable use and protection of water and marine resources,
4. transition to a circular economy,
5. pollution prevention and control,
6. protection and restoration of biodiversity and ecosystems;

Mersen has determined that an economic activity may be considered **eligible by virtue of voluntary reporting** if, without being eligible or qualifying in the strict sense, it supplies an eligible market as defined in Annexes I and II of the Taxonomy Regulation Delegated Act of June 4, 2021;

Activities not defined in the European Taxonomy analysis framework are therefore excluded from that framework. This scope includes Mersen's activities whose correspondence with or contribution to the objectives of the Taxonomy could not be identified by the Group on the basis of the regulatory information as published at the date of consolidation of the 2021 financial statements.

The concept of alignment provided for in the regulations starting from the next fiscal year will be addressed in the 2022 URD.

6.3. Methodology

The financial information used for this preliminary analysis was sourced from the Group's information systems (investment monitoring, consolidation) after the closing of the annual financial statements. They have been jointly analyzed and monitored by local and central teams to ensure consistency with consolidated sales and capex in 2021, and reviewed by the Group's Finance, and Strategy and Development Departments.

6.3.1. Approach for sales

The Group's reporting frameworks allow for the segmentation of sales by business unit (BU), product, application and market.

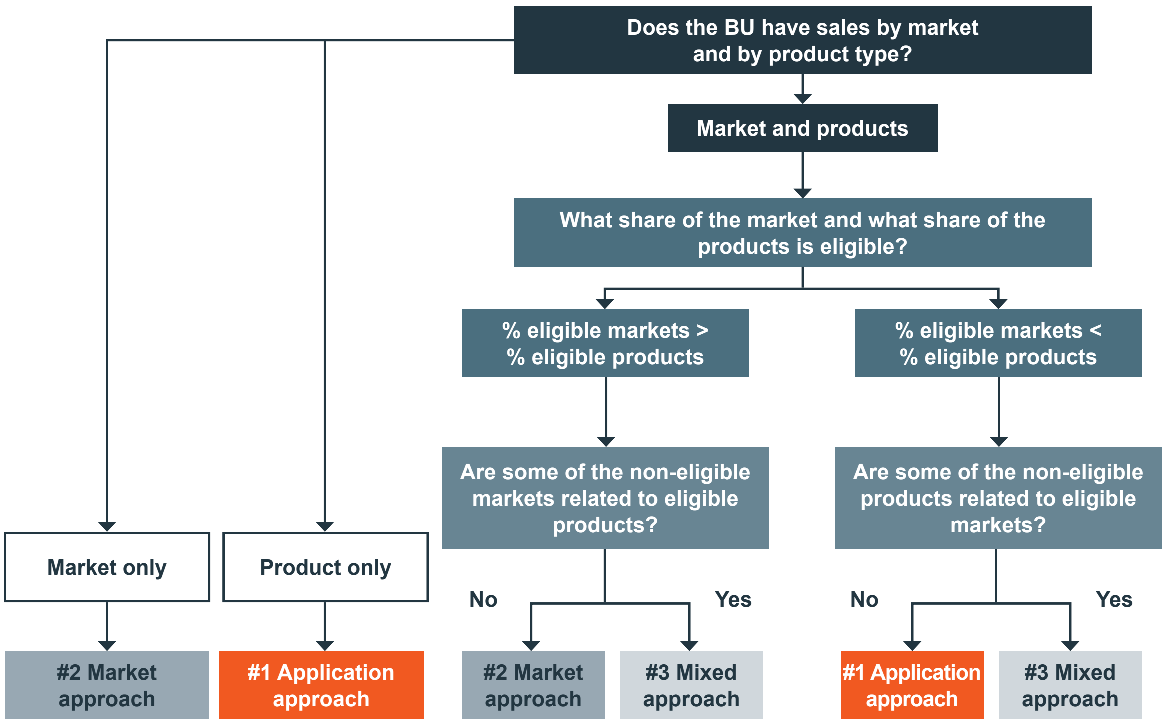
The denominator follows the accounting definition and can be reconciled with the financial statements.

The application approach has been favored when the business unit has detailed information on the performance of its products as regards objectives 1 and 2 of the Taxonomy and when the market is not or is only marginally eligible.

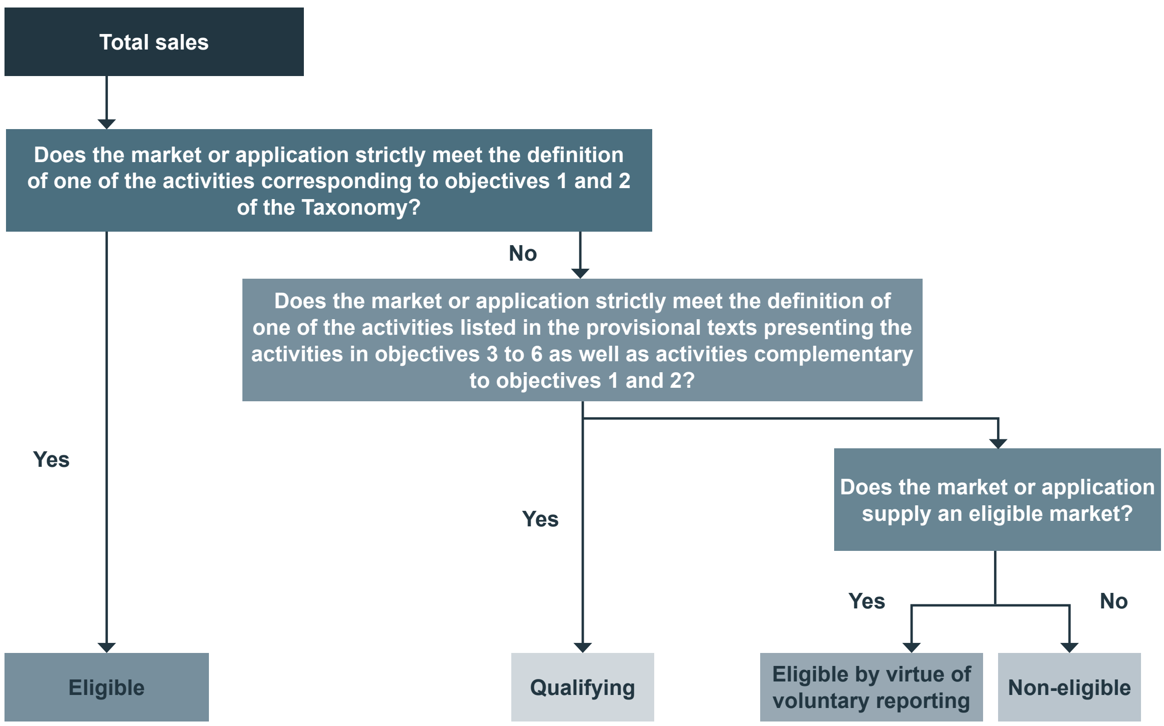
The market approach has been adopted when the business unit does not have sufficient information about its products as regards the criteria of objectives 1 and 2 of the Taxonomy or when the product is not identified by the Taxonomy but can be included when the destination market corresponds to an activity included in the Taxonomy.

A mixed approach has been used when it is possible to include the activity by virtue of a market approach for a specific type of product, when the level of detail given by the business unit allowed it.

(1) https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN
(1) https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)2800&from=EN
(3) https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178&from=EN
(4) Delegated Act of June 4, 2021 and its Annexes 1 and 2 on climate change mitigation and adaptation.



Characterization of activities



6.3.2. Investment approach

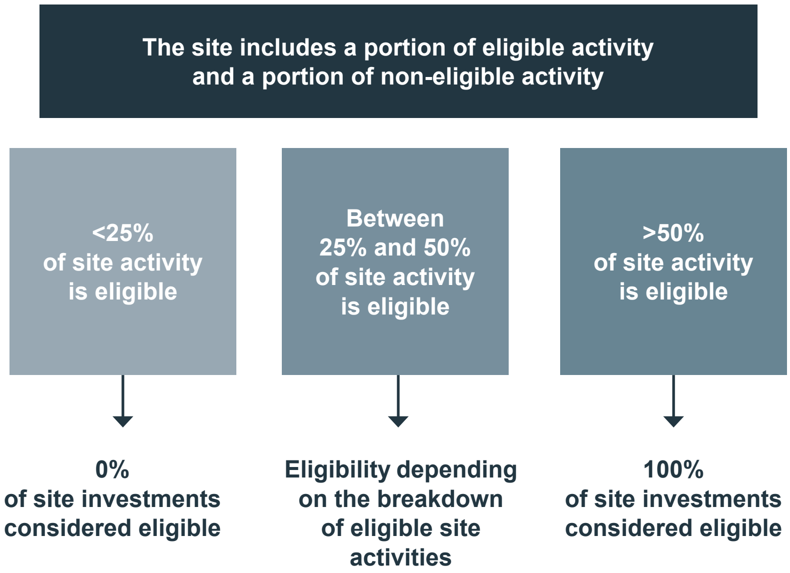
The Taxonomy Regulation favors a balance sheet approach to investments (paid or unpaid). However, to ensure consistency with external communication and to facilitate readability, the Group has chosen to adopt a cash flow approach. This approach is justified insofar as the change in amounts due on fixed assets (€2,1 million or 2.5% of total capex) is small, and as such does not distort the analysis. The Group will obviously monitor the difference between results obtained using this methodology as opposed to the Taxonomy definition to ensure that it remains immaterial.

The Mersen Group has industrial operations in 35 countries, with more than 53 manufacturing sites. It has decided for this inaugural report to focus its analysis on the main contributing sites, while ensuring that the selection is representative of all the Group's sites. The analysis therefore focused on 27 sites, representing 90% of the Group's total capital expenditure, distributed among the activities in a similar way to the Group's total capital expenditure.

Investments were considered eligible when:

- they can clearly be assigned to a Taxonomy-eligible product
- their nature links them to a Taxonomy-eligible market.

Investments that cannot be qualified have been allocated as described below:



Special case of the Columbia site (USA):

In 2019, the Group acquired the Columbia site in the United States with the aim of:

- accessing complementary isostatic graphite manufacturing capabilities,
- insourcing the production of specialty extruded graphite, and
- with the acquisition of Americarb's insulation business in 2020, installing insulation felt manufacturing facilities.

To achieve these objectives, significant investments were and will continue to be necessary; they will position the site as a preeminent one for the Graphite Specialties business.

Investments linked directly to the insulation felt business were considered eligible as they were linked to an eligible product.

Investments for isostatic graphite manufacturing were classified as eligible or qualifying when attached to an eligible market (solar) or a qualifying market (electric vehicles). The breakdown between the two categories was made on the basis of the total sales of the business (Graphite Specialties Business Unit).

As extruded graphite is intended mainly for non-eligible markets, the related investments have been classified as non-eligible.

For investments intended for the manufacture of both types of graphite, the portion relating to isostatic graphite was identified in proportion to target sales at full capacity, before applying the same process.

6.4. Results

These results cover all activities included in the scope of Mersen's financial consolidation at December 31, 2021.

6.4.1. Sales

Activities eligible (by virtue of voluntary reporting or not) or qualifying for the objectives of the European Green Taxonomy account for **66%** of the Mersen Group's 2021 sales:

- 30% identified as eligible
- 12% considered as qualifying
- 24% considered eligible by virtue of voluntary reporting.

Activities not defined in the Taxonomy framework account for 34% of sales, but the Group considers that some of them have an environmental benefit that may justify their reexamination and potential future inclusion in the framework, subject to regulatory developments and clarification from regulators and supervisors.

Activities eligible in respect of objective 1 (climate change mitigation) of the European Taxonomy as of December 31, 2021

NACE code [(1)]	Activity as described in the Delegated Act [(2)]	Description of the activity	Mersen's corresponding activities Materials: activities in the Advanced *Materials segment* Power: activities in the Electrical *Power segment*
C25, C27 and C28	3.1 Manufacture of renewable energy technologies	Manufacture of renewable energy technologies, where renewable energy is defined in Article 2 (1) of Directive (EU) 2018/2001.	Solar: • Materials: Manufacture of solar cells (graphite and insulation) • Power: Electrical protection of solar panels, Power conversion (PT&D) [(3)] Wind: • Materials: Generator brushes, Signal transfer • Power: Electrical protection, Power conversion (PT&D) [(3)] Hydro-power: • Materials: Generator brushes
C27.2 and E38.32	3.4 Manufacture of batteries	Manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage and other industrial applications. Manufacture of respective components (battery active materials, battery cells, casings and electronic components). Recycling of end-of-life batteries.	Energy storage: • Materials: Insulation felt for redox batteries, • Power: Electrical protection, Power conversion (PT&D) [(3)]
C22, C25, C26, C27 and C28	3.6 Manufacture of other low carbon technologies	Manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered in Sections 3.1 to 3.5 of this Annex.	• Materials: Heat exchangers, insulation materials (excluding solar), silicon carbide industrial scan mirrors, insulating felt for the manufacture of optical fibres • Power: Variable speed drive for industrial motors (power conversion)
D35.30	4.25 Production of heat/cool using waste heat	Construction and operation of facilities that produce heat/cool using waste heat.	• Materials: Eco&Flex synthesis units

(1) Statistical classification of economic activities in the European Community.
(2) Delegated Act of June 4, 2021 and its Annexes 1 and 2 on climate change mitigation and adaptation.
(3) Production, Transmission & Distribution.

Activities eligible by virtue of voluntary reporting

NACE code [1]	Activity as described in the Delegated Act [2]	Description of the activity	Mersen's corresponding activities
C16.23, C23.11, C23.20, C23.31, C23.32, C23.43, C.23.61, C25.11, C25.12, C25.21, C25.29, C25.93, C27.31, C27.32, C27.33, C27.40, C27.51, C28.11, C28.12, C28.13, C28.14	3.5 Manufacture of energy efficiency equipment for buildings	Manufacture of energy efficiency equipment for buildings.	Power: electrical protection of LEDs
D35.12 and D35.13	4.9 Transmission and distribution of electricity	Construction and operation of transmission systems that transport electricity on the extra high-voltage and high-voltage interconnected system. Construction and operation of distribution systems that transport electricity on high-voltage, medium-voltage and low-voltage distribution systems.	• Power: Electrical protection (Power distribution, Industries, Buildings, Other markets), Power conversion (Distribution & Transmission)

(1) Statistical classification of economic activities in the European Community.
(2) Delegated Act of June 4, 2021 and its Annexes 1 and 2 on climate change mitigation and adaptation.

Qualifying activities

NACE code [1]	Activity as described in the proposals of the Technical Working Group in the August 2021 Platform on Sustainable Finance report [2]	Description of the activity	Mersen's corresponding activities
C27.1, C27.3 and C27.9	2.10 Manufacture of high, medium and low voltage electrical equipment that result in or enable substantial contribution to climate change mitigation	The activity manufactures high, medium and low voltage electrical equipment that result in or enable substantial contribution to climate change mitigation in other sectors of the economy. The activity includes technologies for the integration of renewable sources of energy in the Union electric grids (through the management and compensation of fluctuations of renewable energy production and demand management), the recharging of the zero emissions vehicles, and the deployment of smart metering and control technologies for energy efficiency.	• Materials: manufacture of SiC semiconductors, third rail shoes and pantograph strips for railway equipment • Power: Power transmission (rail equipment), power conversion of rail infrastructure, electrical protection and power conversion of electric vehicles and charging stations

(1) Statistical classification of economic activities in the European Community.
(2) Annex to the draft report by the Platform on Sustainable Finance on preliminary recommendations for technical screening criteria for the EU taxonomy.

6.4.2. Industrial investments (capex)

Eligible and qualifying investments (whether by virtue of voluntary reporting or not) account for 54% of the investments analyzed, corresponding to the 27 industrial sites making the biggest contribution (90% of the Group's total capex):

- 34% of investments are eligible
- 4% are qualifying
- 16% are eligible by virtue of voluntary reporting.

In a financial materiality approach, 10% of investments were not analyzed for this inaugural report in view of their low unit value. However, the Group has no reason to believe that their breakdown differs from that of the investments analyzed.

46% of investments are excluded from the Taxonomy framework.

Excluding the Columbia site in the United States (see paragraph 6.3.2), the proportion of eligible investments (whether voluntary or not) would be 63%.

6.4.3. Operating expenses (opex)

As the scope of the expenses to be analyzed was only clarified at the beginning of 2022, and in view of the large number of sites, the Group has not been able to analyze this indicator in detail for 2021.

Based on a number of sites representing approximately half of its operating expenses (OPEX), the Group has estimated the amount of OPEX to be analyzed with respect to the Taxonomy at between €50 million and €55 million. The Group considered this amount immaterial (total OPEX of 830 million euros) and will continue its work for 2022.

6.5. Reconciliation of Taxonomy sales and sales for sustainable development markets (see chapter 4)

In its 2018-2021 CSR roadmap, the Group set the goal of reaching more than 55% of its sales linked to sustainable development markets. Such markets include:

- renewable energies
- green transport: rail and electric vehicles
- electronics for energy efficiency: manufacture of semiconductors (Si or SiC) and components for power electronics
- certain process industries, in particular those related to heat treatment
- the pharmaceutical market (API) and chlor-alkali electrolysis.

The Taxonomy Directive approach is different, but the underlying philosophy is the same.

Reconciliation between the two methods is shown in the table below.

Sustainable Development sales (Mersen definition)	Eligible	Eligible by virtue of voluntary reporting	Qualifying	Non-eligible
Markets				
Solar power				
Wind power				
Hydro-power				
Storage				
Rail				
EV				
Si semiconductors				
SiC semiconductors				
Applications/Market				
Power conversion				
Applications				
Insulation/Thermal treatment				
API				
Chlor-alkali (EcoFlex)				

Other Mersen activities considered eligible, qualifying or eligible by virtue of voluntary reporting under the Taxonomy

Electrical protection*				
Heat exchangers**				

** Excluding products included in sustainable development markets as per Mersen's current classification.*
*** Products, maintenance and services for the chemical industry not included in sustainable development markets as per Mersen's current classification, EcoFlex excepted.*

2 CORPORATE GOVERNANCE REPORT

This corporate governance report was prepared by the Board of Directors in respect of the fiscal year ended December 31, 2021, in accordance with the provisions of Articles L.225-37, L.225-37-4 and L.22-10-8 to L.22-10-11 of the French Commercial Code *(Code de commerce)*. Pursuant to these provisions, this report was submitted for the opinion of the Governance, Appointments and Remuneration Committee (GARC) and the Audit and Accounts Committee, which met on March 8, 2022, and for the approval of the Board of Directors on March 15, 2022.

The corporate governance policy of Mersen (**"the Company"**) is in line with the legislative and regulatory provisions applicable to listed companies in France, its Articles of Association (available online at www.mersen.com/fr) and the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies to which the Company refers (hereinafter **"the AFEP-MEDEF Code"**). The AFEP-MEDEF Code is available (in French) on the AFEP website (www.afep.com) and on the MEDEF website (www.medef.com).

1. Administrative and Management Bodies

1.1. The Board of Directors

The Company has been governed by a Board of Directors and an Executive Management team since the Annual General Meeting of May 11, 2016. It was previously governed by a two-tier structure with a Supervisory Board and a Management Board.

1.1.1. The Internal Rules of the Board of Directors

The Internal Rules represents the governance charter for the Board and also governs the relationships between the latter's members and the Company's Chief Executive Officer, in a spirit of cooperation notably intended to ensure fluid exchanges between the corporate bodies in the interest of shareholders.

It is intended to give the Board the means to implement best practices in corporate governance in line with the recommendations of the AFEP-MEDEF Code.

The Internal Rules has seven articles and two annexes:

- Article 1 defines the composition of the Board of Directors, its diversity policy, training of its members, and the concept of "independent" members;
- Article 2 relates to the role and duties of the Board of Directors and indicates the lists of decisions made by the Chief Executive Officer subject to the Board of Directors' authorization or prior opinion;
- Article 3 relates to the holding and the procedures of meetings of the Board of Directors (notices of meetings, participation, majority rules, minutes, and Board secretary);
- Article 4 covers the compensation and benefits paid to members of the Board of Directors (directors' compensation, compensation and benefits paid to the Chairman, and exceptional compensation and benefits);
- Article 5 covers the obligations applicable to members of the Board of Directors;
- Article 6 covers the assessment rules for the Board of Directors and its Committees;
- Article 7 governs the operating rules for the Committees set up by the Board of Directors.

Annex 1 focuses on the policy regarding the disclosure of inside information and insider status.

Annex 2 refers to the selection procedure for independent directors.

The Internal Rules of the Board of Directors can be downloaded from the Company's website at www.mersen.com, in the section Group/Corporate governance.

1.1.2. Assignments and duties of the Board of Directors

The Board of Directors determines the Company's overall strategy, overseen by its Chairman in close collaboration with Executive Management. As part of this role, it examines and approves the Company's strategic plans and activities.

Under the Articles of Association, the Chairman of the Board of Directors is a natural person, elected by the Board from among its members. The Chairman is responsible for convening the Board and directing its proceedings. He exercises his functions for the duration of his term of office as a director and may be re-elected. He is subject to the same age limit as the members of the Board of Directors and may, at any time, be dismissed by the Board of Directors. The vote of the Chairman does not act as the casting vote in the event of a tied vote.

The Chairman may delegate to another member of the Board his powers for organizing the Board's work, preparing Board meetings in advance and leading the discussions during Board meetings. In this capacity, Michel Crochon, an independent director, is responsible for leading discussions on strategic issues. Magali Joëssel is responsible for monitoring CSR issues (see section 1.1.3).

The Chairman and the director responsible for leading discussions on strategic issues may:

- receive from the Company any documents that he deems useful for carrying out his duties;
- hold meetings with the Chief Executive Officer (if the Chairman does not also hold the position of Chief Executive Officer) and any Deputy Chief Executive Officers, as well as with any other person he may consider it useful to meet with;
- request that any third parties of his choosing (specialist, advisor or statutory auditor) attend Board meetings;

- commission, at the Company's expense and subject to the budgets approved by the Board of Directors, any internal or external specialist studies or research that may help the Board in its discussions.

The Board's main duties are:

- review of the financial position, cash position and commitments of the Company and its subsidiaries; the Board also receives a monthly report on the Group's net sales and net income, and on the Group's financial position;
- annual review and approval of the budget;
- approval of the management report and the corporate governance report;
- review and approval of the parent company and consolidated financial statements;
- review of related-party agreements and annual assessment of routine agreements entered into on arm's length terms;
- prior authorization of related-party agreements and their annual review in order to ensure that they are in the Company's interests;
- appointment and removal of the Chief Executive Officer and setting of his or her compensation in accordance with the regulations;
- definition of the compensation policy for corporate officers;
- review and approval of the succession plan for executive corporate officers;
- co-optation of members of the Board of Directors;
- allocation of compensation among the members of the Board of Directors, setting of the Chairman's compensation in accordance with the conditions provided for by the regulations;
- prior consultation on the content of the interim financial information released to the market;
- authorizations relating to guarantees and endorsements;
- proposal of resolutions to be put to the Annual General Meeting;
- setting up of stock option and free share plans.

The Chief Executive Officer may not make decisions, unless previously authorized to do so by the Board, in the following areas:

- issues of securities conferring rights directly or indirectly to the Company's share capital;
- funding operations likely to substantially alter the Company's financing structure;
- investments or asset disposals (excluding shareholdings) in an amount of over €10 million;
- business acquisitions or acquisitions of stakes in any form, of which the individual price, or aggregate price for multiple stakeholdings within a single entity, exceeds €3 million, inclusive of any liabilities assumed;
- guarantees and deposits of any kind, other than those granted to guarantee subsidiaries' commitments, exceeding an amount set by the Board and valid for the period determined by the Board in its decision;
- strategic partnership agreements that are likely to have a substantial impact on the Company's business activities or financial results;
- major internal restructuring operations;
- major transactions that do not fall within the scope of the Company's announced strategy.

1.1.3. Promoting long-term value creation and addressing CSR challenges

In accordance with Article L.225-35 of the French Commercial Code, the Board of Directors endeavors to protect the interests of the Company and its shareholders while taking into consideration the social and environmental challenges of the Company's activities.

The Board takes these issues into consideration for all stakeholders: customers and suppliers, employees, partners and local territories. It believes that finding a sustainable balance between all of these interests is vital to the Group's long-term future and value creation.

The Board regularly reviews opportunities and risks in line with the strategy it has defined, such as financial, legal, operational, social and environmental risks, as well as the measures taken in response.

It ensures that measures to prevent and detect corruption and influence peddling are implemented.

On December 17, 2021, the Board decided to address CSR challenges by appointing a director responsible for monitoring CSR issues. This director will lead and oversee progress on the CSR roadmap set out by Group Executive Management. Magali Joëssel, permanent representative of Bpifrance Investissement on Mersen's Board of Directors, has agreed to take on this role for the duration of her term of office, which expires at the close of the Annual General Meeting called to approve the 2022 financial statements.

1.1.4. Promoting diversity in the Board of Directors and policy to increase the proportion of women in management bodies

The Board of Directors pays close attention to diversity, particularly in terms of gender and expertise. It ensures that its composition and that of the Committees it establishes from among its members is balanced, by ensuring that its tasks and those of its Committees are carried out with the necessary independence and objectivity. In particular, it ensures that the composition of the Board allows for the balanced representation of men and women, different nationalities, ages, qualifications, professional experience and expertise.

Promoting diversity in the Board

Criterion	Objectives	Measures implemented and results obtained in 2021
Representation of men and women	Balanced representation of men and women on the Board and Committees.	The legal provisions concerning gender parity are complied with, since 50% of women are on the Board (excluding directors representing employees). Balanced representation of men and women on the Committees: • 2 women out of 4 are on the Audit Committee; • 2 women out of 5 (including the Committee Chairwoman) are on the Governance, Appointments and Remuneration Committee. See table in section 1.1.7.1.
Nationalities and international profiles	Directors who are non-French citizens or with an international background and/or with international experience.	One director is a German citizen. The majority of the directors have international experience. The experiences and skills are described in section 1.1.7.3.
Age of Directors	Compliance with legal provisions. Generational balance.	The directors are between 48 to 70 years old with an average age of 63.
Qualifications, experience and expertise	Complementary skills and experiences of directors. Directors' experiences and expertise in relation to the Mersen Group's businesses and strategy.	The Board of Directors has formally described the expertise it deems necessary to carry out its duties. This expertise is described in Section 1.1.7.3.

The Board also supports and encourages management in its diversity policy:

- it notes the Group's exemplary position in terms of international diversity, as more than 90% of site managers are local nationals;
- it commends the Group's policy of increasing the proportion of women engineers and managers. This policy, which is built on four pillars (see chapter 4 of this document), has made it possible to increase the proportion of women from 22.2% at the end of 2019 to 24.4% at the end of 2021, with a target of 25% to 30% of women engineers and managers by the end of 2022;
- lastly, at its meeting of March 10, 2021, it adopted an ambitious policy aimed at increasing the proportion of women on management bodies, in accordance with the recommendations of the AFEP-MEDEF Code. The Group has accordingly set the target of gradually increasing the proportion of women in management bodies in order to align the proportion of women among the Group's senior managers with the overall proportion of women among engineers and managers. The target is to have women represent 25% of senior management positions by 2025.

In its annual Corporate Governance Report, the Board of Directors reports on the progress made during the past year, including, where applicable, the reasons why targets were not met and the corrective measures taken.

The objectives set in 2020 and the results obtained in 2021 are presented below:

Policy to increase the proportion of women in management bodies

Objective	Measures implemented and results obtained in 2021
Increase the proportion of women in management bodies from 19.7% at end-2020 to 25% by the end of 2025. Scope: Executive Committee, Management Committees of businesses and support functions.	In 2021, the Group endeavored to develop its pool of internal female candidates (see chapter 4, section 6.5.4). As of December 31, 2021, based on the scope used and shown opposite, the proportion of women stood at 22.6%.

1.1.5. Training of the members of the Board of Directors

In accordance with the recommendations of the AFEP-MEDEF Code, directors who deem it necessary may benefit from additional training in the Company's specific characteristics, business segments, business sector and corporate and social responsibility issues. This training may take the form of visits to the Group's sites.

Upon their appointment, Audit Committee members are given information about the Company's specific accounting, financial and operational requirements.

In addition, employee-representative directors receive training on their role on the Board and must be given the necessary time to devote to their directorships.

1.1.6. Assessment of the Board of Directors

The Board of Directors conducts a self-assessment each year to measure its practices and procedures, the quality of preparatory work for Board meetings and the effective contribution of each of its members to the Board's work and discussions. This assessment also covers the Board Committees.

A formal assessment is conducted at least once every three years. It may either be conducted under the guidance of the Governance, Appointments and Remuneration Committee or of an independent member of the Board, if necessary assisted by an outside consultant.

In 2021, the assessment was conducted by an independent member of the Board of Directors, under the supervision of the Governance, Appointments and Remuneration Committee, which issued its report to the Board of Directors on March 15, 2022.

The conclusion was that the members of the Board were broadly satisfied with its practices and procedures, its relations with the Group's Executive Management, and the expertise of each of its members. They particularly appreciated that improvement propositions in previous years had been addressed, indicating an ongoing commitment.

In 2021, for example, the emphasis had been successfully placed on the CSR roadmap and management succession plans.

Points of attention and areas for improvement related to preparations for the replacement of Board members as current members gradually departed, HR matters and feedback from acquisitions, to be included on the Board's agenda once a year, and the organization of visits to industrial sites to accompany the training of members of the Board of Directors (see paragraph 1.1.5).

1.1.7. Composition of the Board of Directors

According to the Articles of Association, the Board of Directors comprises at least three members and at most 18 members, who are appointed by the Annual General Meeting of shareholders on the recommendation of the Board of Directors. The Board of Directors elects a Chairman from among its members, a natural person, who is responsible for convening the Board and directing its proceedings. He exercises his functions for the duration of his term of office as a director and may be re-elected. One or two employee directors are also appointed in accordance with legal provisions. Pursuant to the Articles of Association, when the number of directors, calculated in accordance with Article L.225-27-1 II of the French Commercial Code, is less than or equal to eight, the Group Committee will appoint a director representing employees. When this number is greater than eight, then a second director representing employees shall be appointed by the European Works Council. The directors representing employees are appointed for a period of four (4) years ending on the date of the first meeting of the Group Committee or, where appropriate, of the European Works Council, following the date of the fourth anniversary of their appointment. The term of the director representing the employees may be renewed once.

The age limit applicable to the duties performed by any individual Board member and any permanent representative of a legal entity is set at seventy-two (72) years; members who have reached this age during their term are deemed to have resigned at the close of the Ordinary General Meeting held after the date of the seventy-second birthday.

Furthermore, no individual person having passed the age of 70 years may be appointed as a member of the Board of Directors if his or her appointment results in over one-third of the members of the Board of Directors having exceeded that age.

Board members are appointed for a renewable term in office of four years, with the possibility of providing for a period of two or three years to be able to implement or maintain a staggered board or to take into account the abovementioned rules relating to the age limit. This results from an amendment to the Articles of Association approved by the Annual General Meeting of May 20, 2021 to allow for a better staggering of terms and to smooth out the replacement of directors.

1.1.7.1. Changes in the composition of the Board of Directors in 2021

The Annual General Meeting of May 20, 2021 approved the renewal of the terms of office of Olivier Legrain (for four years), Carolle Foissaud (for three years), Michel Crochon (for three years) and Ulrike Steinhorst (for two years), as well as the appointment of Luc Themelin, Chief Executive Officer, as a director for a period of four years.

In addition, in December 2021, as indicated in section 1.1.3, the Board of Directors appointed Magali Joëssel to be responsible for CSR issues.

Summary of changes in the composition of the Board of Directors and the Committees in 2021

	Departure	Appointment (term of office)	Renewal (term of office)
The Board of Directors	N/A	Luc Themelin (4 years)	Olivier Legrain (4 years) Carolle Foissaud (3 years) Michel Crochon (3 years) Ulrike Steinhorst (2 years)
Audit Committee	N/A	N/A	Carolle Foissaud (3 years) Michel Crochon (3 years)
Governance, Appointments and Remuneration Committee	N/A	N/A	Ulrike Steinhorst (2 years)
Other: Director in charge of coordination on CSR issues	N/A	Magali Joëssel, permanent representative of Bpifrance Investissement (until the expiry of the current term of office of Bpifrance Investissement)	-

Luc Themelin, who has been working for the Group for 33 years and has been serving as Mersen's Chief Executive Officer since August 2011, brings to the Board of Directors his extensive knowledge of the Group, his expertise in electrics and advanced materials and its final markets, especially as the Group faces major challenges on highly specialized markets and applications (SiC semiconductors, electric vehicles, etc.).

As of the date of publication of this Universal Registration Document, the Board of Directors was composed of nine members, including a director representing employees:

Personal information					Position within the Board				Participation in a Committee	
	Age	**Gender**	**Nationality**	**Number of shares**	**Independence**	**Date of first appointment**	**Term ends**	**Length of service on the Board (years)**	**Audit and Accounts**	**Appointments Governance Remuneration**
Olivier Legrain *Chairman*	69	M	FR	1,770	X	05/18/2017	2025 AGM	5		X
Isabelle Azemard *Director* Appointed on the recommendation of BPI	70	F	FR	800		05/15/2014	2022 AGM	8		X
Pierre Creusy *Director* representing employees	60	M	FR	200		10/12/2017	Group Committee Post 10/17/2021	4		X
Michel Crochon *Director* Responsible for leading discussions on strategic issues	70	M	FR	800	X	05/18/2017	2024 AGM	5	X	
Carolle Foissaud *Director*	55	F	FR	823	X	05/16/2013	2024 AGM	9	X	
Bpifrance Investissement *Director* Represented by Magali Joëssel Responsible for monitoring CSR issues*	48	F	FR	2,242,770		10/30/2013	2023 AGM	8	X	
Ulrike Steinhorst *Director*	70	F	GER	815	X	05/16/2013	2023 AGM	9		X
Luc Themelin *Chief Executive Officer* *Director*	61	M	FR	43,405		05/20/2021	2025 AGM	1		
Denis Thiery *Director*	66	M	FR	800	X	05/17/2019	2023 AGM	3	x	X

** Since December 17, 2021.*
Chair.

1.1.7.2. Changes in the composition of the Board of Directors in 2022

Two directorships are due to expire in 2022:

- the directorship of Pierre Creusy, a director representing employees, is due to expire at the next Group Committee meeting to be held on May 5, 2022 (the first Group Committee meeting held after October 17, 2021). The Group Committee will decide on his renewal for a period of four years or his replacement;
- the directorship of Isabelle Azemard is due to expire at the Combined General Meeting of May 19, 2022. This directorship cannot be renewed due to the age limit of 70 years. The appointment of another director to replace Isabelle Azemard will be subject to approval by the Combined General Meeting of May 19, 2022.

1.1.7.3. Profile, experience and expertise of directors

The Board of Directors and the Governance, Appointments and Remuneration Committee regularly assess the composition of the Board and its Committees, as well as the skills and experience that each director brings to the Board. They also identify how to achieve the best possible balance of directors' profiles, taking into account both international expertise and diversity – in terms of nationality, gender and experience.

The following table summarizes the main areas of expertise and experience of Board members.

	O. Legrain	I. Azemard	P. Creusy	M. Crochon	C. Foissaud	M. Joëssel	U. Steinhorst	L. Themelin	D Thiery
Executive Management	X			X	X			X	X
Innovation						X	X	X	
Strategy	X	X		X		X	X	X	X
Experience in Mersen's business activities	X		X	X				X	
Industrial expertise	X	X			X			X	
International/knowledge of a strategic geographic area for Mersen		X	X	X				X	X
Finance/risk management/knowledge of financial markets/M&A					X	X		X	X
Experience in listed companies	X	X		X			X	X	X
CSR/Human capital	X		X		X	X	X	X	

1.1.7.4. Detailed presentation of members of the Board of Directors

Olivier Legrain

Born 09/30/1952
French nationality
Term ends: 2025
Shares held: 1,170

Chairman of Mersen's Board of Directors – Member of the Governance, Appointments and Remuneration Committee

Biography – Professional experience
Olivier Legrain began his career with Rhône-Poulenc, where he held executive positions in several business units. He subsequently joined the Lafarge Group as a member of its Executive Committee, in charge of specialty materials and strategy. After organizing the sale of the Lafarge Group's stake in Materis, a group specializing in materials, he became Chairman of Materis until 2015.
Main activities exercised outside the Company
Olivier Legrain is now a therapist.
Current directorships
Directorships in listed companies other than Mersen: N/A
Other directorships: Director of Kiloutou, Minafin, Astance, member of the Governance Committee of Balas, member of the Supervisory Board of Amplegest
Directorships that have expired in the past five years
Director of Parot
Chairman of the Board of Parex

Isabelle Azemard

Born 02/27/1952
French nationality
Term ends: 2022
Shares held: 800

Member of Mersen's Board of Directors – Member of the Governance, Appointments and Remuneration Committee

Biography – Professional experience
Isabelle Azemard spent her career at the Thales Group, including 20 years in sales and marketing management positions, primarily at the international level. Since 2013, she has been a consultant to business executives.
Main activities exercised outside the Company
Since 2013, she has been a consultant to business executives.
Current directorships
Directorships in listed companies other than Mersen: N/A
Other directorships: Director of AXA Mutuelle IARD and Mutuelle Vie; Co-manager of RTDE
Directorships that have expired in the past five years
Director of Majencia and Latécoère

Pierre Creusy

Born 09/27/1962
French nationality
Term ends: 1st Group Committee post 10/12/2021
Shares held: 200

Member of Mersen's Board of Directors representing employees – Member of the Governance, Appointments and Remuneration Committee

Biography – Professional experience
Pierre Creusy joined Mersen in 1986. After working in Korea, he held positions in production engineering and subsequently in product management before joining Mersen's Corporate Finance team as a financial controller. In 1999, he took on business responsibilities in Asia and then held the position of Director of Strategic Projects within the Electrical Power segment. He is now VP Industrial Performance and EHS for this segment.
Main activities exercised outside the Company
N/A
Current directorships
N/A
Directorships that have expired in the past five years
N/A

Michel Crochon

Born 10/14/1951
French nationality
Term ends: 2024
Shares held: 800

Member of Mersen's Board of Directors – Responsible for leading discussions on strategic issues – Member of the Audit and Accounts Committee

Biography – Professional experience

Michel Crochon has spent his entire career at Schneider Electric, where he accumulated years of experience in many different roles. In addition to managing departments and production plants, he has also worked in sales and marketing, held cross-functional roles and managed large units. He was a member of the Executive Committee for 12 consecutive years. During that time, he was Head of the Customers and Markets Division, and later Head of the Industry Business and the Energy and Infrastructure Business, before becoming Head of the Group's Corporate Strategy and Technology. Michel Crochon has experience in working abroad and facing cross-cultural challenges, having traveled and managed teams in a variety of countries. He spent three years in both China and Hong Kong.

Main activities exercised outside the Company

N/A

Current directorships

Directorships in listed companies other than Mersen: N/A
Other directorships: Director of Sphéréa

Directorships that have expired in the past five years

N/A

Carolle Foissaud

Born 09/02/1966
French nationality
Term ends: 2024
Shares held: 823

Member of Mersen's Board of Directors – Member of the Audit and Accounts Committee

Biography – Professional experience

Carolle Foissaud has spent the bulk of her career with the Areva Group, primarily in operational positions within the Fuel and Reactors units and in management positions as Chair and Chief Executive Officer of STMI and its subsidiaries in the field of Cleanup and as Chair and Chief Executive Officer of Areva TA, which specializes in naval propulsion reactors and research reactors. She was also a member of the Areva Group's Executive Management Board. She then held the position of Chief Executive Officer of the Energy & Industry segment at Bouygues Energies & Services (2,500 employees) from September 2017 to June 2021[1]. Since July 1, 2021, Carolle Foissaud has been Managing Director of EQUANS Specialties business, a €1.8 billion division with 8,600 employees in France and abroad.

Main activities exercised outside the Company

Managing Director of EQUANS Specialties business

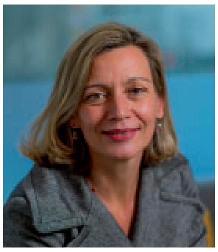
Current directorships

Chair of the Orientation Committee of ENSTA

Directorships that have expired in the past five years

Director of Ecole Navale and independent director of GFI

Bpifrance Investissement
Represented by Magali Joëssel



Born 10/24/1973
French nationality
Term ends: 2023
Shares held
by Bpifrance: 2,242,770

Member of Mersen's Board of Directors – Member of the Audit and Accounts Committee In charge of monitoring CSR issues

Biography – Professional experience

Magali Joëssel began her career with the Inspectorate General of Finance at the French Ministry of Economic and Financial Affairs, before being named General Interest Investment Manager with Caisse des Dépôts et Consignations. She joined Bpifrance when it was created in mid-2013 and currently holds the position of Strategy Manager.

Main activities exercised outside the Company

Since September 2014, Magali Joëssel has been in charge of the Industrial Project Companies (SPI) fund, which invests in the development of innovative industrial activities and projects.

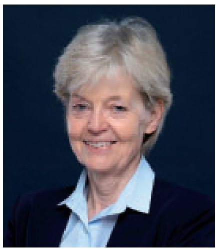
Current directorships

Directorships in listed companies other than Mersen: Metabolic Explorer
Other directorships: Director of Yposkesi and RATP

Directorships that have expired in the past five years

Director of Naval Energies

Ulrike Steinhorst



Born 12/02/1951
German nationality
Term ends: 2023
Shares held: 815

Member of Mersen's Board of Directors – Chairwoman of the Governance, Appointments and Remuneration Committee

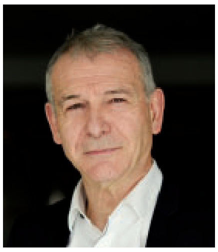
Biography – Professional experience
Ulrike Steinhorst began her career in France at the Ministry of European Affairs. She joined EDF's International Division in 1990 before returning to Germany, where she joined the Degussa Group in 1999. She held several positions there, first in Germany and later in France, where she managed Degussa's French subsidiary. She joined EADS in 2007 as Chief of Staff to the CEO before becoming Head of Strategy, Planning and Finance at Airbus Group's Research Directorate in 2012.

Main activities exercised outside the Company
Chair of SASU Nuria Consultancy

Current directorships
Directorships in listed companies other than Mersen: Director of Valeo (CSR Coordinator) and Albioma (Chair of the Compensation, Appointments and Governance Committee)
Member of the Board of École des Mines Paris Tech and of the Franco-German Chamber of Commerce and Industry

Directorships that have expired in the past five years
Director of Institut des Maladies Génétiques IMAGINE and of the Industrial Innovation Fund (F2I)

Luc Themelin



Born 02/23/1961
French nationality
Term ends: 2025
Term as Chief Executive Officer ends: 2024
Shares held: 43,405

Chief Executive Officer and member of the Board of Directors of Mersen

Biography – Professional experience
Luc Themelin holds a Ph.D. in ceramic materials science. He began his career at Alliages Frittés Metafram, a subsidiary of the Pechiney Group, in 1988. He joined the Mersen group in 1993 as a Research and Development engineer. He was appointed Director of the Braking Division in 1998 and Director of the High Temperatures Division in 2004. He joined the Executive Committee in 2005, while continuing to manage the Braking Division and overseeing the High Temperatures Division. On July 1, 2008, Luc Themelin was appointed as Supervisor of the Electrical Applications division and a member of the Management Board in May 2009.
Luc Themelin was appointed Chairman of the Management Board on August 24, 2011. His term of office as Chairman was renewed on May 16, 2013 for a period of four years. He was then appointed Chief Executive Officer on May 11, 2016. On May 14, 2020, the Board of Directors renewed its confidence in him and decided that his term of office as Chief Executive Officer would expire on the date of the Board of Directors meeting to be held immediately after the Annual General Meeting called to vote on the financial statements for the year ending December 31, 2023.

Main activities exercised outside the Company
N/A

Current directorships
Chairman and/or director of several subsidiaries that are controlled by the Company within the meaning of Article L.233-6 of the French Commercial Code. None of these companies are listed.

Directorships that have expired in the past five years
N/A

Denis Thiery

Born 06/26/1955
French nationality
Term ends: 2023
Shares held: 800

Member of Mersen's Board of Directors – Chairman of the Audit and Accounts Committee and member of the Governance, Appointments and Remuneration Committee

Biography – Professional experience
Denis Thiery worked at Wang France between 1984 and 1991, where he held various different posts, including Chief Financial Officer from 1989. From 1991 through 1997, he served as Chief Financial Officer and then Chief Executive Officer of Moorings, a world leader in pleasure boat charters based in the United States. He then joined the Neopost group as Group Chief Financial Officer in 1998 where he served as Group Chief Executive Officer from 2007 through 2018 and Chairman of the Board of Directors from January 2010 until July 2019.

Main activities exercised outside the Company
N/A

Current directorships
N/A

Directorships that have expired in the past five years
Chairman of Neopost/Quadient (2019)
Chief Executive Officer of Neopost/Quadient (2018)

As the Company is aware on the date this document was drawn up, there are no benefits granted under any service agreements between corporate officers and the issuer or any of its subsidiaries.

1.1.7.5. Independence of Directors

To verify whether or not each member is independent, after being informed of the recommendations of the Governance, Appointments and Remuneration Committee, the Board reviews all the criteria recommended by the AFEP-MEDEF Code and set out in the Board's Internal Rules, which state that an independent member may not:

- be an employee or executive corporate officer of the Company or the Group, an employee, executive corporate officer or director of a company that the Company consolidates, of the parent company of the Company or of a company consolidated by that parent company;
- be an executive corporate officer of another company in which the Company holds, directly or indirectly, a directorship, or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having been in office within the past five years) is a director;
- be (or be directly or indirectly linked to) a customer, supplier, commercial banker, financial banker or adviser that is material to the Company or its Group, or for which the Company or its Group accounts for a significant part of its business;
- have close family ties to a corporate officer of the Company or its Group;
- be, or have been in the past five years, a statutory auditor for the Group's financial statements or for the financial statements of a Group company;
- have been a corporate officer of the Company for more than 12 years.

A non-executive corporate officer may not be regarded as independent if he or she receives variable compensation in cash or in shares or any other compensation related to the performance of the Company or the Group.

Directors representing major shareholders of the Company or its parent company may be considered independent if those shareholders do not control the company within the meaning of Article L.233-3 of the French Commercial Code. However, where the shareholder owns more than 10% of the capital or voting rights, the Board will systematically review the director's independence based on a report by the Governance, Appointments and Remuneration Committee, taking into account the Company's ownership structure and any potential conflict of interest.

A member who meets all the above criteria may nevertheless be deemed not independent by the Board of Directors due to his or her individual circumstances or the Company's circumstances regarding its shareholders or for any other reason. Conversely, the Board may consider that a member who does not meet all of the above criteria is nevertheless independent. The Board must be able to justify such cases based on the Company's specific circumstances and the individual circumstances of the Board member in question.

At its meeting of March 15, 2022, based on the recommendations of the Governance, Appointments and Remuneration Committee, the Board of Directors reviewed the situation of each director in light of the independence criteria. It ruled that the representatives of Bpifrance could not be regarded as independent due to the level of Bpifrance's holding in the Company's capital. The director representing employees and the Chief Executive Officer cannot be regarded as independent either.

	Non-independent directors				Independent directors				
	I. Azemard	Bpifrance, represented by M. Joëssel	P. Creusy*	L. Themelin	O. Legrain	M. Crochon	C. Foissaud	U. Steinhorst	D. Thiery
Employee or executive corporate officer of the Company in the past 5 years	X	X	Y	Y	X	X	X	X	X
Cross-directorships	X	X	X	X	X	X	X	X	X
Significant business relationships	X	X	X	X	X	X	X	X	X
Close family ties to a senior manager	X	X	X	X	X	X	X	X	X
Statutory Auditor of the Company in the past 5 years	X	X	X	X	X	X	X	X	X
Director of the Company for more than 12 years	X	X	X	X	X	X	X	X	X
Variable or performance-related compensation for non-executive corporate officers	X	X	X	X	X	X	X	X	X
Major shareholder	Y	Y	X	X	X	X	X	X	X

X = no; Y = yes
** Employee representative.*

None of the independent directors have a business relationship with the Company.

As of the date of preparation of this Universal Registration Document, the proportion of independent directors was 62.5%. In accordance with the recommendations of the AFEP-MEDEF Code, the director representing employees is not included in the calculation of this percentage. The proportion of independent directors is higher than that recommended by the AFEP-MEDEF Code, according to which the independent directors should account for half the members of the Board in widely-held corporations without controlling shareholders.

1.1.7.6. No convictions or conflicts of interest, and other disclosures concerning members of the Board of Directors and Executive Management

As of the date of this Universal Registration Document and to the Company's knowledge:

- there are no family ties between the members of the Board of Directors and Executive Management;
- no members of the Board of Directors or Executive Management have been convicted of fraud for at least the past five years;
- none of the members of the Board of Directors or Executive Management has been involved in bankruptcy, receivership or liquidation proceedings or the placing of companies under administration as a result of having served as a member of an administrative, management or supervisory body for at least the past five years [(1)];
- no official complaint and/or public sanction has been issued by a statutory or regulatory authority (including designated professional bodies) against any member of the Board of Directors or Executive Management for at least five years;
- no members of the Board of Directors or Executive Management have been prevented by a court from acting as a member of an administrative, management or supervisory body or from participating in a company's management or business operations for at least the past five years;
- no conflicts of interest have been identified between the private interests and/or other duties of any of the members of the Board of Directors or Executive Management with respect to the Company;
- there are no arrangements or agreements between the main shareholders and customers, suppliers or other parties under which any member of the Board of Directors or Executive Management has been appointed as such;
- there is no restriction to which the members of the Board of Directors or Executive Management have agreed concerning the sale of their interest in the Company's share capital, within a given timeframe, provided that:
  - each member of the Board of Directors (with the exception of the director representing employees) holds at least 800 shares of the Company, fully paid up and held in registered form,
  - stock options or free shares granted to the Chief Executive Officer are subject to minimum holding periods (see sections 2.3, 2.4 and 2.5).

As regards the prevention and management of conflicts of interest, Article 5 of the Internal Rules states that the directors *"shall inform the Board of Directors of any actual or potential conflict of interest to which they may be exposed [...]. Where this is the case, they shall abstain from taking part in any deliberations and any decisions relating to the matters concerned."* No conflict of interest or potential conflict of interest was brought to the attention of the Board of Directors in 2021.

1.1.7.7. Compliance with the rules on multiple directorships

According to the Board of Directors' Internal Rules, the members of the Board of Directors undertake to devote the necessary time and attention to their duties. In this respect, in accordance with the recommendations of the AFEP-MEDEF Code, a director should not hold more than four other directorships in listed companies, including foreign corporations, outside the Group. In addition, the French Commercial Code provides that no natural person may simultaneously hold more than five directorships in French joint stock corporations (*sociétés anonymes*) having their registered office in France. On the basis of the information provided by the directors, all the directors comply with the rules on multiple directorships.

(1) Isabelle Azemard informed Mersen that Majencia – a company in which she held a directorship – was placed into liquidation on April 17, 2019 and has since been taken over as a going concern by Nowy Styl Group, whose registered office is located at ul. Pużaka 49 in Krosno (Poland). Its business has been continued.

1.1.8. Work of the Board of Directors and its Committees in 2021

The table below summarizes each Board member's attendance at Board and Committee meetings in 2021:

Members of the Board	Attendance at Board meetings	Attendance at Audit and Accounts Committee meetings	Attendance at Governance, Appointments and Remuneration Committee meetings
Isabelle Azemard	100%	N/A	100%
Bpifrance Investissement	100%	100%	N/A
Pierre Creusy	100%	N/A	100%
Michel Crochon	100%	100%	N/A
Carolle Foissaud	100%	40%	N/A
Olivier Legrain	100%	N/A	100%
Ulrike Steinhorst	100%	N/A	100%
Denis Thiery	100%	100%	100%
Luc Themelin*	100%	N/A	N/A
Average	**100%**	**85%**	**100%**

** Since May 20, 2021.*

Carolle Foissaud was unable to attend three Audit and Accounts Committee meetings in light of her new position, requiring her full attention. This period was followed by a due-diligence phase in the context of the proposed sale of EQUANS, of which she is Managing Director of the Specialties business.

1.1.8.1. Work of the Board

The Board of Directors met 9 times in 2021, with an average attendance rate of 100%. In addition, at least once a year, an informal meeting is held without any executive corporate officers being present. As the meetings are informal, no minutes are drawn up.

During these meetings, the Board reviewed and/or made decisions concerning the following issues:

- Group strategy and development
  - approval of strategic plans, business plan and budget;
  - discussions about strategic topics in particular: progress made in the electric vehicle market, developments on the SiC market, update on the start-up of the Columbia plant in the United States, review of the market and prospects in China.
- CSR policy
  - review of the Group's health and safety performance;
  - review of the Human Resources roadmap and the talent management policy;
  - adoption of the policy to increase the proportion of women in management bodies.
- Group results
  - regular reviews of the Group's business;
  - approval of interim and annual financial statements, management forecasts and draft press releases on results and guidance.
- Governance
  - renewal of the term of office of the Chairman of the Board of Directors;
  - appointment of a director in charge of monitoring CSR issues;
  - adoption of the procedure for the selection of independent directors;
  - review of directors' independence;
  - succession planning;
  - approval of amendments to the Board's Internal Rules;
  - assessment of routine agreements entered into on arm's length terms.
- Compensation
  - approval of the Chief Executive Officer's compensation (including setting targets for the current year and validating achievement levels for the previous year) and review of related-party agreements with the Chief Executive Officer (including related to his severance payment, non-compete indemnity and supplementary pension plan);
  - approval of the compensation policy for the Chairman and members of the Board of Directors.
- Preparation of the Annual General Meeting
  - approval of resolutions to be put to the Annual General Meeting.
- Other
  - setting of the annual amount for the authorization of guarantees and deposits issued by Mersen;
  - analysis of the minutes of Board Committee meetings;
  - approval of the transfer of the Company's registered office.

1.1.8.2. Work performed by the Board of Directors' Committees

In its Internal Rules, the Board of Directors has defined the roles, responsibilities, and resources of its two Committees: the Audit and Accounts Committee and the Governance, Appointments and Remuneration Committee. As far as possible and depending on the applicable circumstances, all Board decisions that fall within the remit of a Committee must not be taken without prior discussion with the relevant Committee and may be made only after that Committee has issued its recommendations and proposals.

When performing its duties, each of the Committees may:

- have the Company communicate any document that it deems useful for the performance of its duties;
- hold meetings with the Chief Executive Officer (if the Chairman does not also hold the position of Chief Executive Officer) and any Deputy Chief Executive Officer(s), as well as with any other person it may consider it useful to meet with;
- request that any third parties of its choosing (specialist, advisor or statutory auditor) attend Committee meetings;
- commission, at the Company's expense and subject to the budgets approved by the Board of Directors, any internal or external specialist studies or research that may help the Board in its discussions.

The consultation of the Committees as described above may not serve to delegate the powers conferred upon the Board of Directors by law or in the Articles of Association or have the effect of reducing or restricting the Chief Executive Officer's powers. Each Committee meeting is reported to the next Board of Directors.

Audit and Accounts Committee

The Internal Rules of the Board of Directors state that the Audit and Accounts Committee must comprise at least three and at most six members, two-thirds of them independent. The Internal Rules also stipulate that members of the Audit and Accounts Committee are selected on account of their accounting or statutory audit expertise.

At the date of publication of this Corporate Governance Report, the composition of the Audit and Accounts Committee is as follows:

- Chairman: Denis Thiery;
- Members: Carolle Foissaud, Bpifrance Investissement (represented by Magali Joëssel), Michel Crochon.

Given their training and professional experience (see section 1.1.7.3), the Committee members satisfy the aforementioned criteria. In addition, more than two-thirds of the members are independent and, in accordance with the recommendations of the AFEP-MEDEF Code, the executive corporate officer, Luc Themelin, is not a member of the Committee.

The Audit and Accounts Committee meets at least three times per year and whenever it deems necessary, and prior to meetings of the Board of Directors for which the agenda includes a review of an issue related to its area of expertise. The Committee meets approximately one week before the Board of Directors to review the annual financial statements. The Group's Chief Financial Officer is responsible for making the presentations. He reports at least once a year on the Group's risk exposure, including social and environmental risk. The Director of Risk and Compliance and the Director of Internal Audit attend these meetings at least once a year, as do the Director of Management Control and the Director of Treasury and Financing.

The role of the Audit and Accounts Committee is to:

- monitor the financial reporting process and, where applicable, make recommendations to ensure its integrity;
- monitor the effectiveness of internal control, risk management and, where applicable, internal audit systems, regarding procedures for preparing and processing financial and extra-financial accounting information;
- review the financial statements and ensure the appropriateness and ongoing consistency of the accounting methods used to prepare the Company's consolidated and parent company financial statements; review the statutory audit of the parent company and consolidated financial statements by the Statutory Auditors;
- ensure compliance with the conditions for the Statutory Auditors' independence;
- make a recommendation on the Statutory Auditors nominated for appointment at the Annual General Meeting in accordance with Article L.823-19 3 of the French Commercial Code. The Committee's recommendations and preferences are brought to the attention of the Annual General Meeting asked to vote on the appointment of the Statutory Auditors;
- approve the provision of non-audit services, provided they are permitted by the regulations. The Committee will make its decision after analyzing the risks related to the independence of the Statutory Auditors and the safeguard measures applied.

The Committee met five times in 2021, with an attendance rate of 85%.

During these meetings, the Committee reviewed and/or made decisions concerning the following issues:

- review and validation of the Group's annual and interim results;
- review of the Universal Registration Document and approval of the corporate governance report;
- changes to accounting standards;
- review of compliance work, notably in relation to France's "Sapin II" law and the GDPR;
- review of the progress of the Buzit plan (upgrade of the Group's IT systems);
- review of risk mapping;
- approval of a refinancing by issuing a US private placement (USPP) of USD 60 million (maturing in 2031) and €30 million (maturing in 2028);
- review of cybersecurity and environmental risks;
- review of internal control and audits in 2021. Review and approval of the 2022 audit program;
- review of the independence of the Statutory Auditors; Review of Statutory Auditors' fees for work other than audit services; Review of the Charter applicable for work carried out by the Statutory Auditors other than audit services;
- review of routine agreements between Mersen and its non-wholly owned subsidiaries;
- regular updates on the renewal process for the Statutory Auditors and the choice of EY to replace Deloitte following a call for tenders;
- other matters, such as pensions, taxation and cash flow.

The Committee also met twice with the Statutory Auditors without management being present.

Governance, Appointments and Remuneration Committee (CGNR)

The Internal Rules of the Board of Directors state that the Governance, Appointments and Remuneration Committee must comprise at least three and at most six members, with a majority of independent members (not including the director representing employees). The Committee meets at least twice a year and, in any event, prior to Board of Directors' meetings for which the agenda includes the review of an issue related to its area of expertise.

In accordance with section 9.4 of the AFEP-MEDEF Code, the director representing employees is not taken into account in the calculation of the proportion of independent members. A majority of the Committee's members are independent (3/4), in line with the recommendations of the AFEP-MEDEF Code.

As of the date of publication of this Corporate Governance Report, the composition of the Governance, Appointments and Remuneration Committee is as follows:

- Chairwoman: Ulrike Steinhorst;
- Members: Isabelle Azemard, Olivier Legrain, Pierre Creusy, Denis Thiery.

The role of the Governance, Appointments and Remuneration Committee is as follows:

- **Governance and appointments**
  - make proposals on the appointment, removal and re-appointment of the Chief Executive Officer, Chairman of the Board, Committee members and any Deputy Chief Executive Officer(s);
  - give an opinion on proposed candidates for the above offices in terms of expertise, availability, suitability and complementarity with other members of the Board, taking into account the Board's diversity policy;
  - conduct the selection process for new independent directors, following the procedure described in the table below; propose any changes to that procedure;
  - prepare a succession plan for the executive corporate officers and make sure a succession plan is in place for members of the Executive Committee;
  - be informed in advance about Executive Management's proposals to appoint or remove members of the Executive Committee;
  - determine which Board members can be regarded as independent;
  - review and assess the Company's corporate governance practices and, in particular, review and inform the Board about changes in the corporate governance rules to which the Company refers;
  - periodically review the structure, composition, procedures and practices of the Board of Directors and make recommendations on potential changes;
  - prepare the assessment of the Board of Directors provided for in its Internal Rules and make recommendations to the Board of Directors on its procedures and practices based on the outcome of the assessment.
- **Compensation**
  - propose the compensation of the Chairman and Vice-Chairman of the Board of Directors and put forward to the Board of Directors recommended changes to the aggregate amount of remuneration to be paid to the Board members and/or the allocation of such remuneration, in order for the Board to then submit the proposed changes for shareholder approval at the Annual General Meeting;
  - make recommendations to the Board about (i) the annual and multi-annual compensation of the Chief Executive Officer and any Deputy Chief Executive Officer(s), (ii) the rules for determining their variable compensation, and (iii) other items of compensation such as supplementary pension plans and benefits in kind;
  - make recommendations on the compensation and benefits envisaged in the event of the removal from office or the termination of the term of office of the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers;
  - be informed of the termination benefits proposed by the Chief Executive Officer upon the termination of the employment contract of a member of the Executive Committee, and give an opinion thereon to the Chairman of the Board of Directors;
  - give advice on the policy for allocating stock options, performance shares or any other type of securities implemented by the Board of Directors for all categories of beneficiary and more particularly for the Chief Executive Officer and the members of the Company's Executive Committee, and make recommendations on the frequency and terms of allocation;
  - be informed in advance about conditions and changes in the compensation of Executive Committee members.

In 2021, the Governance, Appointments and Remuneration Committee met six times during the year, with an attendance rate of 100%.

During these meetings, the Committee reviewed and/or made decisions concerning the following issues:

- **Compensation**
  - 2020 results and 2021 proposals for the fixed and variable compensation (annual and multi-year variable) of the Chief Executive Officer and all members of the Executive Committee;
  - benchmarking survey on the compensation of the Chairman of the Board and the directors and validation of recommendations on the changes in the Chairman's fixed compensation and the directors' compensation.
- **Governance**
  - self-assessment of the Board, review of the directors' expertise;
  - review of the attendance rate at Board and Committee meetings;
  - review of the information published in the Universal Registration Document, in particular ex-post and ex-ante votes and pay ratio;
  - preparation of the Annual General Meeting: review of governance information;
  - assessment of the implementation of the policy to increase the proportion of women in management bodies;
  - assessment of the directors' independence;

- succession planning for the Chief Executive Officer and members of the Executive Committee. As is the case every year, the Committee reviews the succession plan drawn up by Executive Management and the Human Resources Department. They review the list of talents (both internal and external) that could be considered as potential successors to key executives, review the profiles of new hires and assess the performance of each individual. For external candidates, they rely on a specialized firm. They verify the quality and diversity of the pool of candidates selected and present the selected candidates to the Governance, Appointments and Remuneration Committee.

1.2. Executive Management

1.2.1. Chief Executive Officer

The Company is administered by a Chief Executive Officer, who performs his or her duties under the oversight of the Board of Directors. The Chief Executive Officer is eligible for reappointment. He or she may not be more than 65 years of age. When he or she reaches the age limit, he or she is deemed to have resigned at the end of the Ordinary General Meeting called to vote on the financial statements for the year in which the age limit is reached. The Chief Executive Officer may be removed by the Board of Directors.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company, within the limits of the corporate purpose and subject to the powers granted by law to the Board of Directors and to shareholders' meetings and subject to the limitations on powers described in section 1.1.2.

In dealings with third parties, the Company is bound even by acts of the Chief Executive Officer not falling within the corporate purpose, unless it can prove that the third party knew that the act fell outside the scope of the corporate purpose or that it could not fail to know this in view of the circumstances, with mere publication of the Articles of Association not counting as evidence thereof.

The Chief Executive Officer represents the Company in its dealings with third parties. Upon the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more individuals – who need not be Board members – to assist the Chief Executive Officer. Those individuals then have the title of Deputy Chief Executive Officer.

Luc Themelin was appointed as Chief Executive Officer on May 11, 2016. His term of office will expire on the date of the Board of Directors meeting to be held immediately after the Annual General Meeting called to vote on the financial statements for the year ending December 31, 2023. He has also been a member of the Board of Directors since May 20, 2021. For a detailed presentation, see section 1.1.7.4 of this chapter.

The AFEP-MEDEF Code recommends that executive corporate officers not hold more than two other directorships in listed companies, including foreign companies, outside their group. Luc Themelin has no other directorship in another French or foreign listed company.

No Deputy Chief Executive Officer has been appointed by the Board of Directors.

1.2.2. Executive Committee

An Executive Committee was established by the Management Board on October 14, 2011. It was maintained following the change in governance on May 11, 2016. It is responsible for managing the Mersen group's operational affairs and meets every month to review the Group's financial performance and decide on action plans in various areas (including human resources, IT, procurement, legal affairs and development) in line with its strategic priorities. The Executive Committee ensures that the Group's organization functions properly. As such, it is closely involved in forecasting the human resources required for the continued development of its business activities. It defines the Group's sustainable development roadmap and ensures that it is applied at all levels of the Company.

As at the publication date of this Universal Registration Document, the members of the Executive Committee were as follows:

Name	Position	Date of joining the Group
Thomas Baumgartner	Group Vice President, Finance and Administration	1999
Gilles Boisseau	Group Vice President, Electrical Power	2015
Christophe Bommier	Group Vice President, Technology, Research, Innovation and Business Support	1989
Thomas Farkas	Group Vice President, Strategy and M&A	2006
Jean-Philippe Fournier	Group Vice President, Operational Excellence	2013
Eric Guajioty	Group Vice President, Advanced Materials	2016
Estelle Legrand	Group Vice President, Human Resources	2009
Didier Muller	Group Vice President, Asia & Latin America	1989
Luc Themelin	Chief Executive Officer	1993

2. Compensation and benefits of corporate officers

2.1. Compensation policy for corporate officers

This compensation policy for corporate officers was drawn up by the Board of Directors in accordance with Article L.22-10-8 of the French Commercial Code. It is subject to approval by the Combined General Meeting of May 19, 2022.

The changes made to the compensation policy in 2022 include the following:

- increase in the fixed compensation of the Chairman of the Board of Directors;
- increase in the fixed compensation of the Chief Executive Officer;
- increase in the maximum amount of the compensation package allocated to directors and in their fixed and variable compensation.

These changes will be applicable as of January 1, 2022, subject to approval by the Combined General Meeting of May 19, 2022 (ex-ante vote).

2.1.1. General principles for determining the compensation policy for corporate officers

The executive compensation policy is determined by the Board of Directors on the recommendation of the Governance, Appointments and Remuneration Committee, taking into account the principles set out in the AFEP-MEDEF Code, which are as follows:

- comprehensiveness: the compensation determined through this process must be comprehensive. All the components of the compensation must be taken into account when determining the overall compensation level;
- balance between the compensation components: each component of the compensation must be clearly substantiated and correspond to the general interest of the Company;
- comparability: the compensation must be assessed within the context of a business sector and the reference market. If the market is taken as a reference, it must not be the only one since the compensation of a corporate officer depends on the responsibilities assumed, the results achieved and the work performed. It may also depend on the nature of the tasks entrusted to the corporate officer or the specific situations;
- consistency: a corporate officer's compensation must be determined in a manner consistent with that of the other officers and employees of the Company;
- understandability of the rules: the rules should be simple, stable and transparent. The performance criteria used must correspond to the Company's objectives, and be demanding, explicit, and, to the greatest extent possible, long-lasting;
- proportionality: the determination of the compensation components must be well balanced and simultaneously take account of the Company's general interest, market practices, the performance of the senior managers, and the other stakeholders in the Company.

The Board of Directors ensures that the compensation policy is in line with market practices for comparable companies, is adapted to the Company's strategy and context, and is intended to promote its medium- and long-term performance and competitiveness.

2.1.2. Compensation policy for the Chairman of the Board of Directors

The compensation of the Chairman of the Board of Directors comprises a fixed annual compensation for his duties as Chairman, as well as compensation for his duties as a director, the payment of which is mostly conditional on attendance (see section 2.1.3). The Chairman of the Board does not receive any cash-based or share-based variable compensation or any compensation related to the performance of either the Company or the Group.

2.1.2.1. Benchmarking study conducted in 2021

Given that the fixed compensation of the Chairman of the Board of Directors of €80,000 had remained unchanged since 2010, an external firm was entrusted with the conduct of a benchmarking study in 2021.

The study was based on a sample of 13 companies comparable to Mersen (the same panel as indicated in section 2.1.4.2, with the exception of companies that have not separated the position of Chairman and Chief Executive Officer). It covered the fixed compensation allocated for the duties of the Chairman as well as the compensation allocated to the Chairman as a director.

EUR	Fixed compensation Chairman	Compensation Director
First quartile	66,000	16,000
Median	**120,000**	**37,800**
Third quartile	242,638	66,667

The fixed median compensation is €120,000 per year, while the median compensation (fixed + variable) of a director is €37,800 per year. The annual variable compensation is based on the number of Board of Directors' meetings.

2.1.2.2. Changes in the compensation of the Chairman of the Board of Directors in 2022

In light of the above benchmarking study, at its meeting of December 17, 2021, on the recommendation of the Governance, Appointments and Remuneration Committee, and subject to approval by the Annual General Meeting of May 19, 2022 (ex-ante vote), the Board of Directors decided to increase the fixed compensation of the Chairman to €120,000 (gross).

The compensation of the Chairman as a director (fixed and variable) is also changed as indicated in section 2.1.3 below.

2.1.3. Compensation policy for directors

2.1.3.1. Benchmarking study conducted in 2021

The benchmarking study mentioned in section 2.1.2.1 also reviewed in detail the compensation of directors.

According to the study, the median fixed annual compensation of a director is €15,800. The first quartile reaches €12,300. The variable compensation corresponds to €3,600 per meeting for the median and €1,700 per meeting for the first quartile, respectively.

The study is described in detail below:

EUR	First quartile	Median	Third quartile	Mersen
Total allocation	301,300	470,500	587,500	**264,000**
Director's fixed compensation	12,300	15,800	29,500	**12,000**
Variable compensation per meeting	1,700	3,600	4,600	**1,700**
Chairman of the Audit Committee's fixed compensation	9,000	12,000	18,100	**10,000**
Chairman of the CGNR fixed compensation	7,000	9,600	16,000	**8,000**

2.1.3.2. Change in the compensation policy for directors in 2022

In light of the abovementioned benchmarking study, at its meeting of January 26, 2022, on the recommendation of the Governance, Appointments and Remuneration Committee, and subject to approval by the Annual General Meeting of May 19, 2022 (ex-ante vote), the Board of Directors agreed to the principle of a change in the compensation policy for directors, as follows:

- an increase in the compensation package, currently set at €264,000 (amount unchanged since 2011), to €305,000, which represents an increase of approximately 15%, corresponding to the first quartile of the study;
- rules for allocating compensation in accordance with the recommendations of the AFEP-MEDEF Code in this area, with a predominant portion contingent on attendance (two-thirds of total compensation for an attendance rate of 100%):
  - The annual compensation paid to each director comprises a fixed portion of €13,000. On top of this basic amount, the Chairman of the Audit and Accounts Committee receives an additional €11,000 and the Chairman of the Governance, Appointments and Remuneration Committee receives an additional €9,000.
  - Each director also receives a variable portion of compensation based on their actual attendance at Board and Committee meetings, corresponding to €2,000 per meeting.

The table below shows the proposed changes. An increase of nearly 18% in variable compensation and an increase of 8.3% to 12.5% in fixed compensation:

Euros	Current	Proposed	*Increase*
Director's fixed compensation	12,000	13,000	*+8.3%*
Chairman of the Audit Committee's fixed compensation	10,000	11,000	*+9.0%*
Chairman of the CGNR fixed compensation	8,000	9,000	*+12.5%*
Director's variable compensation (per meeting)	1,700	2,000	*+17.6%*

The compensation of the Chairman of the Board of Directors for his duties as a director is changed as indicated above, for both his fixed and variable compensation.

In addition, the Board of Directors decided to increase the compensation allocated to the director responsible for leading the Board's work on strategic issues from €5,000 to €6,000 and to allocate the same amount to the director responsible for leading the Board's work on CSR issues.

If the aggregate amount of compensation calculated by applying the above rules is higher than the compensation package of €305,000 (i.e., if more meetings are held than usual), then the compensation of each director will be reduced proportionately.

2.1.4. Compensation policy for the Chief Executive Officer

2.1.4.1. Principles

The Board of Directors is responsible for setting and adjusting the compensation of the Chief Executive Officer based on recommendations made by the Governance, Appointments and Remuneration Committee. When carrying out its analyses and drawing up proposals for the Board, the Committee pays particular attention to respecting the recommendations in the AFEP-MEDEF Code. The Chief Executive Officer is not present during discussions on these matters.

The compensation policy for the Chief Executive Officer is in line with the Group's objective of growing its business responsibly and sustainably in order to ensure its longevity and profitable growth and futureproof the resources it needs for its expansion. The Board set this policy taking into account the Group's strategy as described in chapter 1 of this Universal Registration Document.

All of the components of the Chief Executive Officer's compensation and benefits are analyzed exhaustively every year on a component-by-component basis followed by an overall consistency review in order to achieve the best balance between fixed and variable, individual and collective, and short- and long-term compensation.

Benchmarking studies are regularly carried out with the help of specialist consultants to position the Chief Executive Officer's compensation in relation to a panel of peer companies, in light of Mersen's specific characteristics. The criteria used for selecting the panel members are based on business sector, sales, headcount, nationality and listing on a financial market. The companies of the panel are also all companies with a production activity and generate at least 30% of their sales outside France.

The Board of Directors has decided that the Chief Executive Officer's fixed compensation may only be revised at relatively long intervals, in accordance with the AFEP-MEDEF Code. However, it may be revised on an exceptional basis if there is a major change in his duties and responsibilities or if there is a significant gap between his compensation and the market benchmark. Any changes made to his fixed compensation as a result of these specific cases would be publicly disclosed along with the reasons for the changes.

If there is a major change in circumstances affecting how the Group's financial data is calculated (particularly a change in accounting standards), the Board may set the components of the Chief Executive Officer's compensation package excluding any such exceptional external factors.

Additionally, the Board of Directors reserves the right to exercise its discretionary power when setting the Chief Executive Officer's compensation, in compliance with the compensation policy approved in accordance with Article L.22-10-8 of the French Commercial Code, if specific circumstances arise that represent reasonable grounds for exceptionally adjusting (either upwards or downwards) one or more of the criteria underlying his compensation components in order to ensure that the application of those criteria (as defined below) reflects the individual performance of the Chief Executive Officer and the performance of the Group as a whole. Any such adjustments would be made to the Chief Executive Officer's annual variable compensation by the Board of Directors, acting on the recommendation of the Governance, Appointments and Remuneration Committee, and based on a report by the Board presenting its reasons for the adjustments, it being specified that the adjusted amounts may not exceed the maximum amount originally approved for the Chief Executive Officer's annual variable compensation.

2.1.4.2. Benchmarking survey conducted in 2020

As the fixed compensation of the Chief Executive Officer has remained unchanged since 2015, with the reappointment of the Chief Executive Officer in 2020, a leading external firm was entrusted with the conduct of a benchmarking survey. The survey measured the positioning of the various components of the Chief Executive Officer's compensation in relation to a panel of comparable companies. The survey was presented and discussed twice at meetings of the Governance, Appointments and Remuneration Committee.

Given the Group's specific characteristics (53 production sites in 35 countries worldwide, more than 90% of sales outside France, significant technological content), the panel of companies was selected based on the following criteria:

- French group listed on the stock market;
- industrial group, with several production sites;
- international group, which generates at least 30% of its sales outside of France;
- mid-sized group, with sales of between €0.5 and €5 billion in 2019.

The Board of Directors considered that sales generated outside of France were a better indicator of comparability than market capitalization, given Mersen's specific characteristics. As a result, many companies in the panel are larger than Mersen based on sales.

Based on these criteria, the following groups were selected (2019 figures from the groups' Universal Registration Documents):

	Sales (€m)	% Other countries
Ingenico (now Worldline)	**3.370**	81%*
Elis	3.282	67%
Tarkett	2.992	70%(1)
Vicat	2.740	62%
Biomérieux	2.675	93%
Ipsen	2.576	87%
Trigano	2.328	72%
Bic	1.949	71%(1)
Sartorius Stedim	1.440	95%
CGG	1.356	64%(1)
Quadient	1.143	63%(1)
Rémy Cointreau	1.025	72%(1)
Mersen	**950**	**92%**
Guerbet	817	58%(1)
Exel industries	777	37%(1)
Manutan	774	43%
Soitec	598	90%
Boiron	557	44%
Albioma	506	6%

The median sales of the panel was €1.4 billion.
Average sales generated abroad is 67%.
** Based on the data at June 30, 2019.*
(1) % of sales outside EMEA, as sales in France are not published.

The results of the survey, based on the 2019 compensation, showed that the compensation of Mersen's Chief Executive Officer was well below the median of the panel. The difference is more pronounced for annual variable compensation and long-term compensation. With regard to annual variable compensation, the range given to compensation for outperformance is low compared with the other companies in the panel: while the target bonus is in line with market practice, the maximum bonus is capped at 112% of the target, whereas the median market practice is a cap of 160%, with outperformance criteria applying to each of the financial criteria.

in euros	First quartile	Median	L. Themelin	Comparison vs. median	Comparison vs. first quartile
Basic salaries	486,000	586,900	**440,000**	**75%**	90%
Bonus – Actual paid amount	334,600	495,000	395,560	80%	118%
as a % of basic salary	60%	89%	90%		
Target Bonus as a % of basic salary	100%	100%	100%		
Maximum Bonus as a % of basic salary	130%	160%	112%		
Direct compensation	**796,600**	**1,196,800**	**835,560**	**75%**	112%
LTI – granted amount	527,600	1,326,000	184,593	14%	35%
as a % of basic salary	99%	144%	42%		
Grand total	**865,700**	**1,424,200**	**1,020,153**	**76%**	124%

In addition, for information purposes, a comparison between the compensation of the Chief Executive Officer with that of the Chief Executive Officers of two competing European listed groups (German and British) comparable in size to Mersen was made (SGL Carbon and Morgan Advanced Materials). It shows that the compensation of Mersen's Chief Executive Officer is well below that of its competitors.

(in €)	Annual base Salary	Bonus paid	LTI	Total
Average Competitors – Executives	635,000	799,000	575,000	2,009,000
Mersen – Luc Themelin	440,000	395,560	184,593	1,020,153
Comparison Mersen vs. Competitors	**69%**	**50%**	**32%**	**51%**

However, neither of those two groups was included in the panel because their compensation systems are not comparable to French standards.

Following the survey, the Governance, Appointments and Remuneration Committee asked the external firm to conduct an additional survey on the structure of the Chief Executive Officer's variable compensation, comparing it with that of the Chief Executive Officers of SBF 120 industrial companies for which the firm had data.

The follow-up survey highlighted the following points:

- the number of financial criteria is lower at Mersen than in the SBF 120 industrial companies;
- ROCE is used significantly less as a criterion for annual variable compensation, as some groups have used this criterion for their long-term incentives. The rate of use of ROCE as a criterion in executive bonuses fell from 44% in 2010 to 17% in 2019.

As a result of this complementary survey, on February 12, 2021, on the recommendation of the Governance, Appointments and Remuneration Committee, the Board of Directors agreed to the following principles of change:

- Changes in variable compensation:
  - the elimination of ROCE and its replacement by EBITDA and operating margin before non-recurring items to bring the policy in line with that of the Group's executives and managers. ROCE is now included in the performance criteria for long-term incentives;
  - increased maximum bonus to reward financial outperformance. This would be based on minimum, target and maximum limits applicable to all financial criteria (accounting for 70% of the bonus). These limits are set by the Board of Directors, based on an ambitious proposal from the Governance, Appointments and Remuneration Committee consistent with the budget. The maximum bonus has therefore been increased to 150% of the base salary, compared with 112% previously.
- Changes in fixed compensation:
  - increase in gross annual fixed compensation to €500,000 gross (from €440,000 gross).

However, in view of the current economic context, on the recommendation of the Governance, Appointments and Remuneration Committee and the Chief Executive Officer, the Board of Directors decided to submit to the Combined General Meeting of May 20, 2021 for approval the change in the structure of the Chief Executive Officer's variable compensation, and to defer the increase in his fixed compensation until 2022.

2.1.4.3. Overall structure of the compensation package

The compensation of the Chief Executive Officer comprises fixed compensation, annual variable compensation, multi-year compensation subject to performance conditions, and benefits. In accordance with the law, the payment of variable compensation awarded for a given year is contingent on the approval by the Ordinary General Meeting of the components of compensation paid or awarded to the Chief Executive Officer for that year (individual ex-post vote).

A severance payment upon the termination of his term of office, based on length of service and performance conditions, may also be agreed subject to the legal provisions and recommendations of the AFEP-MEDEF Code.

Fixed compensation

Fixed compensation may only be reviewed on a multi-annual basis. The fixed compensation has not been changed since January 2015.

Any change may only be agreed after a benchmarking survey has been conducted in compliance with the principles described in section 2.1.4.1.

In light of the benchmarking survey described in section 2.1.4.2, at its meeting of February 12, 2021, the Board of Directors approved the principle of an increase in the Chief Executive Officer's gross annual fixed compensation to €500,000 (representing a 13.6% increase), but decided, in view of the economic climate stemming from the health crisis, to defer the application of this increase until 2022, subject to approval by the 2022 Annual General Meeting.

This increase in the Chief Executive Officer's fixed compensation will be applicable as of January 1, 2022, subject to approval by the Combined General Meeting of May 19, 2022 (ex-ante vote).

Annual variable compensation

The Chief Executive Officer's annual variable compensation is contingent on performance conditions aligned with the Group's strategy. There is no minimum guaranteed amount.

The Board defines the specific financial criteria and individual criteria for setting the annual variable compensation.

Financial criteria represent between 70% and 80% of the total. They are based on the main financial indicators used by the Board to assess the Group's financial performance, in particular those reported in the Universal Registration Document, such as operating margin before non-recurring items (in value) and net cash generated by continuing operating activities, as defined in the statement of cash flows.

These criteria were modified in 2021, after approval by the Combined General Meeting of May 20, 2021, in order to better reflect the Group's short-term performance and streamline objectives within the Group (alignment with those of managers and executives). Consequently, operating margin before non-recurring items and EBITDA have been added as criteria, whereas ROCE has been removed and included in the criteria for multi-annual variable compensation. The other criteria will be adjusted for changes in the scope of consolidation (in relation to the budget) in the event of a significant favorable or unfavorable impact on the achievement rate.

If there is a major change in circumstances affecting how the Group's financial data is calculated (particularly a change in accounting standards), the Board may set the components of the Chief Executive Officer's compensation package excluding any such exceptional external factors.

The individual criteria are defined by the Board of Directors in line with the Group's strategy. They are reviewed independently. At least one criterion must be based on a CSR objective. At its meeting of February 17, 2022, the Board of Directors set the following criteria for 2022:

Individual criteria set for the Chief Executive Officer (each criterion is of equal weight):

- **Safety:** accident frequency rate to be improved compared to 2021 results.
- **Environment:** increase in the waste recycling rate, decrease in the intensity of CO_2 emissions, decrease in water consumption.
- **Succession plan:** Ongoing review of internal and external candidates.
- **Soitec SiC project:** Plan for the provision of resources to ensure the deliveries requested by Soitec under the partnership.
- **Electric vehicle market:** monitoring of key customer qualifications according to the business plan.

The breakdown of targets and achievement rates are defined as follows:

	Target	Maximum
Operating margin before non-recurring items	30%	60%
Operating cash flow	20%	30%
EBITDA	20%	30%
Non-financial criteria	30%	
TOTAL	**100%**	**150%**
of which weight of financial criteria	*70%*	*80%*

Achievement rates between each limit are linear.

The limits (target and maximum) are defined by the Board of Directors in line with the budget objectives. Achievement beyond the target rewards financial outperformance.

In addition, the Board of Directors reserves the right to exercise its discretionary power if specific circumstances arise as mentioned in the principles set out in section 2.1.4.1.

The payment of variable compensation awarded in respect of the previous year is contingent on the approval by the Ordinary General Meeting of the components of compensation and benefits in kind paid during the previous year or awarded for that year ("individual" ex-post vote).

Long-term variable compensation

As part of an overall strategy to motivate and retain the Chief Executive Officer over the long term, the Chief Executive Officer may be awarded long-term variable compensation contingent on meeting objectives related to the Group's medium- to long-term strategy.

Such compensation will take the form of stock options and/or free shares whose value (measured on an IFRS basis as at the date of the Board meeting that decides on the allocation) may not exceed 30% of the Chief Executive Officer's entire compensation for the previous calendar year (fixed, maximum annual variable and long-term compensation measured based on the method used for the consolidated financial statements).

In addition, the Chief Executive Officer may not receive more than 10% of all stock options and free shares allocated each year, measured on an IFRS basis. These percentages are set by the Board of Directors based on market practices.

Free shares and/or stock options are subject to the achievement of performance objectives.

From 2019 onwards, the minimum performance period for these plans is three years. The performance conditions are based on a stock market criterion, one or two profitability criteria and a multiple CSR criterion. One of the two or three criteria must be relative to the performance of other comparable companies (SBF 120, STOXX Europe 600 or other relevant, documented benchmarks).

The achievement of each of these criteria will be assessed separately.

Benefits in kind

The Chief Executive Officer may be entitled to certain benefits in kind, such as the use of a company car, executive unemployment insurance, health and welfare insurance and a pension plan. He is also eligible for the staff incentive plans set up at Company and/or Group level.

Exceptional compensation

No exceptional compensation may be paid.

Signing bonus

In order to facilitate the recruitment of an executive corporate officer from outside the Group, the Board of Directors may, on the recommendation of the Governance, Appointments and Remuneration Committee, grant a signing bonus. The amount of this bonus may not exceed the amount of the executive officer's compensation package in his previous job.

2.1.4.4. Compensation and benefits in the event of the termination of the Chief Executive Officer's term of office

Pension plan

Luc Themelin benefits from the "Mersen Group defined benefit pension plan". The purpose of this plan, adopted in 1999, then amended in 2005, 2007 and 2013, is to enable Mersen to reward its Chief Executive Officer for his loyalty.

The applicable rules imply that:

- the beneficiary must effectively end his or her professional career with the member company at the age of 65 or from the age of 60;
- the beneficiary must first claim his or her old-age state pension;
- the beneficiary must have at least ten years of continuous service at the Mersen Group;
- the beneficiary must have been a member of the Group's Management Committee for at least three years during his or her career;
- the 2013 amendment confirms that the beneficiary will have to be classified at a rank equal to or higher than coefficient 880 of the classification of the collective bargaining agreement for the French chemicals industry.

Pension entitlements and the method for calculating the pension are based on the following rules:

- The reference base for the calculation of the pension is the end of career salary (ending salary – ES), made up of:
  - **A.** the average annual gross salaries for the last three years of activity preceding retirement; and
  - **B.** 50% of the maximum bonus.
- The calculation of the pension: R is the annual amount of the pension to which the beneficiary is entitled. It is based on service determined in accordance with the rules mentioned above, bearing in mind that the entitlements are full and final with 20 years of service:

Service	Calculation of the annual amount of the pension
10 years	10% x ES
15 years	15% x ES
20 years or more	20% x ES

To date, taking into account his service with the Péchiney Group, to which Mersen (formerly Carbone-lorraine) belonged, Mr. Luc Themelin has 33 years of service with the Mersen Group, including 23 years as an employee. The potential future pension rights of Luc Themelin have therefore been capped for more than ten years and can no longer be increased.

Given his length of service with the Group, Luc Themelin shall receive a supplementary pension corresponding to 20% of the amount of his reference compensation.

This plan is an important tool in securing the loyalty of the Chief Executive Officer in that it entitles him to a pension at a similar rate to that of the rest of the Company's employees. It does not represent an undue financial burden on the Company. At December 31, 2021, the estimated amount of the annuity under the supplementary pension scheme paid to Luc Themelin is €154,000, before tax and social security contributions:

Data in euros	End of Career Salary	Annual pension
Basic salary (average of 3 years)	440,000	88,000
Maximum Bonus	50% x150% or 330,000	66,000
Base	770,000	154,000

In December 2021, with the approval of the Board of Directors and after a favorable review by the Audit Committee and the Governance, Appointments and Remuneration Committee, the Company paid an amount of €2.5 million (excluding taxes and charges) into the collective insurance fund intended to finance the Company's defined benefit pension obligations in respect of the Chief Executive Officer. The early payment of a portion of the pension obligations to the Chief Executive Officer enables the Company to spread over time the disbursements related to these obligations. In the event of the Chief Executive Officer's early retirement resulting in the loss of these entitlements, the funds (after taxes) would be returned to the Company.

Non-compete and non-solicitation clause

Should his term of office as Chief Executive Officer end, and in return for signing a non-compete and non-solicitation undertaking for one year from the date on which his duties cease, Luc Themelin will receive a monthly payment equivalent to 50% of the gross fixed monthly compensation that he received immediately prior to the termination of his term of office, paid in twelve installments. The Company may decide to forgo this non-compete and non-solicitation clause and thus free itself from its obligation of making this monthly payment, by informing Luc Themelin of its decision within a notice period of two months of the termination of his term of office.

The non-compete undertaking referred to above will cover all of the Group's business activities and will be applicable in all of the countries in which Mersen is active (whether it has a physical presence there or whether it operates from a base in another country). At the Company's discretion, the non-compete and non-solicitation undertaking will be laid down and structured as a non-compete agreement, if necessary.

No payment will be made once the Chief Executive Officer has claimed his pension benefits. In any event, no payment will be made after he reaches the age of 65.

Severance payment

Should the Mersen group terminate, in any manner and for whatever reason (barring gross or willful misconduct, retirement, enforced retirement, resignation or change of function within the Group), Luc Themelin's term of office as Chief Executive Officer (notably by dismissal, non-renewal of the term of office for whatever reason or elimination of office following the conversion or merger of the Company, except for a change in corporate governance leading to his appointment as Chairman of the Management Board of a limited company with a Supervisory Board and a Management Board), a lump sum payment will be made to Luc Themelin, calculated as stated below in the applicable performance conditions (the "Severance Payment"), when his departure is forced. The Severance Payment will exclude the payment of any other indemnity of any kind, including damages, except for the non-compete and non-solicitation indemnity.

Should the responsibilities and/or remuneration of Luc Themelin be modified substantially following a take-over of the Company, and if as a result, he decides to leave the Company, he would be entitled to the same Severance Pay.

The amount of the Severance Payment is calculated as follows:

I = 0.5 x R x C

where

- I is the amount of the Severance Payment;
- R is the gross total compensation (basic compensation and annual variable compensation, excluding benefits in kind and incentives) paid to Luc Themelin for the 3 calendar years prior to termination, whether this compensation and benefits have been paid to him in respect of his duties as Chief Executive Officer or as an employee; and
- C is Luc Themelin's performance condition as measured in accordance with the criteria defined below.

Payment of the Severance Payment will be subject to the achievement of the performance condition under the following conditions:

- Performance rate (P):

P = the average percentage of Luc Themelin's annual variable compensation in the four calendar years preceding his departure (as Chief Executive Officer).

The percentage of annual variable compensation may vary from 0 to 112% of annual fixed compensation. The average performance rate P will be observed by the Board of Directors.

- Performance condition (C):

If **P** ≥ 100%, C = 100%

If **P** ≥ 90% and < 100%, C = 90%

If **P** ≥ 80% and < 90%, C = 80%

If **P** ≥ 60% and < 80%, C = 60%

If **P** ≥ 50% and < 60%, C = 50%

If **P** < 50%, no payment will be made.

The amount of any Severance Payment (I) that may be due upon termination of his term of office may not exceed 18 months of total gross compensation (fixed and annual variable). In addition to this Severance Payment, a non-compete indemnity may also be due and may not exceed six months of total gross compensation (fixed and annual variable), making a total of 24 months of total gross compensation (fixed and annual variable) for both payments.

Unemployment benefits

Luc Themelin is also eligible for basic corporate officers' unemployment benefits (*Garantie Sociale des Chefs d'Entreprises*, GSC) for up to 24 months. The annual cost of this benefit depends on the previous year's net taxable income of the party concerned and the length of the period over which the benefit is paid. The Company pays 40% of the contribution and Luc Themelin pays 60%. This arrangement includes a waiting period of 30 days of continuous unemployment.

Stock options – Performance shares

Should Luc Themelin's term of office as Chief Executive Officer be terminated in any manner and for any reason whatsoever (barring termination following the acquisition of control of the Company, retirement or enforced retirement), he will automatically lose his entitlement to ail the stock options allocated to him prior to the end date of his term of office where the conditions of allocation (condition related to continued presence and performance conditions) have not been satisfied by the end date of his term of office. He will also automatically lose his entitlement to all the shares allocated to him, irrespective of whether they are subject to a performance condition, in accordance with the provisions of Articles L.225-197-1 to L.225-197-5, L.22-10-59 and L.22-10-60 of the French Commercial Code, prior to the end date of his term of office, where shares allocated have not vested by the end date of his term of office.

However, the Board of Directors reserves the right to decide, where appropriate, to maintain the benefit of the stock options and performance shares, reduced on a pro rata basis, and subject to achievement of the corresponding performance conditions. The Board is required to give reasons for its decision.

The benefit of the stock options and performance shares referred to above will be maintained, after reduction on a pro rata basis, should Luc Themelin's responsibilities and/or compensation be modified substantially following a change of control of the Company, should he decide to leave the Company as a result of such change, should his term of office be terminated following a change of control of the Company, or should he retire whether voluntarily or at the Company's initiative.

2.1.4.5. Changes in the organization of Executive Management

If the Board of Directors decides to appoint one or more Deputy Chief Executive Officers, the policy relating to the Chief Executive Officer's compensation package would also apply to the Deputy Chief Executive Officer(s), adapted as required. If the Board of Directors decides to combine the roles of Chairman and Chief Executive Officer, the policy relating to the Chief Executive Officer's compensation package would apply to the Chairman and Chief Executive Officer, adapted as required.

2.1.5. Summary of commitments given to corporate officers

	Employment contract	Supplementary pension plan	Compensation and benefits payable or likely to be payable owing to the termination or change in duties	Indemnity relating to a non-compete clause
Olivier Legrain Chairman of the Board of Directors since May 18, 2017 (expiration 2021 AGM)	NO	NO	NO	NO
Luc Themelin Chief Executive Officer since May 11, 2016 (expiration 2024 AGM)	NO	YES(1)	YES(2)	YES

(1) Luc Themelin is eligible for a supplementary pension plan pursuant to his employment contract, the terms of which are described in section 2.1.4.4.
(2) Compensation and benefits payable or likely to be payable owing to the termination or change of office are described in section 2.1.4.4.

2.2. Compensation paid to directors and corporate officers for 2021

2.2.1. Directors' compensation

2.2.1.1 Overview of the 2021 compensation policy for directors

The 2021 compensation policy for directors is based on the following principles:

- a total maximum ceiling of €264,000 on payments, unchanged since 2011;
- rules for allocating compensation in accordance with the recommendations of the AFEP-MEDEF Code in this area, with a predominant portion contingent on attendance (60% of total compensation for an attendance rate of 100%):
  - the annual compensation paid to each director comprises a fixed portion of €12,000. On top of this basic amount, the Chairman of the Audit and Accounts Committee receives an additional €10,000 and the Chairman of the Governance, Appointments and Remuneration Committee receives an additional €8,000,
  - each director also receives a variable portion of compensation based on their actual attendance at Board and Committee meetings, corresponding to €1,700 per meeting,
  - the director responsible for leading the Board's work on strategic issues receives an additional fixed portion of €5,000.

If the aggregate amount of compensation calculated by applying the above rules is higher than €264,000 (i.e., if more meetings are held than usual), then the compensation of each director will be reduced proportionately.

This compensation policy was approved by the Combined General Meeting of May 20, 2021 (twelfth resolution) by a 99.91% majority of votes cast.

2.2.1.2. Compensation awarded and paid to directors in 2021

The compensation for directors for 2021 was awarded in accordance with the abovementioned compensation policy and was paid in a single installment at the beginning of 2022. It should be noted that, in accordance with the Articles of Association and/or the Internal Rules of the Board of Directors, the director representing employees and the Chief Executive Officer do not receive any compensation for their duties as director.

(In euros – gross amounts)	Allocated for 2021	Paid in 2021	Allocated for 2020*	Paid in 2020
Isabelle Azemard	34,884	29,315	29,315	25,664
BpiFrance Investissement (represented by Magali Joëssel)	33,302	32,099	32,099	29867
Yann Chareton** (representing Ardian)	N/A	N/A	N/A	16,743
Pierre Creusy (Director representing employees)	N/A	N/A	N/A	N/A
Michel Crochon	37,953	36,194	36,194	34,553
Catherine Delcroix**	N/A	N/A	N/A	13,814
Carolle Foissaud	28,558	29,315	29,315	26,212
Dominique Gaillard** (representing Ardian)	N/A	N/A	N/A	22,329
Olivier Legrain***	34,884	27,923	27,923	25,664
Ulrike Steinhorst	42,326	34,474	34,474	29,732
Luc Themelin**** (Chief Executive Officer)	N/A	N/A	N/A	N/A
Denis Thiery	52,093	41,680	41,680	21,134
	264,000	**231,000**	**231,000**	**264,000**

** After application of the voluntary 12.5% reduction decided on May 14, 2020 by the members of the Board of Directors in the context of the health crisis. In the absence of this voluntary reduction, the total amount would have been €264,000 due to a higher-than-expected number of Board meetings and a high attendance rate.*
*** These directors left the Board in 2019 or early January 2020.*
**** excluding compensation for his duties as Chairman (see section 2.2.2 below).*
***** Luc Themelin was appointed director on May 20, 2021 and does not receive any compensation in this capacity.*

The amounts indicated above include the compensation and benefits in kind received by the directors from the Company and from its controlled companies within the meaning of Article L.233-16 of the French Commercial Code.

2.2.2. Compensation of the Chairman of the Board of Directors (Olivier Legrain) for 2021

2.2.2.1. Overview of the 2021 compensation policy for the Chairman of the Board of Directors

The compensation of the Chairman of the Board of Directors comprises gross fixed annual compensation of €80,000, unchanged since 2010, as well as compensation for his duties as a director, the payment of which is mostly conditional on attendance (see section 2.2.1).

The Chairman of the Board does not receive any cash-based or share-based variable compensation or any compensation related to the performance of either the Company or the Group.

This compensation policy was approved by the Combined General Meeting of May 20, 2021 (tenth resolution) by a 99.56% majority of votes cast.

2.2.2.2. Compensation awarded and paid to the Chairman of the Board of Directors in 2021

The compensation of the Chairman of the Board of Directors for 2021 was allocated in accordance with the abovementioned compensation policy.

(In euros – gross amounts)	2021	2020
Compensation allocated in respect of the fiscal year (broken down below)	114,884	97,923*
Value of multi-year variable compensation allocated during the fiscal year	N/A	N/A
Value of options allocated during the fiscal year	N/A	N/A
Value of performance shares allocated during the fiscal year	N/A	N/A
Value of other long-term incentive plans	N/A	N/A
TOTAL	**114,884**	**97,923**

** Taking into account the voluntary 12.5% reduction applied in the context of the Covid-19 health crisis.*

(In euros – gross amounts)	2021 Amounts allocated for 2021	2021 Amounts paid in 2021**	2020 Amounts allocated for 2020**	2020 Amounts paid in 2020
Directors' compensation	34,884	27,923	27,923	25,664
Fixed compensation of the Chairman*	80,000	70,000	70,000	80,000
TOTAL	**114,884**	**97,923**	**97,923**	**105,664**

** The compensation allocated in respect of a given fiscal year is paid in the subsequent year.*
*** Taking into account the voluntary 12.5% reduction applied in the context of the Covid-19 health crisis.*

The amounts indicated above include the compensation and benefits in kind received by the Chairman of the Board of Directors from the Company and, where applicable, from its controlled companies within the meaning of Article L.233-16 of the French Commercial Code.

2.2.3. Compensation of the Chief Executive Officer (Luc Themelin) for 2021

2.2.3.1. Overview of the 2021 compensation policy for the Chief Executive Officer

The Combined General Meeting of May 20, 2021 approved the compensation policy for the Chief Executive Officer, by a 92.36% majority of votes cast (eleventh resolution), consisting of:

- a fixed compensation of €440,000 (gross), unchanged;
- a variable compensation, changed as indicated in sections 2.1.4.2 and 2.1.4.3;
- long-term variable compensation and other benefits, unchanged, as described in section 2.1.4.3.

2.2.3.2. Compensation awarded and paid to the Chief Executive Officer in 2021

The compensation of the Chief Executive Officer for 2021 was awarded in accordance with the abovementioned compensation policy.

Summary of the compensation and benefits, options and shares allocated to the Chief Executive Officer

(in euros)	2021	2020
Compensation allocated in respect of the fiscal year (broken down below)	1,083,680	672,743
Value of multi-year variable compensation allocated during the fiscal year	N/A	N/A
Value of options allocated during the fiscal year	0	0
Value of performance shares allocated during the fiscal year	297,332	0
Value of other long-term incentive plans	N/A	N/A
TOTAL	**1,381,012**	**672,743**

(in euros)	2021 Amounts allocated for 2021	2021 Amounts paid in 2021	2020 Amounts allocated for 2020	2020 Amounts paid in 2020
Fixed compensation	440,000	440,000	385,000*	385,000*
Annual variable compensation	589,600	249,040	249,040	395,560
Multi-year variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Incentives	20,568	5,193	5,193	20,262
Directors' compensation	N/A	N/A	N/A	N/A
Benefits in kind**	33,512	33,512	33,510	33,510
TOTAL	**1,083,680**	**727,745**	**672,743**	**834,332**

** The decrease in the fixed compensation allocated in respect of 2020 and paid in 2020 results from the voluntary 12.5% reduction in the Chief Executive Officer's fixed compensation applied in the context of the health crisis.*
*** Benefits in kind include the provision of a company car and contributions to the corporate officers' unemployment benefit (garantie sociale des chefs d'entreprise).*

The amounts indicated above include the compensation and benefits in kind received by the Chief Executive Officer from the Company and, where applicable, from its controlled companies within the meaning of Article L.233-16 of the French Commercial Code. The Chief Executive Officer does not receive any compensation from these companies.

Annual fixed compensation

Luc Themelin's fixed compensation for 2021 was €440,000, gross.

Annual variable compensation

At its meeting of February 17, 2022, the Board of Directors carried out a performance assessment of Luc Themelin and set the overall performance at 134%, representing a variable compensation of €589,600 for 2021, payable in 2022 contingent on the approval by the Combined General Meeting of May 19, 2022 of the compensation components paid to Luc Themelin during the previous year or awarded for that year (individual ex-post vote).

2021 variable compensation	Objectives set		Min	Target	Max target	Actual
Financial criteria	**Operating margin before non-recurring items**	*Indicator value (as a %)*	**8.6%**	**9.6%**	**10.2%**	**10.0%**
		% of fixed compensation	0%	30%	60%	50%
	Group operating cash flow	*Indicator value (in €m)*	**68**	**83**	**95**	**116.8**
		% of fixed compensation	0%	20%	30%	30%
	Group EBITDA	*Indicator value (in €m)*	**120**	**130**	**135**	**148.8**
		% of fixed compensation	0%	20%	30%	30%
TOTAL FINANCIAL CRITERIA			**0%**	**70%**	**120%**	**110%**
Non-financial criteria	Safety: LTIR < 1.6 and SIR < 60, MSV > 4750		0%	6%	6%	4%
	Implementation of EV organization, IATF qualification of the sites, start-up of production on the Juarez site (Mexico).		0%	6%	6%	4.8%
	Deployment of the Group's competitiveness plan relating to the measures taken at the end of 2020.		0%	6%	6%	5.1%
	Continue with the succession plans for top management, reviewing the Group's organization and its management teams by 2025.		0%	6%	6%	4.8%
	Environment: achieve 65% in waste recycling, reduction of CO_2 emissions intensity with the establishment of green electricity supply contracts. Improved agency ratings and external communication.		0%	6%	6%	5.2%
TOTAL NON-FINANCIAL CRITERIA			**0%**	**30%**	**30%**	**24%**
TOTAL VARIABLE AS A % OF FIXED COMPENSATION			**0%**	**100%**	**150%**	**134%**

LTIR: lost time injury rate; SIR: severity injury rate; MSV: management safety visits.

The achievement rate of the above financial criteria may exceed 100% in the event of outperformance. For non-financial criteria, which remain capped even in the case of outperformance, the maximum achievement rate is 150% of gross annual basic salary.

	Target	Maximum
Operating margin before non-recurring items	30%	60%
Operating cash flow	20%	30%
EBITDA	20%	30%
Non-financial criteria	30%	
TOTAL	**100%**	**150%**

Financial criteria:

The 2021 financial objectives were based on the Group's annual budget, excluding the impact of the application of IFRS 16.

- **Operating margin before non-recurring items:** the proposed target is 9.6% of sales (100% achievement), a level well above the 2021 budget and much higher than that of 2020 (8.1%). The Board of Directors also set a maximum target of 10.2%, which is high to ensure that the target remains ambitious even in an economic environment that is significantly more favorable than anticipated. The minimum low point is above the 2020 level.
- **Group Operating cash flow:** the target was set at €83 million in 2021, taking into account non-recurring cash outlay to support the business adaptation plan. The maximum target (€95 million) was set well above the budget. It is below the 2020 level (€133 million), which was exceptionally high due to a positive change in working capital requirement primarily following a sharp downturn in business in the year.
- **Group EBITDA:** the target (€130 million) is in line with financial analysts' consensus at the beginning of the year. A 50% limit has been set above the 2020 level (€125 million) due to uncertainty generated by the health crisis. The 0% and 150% (maximum) limits were set on a straight-line basis.

In a highly uncertain climate generated by the health crisis, the Board of Directors wished to set comparatively more ambitious outperformance on the criterion linked to the compensation obtained in the event of outperformance (i.e., operating margin before non-recurring items).

Non-financial criteria:

For 2021, the non-financial objectives were based on the following criteria:

- **Safety:** based on the Group's 2018-2021 CSR roadmap, the objective was to improve key safety indicators: i) achieve a lost time injury rate (LTIR) of between 1.4 and 1.6, ii) a severity injury rate (SIR) of less than or equal to 60, and iii) conduct more than 4,750 management safety visits. The results obtained were 1.62, 47 and 4,927 respectively. The Board of Directors emphasizes that the LTIR objective was particularly ambitious, as it includes the entire population operating on Mersen sites, i.e., Mersen employees, temporary workers and sub-contractors. For Mersen employees alone, the rate is 1.06. The other two objectives were largely achieved.
- **Electric vehicles:** This is a strategic market for the Group and the subject of a monthly review in which the Chief Executive Officer participates. In 2021, the objectives were to i) set up a dedicated organization for this market ii) implement the IATF qualifications of the sites concerned and iii) start production of the range of fuses at the Juarez site (Mexico). The Board considered that great progress had been made on the subject with the IATF qualification of the Juarez site and the start of production. However, the organization is not yet complete.
- **Competitiveness:** in 2020, the Group announced the launch of a business adaptation plan to cope with the sharp downturn in the aeronautics and chemicals markets. The Group also took actions to strengthen competitiveness on certain product lines. The Board noted the proper performance of the business adaptation plan (profits almost in line with expectations but with much lower costs than expected). Actions were also taken in certain product lines, but the financial impacts are still not tangible.
- **Succession plan:** this plan is necessary to ensure an effective transition to certain positions within five years. A recruitment was made in 2021; the management preferred to postpone the recruitment for the second position requiring a significant international exposure without the possibility to travel due to the Covid-19 pandemic. Although in line with this decision, the Board did not wish to give a 100% achievement rate considering that the succession plan was slightly delayed compared to the initial objectives.
- **Environment:** based on the Group's 2018-2021 CSR roadmap, the objective was to achieve a waste recycling rate of 65% and to reduce CO_2 emissions intensity by 8% compared to 2018. The board noted that the waste recycling target was almost reached (63%) and that the emissions reduction target was largely achieved (-13%), in particular due to the signing of renewable electricity purchase agreements. The objective was also to improve the Group's CSR ratings and to increase communication on the issue. The Board considered that these objectives were met upon receiving the EcoVadis Gold Medal and the MSCI A rating.

Overall, the Board of Directors considered that the large majority of the objectives had been met. The overall percentage of attainment of the non-financial objectives (80%) reflects this good performance.

Long-term compensation

In 2021, the Chief Executive Officer was granted 12,600 free shares, subject to the performance criteria described in section 2.5.2, representing 6.5% of the total number of shares granted under the three plans authorized by the Annual General Meeting of May 20, 2021.

In 2020, due to the Covid-19 pandemic and out of solidarity with the Group's employees, it was decided that no free share plans would be submitted to the Annual General Meeting for approval.

2.2.4. Pay ratio

In accordance with the provisions of Article 22-10-9 of the French Commercial Code and the recommendations of the AFEP-MEDEF Code, the Company discloses a pay ratio showing the difference between the compensation of executive corporate officers (Chairman and Chief Executive Officer) and the average and median salary of all employees of the French entities (excluding executive corporate officers) of the Company and its controlled companies within the meaning of Article L.233-16 of the French Commercial Code having their registered office in France. The scope includes 1,308 employees. It corresponds to all the French companies that formed part of the Group at end-2021, with the exception of Idealec (20 employees), which is not included because it is not integrated into the HRIS.

In accordance with the AFEP-MEDEF guidelines on compensation multiples, only employees "continuously present" during a given year are included, i.e., the figures exclude the effects of hires and departures during that year.

The components of compensation taken into account, described below, are the gross components before social security contributions paid during the year:

- basic salary, regular or special bonuses, overtime and any other components of gross salary;
- variable compensation;
- accounting valuation of the LTI allocated during the year in question;
- incentives and profit-sharing;
- benefits in kind (company car).

PAY RATIO TABLE UNDER I. 6° AND 7° OF ARTICLE L.22-10-9 OF THE FRENCH COMMERCIAL CODE

	Company performance Financial criteria - reported data	**2021**	**2020**	**2019**	**2018**	**2017**
	Sales (€m)	923	847	950	879	809
	Operating margin before non-recurring items (as a % of sales)	10.0	8.1	10.8	10.4	9.2
	ROCE (as a %)	10.8	7.8	11.3	11.8	9.8
	Operating cash flow (€m)	112	133	123	92	64
	Change (as a %) in CEO's compensation	31%	-31%	7%	7%	56%
	Change (as a %) in Chairman's compensation	9%	-1%	12%	39%	-36%
	Information on the scope of the listed company					
	Change (as a %) in average employee compensation	26%	-24%	6%	9%	41%
	Change (as a %) in median employee compensation	1%	17%	-6%	-17%	-9%
Chairman	Pay vs. average employee compensation	0.71	0.83	0.64	0.60	0.47
Chairman	Change (as a %) compared to previous year	-14%	30%	6%	28%	-54%
Chairman	Pay vs. median employee compensation	1.21	1.13	1.33	1.12	0.67
Chairman	Change (as a %) compared to previous year	7%	-15%	19%	67%	-29%
CEO	Pay vs. average employee compensation	6.36	6.12	6.78	6.75	6.83
CEO	Change (as a %) compared to previous year	4%	-10%	0%	-1%	11%
CEO	Pay vs. median employee compensation	10.77	8.33	14.15	12.47	9.65
CEO	Change (as a %) compared to previous year	29%	-41%	13%	29%	73%
	Change (as a %) in average employee compensation	3%	-11%	3%	3%	15%
	Change (as a %) in median employee compensation	9%	-5%	2%	-10%	0%
Chairman	Pay vs. average employee compensation	2.47	2.34	2.11	1.93	1.43
Chairman	Change (as a %) compared to previous year	5%	11%	9%	35%	-44%
Chairman	Pay vs. median employee compensation	3.23	3.22	3.10	2.81	1.83
Chairman	Change (as a %) compared to previous year	0%	4%	10%	54%	-36%
CEO	Pay vs. average employee compensation	22.03	17.33	22.37	21.51	20.68
CEO	Change (as a %) compared to previous year	27%	-23%	4%	4%	36%
CEO	Pay vs. median employee compensation	28.82	23.86	32.96	31.40	26.39
CEO	Change (as a %) compared to previous year	21%	-28%	5%	19%	56%

	Information on the extended scope (French sites employees)	**2021**	**2020**	**2019**	**2018**	**2017**
	France - Average	46,534	45,122	50,693	49,435	47,882
	France - Median	35,567	32,769	34,398	33,868	37,527
	Headquarters - Average	161,220	127,681	167,146	157,490	144,926
	Headquarters - Median	95,173	93,847	80,113	85,246	102,603
	Chairman ratios					
Chairman	France - Average	2.47	2.34	2.11	1.93	1.43
Chairman	France - Median	3.23	3.22	3.10	2.81	1.83
Chairman	Headquarters - Average	0.71	0.83	0.64	0.60	0.47
Chairman	Headquarters - Median	1.21	1.13	1.33	1.12	0.67
	CEO ratios					
CEO	France - Average	22.03	17.33	22.37	21.51	20.68
CEO	France - Median	28.82	23.86	32.96	31.40	26.39
CEO	Headquarters - Average	6.36	6.12	6.78	6.75	6.83
CEO	Headquarters - Median	10.77	8.33	14.15	12.47	9.65

Changes in compensation require the accounting valuation of LTIs to be taken into account, which explains the considerable variations. The same is true for the two comparisons (Headquarters and France), but with a much lesser impact given the small number of LTI beneficiaries in relation to the total workforce.

ROCE is calculated as operating income before non-recurring items on total of assets excluding right-of-use assets.

The pay ratio was introduced in 2019. The components of this compensation are identical to those used to establish the ratio. In addition, annual changes are calculated on the basis of samples that change from one year to the next. While it is obvious that only those employees who were present throughout the year in question are used to calculate the ratio, the sample used in a given year is liable to change in subsequent years. Therefore, the changes observed from one year to the next reflect, in addition to the different samples, the inclusion of such items as the accounting valuation of LTIs allocated. This type of data is inherently highly variable, as it is largely based on the share price at the time the shares are allocated and on the criteria used to assess the actual value of the shares allocated.

Subject to these reservations, the changes in the Chief Executive Officer's compensation clearly reflect the Group's performance. Luc Themelin's compensation in 2021 increased significantly, by around 31%, due to the allocation of free performance shares in May 2021. No free performance shares were granted in 2020.

2.3. Stock option plans (2014 plan)

At the Extraordinary General Meetings between 1995 and 2014, shareholders have authorized the Company to allocate, on one or more occasions, stock options to some or all of the Company's senior managers or those of affiliated companies. The employee categories benefiting from these options were determined by the Board of Directors or the Management Board, as appropriate, each time that it used the authorization.

All stock option plans are subject to performance conditions.

As of December 31, 2021, there were no stock option plans outstanding, as the 2014 plan expired in May 2021.

2.3.1. Stock options: previous allocations

	2014 plan Tranche 13
Date of Board of Directors'/Management Board meeting	May 21, 2014
Total number of shares available for subscription	150,000
- o/w corporate officers:	
Luc Themelin (not a corporate officer until May 19, 2009)	*30,000*
- o/w corporate officers at the allocation date, who have since left the Company	*18,000*
- including corporate officers at the allocation date who were no longer corporate officers on the date of publication	*54,000*
- o/w top ten recipients	*150,000*
Subscription price	22.69
Start of option exercise period	May 2016
Expiration date	May 2021
Total number of shares subscribed at Dec. 31, 2021	112,200
Options canceled at Dec. 31, 2021	37,800
- o/w canceled in 2021	*37800*
OPTIONS THAT MAY STILL BE EXERCISED	**0**

2.3.2. Performance conditions and holding requirements attached to the stock option plan

2.3.2.1. Principles underlying the performance conditions for the 2014 plan

The Management Board decided on the principles for setting the performance conditions for the 2014 stock option plan, subject to the approval of the Combined General Meeting of May 15, 2014 as follows:

- The performance condition is based on earnings per share ("EPS"), adjusted for certain non-recurring items of expense or income (net of tax) with a very significant impact on the Group's results. The Board decided to eliminate these non-recurring items in order to measure the Company's intrinsic performance.
- The target EPS for obtaining 100% is demanding, in keeping with the internal objectives of the Group's strategic plans in a stable or improving economic environment.
- Given the Group's dependence on the economic environment, an alternative EPS criterion has been put in place. The principle is to reward beneficiaries if the Group has not achieved its internal EPS targets due to a deterioration in the economic environment but if the Group has outperformed or comfortably outperformed a panel of French industrial companies. This relative performance is measured by reference to the change in EPS over the relevant period.
- The calculations are based on the Group's financial statements. However, in the event of abnormal positive or negative variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the Management Board or Board of Directors at which the stock option plans were allocated, the Group's results may be adjusted after analysis by the Governance and Remuneration Committee (now the Governance, Appointments and Remuneration Committee, or GARC) and with the agreement of the Board of Directors (previously the Supervisory Board). Similarly, the Governance and Remuneration Committee may withdraw from the sample any companies that have recorded manifestly wild or abnormal fluctuations in EPS over the period.

2.3.2.2. Performance conditions for the 2014 plan

Target

The possibility of exercising the options was contingent on growth in the Group's 2013 net earnings per share (adjusted for non-recurring expenses of €55 million, including depreciation of deferred tax assets, recognized in the second half of 2013, i.e., "adjusted 2013 EPS" of 1.27) in relation to the average EPS for 2014 and 2015 (adjusted for costs related to the Transform Plan) (the "adjusted 2014 and 2015 EPS").

The percentage of options allocated to each beneficiary that may be exercised was determined by reference to the following two criteria, with the more favorable one being applied.

Achievement rate	100%	30% to 100%	30%	0%
CRITERION 1	If average adjusted 2014/2015 EPS is more than or equal to 1.75.	Calculated on a straight-line basis if average adjusted 2014/2015 EPS is between 1.27 and 1.75.	If average adjusted 2014/2015 EPS is equal to 1.27.	If average adjusted 2014/2015 EPS is less than 1.27.
Achievement rate	**100%**	**50% to 100%**	**50%**	**0%**
CRITERION 2	If Mersen's EPS growth (between adjusted 2013 EPS and average adjusted 2014/2015 EPS) is more than 15 pts higher than the Panel of Companies' average EPS growth.	Percentage achievement calculated on a straight-line basis if Mersen's EPS growth (between adjusted 2013 EPS and average adjusted 2014/2015 EPS) is less than 15 pts higher than the Panel of Companies' average EPS growth.	Mersen's EPS growth (between adjusted 2013 EPS and average adjusted 2014/2015 EPS) is equal to the Panel of Companies' average EPS growth.	If Mersen's EPS growth (between adjusted 2013 EPS and average adjusted 2014/2015 EPS) is less than the Panel of Companies' average EPS growth.

The panel of comparable companies used to calculate criterion 2 was approved by the Supervisory Board on May 15, 2014, based on the recommendation of the Governance and Remuneration Committee. This included the following companies listed on Euronext Paris: Air Liquide, Alstom, ArcelorMittal, Areva, Arkema, Ciments Français, EDF Energies Nouvelles, Essilor, Faiveley, Imerys, Ingenico, Lafarge, Nexans, Rexel, Saft, Saint-Gobain, Schneider, Sechilienne Sidec (now Albioma), Soitec, ST Micro, Vicat and Zodiac.

Results

			% allocation in respect of criterion 1	% allocation in respect of criterion 2
CRITERION 1	Average adjusted 2014/2015 EPS	1.38	46%	
CRITERION 2	Growth in (a) average 2014/2015 EPS relative to (b) adjusted 2013 EPS (1.27)	8.7%		
	Panel of Companies' average EPS growth over the same period*	-1.8%		85%

** Three companies were not included in the panel as they had not published their EPS at the time of the calculation (Alstom, Lafarge and Soitec). In addition, three companies in the panel were excluded (after validation by the Governance and Remuneration Committee) due to an excessive change (positive and/or negative) in their EPS over the period (ST Micro, Manitou and Areva). Excluding those changes, the achievement rate would have been 100%.*

Based on the performance recorded, 85% of the shares were allocated.

2.3.2.3. Holding requirements for the 2014 plan

The holding period for stock options was set at two years (i.e., until May 21, 2016).

Pursuant to Article L.225-185 of the French Commercial Code, the Supervisory Board also decided that each member of the Management Board must hold the equivalent of 30% of the shares acquired upon the exercise of stock subscription options after the immediate sale of the shares necessary to finance the acquisition of the shares and the payment of taxes, social security contributions and payroll charges in respect of this resale of securities. This obligation has been restricted to the Chief Executive Officer since May 11, 2016.

2.3.3. Stock options: executive corporate officers

Options allocated in 2021 to each executive corporate officer:

	Number of options allocated	Exercise price	Valuation (method used in the consolidated financial statements)	Exercise period
Chairman of the Board: Olivier Legrain	N/A			
Chief Executive Officer: Luc Themelin	0	-	-	

Options exercised in 2021 by each executive corporate officer:

	Number of options exercised	No. and date of plan	Exercise price
Chairman of the Board: Olivier Legrain	N/A		
Chief Executive Officer: Luc Themelin	10,500	05/21/14	€22.69

No hedging instruments

The Management Board agreed that until the dissolution of the Management Board on May 11, 2016, its members could not participate in risk hedging transactions, either with regard to stock options or shares resulting from the exercise of the options. This obligation has been restricted to the Chief Executive Officer since May 11, 2016. To the best of the Company's knowledge, no hedging instruments have been put in place.

2.3.4. Stock options: top ten employees (non-corporate officers)

	Number of options allocated/exercised	Weighted average exercise price
Options allocated in 2021 to the ten employees who received the largest number	0	
Options exercised in 2021 by the ten employees who received the largest number	45,869	€22.69

2.4. Free preference shares (2017-2018 plans)

2.4.1. Overview

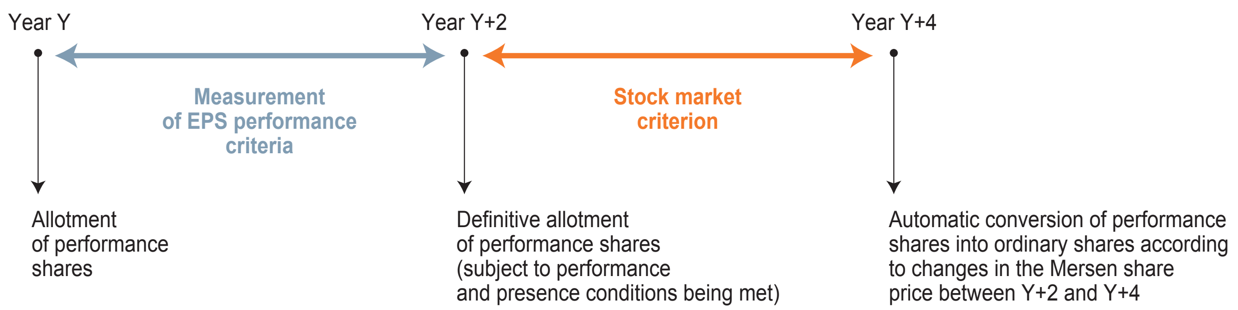
Free shares are shares of a specific category, allocated freely subject to performance conditions. They can be converted into a number of ordinary shares, said number depending on the increase in the share price (on average, over a predetermined period) in relation to the share price expected at the outset. Preference shares thereby incentivize certain senior managers by giving them a long-term stake in the growth of the share price and through their achievement of certain financial criteria.

Four plans were set up between 2015 and 2018 leading to the creation of four classes of shares (B to E). The Board of Directors has decided not to renew these preference share plans as they are too complex and lack clarity for certain investors. B, C and D shares were fully converted into ordinary shares in 2019, 2020 and 2021 respectively.

The main characteristics of the free share allocation plans

- Beneficiaries: Executive Committee and the Vice Presidents of the five business segments
- Shares of a specific class convertible into ordinary shares four years after they vest
- Subject to performance conditions based on:
  - (i) a target two-year EPS or (ii) two-year EPS growth relative to a panel of French industrial groups
  - improvement in average share price over two years relative to an initial share price (except for a proportion of 10%)
  - continued service within the Company at the end of the vesting period

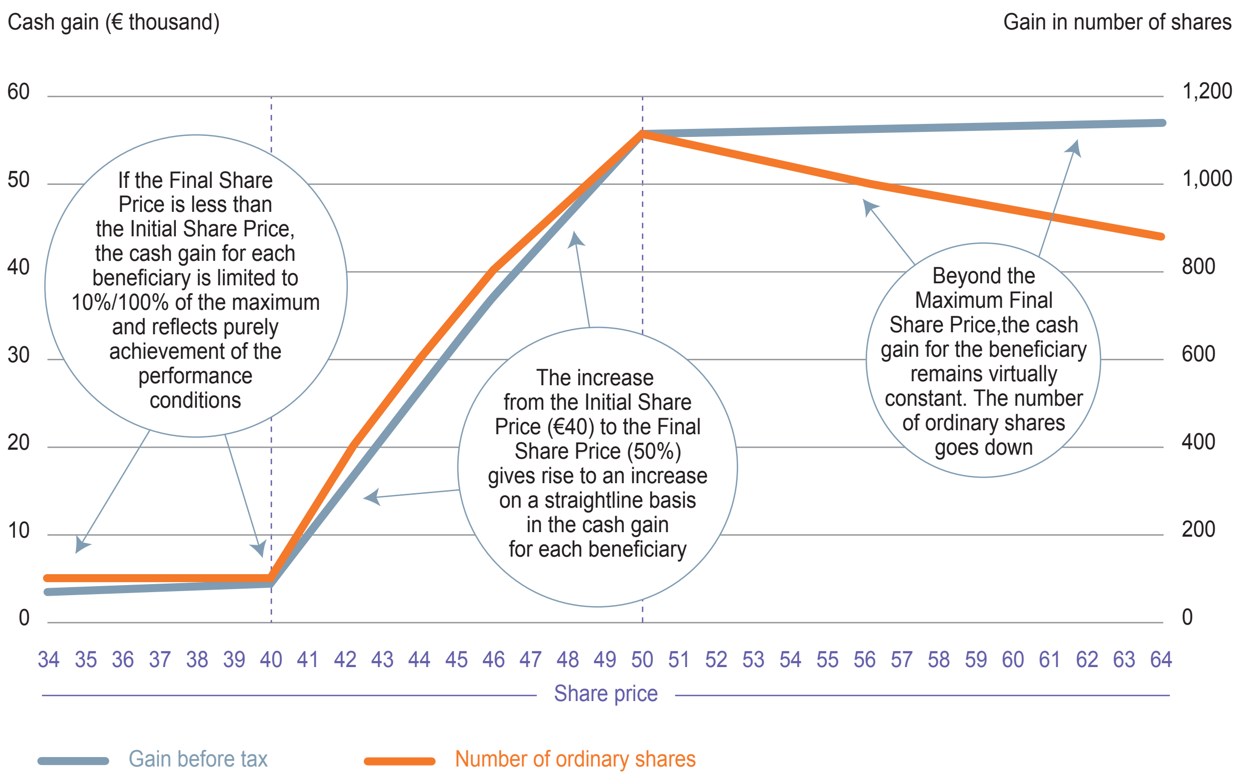
Timetable for preference shares



- The number of ordinary shares ultimately obtained depends on growth in the average share price over two years ("Final Share Price") relative to the initial share price ("Initial Share Price" = average of the last twenty quoted prices at the time of allocation), if and only if the performance conditions are achieved, based on the following formula:
  - If the Final Share Price is less than the Initial Share Price, the number of ordinary shares obtained is equal to 10/110% of the maximum number of shares.
  - If the Final Share Price is more than the Initial Share Price, beneficiaries will receive a number of ordinary shares which, if sold, would give them a cash gain increasing on a straight-line basis with the Final Share Price, up to a maximum price ("Maximum Final Share Price"), beyond which the cash gain remains virtually constant.

Example

The graph below summarizes the potential gains (in euros and in shares) for a beneficiary receiving ten preference shares at an initial share price of €40.



Performance conditions (principles)

The Board of Directors decided on the following principles to set the performance conditions for the 2016 to 2018 preference share plans:

- The performance condition is based on earnings per share (EPS), adjusted for certain non-recurring expenses or income (net of tax) with a significant impact on the Group's results. The Board decided to eliminate these non-recurring items in order to measure the Company's intrinsic performance.
- The target EPS for obtaining 100% is demanding, in keeping with the internal objectives of the Group's strategic plans in a stable or improving economic environment.
- Given the Group's dependence on the economic environment, an alternative EPS criterion has been put in place. The principle is to reward beneficiaries if the Group has not achieved its internal EPS targets due to a deterioration in the economic environment but has outperformed or comfortably outperformed a sample of French industrial companies. This relative performance is measured by reference to the change in EPS over the relevant period.
- The calculations are based on the Group's financial statements. However, in the event of abnormal positive or negative variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the Management Board or Board of Directors at which the free shares are allocated, the Group's results may be adjusted after analysis by the Governance and Remuneration Committee and with the agreement of the Board of Directors (or the Supervisory Board). Similarly, the Governance and Remuneration Committee may withdraw from the sample any companies that have recorded manifestly wild or abnormal fluctuations in EPS over the period.

Holding requirements

The holding period is set at two years for beneficiaries who are French residents, in accordance with the provisions of paragraph 7 of Article L.225-197-1 of the French Commercial Code. No holding obligations and holding periods will be imposed at the end of the vesting period for beneficiaries who are not French tax residents.

The Board of Directors decided that the executive corporate officers had to hold 30% of the preference shares allocated to them and 30% of the ordinary shares resulting from the conversion of preference shares, in registered form, throughout their term of office.

No hedging

In accordance with the AFEP-MEDEF Code, the Chief Executive Officer has formally undertaken not to hedge his stock options or performance shares. To the best of the Company's knowledge, no hedging instruments have been put in place.

Other characteristics of the free preference share allocation plans

Preference shares confer the same rights as ordinary shares, except that they pay a lower dividend.

At the end of the holding period for D and E shares (the “Holding Period”), as set forth in the various free share plans determining their allocation, each D and E shareholder may convert some or all of the D and E shares held into ordinary shares, under the terms and conditions set forth in section II, paragraphs 4 to 5 of Article 15 of the Articles of Association. If the shares have not been converted at the end of the periods set forth in section II, paragraphs 4 to 5 of Article 15 of the Articles of Association, the D and E shares will be converted automatically into ordinary shares.

At the end of the Holding Period, D and E shares are fully transferable by D and E shareholders respectively. D and E shares may be converted into ordinary shares during a 30-day period, according to the terms and conditions in the plan and to a parity defined by the percentage difference between the Initial Share Price and the Final Share Price. A specific rule shall be defined if the end of the conversion period falls during a period restricting the sale or purchase of Company shares. The Initial Share Price is equal to the volume-weighted average of the opening prices of the ordinary shares for the last 20 trading days prior to the allocation date.

The Final Share Price is equal to the average opening prices of the ordinary shares between the second anniversary of the allocation date (included) and the beginning of the conversion period during which the D and E shareholders requested the conversion to ordinary shares.

The Maximum Final Share Price is set such that the cash gain that would be made by the beneficiaries by selling the ordinary shares obtained upon conversion of the D and E shares would be more or less constant. This Maximum Final Share Price has been set at 150% of the Initial Share Price for the D shares. Given the very strong growth in the share price from May 2016 to May 2018 (+229%), the Board of Directors considered that the Maximum Final Share Price should be limited to 120% of the Initial Share Price for the 2018 plan (E shares).

In the event of a change of control occurring before the performance condition can be observed, the performance condition shall be deemed to have been fully satisfied, thus entitling the holder to delivery of all the D and E shares at the end of the vesting period.

2.4.2. 2017 plan

2.4.2.1. Summary

	2017 plan			
	Preference shares	**Minimum equivalent ordinary shares**(1)	**Maximum additional equivalent ordinary shares**	**Maximum total equivalent ordinary shares**
Date of allocation decision	May 18, 2017			
Total number of shares available for subscription	1,172	11,720	117,200	128,920
- o/w corporate officers:				
Luc Themelin	*189*	*1,890*	*18,900*	*20,790*
- o/w top ten recipients	*936*	*9,360*	*93,600*	*102,960*
Initial Share Price *(in €)*	26.06			
Maximum Final Share Price *(in €)*	39.09			
Value of preference shares(1) on the allocation date *(in €)*		21.35 (French tax residents)(2)	6.44 (French tax residents)(3)	
End of vesting period	May 18, 2019 (French tax residents) – May 18, 2021 (non-French tax residents)			
Date of transferability and convertibility	May 18, 2021			
Allocation canceled at Dec. 31, 2021	0			
Number of shares fully vested, non-transferable	1,172	11,720	18,026	29,746
BALANCE AT DECEMBER 31, 2021	**0**	**0**	**0**	**0**

(1) 10% of preference shares are not linked to share price trends and are thus automatically convertible into ordinary shares, subject to the achievement of performance criteria regarding changes in earnings per share.
(2) For beneficiaries who are non-French tax residents, the value is €22.31.
(3) For beneficiaries who are non-French tax residents, the value is €6.73.

2.4.2.2. Description

At the Combined General Meeting of May 18, 2017, the shareholders authorized the Board of Directors to allocate free preference shares (D shares) convertible into a maximum of 128,920 ordinary shares (i.e., 0.6% of the share capital). At its meeting of May 18, 2017, the Board of Directors made use of this authorization and allocated 1,172 free preference shares to members of the Executive Committee and senior managers of the Group. This number corresponds to a maximum of 128,920 ordinary shares after conversion.

2.4.2.3. Performance conditions (targets)

The performance conditions were validated by the Board of Directors after review by the Governance and Remuneration Committee in compliance with the principles set out in section 2.4.1. The percentage of D shares that will vest depends on the two criteria defined below, whichever is the more favorable.

Achievement rate	100%	30% to 100%	30%	0%
CRITERION 1	If average 2017/2018 EPS is more than or equal to 1.8.	Percentage achievement calculated on a straight-line basis if average 2017/2018 EPS is between 1.4 and 1.8.	If average 2017/2018 EPS is equal to 1.4.	If average 2017/2018 EPS is less than 1.4.
Achievement rate	**100%**	**50% to 100%**	**50%**	**0%**
CRITERION 2	If Mersen's EPS growth (between 2016 EPS and average 2017/2018 EPS) is more than 15 pts higher than the Panel of Companies' average EPS growth.	Percentage achievement calculated on a straight-line basis if Mersen's EPS growth (between 2016 EPS and average 2017/2018 EPS) is less than 15 pts higher than the Panel of Companies' average EPS growth.	If Mersen's EPS growth (between 2016 EPS and average 2017/2018 EPS) is equal to the Panel of Companies' average EPS growth.	If Mersen's EPS growth (between 2016 EPS and average 2017/2018 EPS) is less than the Panel of Companies' average EPS growth.

The adjusted 2016 EPS is the 2016 EPS published by the Group, adjusted for non-recurring expenses, or 1.41.

The calculation of the percentages would be based on Mersen's published consolidated financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions occurring after allocation, the Board of Directors may, after obtaining the option of the Governance and Remuneration Committee, adjust the financial statements for these exceptional items when calculating the allocation percentages.

The "Panel of Companies" used to calculate criterion 2 was approved by the Board of Directors on May 18, 2017, on the recommendation of the Governance and Remuneration Committee. It comprises international industrial groups listed in France and its composition has not changed since the previous plan (with the exception of companies acquired or delisted). The panel comprises the following companies: Arkema, SA des Ciments Vicat, STMicroelectronics NV, SEB SA, Manitou BF, Nexans SA, Rexel SA, Ingenico, Essilor International, Air Liquide SA, Imerys SA, Schneider Electric SA, ArcelorMittal, Saint-Gobain, Tarkett, Lisi, Somfy and Legrand.

For the purpose of calculating the allocation percentage, the Governance and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild or abnormal fluctuations in EPS over the period.

2.4.2.4. Performance conditions (result)

			% allocation in respect of criterion 1	% allocation in respect of criterion 2
CRITERION 1	Average adjusted 2017/2018 EPS achieved	2.29	100%	
CRITERION 2	Criterion 1 having been fully met, the calculation was not carried out for criterion 2			

The performance conditions were fully met.

2.4.2.5. Conversion terms

The Initial Share Price refers to the volume-weighted average of the opening prices of the A shares for the last 20 trading days prior to the allocation date.

The Final Share Price is equal to the average opening prices of the A shares between the second anniversary of the allocation date (included) and the beginning of the conversion period during which the D shareholders requested the conversion into A shares (excluded).

The conversion parity will be equal to:

- If the Final Share Price is less than 150% of the Initial Share Price (the Maximum Final Share Price): N = 10 + 300 (CF-CI)/CF.

Where:

- "N" is the number of A shares to which each D share is entitled, it being specified that in the case of a fraction (or decimal quotient), the number of A shares allocated to a D shareholder will be rounded down to the lower unit; "CF" is the Final Share Price; "CI" is the Initial Share Price; and, "CFMax" is the Maximum Final Share Price.
- If the Final Share Price is greater than the Maximum Final Share Price: N = 10 + (CFMax x 100)/CF.
- If the Final Share Price is less than the Initial Share Price: N = 10.

The conversion of preference shares into ordinary shares took place from May 18, 2021 within the framework of the conversion windows laid out in Article 15-II of the Company's Articles of Association. All D preference shares were converted into ordinary shares.

2.4.3. 2018 plan

In keeping with previous plans (see Principles described in section 2.4.1), at its meeting of May 17, 2018, the Board of Directors decided to set up a preference share plan for members of the Executive Committee (including the Chief Executive Officer) and the Vice Presidents of the five business lines. The principles for this plan differ from previous plans, in particular to take account of the very significant improvement in share price between 2016 and 2018:

- Given the very favorable trend in share price from May 18, 2017 to May 17, 2018 (+57%), the maximum number of ordinary shares was reduced by about 22% compared to the authorization given by the shareholders and compared to the 2017 plan.
- The Board of Directors reduced the Maximum Final Share Price to 120% of the Initial Share Price (compared with 150% for the 2016 and 2017 plans). The reason behind this decision was to take into account the very favorable trend in share price (+229% between May 17, 2016 and May 17, 2018), while maintaining an incentivizing target for the beneficiaries and in the interest of investors. Conversely, for the 2016 plan, the Board had set an initial share price of €17, well above the average of the 20 preceding trading days in order to avoid a windfall effect for the beneficiaries.
- Furthermore, at his request, the Chief Executive Officer was allocated the same maximum equivalent number of preference shares as the Executive Committee members, i.e., 77.

2.4.3.1. Summary

	2018 plan			
	Preference shares	**Minimum equivalent ordinary shares**(1)	**Maximum additional equivalent ordinary shares**	**Maximum total equivalent ordinary shares**
Date of allocation decision	May 17, 2018			
Total number of shares available for subscription	940	9,400	94,000	103,400
- o/w corporate officers: Luc Themelin	*77*	*770*	*7,700*	*8,470*
- o/w top ten recipients	*736*	*7,360*	*73,600*	*80,960*
Initial Share Price *(in €)*	39.27			
Maximum Final Share Price *(in €)*	47.12			
Value of preference shares(1) on the allocation date *(in €)*		33.53 (French tax residents)(2)	12.41 (French tax residents)(3)	
End of vesting period	May 17, 2020 (French tax residents) May 17, 2022 (non-French tax residents)			
Date of transferability and start of conversion period	May 17, 2022			
Allocation canceled at Dec. 31, 2021	0			
Number of shares fully vested, non-transferable	737	7,370	73,700	81,070
BALANCE AT DECEMBER 31, 2021	**203**	**2,030**	**20,300**	**22,330**

(1) 10% of preference shares are not linked to share price trends and are thus automatically convertible into ordinary shares, subject to the achievement of performance criteria regarding changes in earnings per share.
(2) For beneficiaries who are non-French tax residents, the value is €12.41.
(3) For beneficiaries who are non-French tax residents, the value is €12.97.

2.4.3.2. Description

At the Combined General Meeting of May 17, 2018, the shareholders authorized the Board of Directors to allocate free preference shares (E shares) convertible into a maximum of 103,400 ordinary shares (i.e., 0.5% of the share capital). At its meeting of May 17, 2018, the Board of Directors made use of this authorization and allocated 940 free preference shares to members of the Executive Committee (including the Chief Executive Officer) and senior managers of the Group. This number corresponds to a maximum of 103,400 ordinary shares after conversion.

2.4.3.3. Performance conditions (targets)

The performance conditions were validated by the Board of Directors after review by the Governance, Appointments and Remuneration Committee in compliance with the principles set out in section 2.4.1. The percentage of E shares that will vest depends on the two criteria defined below, whichever is the more favorable.

Achievement rate	100%	30% to 100%	30%	0%
CRITERION 1	If average 2018/2019 EPS is more than or equal to 2.2.	Percentage achievement calculated on a straight-line basis if average 2018/2019 EPS is between 1.88 and 2.2.	If average 2018/2019 EPS is equal to 1.88.	If average 2018/2019 EPS is less than 1.88.
Achievement rate	**100%**	**50% to 100%**	**50%**	**0%**
CRITERION 2	If Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is more than 15 pts higher than the Panel of Companies' average EPS growth.	Percentage achievement calculated on a straight-line basis if Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is less than 15 pts higher than the Panel of Companies' average EPS growth.	If Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is equal to the Panel of Companies' average EPS growth.	If Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is less than the Panel of Companies' average EPS growth.

The adjusted 2017 EPS is the 2017 EPS published by the Group, adjusted for non-recurring expenses, or 1.88.

The calculation of the percentages would be based on Mersen's published consolidated financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions occurring after allocation, the Board of Directors may, after obtaining the option of the Governance and Remuneration Committee, adjust the financial statements for these exceptional items when calculating the allocation percentages.

The "Panel of Companies" used to calculate criterion 2 was approved by the Board of Directors on May 18, 2017, based on the recommendation of the Governance, Appointments and Remuneration Committee. It comprises international industrial groups listed in France and its composition has not changed since the previous plan (see the list of companies in section 2.4.2.3).

For the purpose of calculating the allocation percentage, the Governance, Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild or abnormal fluctuations in EPS over the period.

2.4.3.4. Performance conditions (results)

The performance conditions were fully met

			% allocation in respect of criterion 1	% allocation in respect of criterion 2
CRITERION 1	Average adjusted 2018/2019 EPS achieved	2.76	100%	
CRITERION 2	Criterion 1 having been fully met, the calculation was not carried out for criterion 2			

2.4.3.5. Conversion terms

The Initial Share Price is equal to the volume-weighted average of the opening prices of the A shares for the last 20 trading days prior to the allocation date.

The Final Share Price is equal to the average opening prices of the A shares between the second anniversary of the allocation date (included) and the beginning of the conversion period during which the E shareholders requested the conversion to A shares (excluded).

The conversion parity will be equal to:

- If the Final Share Price is less than 120% of the Initial Share Price (the Maximum Final Share Price): N = 10 + 600 (CF-CI)/CF.

Where:

- "N" is the number of A shares to which each E share is entitled, it being specified that in the case of a fraction (or decimal quotient), the number of A shares allocated to a E shareholder will be rounded down to the lower unit; "CF" is the Final Share Price; "CI" is the Initial Share Price; and, "CFMax" is the Maximum Final Share Price.
- If the Final Share Price is greater than the Maximum Final Share Price: N = 10 + (CFMax x 100)/CF.
- If the Final Share Price is less than the Initial Share Price: N = 10.

The preference shares will be converted into ordinary shares as of May 17, 2022 within the framework of the conversion periods stipulated in Article 15-III of the company's Articles of Association.

2.5. Free shares (executives programs)

The two free share plans for executives that have not yet reached the end of the vesting period are those awarded under the authorizations granted by the Annual General Meeting in 2019 and 2021. In 2020, in view of the economic climate stemming from the health crisis, the Board of Directors decided that no free share plans would be submitted to shareholders for approval.

No hedging

In accordance with the AFEP-MEDEF Code, the Chief Executive Officer has formally undertaken not to hedge his stock options or performance shares. To the best of the Company's knowledge, no hedging instruments have been put in place.

Holding requirements for the Chief Executive Officer

The Chief Executive Officer is required to retain 30% of the shares vested under each plan until he holds an amount of Company shares at least equivalent to one years' fixed salary (gross).

2.5.1. 2019 plan

In 2019, upon authorization of the Annual General Meeting (fifteenth resolution), the Board of Directors adopted a plan covering the members of the Executive Committee, including the Chief Executive Officer and the Vice-Presidents of the Group's five business lines, i.e., a total of 14 people. The objective of the plan is to incentivize the senior executives by giving them a long-term stake in the growth of the share price, an increase in the Group's profitability and improvement in non-financial indicators.

Description of the 2019 free share plan

Duration of continued presence and performance conditions

- Duration of 3 years;
- Subject to achieving the performance conditions, Luc Themelin may still be eligible for free shares on a pro rata basis should his term of office be terminated.

Performance conditions

- Each criterion is independent;
- The stock market criterion is assessed based on an external benchmark (growth in the STOXX Europe 600 index);
- The financial criterion is operating income before non-recurring items per share;
- Multiple CSR criterion (each sub-criterion is independent) in line with the Group's CSR commitments described in the 2018 Reference Document.

Total number of free shares and portion allocated to the Chief Executive Officer

A maximum of 63,000 free shares may be allocated under the plan. This number cannot be compared with previous years given the change to the plan structure.

The portion allocated to the Chief Executive Officer may not exceed 10% of the total number of shares allocated under all the plans (executives and other employees) approved in 2019 (see section 2.6.1.2).

A total of 8,850 free shares were granted to the Chief Executive Officer, representing 6.2% of the total number of shares granted under the two plans authorized by the Annual General Meeting of May 17, 2019.

Principles for setting the performance conditions

The Board of Directors decided on the following principles to set the performance conditions for the performance share plans reserved for executives, issued in 2019: subject to achieving the continued presence conditions, the shares will vest, where applicable partially, according to the following criteria approved by the Board of Directors on the recommendation of the Governance and Remuneration Committee:

- **Stock market criterion (33%)**

Growth in the Mersen share price ("G") will be compared to that of the STOXX Europe 600 index (Industrial goods and services) or to the SBF 120 index if the STOXX Europe 600 index is no longer available ("the Index"). Growth in the share price will be compared over three years, starting from the first working day of the month of the May 17, 2019 Combined General Meeting, i.e., from May 2, 2019 to April 29, 2022.

The percentage achievement will be calculated as follows:

	Achievement
G < index growth	0%
G = index growth	50%
G ≥ 10 percentage points above index growth	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- **Profitability criterion (34%)**

Profitability will be measured based on operating income before non-recurring items per share. The principles applied by the Board of Directors include (i) measuring performance over a period of three years, i.e., 2019, 2020, 2021, (ii) making share allocations conditional, at minimum, on maintaining operating income before non recurring items per share at the level published in 2018 (€4.41) and (iii) setting tight limits "in line" with internal medium-term objectives.

	Achievement
Operating income before non-recurring items per share < €4.41	0%
Operating income before non-recurring items per share = €4.41	30%
Operating income before non-recurring items per share ≥ €5	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- **Quantifiable CSR objectives (33%) made up of four independent criteria with the same weighting (8.5% each).**
  - Lost time injury rate (LTIR) in the Group at December 2021 for employees, temporary staff and sub-contractors.

The Board of Directors has decided to take into account the low level already achieved due to a policy that has been in place for several years. In 2018, Mersen had an LTIR indicator of 1.5, outperforming peer industrial groups.

The 100% achievement rate corresponds to the objectives that the Group has set for 2021 (see chapter 4 of this document), i.e., an LTIR less than or equal to 1.4.

	Achievement
LTIR ≥ 1.7	0%
LTIR = 1.69	30%
LTIR = 1.49	80%
LTIR ≤ 1.4	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Severity injury rate (SIR) of accidents in the Group at December 2021 for employees, temporary staff and sub-contractors.

The Board of Directors has decided to take into account the low level already achieved due to a policy that has been in place for several years. In 2018, Mersen had an SIR indicator of 71, outperforming peer industrial groups.

The 100% achievement rate corresponds to the objectives set by the Group for 2021 (see chapter 4 of this document), i.e., an SIR less than or equal to 60.

	Achievement
SIR > 80	0%
SIR = 80	30%
SIR = 70	80%
SIR ≤ 60	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Human capital development: Percentage of women engineers and managers in the Group in December 2021

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2018 (approximately 94% of Group employees). Acquisitions made after December 2018 will be excluded from the calculation of this criterion.

The Group has set itself the objective of reaching a ratio between 25% and 30% by 2022 (see chapter 4 of this document).

As this criterion will be measured for the purpose of the free share plan in December 2021, i.e., a year earlier than the Group's objective, the achievement rates have been adapted. The lower limit (0% achievement) corresponds to the percentage of women engineers and managers in December 2018.

% of women engineers and managers	Achievement
< 20%	0%
= 22.5%	70%
> 25%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations

This criterion will be measured in 2021 based on the environmental reporting scope. The Group has set itself the objective of increasing the percentage of waste recycled or recovered by 15 percentage points from 41% in 2018 to 56% in 2021 (see chapter 4 of this document).

The 100% achievement rate corresponds to the objective set for 2021. The lower limit (0% achievement) corresponds to the percentage reported in 2018.

Percentage of waste recycled or recovered	Achievement
< 42%	0%
= 50%	50%
≥ 56%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

Results

The results will not be known until May 17, 2022.

2.5.2. 2021 plan

In 2021, the Board of Directors adopted a plan covering the members of the Executive Committee, including the Chief Executive Officer and the Vice-Presidents of the Group's five business lines, i.e., a total of 14 people. The objective of the plan is to incentivize the senior executives by giving them a long-term stake in the growth of the share price, an increase in the Group's profitability and improvement in non-financial indicators. This plan was granted in accordance with the authorization given under the twenty-first resolution of the Annual General Meeting of May 20, 2021.

Description of the 2021 free share plan

Duration of continued presence and performance conditions

- Duration of 3 years;
- Subject to achieving the performance conditions, Luc Themelin may be eligible for free shares on a pro rata basis should his term of office be terminated.

Performance conditions

- Each criterion is independent;
- The stock market criterion is assessed based on an external benchmark (growth in the STOXX Europe 600 index);
- The financial criterion linked to profitability is based on (i) the rate of return on capital employed and (ii) the rise in operating income before non-recurring items per share;
- Multiple CSR criterion (each sub-criterion is independent) in line with the Group's CSR commitments described in the 2018 Reference Document.

Total number of free shares and portion allocated to the Chief Executive Officer

A maximum of 84,000 free shares may be allocated under the plan. In 2019, the total was 63,000.

The portion allocated to the Chief Executive Officer may not exceed 10% of the total number of free shares allocated under this plan and the two other plans approved subject to the authorization of the Annual General Meeting of May 20, 2021 (see section 2.6.2).

A total of 12,600 free shares were granted to the Chief Executive Officer, representing 6.5% of the total number of shares granted under the three plans authorized by the Annual General Meeting of May 20, 2021.

Principles for setting the performance conditions

Subject to achieving the continued presence conditions, the shares will vest, where applicable partially, according to the following criteria approved by the Board of Directors on the recommendation of the Governance and Remuneration Committee:

- **Stock market criterion (33%)**

Growth in the Mersen share price ("G") will be compared to that of the STOXX Europe 600 index (Industrial goods and services) or to the SBF 120 index if the STOXX Europe 600 index is no longer available ("the Index"). Growth in the share price will be compared over three years, starting from the first working day of the month of the 2021 Annual General Meeting, i.e., from May 2, 2021 to April 30, 2024.

The percentage achievement will be calculated as follows:

Condition	Achievement
G < index growth	0%
G = index growth	50%
G ≥ 10 percentage points above index growth	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- **Profitability criterion (34%)**

Profitability will be measured based on operating income before non-recurring items per share and return on capital employed (ROCE – calculated as the ratio of operating income before non-recurring items to average weighted capital employed, excluding right-of-use assets). These two criteria will be measured over the average of 2021, 2022 and 2023. Each indicator will count independently for 17% (the outperformance or underperformance of one of the indicators will have no effect on the other financial criterion). The lower limit is equal to the Group's 2020 performance. The upper limit will be disclosed ex-post.

ROCE	Achievement
ROCE < 7.8%	0%
ROCE = 7.8%	30%
ROCE ≥ xxx	100%

Operating income before non-recurring items per share	Achievement
Average operating income before non-recurring items per share < €3.30	0%
Average operating income before non-recurring items per share = €3.30	30%
Average operating income before non-recurring items per share ≥ €xxx	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis. The upper limit will be published ex-post.

- **CSR objectives (33%) made up of three independent criteria with the same weighting (11% each)**
  - Human capital development: Percentage of women engineers and managers in the Group in December 2023

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2020 (approximately 99% of Group employees). Acquisitions made after December 2020 will be excluded from the calculation of this criterion.

Condition	Achievement
< 24% of female engineers or managers	0%
= 27% of female engineers or managers	70%
≥ 30% of female engineers or managers	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

  - Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations

This criterion will be measured in 2023 based on the environmental reporting scope.

Condition	Achievement
< 60% of waste recycled in comparison with the total amount of waste produced	0%
≥ 60% of waste recycled in comparison with the total amount of waste produced	30%
≥ 70% of waste recycled in comparison with the total amount of waste produced	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

  - Reduction in greenhouse gas emissions intensity (CO_2) of our production sites

This criterion will be measured in 2023 based on the environmental reporting scope, which includes all the sites.

Condition	Achievement
< 5% reduction in emissions intensity	0%
≥ 5% reduction in emissions intensity	30%
≥ 10% reduction in emissions intensity	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

2.5.3. Management free share allocations: previous allocations

	2019 plan Tranche 1 (with performance conditions)	2021 plan Tranche 2 (with performance conditions)	Total
Date of allocation decision	May 17, 2019	May 20, 2021	
Total number of shares allocated	59,000	84,000	143,000
- o/w corporate officers: Luc Themelin	8,850	12,600	21,450
- o/w top ten recipients	*47,200*	*67,200*	*114,400*
Share price at allocation date (in €)	20.86	23.59	
End of vesting period	May 17, 2022	May 20, 2024	
End of holding period	May 18, 2022	May 21, 2024	
Allocation canceled at Dec. 31, 2021	0	0	0
o/w canceled in 2021	*0*	*0*	*0*
Number of shares fully vested, and transferable	0	0	0
BALANCE AT DECEMBER 31, 2021	**59,000**	**84,000**	**143,000**

2.6. Free shares (non-executives program)

There are four free share plans for non-executives whose definitive allocation dates have not yet expired: the 2018 plan, the 2019 plan and two plans approved in 2021. There was no free share plan in 2020.

2.6.1. 2018 and 2019 plans

The Board of Directors decided on the following principles to set the performance conditions for the 2018 and 2019 performance share plans:

- The performance condition is based on the EBITDA margin and an additional criterion based on growth in like-for-like sales. This new approach was confirmed in the 2019 plan.
- The target EBITDA margin and, for the 2019 plan, the target sales for obtaining 100% are demanding and in keeping with the internal objectives of the Group's strategic plans in a stable or improving economic environment.

Given the Group's dependence on the economic environment, an alternative criterion has been put in place. The principle is to reward beneficiaries if the Group has not achieved its internal targets due to a deterioration in the economic environment but has outperformed or comfortably outperformed a panel of French industrial companies. This relative performance is measured by reference to the change in average EBITDA margin over the relevant period.

The calculations are based on the Group's financial statements. However, in the event of abnormal positive or negative variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the relevant body at which the free share plans were allocated, the results of the Group or panel may be adjusted after analysis by the Governance and Remuneration Committee (now the Governance, Appointments and Remuneration Committee, or GARC) and with the agreement of the Board of Directors. In the same spirit, the Governance, Appointments and Remuneration Committee may withdraw from the panel any companies that have recorded manifestly wild or abnormal fluctuations in EBITDA margin over the period.

2.6.1.1. 2018 plan

At the Combined General Meeting of May 17, 2018, the shareholders authorized the Board of Directors to allocate existing or new shares at no cost to employees, or to certain categories of employees, of the Company and those of affiliated companies.

The total number of shares that might be thus allocated might not exceed 84,000, representing around 0.4% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization granted by the Combined General Meeting of May 18, 2017. This authorization was valid for 38 months.

At its meeting of May 17, 2018 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this subdelegation by allocating, at no cost, 67,050 Company shares to 156 Mersen Group employees and managerial staff according to the related performance conditions; i.e., a 2018 EBITDA-to-sales ratio criterion, or one based on a change in the EBITDA-to-sales ratio between 2017 and 2018, compared to a panel of comparable French companies (whichever is more favorable).

Performance conditions

Free shares may only be allocated to the beneficiary at the end of the three-year vesting period if the performance conditions defined below are met.

The percentage of free shares allocated to each of the beneficiaries will thus be determined based on the most favorable amount of the following two criteria, bearing in mind that criteria 1-A and 1-B are independent and that each accounts for 50% of the achievement rate.

Achievement rate	100%	30% to 100%	30%	0%
CRITERION 1-A 50%	If the average 2018-2020 EBITDA(1) margin is more than or equal to 15%.	Allocation percentage calculated on a straight-line basis.	If the average 2018-2020 EBITDA(1) margin is more than or equal to 14%.	If the average 2018-2020 EBITDA(1) margin is less than 14%.
CRITERION 1-B 50%	Change in like-for-like revenue (average over the 3 years from 2018 to 2020) is more than or equal to 4%.	Allocation percentage calculated on a straight-line basis.	Change in like-for-like sales (average over the 3 years from 2018 to 2020) is more than or equal to 2%.	Change in like-for-like sales (average over the 3 years from 2018 to 2020) is less than 2%.
Achievement rate	**100%**	**35% to 100%**	**35%**	**0%**
CRITERION 2	If the change in EBITDA(1) margin between 2017 and the 2018-2020 average is more than 5 pts higher than the change in the Panel of Comparable Companies' average EBITDA(1) margin.	Allocation percentage calculated on a straight-line basis.	If the change in EBITDA(1) margin between 2017 and the 2018-2020 average is equal to the change in the Panel of Comparable Companies' average EBITDA(1) margin.	If the change in EBITDA(1) margin between 2017 and the 2018-2020 average is less than the change in the Panel of Comparable Companies' average EBITDA(1) margin.

(1) EBITDA = Operating income before non-recurring items + depreciation and amortization.

Criteria calculation method

The calculations are based on Mersen's published financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) or a change in the accounting standards having an impact on EBITDA or sales occurring after May 17, 2018, the Board of Directors may, after obtaining the opinion of the Governance and Remuneration Committee (now the Governance, Appointments and Remuneration Committee), adjust the financial statements for these effects when calculating the allocation percentages.

The "Panel of Comparable Companies" used to calculate criterion 2 was approved by the Board of Directors on May 17, 2018, on the recommendation of the Governance and Remuneration Committee.

The Panel of Comparable Companies remains unchanged compared with the 2017 plan and comprises the following companies: Arkema, SA des ciments Vicat, STMicroelectronics NV, SEB, Manitou BF, Nexans, Rexel, Ingenico, Essilor International, Air Liquide, Imerys, Schneider Electric, ArcelorMittal, Saint-Gobain, Tarkett, Lisi, Somfy and Legrand.

For the purpose of calculating the allocation percentage, the Governance, Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild or abnormal fluctuations in their EBITDA margin over the period.

Results

The performance achievement on the basis of criterion 1 is 23%. The performance for criterion 2 is 100%.

Based on these results, 100% of the shares were allocated.

2.6.1.2. 2019 plan

The Combined General Meeting of May 17, 2019 granted two authorizations to the Board of Directors to allocate existing or new shares at no cost to employees, or certain categories of employees, and/or corporate officers of the Company or those of affiliated companies.

The total number of shares that might be thus allocated might not exceed 84,000, representing around 0.4% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization granted by the Combined General Meeting of May 17, 2018. This authorization was valid for 38 months.

At its meeting of May 17, 2019 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 84,000 free shares to 200 employees and managers of the Mersen group. The performance conditions for each plan are described below.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

Performance conditions

Free shares may only be allocated to the beneficiary at the end of the three-year vesting period if the performance conditions defined below are met.

The percentage of free shares allocated to each of the beneficiaries will thus be determined based on the most favorable amount of the following two criteria, bearing in mind that criteria 1-A and 1-B are independent and that each accounts for 50% of the achievement rate.

The Group would like to be able to allocate free shares to certain employees who are not senior executives if (a) criteria 1 and 2 are not achievable due to unfavorable economic conditions, but (ii) the Group performs better than its peers. For the sake of comparison, the impacts relating to the application of IFRS 16 will be restated when calculating EBITDA margins. The Board of Directors may adjust (favorably or not) the EBITDA margins of exceptional components or remove from the panel certain companies whose EBITDA margins show abnormal fluctuations during the period.

Achievement rate	100%	30% to 100%	30%	0%
CRITERION 1-A 50%	If the average 2019-2021 EBITDA[1] margin is more than or equal to 15.5%.	Allocation percentage calculated on a straight-line basis.	If the average 2019-2021 EBITDA[1] margin is more than or equal to 14.9%.	If the average 2019-2021 EBITDA[1] margin is less than 14.9%.
CRITERION 1-B 50%	Change in like-for-like sales (average over the 3 years from 2019 to 2021) is more than or equal to 4%.	Allocation percentage calculated on a straight-line basis.	Change in like-for-like sales (average over the 3 years from 2019 to 2021) is more than or equal to 2%.	Change in like-for-like sales (average over the 3 years from 2019 to 2021) is less than 2%.
Achievement rate	**100%**	**35% to 100%**	**35%**	**0%**
CRITERION 2	If the change in EBITDA[1] margin between 2018 and the 2019-2021 average is more than 5 pts higher than the change in the Panel of Comparable Companies' average EBITDA[1] margin.	Allocation percentage calculated on a straight-line basis.	If the change in EBITDA[1] margin between 2018 and the 2019-2021 average is equal to the change in the Panel of Comparable Companies' average EBITDA[1] margin.	If the change in EBITDA[1] margin between 2018 and the 2019-2021 average is less than the change in the Panel of Comparable Companies' average EBITDA[1] margin.

(1) EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization.

Criteria calculation method

The calculations will be based on Mersen's published financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) or a change in the accounting standards having an impact on EBITDA or sales occurring after May 17, 2019, the Board of Directors may, after obtaining the opinion of the Governance and Remuneration Committee (now the Governance, Appointments and Remuneration Committee), adjust the financial statements for these effects when calculating the allocation percentages.

The "Panel of Comparable Companies" used to calculate criterion 2 was approved by the Board of Directors on May 17, 2019, on the recommendation of the Governance and Remuneration Committee.

The Panel of Comparable Companies, unchanged compared with the 2018 plan, comprises the following companies: Arkema, SA des ciments Vicat, STMicroelectronics NV, SEB, Manitou BF, Nexans, Rexel, Ingenico, Essilor International, Air Liquide, Imerys, Schneider Electric, ArcelorMittal, Saint-Gobain, Tarkett, Lisi, Somfy and Legrand.

For the purpose of calculating the allocation percentage, the Governance, Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild or abnormal fluctuations in their EBITDA margin over the period.

Results

The results will only be known after the publication of the financial statements of the panel of comparable companies.

2.6.2. 2021 plans

The Combined General Meeting of May 20, 2021 granted two authorizations to the Board of Directors to allocate existing or new shares at no cost to employees, or certain categories of employees, and those of affiliated companies (twentieth and twenty-second resolutions).

2.6.2.1. Performance-based free share plan

The Combined General Meeting of May 20, 2021 voted the twentieth resolution authorizing the Board of Directors to set up a performance-based free share plan. The total number of shares that might be thus allocated might not exceed 100,800, representing around 0.5% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization (valid for 38 months) granted by the Combined General Meeting of May 17, 2018.

At its meeting of May 20, 2021 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 100,800 free shares to 194 employees and managers of the Mersen group. The performance conditions for the plan are described below.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

Performance conditions

Free shares may only be allocated to the beneficiary at the end of the vesting period (May 20, 2024) if the performance conditions defined below are met.

Therefore, the percentage of free shares allocated to each of the beneficiaries will be determined based on the two criteria below; each criterion is independent (any outperformance in relation to a criterion cannot offset the result of another criterion) and counts as part of the overall achievement, expressed as a percentage as set out below:

- **A financial criterion (67%)**

  This criterion is made up of two independent sub-criteria with the same weighting:

  - Criterion 1a: average organic growth in sales over 2021/2022/2023
  - Criterion 1b: average of the EBITDA margin between 2021 and 2023

  or (the most favorable criterion is used)

  - Criterion 2: growth in the Group's EBITDA margin between 2020 and the 2021-2023 average compared to the average growth in the EBITDA margin of a panel of companies determined when the plan is set up.

These criteria will be disclosed ex-post.

- **CSR objectives (33%) made up of three independent criteria with the same weighting (11% each)**

  - Human capital development: Percentage of women engineers and managers in the Group in December 2023

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2020 (approximately 99% of Group employees). Acquisitions made after December 2020 will be excluded from the calculation of this criterion.

Condition	Achievement
< 24% of female engineers or managers	0%
= 27% of female engineers or managers	70%
≥ 30% of female engineers or managers	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

  - Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations

This criterion will be measured in 2023 based on the environmental reporting scope.

Condition	Achievement
< 60% of waste recycled in comparison with the total amount of waste produced	0%
≥ 60% of waste recycled in comparison with the total amount of waste produced	30%
≥ 70% of waste recycled in comparison with the total amount of waste produced	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

  - Reduction in greenhouse gas emissions intensity (CO_2) of our production sites

This criterion will be measured in 2023 based on the environmental reporting scope.

Condition	Achievement
< 5% reduction	0%
≥ 5% reduction	30%
≥ 10% reduction	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

2.6.2.2. Free share plan without performance conditions

The Combined General Meeting of May 20, 2021 voted the twenty-second resolution authorizing the Board of Directors to set up a Mersen Free Share Plan without performance conditions for certain employees identified as high-potential managers or managers with expertise in strategic sectors. The total number of shares that might be thus allocated might not exceed 12,000, representing less than 0.1% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization granted by the Combined General Meeting of May 17, 2018. This authorization was valid for 38 months.

At its meeting of May 20, 2021 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 11,350 free shares to 40 employees and managers of the Mersen group in 2021.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

2.6.3. Free shares for non-executives: previous allocations

	2018 plan Tranche 12 (with performance conditions)	2019 plan Tranche 13 (with performance conditions)	2021 plan Tranche 14 (with performance conditions)	2021 plan Tranche 15 (without performance conditions)	Total
Date of allocation decision	May 17, 2018	May 17, 2019	May 20, 2021	May 20, 2021	
Total number of shares to be allocated	67,050	84,000	100,800	12,000	263,850
- o/w corporate officers:					
Luc Themelin	*0*	*0*	*0*	*0*	*0*
- o/w top ten recipients	*9,300*	*10,100*	*13,250*	*4,600*	*37,250*
Share price at allocation date (€)	37.20	24.29	27.33	27.33	
End of vesting period	May 17, 2021	May 17, 2022	May 20, 2024	May 20, 2024	
End of holding period	May 18, 2021	May 18, 2022	May 21, 2024	May 21, 2024	
Allocation canceled at Dec. 31, 2021	900	0	0	0	900
o/w canceled in 2021	0	0	0	0	0
Number of shares fully vested, and transferable	66,150	0	0	0	66,150
BALANCE AT DECEMBER 31, 2021	**0**	**84,000**	**100,800**	**12,000**	**196,800**

2.7. Summary of the allocations of free shares to executive corporate officers

Beneficiary	Shares for which the free allocation to each executive director vested in 2021					
	No. and date of plan	Number of shares allocated during the fiscal year	Valuation of shares according to the method used in the consolidated financial statements	Vesting date	Availability date	Performance conditions
		None				

Beneficiary	Free shares allocated that vested in 2021 for each executive corporate officer		
	No. and date of plan	Number of shares that vested during the fiscal year	Vesting conditions
Luc Themelin Chief Executive Officer	2017 preference share plan	4,861 ordinary shares resulting from the conversion of D shares (preference shares converted into ordinary shares: 23% of the maximum possible on the basis of a stock market criterion)	

As described in sections 2.1.2 and 2.2.2.1, the Chairman of the Board of Directors does not receive free shares.

2.8. Components of compensation paid or granted to Luc Themelin (Chief Executive Officer) in respect of the fiscal year ended December 31, 2021 submitted to a vote by the Combined General Meeting of May 19, 2022

	Amount paid in 2021	Amount allocated in 2021 (or fair value of shares)	Observations
Fixed compensation	€440,000	€440,000	Amount unchanged since 2015.
Annual variable compensation	€249,040	€589,600 (to be paid subject to the condition precedent of the AGM vote)	The variable portion is between 0% and 100% of the fixed compensation. The maximum threshold of 100% may be increased to 200% in the event that the Group's operating margin outperforms. For the other two financial criteria, the outperformance may be up to 150% for the Group's operating cash flow and EBITDA compared to the maximum targets approved by the Board. The variable portion is composed of financial objectives for 70% (30% based on the Group's operating margin before non-recurring items, the Group's operating *cash* flow and 20% on EBITDA). In the event of outperformance, these three financial objectives may be increased to a maximum of 60%, 30% and 30% respectively, i.e., a total of 120%. Individual objectives account for 30%. The 2021 financial objectives were based on the Group's annual budget. They were not modified during the year despite the exceptional context of the health crisis. The financial and non-financial objectives are reviewed every year by the Governance, Appointments and Remuneration Committee, based on the Group's strategic priorities. The non-financial objectives are determined as follows: • Safety: measure LTIR (lost-time injury rate) with the objective of keeping it between 1.4 and 1.6 and measure SIR (severity injury rate) with the objective of keeping it below or equal to 60. MSV (management safety visits) measured at 4,927. Achievement: 67% • Organization: implement the organization of the Electrical Vehicle (EV) business. Achievement: 80% • Competitiveness: implement the competitiveness plan in accordance with the measures taken at the end of 2020. Achievement: 85% • Succession plans: prepare the Group's organization and its management teams by 2025. Achievement: 80% • Environment: increase the percentage of recycled waste, continue to reduce CO_2 emissions. Achievement: 87% The variable compensation for 2021 represents 134% of the fixed compensation (allocated) and breaks down as follows: the portion linked to financial objectives amounted to 50% of the Group's operating margin, 30% of *operating* cash flow and 30% of EBITDA. The proportion of non-financial objectives, taking into account the weightings applied to each criterion, amounted to 24%.
Deferred variable compensation	N/A	N/A	There is no deferred variable compensation mechanism.
Multi-annual variable compensation	N/A	N/A	There is no multi-annual variable compensation mechanism.
Exceptional compensation	N/A	N/A	No exceptional compensation was allocated for 2020.
Incentives	€5,193	€20,568	The increase is due to the significant improvement in results between 2021 and 2020.

	Amount paid in 2021	Amount allocated in 2021 (or fair value of shares)	Observations
Stock options, performance shares or any other long-term item of compensation	N/A	€297,332	Luc Themelin was granted 12,600 performance shares.
Directors' compensation	N/A	N/A	Luc Themelin does not receive any compensation as a director.
Benefits in kind	€33,510	€33,512	Benefits in-kind include the use of a company car, an annual medical examination and contributions paid to an external organization in respect of unemployment insurance for company executives.
Severance payment	€0	€0	No amount is due in respect of 2021. By a decision dated March 7, 2017, the Board of Directors decided that the benefits to which Luc Themelin is entitled will be maintained should his term as Chief Executive Officer end.
Non-compete indemnity	€0	€0	No amount is due in respect of 2021. At its May 11, 2016 meeting, the Board of Directors decided that Luc Themelin would be entitled to the same non-compete payment as that allocated to him for his previous term of office.
Supplementary pension plan	€0	€0	No amount is due in respect of 2021. Luc Themelin is eligible for a defined benefit supplementary pension plan if he is present and ends his career with the Mersen group on the date on which he can claim his French state social security pension. Under this scheme, Luc Themelin would receive a supplementary pension, based on length of service and calculated on the average of all basic salaries over the past three years' employment leading up to retirement, plus 50% of the maximum bonus amount. His pension shall not exceed 20% of the sum of these two items. The percentage is capped, given Luc Themelin's length of service (33 years). The theoretical calculation of the annuity paid to Luc Themelin would amount to €154,000, before tax and social charges.
Compensation, indemnities or benefits for taking up office	N/A	N/A	
Components of compensation and benefits in kind in respect of his term of office as Chief Executive Officer pursuant to agreements entered into with the Company, any company controlled by the Company, any company that controls the Company or any other company under the same control as the Company	N/A	N/A	
Other components of compensation allocated in respect of his term of office as Chief Executive Officer	N/A	N/A	

2.9. Components of compensation paid or granted to Olivier Legrain (Chairman of the Board) in respect of the fiscal year ended December 31, 2021 submitted to a vote by the Combined General Meeting of May 19, 2022

(in euros – gross amount)	Amount paid in 2021	Amount allocated in 2021	Observations on the amounts allocated
Fixed compensation	€80,000	€80,000	The compensation allocated for a given year is paid monthly in the year.
Directors' compensation	€27,923	€34,884	The compensation granted for a given year is paid at the beginning of the subsequent year.
Benefits in kind	0	0	

3. Other disclosures

3.1. Items likely to have an impact in the event of a public offer

Pursuant to Article L.22-10-11 of the French Commercial Code, we hereby inform you of the following points which are likely to have an impact in the event of a public offer:

- The capital structure as well as any direct or indirect shareholdings of which the Company is aware and all related information are described in chapter 5 of this Universal Registration Document.
- The Articles of Association do not provide for any restrictions to the exercise of voting rights, except for the request to strip shares of voting rights that may be made by one or more shareholders holding at least 1% of the share capital or voting rights if a shareholder fails to declare having crossed the threshold of 1% (Article 11 ter of the Articles of Association) (see chapter 5, section 1.8).
- No agreement provisions have been brought to the Company's attention pursuant to Article L.233-11 of the French Commercial Code.
- In regard to special control rights that may be attached to shares, it is specified that:
  - double voting rights are attached to fully paid-up shares that have been held in registered form for at least two years (see chapter 5, section 2.6);
  - specific rights are attached to preference shares, as described in particular in Article 15 of the Articles of Association as well as the paragraph on compensation of this corporate governance report;
  - In particular, preference shares confer the right to a dividend equal to 10% of the dividend per share allocated to ordinary shares and, generally, to payment of 10% of the amount paid in respect of each ordinary share during the lifetime of the Company and in the event of liquidation.
  - As of the end of their holding period, preference shares are fully transferable between shareholders with the same class of preference shares and may be converted into ordinary shares during certain defined conversion periods and according to a set conversion ratio. If the shares are not converted during these periods, they will be converted automatically at the end of the second conversion period.
- The Articles of Association do not provide for any restrictions to the transfer of shares, except for the abovementioned preference shares, which may only be transferred between shareholders with the same class of preference shares (Article 15 of the Articles of Association).
- As far as the Company is aware, no agreements or other commitments have been signed between shareholders.
- Voting rights attached to Mersen shares held by employees via the Mersen FCPE (corporate mutual fund) shall be exercised by a representative appointed by the FCPE's supervisory board to represent the employees at the Annual General Meeting.
- The rules for appointing and removing members of the Board of Directors shall be those provided for by the law and by the Articles of Association. The director representing employees shall be appointed by the Group Committee (Article 17 of the Articles of Association).
- As regards the powers of the Board of Directors, current delegations and authorizations are described in chapter 5 of the Universal Registration Document (share buyback program and table summarizing delegations and authorizations regarding increases to share capital), it being understood that the authorization to buy back shares and the various financial authorizations and delegations are suspended during a public offer for the Company's shares.
- Amendments to the Company's Articles of Association shall be made in accordance with legal and regulatory provisions, it being understood that any amendment relating to the rights attached to preference shares must also be submitted for approval by the Special Meeting of shareholders with the category or categories of preference shares affected by the amendment (Article L.225-99 of the French Commercial Code and Article 26 of the Articles of Association).
- Financial contracts entered into by the Company may be amended or terminated in the event of a change of control of the Company. Certain business contracts may also be affected.
- Certain Group activities are subject to export controls governing dual-use items and technologies as well as to the US International Traffic in Arms Regulations (ITAR).
- Certain Group activities are subject to controls governing sensitive technologies in France (Security and Defense).
- The agreements providing for compensation in the event of termination of the Chief Executive Officer's duties are described in section 2.1.4.4 of this chapter. There are no special agreements in place that provide for compensation for members of the Board or employees in the event of their resignation or dismissal without fair cause or if their term of employment is ended due to a public tender or exchange offer.

3.2. Agreements within the meaning of Articles L.225-38 and L.225-39 of the French Commercial Code and agreements entered into between (i) a corporate officer or a shareholder with more than 10% of the voting rights and (ii) a controlled company within the meaning of Article L.233-3 of the French Commercial Code

The abovementioned provisions concern agreements entered into directly or through an intermediary between the Company and a corporate officer, a shareholder holding over 10% of the voting rights, or another company if one of the Company's corporate officers is the sole proprietor, unlimited partner, legal manager, director or, generally, an executive officer of such company.

These agreements are known as "related-party" agreements. They are subject to the prior authorization of the Board of Directors, with the exception of agreements between Mersen and Group companies that are directly or indirectly wholly-owned by Mersen, and routine agreements entered into on arm's length terms, these two categories being expressly exempt from the required prior authorization of the Board of Directors pursuant to Article L.225-39 of the French Commercial Code.

3.2.1. Procedure for identifying related-party agreements and reviewing routine agreements entered into on arm's length terms

Pursuant to Article L.22-10-12 of the French Commercial Code, the Board of Directors approved an internal procedure for identifying related-party agreements and reviewing routine agreements entered into on arm's length terms. This procedure is applied before any agreement that could qualify as a related-party agreement is signed, as well as prior to any amendments, renewals or terminations of such agreements. It is used to assess whether an agreement relates to routine operations and has been entered into on arm's length terms, in which case it is not a related-party agreement under French law. This procedure also makes it possible to regularly review whether agreements relating to routine operations entered into on arm's length terms meet those conditions.

This procedure was defined by the Board of Directors on December 19, 2019. It is available on the Company's website.

3.2.2. Implementation of the procedure in 2021

In accordance with the procedure described in the previous section, the Company's Finance and Legal Departments conduct a review of draft agreements to determine whether they are subject to the abovementioned authorization procedure, and then, every year, they review routine agreement entered into on arm's length terms to ensure that they meet these conditions.

In 2021, based on this work, it was found that:

- there were no new or ongoing related-party agreements. Since 2019, the agreements relating to compensation, indemnities and benefits payable to executive corporate officers have no longer been governed by the procedure concerning related-party agreements, they are now subject to the "Say on Pay" procedure;
- there were no routine agreements entered into on arm's length terms that no longer met these conditions.

An assessment of routine agreements entered into on arm's length terms by the Company with its non-wholly owned subsidiaries was provided to the Audit and Accounts Committee. At its meeting of January 20, 2022, the Audit and Accounts Committee confirmed the relevance of the criteria used to assess these agreements.

At its meeting of January 26, 2022, the Board of Directors noted these conclusions and the absence of any new or ongoing agreements requiring authorization or ratification.

3.2.3. Agreements entered into between (i) a corporate officer or a shareholder with more than 10% of the voting rights and (ii) a controlled company within the meaning of Article L.233-3 of the French Commercial Code

N/A.

Statutory Auditors' special report on related-party agreements Annual General Meeting called to approve the financial statements for the year ended December 31, 2021

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 includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Mersen,

In our capacity as Statutory Auditors of Mersen SA, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements to be submitted for the approval of the Annual General Meeting

Agreements authorized and entered into during the year

We were not informed of any agreement authorized and entered into during the year to be submitted for the approval of the Annual General Meeting pursuant to the provisions of Article L.225-38 of the French Commercial Code.

Agreements already approved by the Annual General Meeting

We were not informed of any agreement already approved by the Annual General Meeting which remained in force during the year.

Paris La Défense, March 21, 2022

KPMG Audit

Département de KPMG S.A.

Catherine Porta

Partner

Paris La Défense, March 21, 2022

Deloitte & Associés

Anne Demerlé

Partner

3 MANAGEMENT REPORT

For the definitions, please refer to the glossaries at the end of the document.

Unless otherwise stated, amounts are expressed in millions of euros and rounded to the nearest decimal place. Rounding may lead to non-material differences between the reported totals and the sum of the rounded amounts.

1. Introduction

Year 2021 showed a return to more normal operations for Mersen, after a year shaped by the impacts of the health crisis in 2020, even though the Group had not been strongly affected industrially as most of its manufacturing sites had been able to continue their activities. Most countries saw successive waves of the epidemic throughout the year, which continued to affect employee mobility, but to a much lesser extent than in 2020.

Business grew strongly, underpinned by global growth and the Group's positioning in very dynamic markets, such as solar power and semiconductors and, more generally, in markets that contribute to sustainable development, which account for 56% of Group sales.

Mersen adapted very quickly to the new environment of rising raw material and energy prices and pressure on supply chains. It passed on these cost increases in its sales prices while the supply difficulties only affected certain product lines without impacting their competitiveness. The Group implemented the adaptation plan it had announced at the end of 2020 to respond in particular to the anticipated lasting decline in sales in the chemicals and aeronautics markets.

All of these measures, together with the strong recovery in volumes, enabled the Group to achieve a significant improvement in its profitability between 2020 and 2021. Its sales and EBITDA margin in 2021 came out close to 2019 levels.

Mersen also significantly increased its capital expenditure in 2021 to enable it to anticipate the needs of and meet strong future demand in highly promising markets, such as semiconductors, solar power and electric vehicles. In parallel, it invested in the modernization of certain plants and its information system. It also pursued its strategic investment program in the Columbia plant in the United States in order to start producing extruded graphite there in 2022.

Finally, Mersen completed its CSR roadmap, having met most of the objectives it had set for 2021 while preparing a new roadmap for the period 2022-2025 (see chapter 4).

2. Consolidated sales

Mersen reported consolidated sales of €923 million in 2021, up 8.6% on an organic basis compared with 2020. Sales grew by 8.9% when taking into account, on the one hand, the negative currency effect of around €7 million and, on the other hand, the consolidation of GAB Neumann, Americarb and Fusetech.

(In millions of euros)	2021	2020	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	507.4	476.4	6.7%	0.5%	-0.6%	6.5%
Electrical Power	415.4	370.8	11.1%	2.1%	-1.0%	12.0%
Europe	317.3	286.6	7.9%	3.1%	-0.2%	10.7%
Asia-Pacific	276.2	253.6	8.4%	0.0%	0.4%	8.9%
North America	298.3	281.3	8.1%	0.5%	-2.4%	6.1%
Rest of the world	31.1	25.7	23.5%	0.2%	-2.2%	21.0%
GROUP	**922.8**	**847.2**	**8.6%**	**1.2%**	**-0.8%**	**8.9%**

2.1. By segment

Advanced Materials sales totaled €507 million, up 6.7% on an organic basis compared with 2020. The semiconductor and solar markets reported vigorous growth. The chemicals market was stable year on year thanks to a higher level of invoicing at the end of 2021. Conversely, the aeronautics market declined over the year as expected, but benefited from more favorable trends in the second half.

Electrical Power sales came in at €415 million for the year, up by more than 11% compared with 2020 at constant scope and exchange rates. Growth was particularly strong in power electronics, while sales to the US electrical distribution market were also very robust. And it was a busy year for the electric vehicle market, in terms of prototyping and qualification testing, with sales totaling €16 million for the full year.

2.2. By geographic area

Mersen grew strongly in Europe, particularly in France and Germany, driven by high business levels in power electronics. The region also benefited from a rebound in aeronautics late in the year.

In Asia, Group sales rose by more than 8% compared with the prior year. China posted double-digit growth, spurred by solar power and SiC-based semiconductors. Strong growth was also seen in India.

In North America, sales to the electrical distribution market rose sharply, reflecting very strong overall demand. Growth was also driven by high business levels in the semiconductor market.

2.3. By end market

Sustainable development markets (including renewable energies, electronics and green transportation) grew by nearly 10% year on year to 56% of total sales in 2021.

	Breakdown in 2021	*Trend 2021-2020*	Main contributing markets
Energy	20.0%	+ +	Solar, wind
Electronics	23.0%	+ +	Semiconductor manufacturing and power electronics
Transportation	13.5%	-	Rail, aeronautics, electric vehicles
Chemicals	11.0%	=	Active pharmaceutical ingredients, chlor-alkali, etc.
Process industries	32.5%	+	Heat treatment, metallurgy, mold, glass, etc.
	100.0%	***8.6%***	

++: [+10%; +20%]
+: [+5%; +10%]
=[-5%; +5%]
-: [-10%; -5%]

(1) This definition does not replace those used in the EU Taxonomy Regulation and Delegated Acts.

3. Results

3.1. EBITDA and operating income before non-recurring items

(In millions of euros)	2021	2020
EBITDA	**148.8**	**122.9**
As a % of sales	*16.1%*	*14.5%*
Depreciation and amortization	(56.2)	(54.3)
Operating income before non-recurring items	**92.6**	**68.6**
As a % of sales	*10.0%*	*8.1%*

Group EBITDA came to €148.8 million, with a margin of 16.1%, up 160 basis points on 2020, chiefly due to the strong increase in volumes.

Depreciation and amortization increased by almost €2 million due to the major investment program the Group has been implementing since 2018. Annual investments averaged nearly €60 million between 2018 and 2020 compared with approximately €30 million between 2015 and 2017.

Operating income before non-recurring items came to €92.6 million, giving an operating margin before non-recurring items of 10.0%, an increase of 190 basis points.

This improvement is largely due to positive volume and mix effects. Productivity gains and the positive effects of the restructuring plan offset the rise in labor costs and the negative effects of the Covid crisis. In fact, some of the funding and grants approved in 2020 were not renewed. Price increases helped to partially offset the rise in raw material and energy costs. In addition, thanks to its strong results, the Group was able to set aside much higher provisions for bonuses and incentive payments than the previous year.

The operating margin from recurring operations of the Advanced Materials segment was 14.4%, a sharp improvement on 2020 (12.1%), thanks mainly to a positive volume effect. Price increases were limited in 2021. That said, the positive effects of the productivity and restructuring plans helped to offset inflation and increased depreciation.

The operating margin from recurring operations of the Electrical Power segment was 9.1%, also up sharply on 2020 (7.5%). Volume and mix effects contributed significantly to this increase. Price increases and the positive effects of restructuring partially offset higher raw material prices and wages.

(In millions of euros)	2021	2020	Change
Consolidated sales	922.8	847.2	+8.9%
Gross income	289.8	251.6	+15.2%
As a % of sales	*31.4%*	*29.7%*	
Selling, marketing and other expenses	(77.2)	(73.7)	+4.7%
Administrative and research expenses	(118.6)	(107.9)	+9.9%
Amortization of revalued intangible assets	(1.4)	(1.4)	
Operating income before non-recurring items	**92.6**	**68.6**	**+35.0%**
As a % of sales	*10.0%*	*8.1%*	

The gross margin rose sharply, thanks to the volume and mix effects.

As in previous years, the Group continued to invest in the development of new products, as reflected in the significant increase in R&D costs (+10.7%).

Selling and administrative expenses increased after declining in 2020 because of the fall in activity and the implementation of cost cutting plans. In addition, certain subsidies (in particular state aid for short-time work) that had helped to reduce these expenses in 2020 were not renewed in 2021.

Overall, payroll expenses amounted to €296 million, an increase of more than 6% compared with the previous year, and factor in an average salary increase of 2.1%. They also take into account a significant increase in profits, which will be redistributed to employees in the form of bonuses, profit-sharing and incentives linked to the Group's very good performance.

3.2. Net income/(loss)

Net income attributable to shareholders came to €54.4 million for 2021 after a year of high non-recurring expenses and impairment of tax assets in 2020.

(In millions of euros)	2021	2020
Operating income before non-recurring items	**92.6**	**68.6**
Non-recurring income and expenses	(4.9)	(51.4)
Operating income	**87.7**	**17.2**
Net financial expense	(10.7)	(12.0)
Current and deferred income tax	(18.6)	(14.0)
Net income/(loss)	**58.4**	**(8.8)**
Attributable to owners of the parent	**54.4**	**(12.0)**
Attributable to non-controlling interests	(4.0)	(3.2)

Non-recurring income and expenses for the year include:

- €1 million relating to the adaptation plan
- €2 million in administration costs for the Columbia plant in the United States before production start-up
- €2 million relating to commercial and tax disputes

In 2020, non-recurring income and expenses amounted to a net expense of €51.4 million, mainly comprising restructuring expenses and impairment of goodwill and property, plant and equipment.

The net financial expense was €10.7 million, a decrease compared with 2020. Average debt for the year was €186 million, significantly lower than 2020 (€215 million).

The income tax expense was €18.6 million, corresponding to an effective tax rate of 24%, in line with the rates seen in 2019 and 2018 (23% and 24%, respectively). The effective tax rate had been particularly high in 2020 due to the recognition of a high level of non-deductible non-recurring expenses.

Non-controlling interests mainly included Mersen Yantai (China) and Mersen Galaxy (China), in which Mersen holds a 60% stake.

4. Cash flow

4.1. Condensed statement of cash flows

(In millions of euros)	2021	2020
Cash generated by/(used in) operating activities before change in WCR	146.3	119.3
Cash flow linked to restructurings	(7.8)	(6.6)
Change in working capital requirement	(5.9)	31.4
Income tax paid	(15.7)	(11.4)
Cash generated by/(used in) discontinued operating activities	0.0	0.0
Net cash generated by/(used in) by operating activities	**116.8**	**132.7**
Capital expenditure	(78.6)	(56.7)
Net cash generated by/(used in) operating activities after capital expenditure	**38.2**	**76.0**
Acquisition-related investments	(9.4)	(13.6)
Investments in intangible assets and other investment flows	(5.9)	(4.1)
Net cash flow before financing activities	**22.9**	**58.3**

The Group generated strong operating cash flow (before investments). It takes into account a negative change in working capital linked to the strong recovery in activity (in contrast to 2020). This very good performance enabled Mersen to finance the significant investment program planned for 2021.

The cash generated by operating activities before change in working capital requirement (WCR) and restructuring surpassed €146 million, versus €119 million the previous year, representing an increase of nearly 23%.

Cash flow linked to restructuring corresponds to payments related to the adaptation plan launched by the Group at the end of 2020 to deal with the global economic environment and the slowdown in sales in the chemicals and aeronautics markets. The balance of payments will be made in 2022.

The change in working capital requirement is approximately a negative €6 million in a context of strong business (increase in inventories and trade receivables), partially offset by a positive change in bonus and incentive payments (low payment in 2021 for 2020 and high provision in 2021 due to good 2021 results). This change had been positive in 2020 due to lower sales in the context of the health crisis. Working capital requirement represented 19.4% of sales, an improvement on 2020 (20.5%). This rate improved due to changes in payments and provisions relating to bonus and incentive amounts, a decrease in late payments and an increase in customer advances, particularly in the chemicals market.

Income tax paid was higher mainly due to stronger results.

4.2. Investments

The Group carried out a record level of industrial investment in 2021 of nearly €79 million, in line with the amount anticipated at the start of the year, in view of the business recovery and a strong outlook in certain Group markets. It was almost 78% concentrated on the Advanced Materials segment.

More than 40% of the amount concerned the maintenance and modernization of plants and equipment.

The other main investment projects are as follows:

- Installation of the Americarb flexible felt insulation production lines and start-up of the extruded graphite production line at the Columbia site in the US for €19 million. The Group had purchased the site in 2019 for USD 7 million with plans to upgrade the facility to (i) add capacity for extruded graphite, a complementary material used in Mersen's processes, and (ii) be able to modularly increase its isostatic graphite capacity used at nearly 95% during 2019.
- Increased felt production capacity to keep pace with growth in our markets, in particular at the Holytown plant in Scotland to address the SiC semiconductor and redox battery markets, and in India and China for the solar and semiconductor markets.
- Improvements in the environment and safety of our plants for around €9 million.

Investments made in France (18% of the total) other than maintenance investment concern projects to improve plant environment and safety and growth projects (in particular Mersen Boostec).

Investments in acquisitions include the purchase from Hager of the remaining share capital of Fusetech (Hungary) and contributions in kind of equipment for Mersen Galaxy (joint venture in China).

Intangible investments relate to the plan to digitize and modernize the information systems in 2021, as in 2020.

The Mersen group's capital expenditure amounted to €56.7 million in 2020, 82% of which was linked to investments outside France. In the Advanced Materials segment, this expenditure concerned the start-up of the Columbia site in the United States and investments in new insulating felt production capacity in Scotland to serve the SiC-based semiconductor market. In the Electrical Power segment it concerned the relocation of a plant in China and work on the certification of a site for the automotive market. The Group also continued to invest in environmental-related initiatives and safety. Acquisition-related investments concerned the acquisition of GAB Neumann in Germany and Americarb's insulation business, earn-out payments on acquisitions carried out in prior periods (primarily AGM Italy), and property, plant and equipment expenditure for the start-up of newly-acquired sites (Columbia in the United States and Galaxy in China).

According to the Group's internal procedure, authorization from the Board of Directors is required for any investment larger than €10 million and any acquisition of more than €3 million.

(In millions of euros)	2021	2020
Investments in property, plant and equipment	(87.2)	(58.4)
Change in fixed asset suppliers	8.5	1.7
Capital expenditure	**(78.6)**	**(56.7)**
Investments in intangible assets	(5.5)	(5.2)
Financial investments	0.0	0.0
Other changes in investment flows (excl. fixed asset suppliers)	(0.3)	1.1
Acquisition-related investments	(9.4)	(13.6)
TOTAL	**(93.9)**	**(74.4)**

5. NET DEBT

5.1. Financing policy

The Mersen group has defined a financing policy, which is coordinated by the Finance and Administration Department. The Group has confirmed credit lines, which have not been drawn down in their entirety.

Most of the Group's borrowings have been arranged by Mersen. Cash pooling systems in Europe, the United States and China help to optimize use of all the credit lines.

In 2016, the Group set up an NEU CP commercial paper program of up to €200 million in order to diversify its sources of financing.

In 2017, the Group renegotiated its syndicated loan, improving its financial terms and extending its maturity until July 2024 following the exercise of extension options in 2018 and 2019.

In 2019, the Group finalized a private placement of €130 million (*Schuldschein*) maturing in 2026 in order to extend the maturity of its debt. The Group also refinanced its syndicated loan in China, which matured in 2021, with bilateral loans including RMB 120 million maturing in 2024 and RMB 50 million maturing in 2025 after activation of an extension option in 2021.

In 2020, the Group set up an NEU CP commercial paper program of up to €200 million in order to diversify its sources of financing.

In 2021, the Group set up a US private placement (USPP) of USD 60 million maturing in 2031 and USD 30 million maturing in 2028, payable on maturity, in order to extend the maturity of its debt and diversify its funding sources.

All the details concerning borrowings are presented in Note 15 to the consolidated financial statements.

5.2. Statement of financial position

Net debt [1] at end-2021 stood at €193.2 million, higher than at the end of 2020 (€180.2 million). This reflects the fact that the Group's operating cash flow was high, giving it the resources to finance a large portion of its major acquisition and capex programs.

Operating cash flow in 2021 amounted to €117 million with the Group investing €79 million in capital expenditure and €9 million in acquisitions.

The Group's financial structure remained solid in 2021, with a leverage ratio (net debt/EBITDA) of 1.42x and a 30% gearing ratio (debt/equity).

The Group is in compliance with all its banking covenants.

	Dec. 31, 2021	Dec. 31, 2020
Total net debt *(in millions of euros)*	193.2	180.2
Net debt/equity	0.30	0.33
Net debt/EBITDA	1.42	1.65

(1) Gross debt +/- cash and cash equivalents +/- current financial assets.

6. Outlook 2022

The forecasts below do not take into account any potential indirect impacts linked to the current conflict between Russia and Ukraine, which are still difficult to measure. The Group's direct exposure to these two countries is not material (0.3% of sales, no direct suppliers, no plants).

In 2022, Mersen expects inflation (wages, raw materials, energy) to have a larger impact than in 2021. The Group should be able to partially offset this inflation through price increases and the continued deployment of its operational excellence plans.

Given its substantial backlog at the end of 2021 and the good momentum on its markets, the Group expects:

- Continued strong demand in the solar and semiconductor markets;
- Growth in the electric vehicle market, which should accelerate from 2023 onward;
- Growth in the rail market, after a two-year downturn due to equipment under-utilization;
- A rebound in aeronautical activity, without reaching 2019 levels;
- A stable chemicals market in 2022, as in 2021;
- Process industry trends mirroring those for the world's major economies.

For 2022, the Group is thus targeting organic growth of between 3% and 6%. Operating margin before non-recurring items is expected to be around 10% of sales, taking into account the impact of higher depreciation and amortization expense, the ramp-up of production at the Columbia site and an expansion of electric vehicle teams.

The Group will continue its industrial investment program to meet demand and prepare for the future, with capital expenditure expected to represent around €80 million in 2022.

7. Dividend

At the Annual General Meeting to be held on May 19, 2022, the Board of Directors will recommend the payment of a €1 cash dividend per share. This would represent a total payout of around €21 million, corresponding to 38% of net income attributable to shareholders in line with Group policy.

8. Principal internal control procedures for the group

8.1. Definition of internal control

At Mersen, internal control is defined as a process implemented by all employees, under the leadership of the Board of Directors and the Executive Committee, to run the Group rigorously and effectively.

Mersen's internal control aims to achieve the following objectives:

- compliance with the policies defined by the Group as well as with the legislation and regulations in force;
- smooth operation of internal processes and notably those helping to protect its assets;
- prevention of fraud and errors;
- accurate and complete financial information.

Mersen's definition of internal control is governed by the international standard laid down by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), whose conclusions were published in 1992 in the United States and are available at www.coso.org. The COSO standard, which was revised in 2013, advocates the extension of internal controls to non-financial functions, as well as careful monitoring of the work by the Audit and Accounts Committee. Mersen evaluated its current organization with regard to this standard. The review showed that all Mersen group internal control practices comply with the standard. However, the current control system cannot provide absolute assurance that all risks are completely eliminated. The Group also takes into account the reference framework published by the AMF governing the general principles of internal control.

8.2. General principles of internal control

Since it has a manufacturing base spanning approximately 35 countries on five continents, the Mersen group monitors the effectiveness of its internal control framework by means of the following:

8.2.1. Internal control organization

From a corporate governance perspective, Mersen has opted for an organization guaranteeing separation and balance between powers. The executive and management powers exercised by the Chief Executive Officer, supported by the Executive Committee, are kept clearly separate from the control duties exercised by the Board of Directors.

Mersen's Executive Committee oversees the Group's internal control. The composition, operation, powers and responsibilities of the Executive Committee are described in chapter 2 of this document.

Within the Group's subsidiaries, each local manager is responsible for implementing the internal control policy defined by the Group.

As part of its control duties, Mersen's Board of Directors has set up an Audit and Accounts Committee; the composition, number of meetings and main duties of which are described in the Corporate Governance section. It supervises internal control and is notably responsible for:

- monitoring the process used to prepare financial information by assessing the financial documents published by the Company and ensuring that a sufficiently well-organized process exists for the preparation of this information;
- reviewing the statements and ensuring the appropriateness and ongoing consistency of the accounting methods used to prepare the Company's consolidated and annual financial statements;
- ensuring the efficiency of the internal control and risk management systems by:
  - validating the annual internal audit program and ensuring that the efficiency of internal control systems is monitored and that the recommendations made by the Statutory Auditors and internal audit teams are implemented,
  - monitoring progress on work in the management of financial, legal, operational, social and environmental risk and the related measures taken;
- overseeing the audit of the annual and consolidated financial statements by the Statutory Auditors;
- ensuring that the Statutory Auditors are independent.

Mersen's Internal Audit Department follows up on internal control and risk management initiatives. It reports to the Finance and Administration Department and informs the Audit and Accounts Committee of the Board of Directors of its work.

8.2.2. Control activity

Mersen has circulated an internal control handbook to all of its subsidiaries. This document is available on Mersen's Intranet site. It encompasses all the basic internal control procedures applicable to every Group unit. The manual is interactive and includes links to examples of best practices within the Group. It covers the following points:

- a description of the background, objectives and resources used in internal control; a description of the internal control organization and reference to the internal control framework adopted by the Group (COSO);
- the definition of Risk and the measurement of the "size" of a risk that the risk mapping tool describes;

- a list of all the fundamental internal controls to be implemented to ensure the efficient operation of the main business processes:
  - sales/customers,
  - purchases/suppliers,
  - logistics,
  - human resources management,
  - investments/fixed assets,
  - quality,
  - information systems,
  - tax,
  - customs risks.
- the fundamental internal controls to be implemented to ensure the reliability of the accounting and reporting systems and financial statements with regard to the following objectives:
  - safeguarding assets,
  - compiling an exhaustive record of accounting transactions,
  - making sure transactions correspond to reality,
  - complying with the dates on which transactions are recorded,
  - correctly valuing assets and liabilities,
  - confidentiality.
- Since 2019, a specific follow-up process has been in place for all compliance measures. As part of its control program, the Internal Audit Department performs tests to ensure that the ethics and compliance policy is effectively implemented and respected. Careful consideration is notably given to the following matters:
  - compliance with embargoes,
  - export controls and compliance with OFAC regulations,
  - gifts, invitations and donations,
  - ethics and anti-corruption training,
  - conflicts of interest.

Aside from the corporate audits conducted by the Internal Audit Department, the Group has conducted cross-audits for many years in order to strengthen the internal control systems and culture. After adequate training, these audits are performed by the Group's operational and functional staff from each major geographical area (Asia, Europe and America).

The cross-audit program is determined by the Group's Internal Audit Department. These audits help not only to check on internal control fundamentals every year, but also to ensure that action plans drawn up in the previous year have actually been implemented. They also make it possible to more easily integrate companies that are acquired and gradually bring them to the required level of internal control.

This program provides for an exchange of best practices and helps to instill the internal control culture as widely as possible.

Aside from the action plans and tools described in this report, each year the Group requires that all plant managers provide a formal written statement affirming that the main points of internal control are applied properly at their plant.

8.2.3. Internal control oversight

8.2.3.1. Internal Audit Department

The Group's Internal Audit Department is responsible for overseeing proper implementation of the internal control handbook and for leading the Group's internal control program. It also coordinates the networks and organization of corporate and cross-audits right across the Group. It submits its findings to the Audit and Accounts Committee on a regular basis, as well as to the Statutory Auditors. The Executive Committee receives regular updates on the Group's internal control activities.

The Internal Audit Department's assignments are to:

- analyze the effectiveness of internal control and verify the proper application of the action plans implemented following the audits conducted at certain production plants in previous years;
- ensure the effective implementation of action plans at the units that were audited in the previous year and at which internal control was not deemed to be satisfactory.

An external firm may be appointed by the Group to perform audits requiring specific expertise.

The Internal Audit Department always uses a specialized external firm to ensure the quality and independence of the audit program and to facilitate continuous improvement.

For over 10 years, the units audited have sent in a self-assessment of their internal control in advance of the Internal Audit Department's review. These evaluations, reviewed by the internal audit function, help to correct certain differences in assessments and to enhance the culture of internal control within the units.

8.2.3.2. Information systems security

The Risk Department is responsible for overseeing information systems security, specifically:

- ensuring the security of the IT systems and protecting data confidentiality;
- ensuring the security of IT infrastructure and applications to ensure the continuity of operations.

An Information Systems Security manager reports to the Risk and Compliance Department. Their role is to:

- verify that the information systems security policy is implemented properly;
- lead the information systems' network of correspondents on all aspects of security;
- propose analysis and improvement tools for optimum control of the existing systems;
- develop an information systems security culture.

The Information Systems Security Department audited 28 sites remotely in 2021.

Information systems security risk mapping was also updated in 2021 to focus on both IT and segment processes. For the last five years, the Information Systems Security manager has reported to the Audit and Accounts Committee on the cyber risk challenges facing the Group and the corresponding policy implemented.

The Group is currently deploying the BuZIT project, the objective of which is to centralize most of the infrastructures and use a Group Core Model in the subsidiaries. This new Core Model uses unified tools, data, directories and processes to enable better monitoring of information systems and rapid software updates.

The Information Systems Security manager organizes at least two meetings per year with the Risk and Compliance Department, the Chief Financial Officer and the Group Chief Information Officer to review the security of the Group's information systems. In addition, an update on cybersecurity is presented once a year to the Audit and Accounts Committee.

8.2.4. Other procedures contributing to the Group's internal control framework

The Group's management control and strategic planning, human resources management, sustainable development policy and quality procedures also contribute to ensuring compliance with the policies defined by the Group.

8.2.4.1. Management control and strategic planning

A Strategic Plan determining the priorities for coming years, a quantified business plan and production plans are prepared every year and presented to the Board of Directors.

The budgeting process is carried out once a year. The budget is submitted to the Executive Committee for approval and then ratified by the Board of Directors.

Forecasts for the Group's activity and its main financial aggregates for the current year are defined every quarter. This process allows adjustments to be made for trend reversals and helps to speed up the decision-making process for any remedial measures required.

In addition, the Board of Directors regularly examines the Group's CSR policy, in particular human resources-related issues, such as skills management.

8.2.4.2. Human resources procedures

Internal control of human resources management is structured around the following aspects:

- management reviews providing a regular update on all the Group's managers to enhance their career opportunities and identify the Group's key men and women;
- annual individual reviews that enable business unit managers to assess the performance of their employees and set targets for the following year together with them;
- forward planning of human resources, notably succession planning for senior managers;
- monthly updates presented by the Human Resources Department to the Executive Committee.

Lastly, individual and/or collective performance-related bonuses are calculated using clearly defined rules.

8.2.4.3. Sustainable development policy

In recent years, Mersen has expanded its activity in sustainable development markets such as renewable energies, electronics, energy efficiency and rail and electric transportation.

The Group has long pursued a responsible approach in terms of environmental, social and societal objectives.

The Group's CSR strategy is described in chapter 4 of this document. It details the governance implemented, the Group's main objectives and the key progress indicators. This chapter is subject to verification by an independent third party organization.

At the same time, by joining the United Nations' Global Compact, the Group has committed to supporting a precautionary approach to environmental challenges (Principle 7), to promoting greater environmental responsibility (Principle 8), and to encouraging the development of and supporting the environmentally friendly technologies (Principle 9).

The Group carries out dedicated environmental and safety audits and has implemented a number of controls, which are described in paragraph 10.2.1. of this chapter.

8.2.4.4. Operational excellence procedures

The goal of the Operational Excellence Department is to improve the Group's operational performance by introducing tools for analysis and continuous improvement at the Group's sites. It also seeks to develop a "lean" culture within all of the Group's units.

It relies on certain operational indicators, such as service level, non-quality level, safety and inventory turnover, which are monitored at all Group sites. It implements and verifies the implementation of the plan in place at all sites for improving competitiveness. These projects, which are included in the budget, are reviewed at regular intervals and their financial contribution is assessed monthly.

8.2.4.5. Compliance procedures

Mersen's Compliance Department was created in 2017. It is tasked with (i) identifying and assessing any risks of non-compliance with laws or regulations that would damage the image, culture or financial stability of the Group, (ii) implementing appropriate procedures and processes to minimize such risks, (iii) informing and raising the awareness of Group employees of the main risks and (iv) managing the ethics hotline. (see chapter 4 of this document).

It reports to the Chief Executive Officer and a Compliance Committee.

Compliance controls have been strengthened during internal audits.

Other specific committees have also been set up, covering, for example, insider information (the MAR Committee), health, safety and the environment (the HSE Committee), and diversity.

8.3. Accounting and financial internal control

8.3.1. General organization

The Group's Finance and Administration Department is responsible for accounting and financial internal control. Its role is to produce and ensure the quality of the financial statements and management accounts, with the support of each business unit's finance department, which in turn liaise with the finance department of each site. This organization allows targets to be set and accounting and financial information to be collected and analyzed at different levels of the organization.

8.3.2. Preparation of accounting and financial information

The Finance and Administration Department has prepared and distributed a handbook of accounting and consolidation principles to all subsidiaries. This handbook contains the accounting principles applicable to every Group unit, as well as a description of the process for closing the accounts. It also contains the timetable for the various accounting closes, as well as a list of the information to be reported as part of the consolidation procedure. It lays down the rules that need to be followed by the consolidated sub-groups. This document is available on Mersen's intranet site.

The handbook is updated in line with external changes in accounting standards in close collaboration with the Statutory Auditors, who validate the changes made with the Group's Finance and Administration Department.

Each Group business unit produces monthly accounts and a standardized consolidation package by the deadline set by the Group. When this data is reported using Group-wide consolidation software, consistency checks are applied at each stage of the data gathering and processing process. The purpose of these checks is to:

- ensure the Group's standards are correctly applied;
- ensure that intra-group transactions are correctly validated and eliminated;
- ensure that consolidation adjustments are made.

8.3.3. Treasury and financing

The Treasury and Financing Department manages the Group's treasury on a centralized basis. To control risks, the Group has procedures in place specifically to manage exchange rate, raw materials and customer risks, the issuance of guarantees, and the management of cash pooling and netting processes.

The Group has pursued a major drive to develop its cash management culture, mainly at manager level.

During years in which the department is not audited by an outside firm, it must use a Group tool to carry out a self-assessment of its various procedures. This self-assessment is controlled by the Group's Internal Audit Department.

8.4. Approach adopted in 2021 and 2022 action plan for internal control

Despite the health restrictions, the internal control structure performed 20 of the 24 audits initially scheduled.

As in 2020, a number of remote or partially remote audits were performed, with a local auditor providing support to the corporate team. The remote audits were based more on documentation and video conferences and were narrower in scope as it is difficult to audit certain processes remotely. Nonetheless they worked well and helped the Group maintain its high-quality internal control environment.

The results of these 20 audits are good overall and the level of internal control is stable or improving.

Only three entities do not meet the Group's standards: two sites for which it was the first audit after their acquisition (in France and Italy) and a Chinese site that had just been relocated.

In 2021, the Internal Audit Department also rolled out training in advanced investigation methods for internal auditors and business unit financial officers.

A financial control procedure for "small" sites (linked to the training on investigation methods) was also developed and will be deployed in 2022 as part of a remote review of financial performance and risks to detect inconsistencies or areas of risk that might not be detected by external audits.

In addition, a cross-functional audit was carried out on the anti-corruption controls concerning new third parties, which served as a reminder of the importance of the strict application of these controls in the context of the Sapin II law.

In 2022, in addition to performing a satisfactory number of audits, the Internal Audit Department will carry out an internal and external evaluation of the Internal Control manual (the current version dates from 2017) and will implement new controls on compliance with environmental rules during audits.

9. Risk factors

Since 2001, Mersen has mapped the Group's risks, summarizing them in relation to their materiality, the probability of their occurrence and the related risk management measures. Risk mapping is updated each year, approved by the Group's Executive Committee and presented to the Audit and Accounts Committee, which draws up a summary for the Board of Directors. Every three years, the Group reviews this mapping in greater depth based on interviews with Group managers and directors, and with the support of an outside firm. Each risk is monitored by a member of the Executive Committee. This organization illustrates the Group's close involvement in risk management.

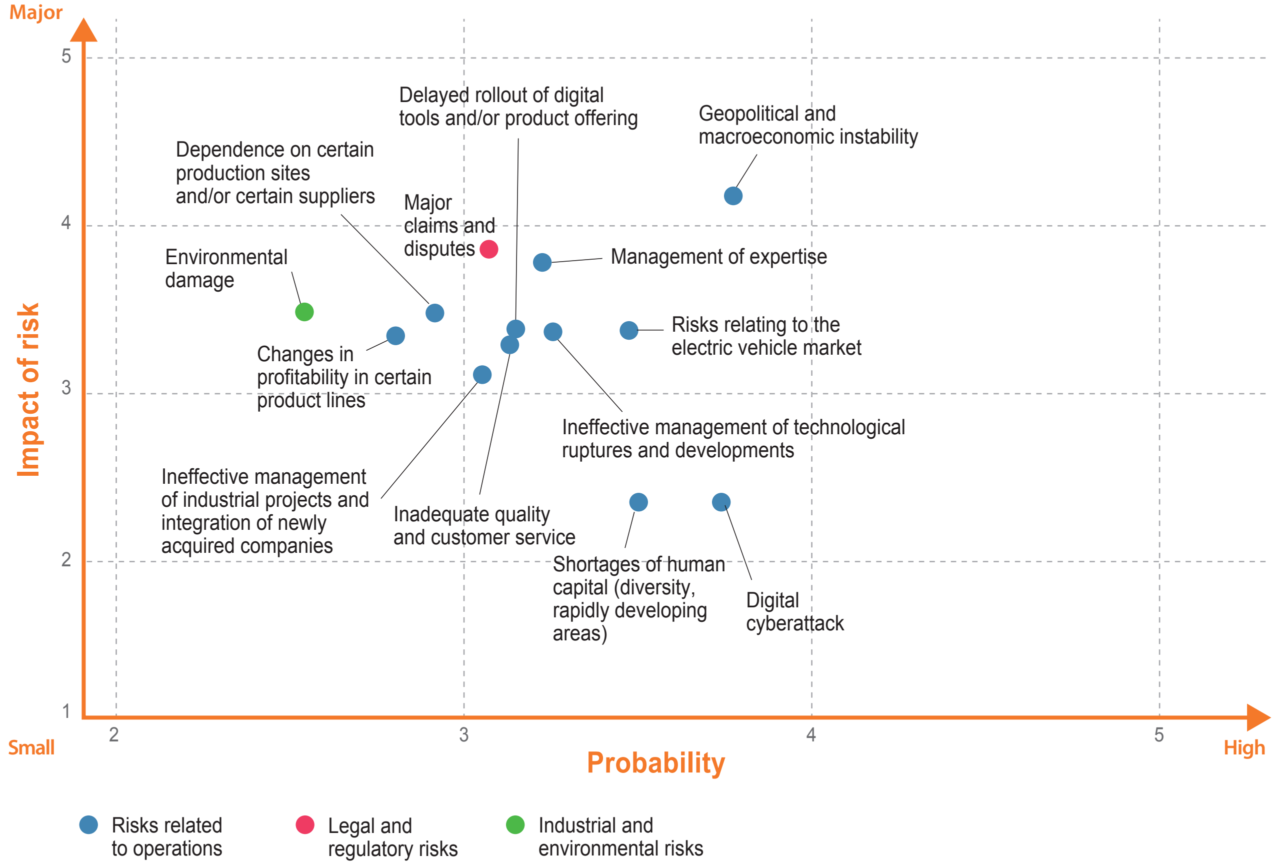
In 2021, a simplified mapping review was conducted. It resulted in some adjustments in relation to the 2020 map and the addition of one risk: Inadequate quality and customer service.

In accordance with Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of June 14, 2017, known as "Prospectus 3", and the ESMA Guidelines published in October 2019, the risks within each category are managed in order of priority. They are ranked in descending order of importance, as of the date of this document, according to their negative impact and the probability of their occurrence, after taking into account the risk management measures implemented by the Company. Some themes have been grouped together to be able to clearly visualize the issues involved. For each risk, the description below includes the measures implemented to limit the probability of its occurrence and/or to mitigate its impact.

The risks presented below are, as of the date of this Universal Registration Document, those which the Group believes could have a material adverse effect on its business, results, prospects or reputation. The list of these risks is not exhaustive, however, and other risks, unknown or deemed to have a minor impact as at the date of this document, could arise and have an adverse effect on the Group's business.

PRIORITIZATION OF RISKS

Risks related to operations	Geopolitical and macroeconomic instability
	Management of expertise
	Risks relating to the electric vehicle market
	Ineffective management of technological ruptures and developments
	Delayed rollout of digital tools and/or product offering
	Digital cyberattack
	Inadequate quality and customer service
	Ineffective management of industrial projects and integration of newly acquired companies
	Dependence on certain production sites and/or certain suppliers
	Changes in profitability in certain product lines
	Shortages of human capital (diversity, rapidly developing areas)
Industrial and environmental risks	Environmental damage
Legal and regulatory risks	Major claims and disputes



9.1. Risks related to operations

9.1.1. Geopolitical and macroeconomic instability

Description of risk

The Group conducts business in about 35 countries on five continents and serves many different end-markets. It is therefore exposed to the geopolitical situation of certain countries – in Mexico and Tunisia, for instance, where it has large plants for the Electrical Power segment, and in China, where it has nine manufacturing sites and totalled around 15% of Group's total sales.

The Group is also exposed to industrial GDP growth rates, particularly for process industries (which account for roughly 32% of its total revenue) and/or in some countries, including the United States, China, Germany and France, which together account for nearly 60% of its total sales.

Continued uncertainty around the health situation could potentially affect some geographic regions more than others and therefore either increase or reduce the Group's macroeconomic risk depending on the region concerned.

Lastly, although most sites have a local production model, some produce semi-products or components used by plants located in other countries. These intra-group transactions are sensitive to trade barriers in view of today's increasingly protectionist geopolitical context.

The potential impacts for the Group are:

- A sales decline stemming from a global recession, or at least a stoppage of certain capital expenditure projects, which could significantly impact profitability as several Group activities are sensitive to volume effects.
- A sharp drop in Mersen's share price, as the Group is still perceived as cyclical and dependent on the economic environment.
- Major restructuring costs or impairment losses in the event of a prolonged economic downturn.
- To a lesser extent, lower profitability due to higher customs duties if the economic environment prevents increases in these duties from being passed on in selling prices.

Risk management

The Group is developing in forward-looking growth markets, particularly in sustainable development markets, which account for around 56% of consolidated revenue (see chapter 4 of this document). This is helping it to reduce its dependence on process industries, which are more sensitive to changes in the economic environment.

The Group has shown good resilience to the health crisis thanks to its diverse markets and geographic footprint.

In 2020, to reduce the impact of the recession caused by the health crisis, the Group put in place measures enabling it to effectively adapt its cost structure and speed up industrial reorganization projects. It has also been developing an in-house "Sales Excellence" program since 2019 to improve its commercial efficiency and increase its market share in the most profitable segments.

Mersen has a solid financial structure and substantial liquidity in the form of cash and undrawn credit facilities, which would see it through in the event of a decline in activity (see chapter 6 of this document).

9.1.2. Management of expertise

Description of risk

Mersen operates in highly technical and complex markets. Managing the expertise required for these markets, which can be very specific and specialized, is crucial if Mersen is to remain a global leader in its field. The Group's business model therefore draws on this expertise as well as Mersen's century-long experience. Mersen also needs to be able to manage and develop the new expertise brought into the Group through acquisitions.

To remain competitive, continue to grow over the long term and rise to future challenges, Mersen has to attract a wide range of talent. Its ability to attract this talent is key to its success. Its expertise could wane over time if it does not have a proper talent management strategy.

The Group is complex in terms of its size, and the diversity of its products, markets and geographic footprint. To effectively manage this complexity it needs talented people with a varied range of expert skills and in-depth knowledge of the Group, its customers and its manufacturing facilities. Knowledge transfer and the replacement of experts about to reach the end of their careers are vital for Mersen's future.

The potential impacts on the Group of the loss of experts are as follows:

- Loss of key expertise that could affect the Group's ability to meet customers' requirements, which would impact its growth potential and/or existing revenue.
- Less control over manufacturing processes, which could lead to (i) additional costs, which would reduce the Group's competitiveness for some products, (ii) product quality problems that could affect relations with major customers, and (iii) safety or environmental problems arising from complex processes.
- Poor strategic decisions due to insufficient knowledge about the Group, its culture or its markets.

Risk management

The Group has created a dedicated organizational structure to manage talent and expertise risk, including:

- Setting up a "specialists" unit, with a specific policy for succession planning, retaining and sharing expertise, and enhancing talent retention measures.
- Systematically putting in place succession plans for major sites and management committees (including the Group Executive Committee).
- Putting in place a career management policy, particularly for experts and young talent.
- Rolling out specific communication and "employer brand" measures to develop and promote the Group's reputation among job candidates and therefore attract new talent.
- Broadening long-term incentive plans to include specialists and high potential employees.

9.1.3. Risks relating to the electric vehicle market

Description of risk

For Mersen, the electric vehicle market represents an important growth driver in an automotive sector that is complex and demanding in terms of both risks and opportunities.

The Group has been pursuing technical and commercial developments in this field for several years. However, it is still in a learning phase and must remain proactive in order to best anticipate market needs and respond quickly to changes in industry standards and procedures.

The potential impacts for the Group are:

- An inability to meet the demands and constraints of the electric vehicle market, especially in terms of price – which could considerably restrict the Group's growth potential in this market – and/or technical specifications, due to fast-changing requirements.
- A poor technological positioning on fuses or bus bars.
- More intense price pressure in this market, which could squeeze the Group's profit margins over the long term.
- Heightened risks of customer disputes (non-compliance, delivery delays, product recalls, etc.).
- Faulty logistics or inflexible production tools that do not meet customer expectations in terms of responsiveness.

Risk management

This Group has set up a dedicated internal “Electric Vehicles Committee” chaired by the Group CEO and tasked with (i) tracking developments in this market and Mersen’s technical and commercial positioning, (ii) identifying the risks associated with this market and drawing up appropriate action plans, and (iii) drawing up a formal strategy for the market.

The Group continues to invest in dedicated teams and skills sourced from the automotive industry. It has also obtained IATF certification for its Juarez site in Mexico. A product line with a dedicated organization has been set up to better structure the activity and improve the Group’s visibility in this area. A mapping of the risks related to this activity was carried out in 2021.

The establishment of partnerships with specialists in the automotive sector helps to reduce risk and enables the Group to make faster progress in acquiring an automotive culture. This is particularly true of the multi-year alliance with Autoliv to develop devices that will improve vehicle safety.

The Group’s positioning in the electric vehicle market is regularly presented to the Board of Directors.

9.1.4. Ineffective management of technological ruptures and developments

Description of risk

Mersen designs bespoke products tailored to its customers’ specific technical requirements, in terms of both use and performance. In a number of its strategic markets, such as electronics, solar power and electric vehicles, customer requirements change quickly and often. The Group therefore has to constantly monitor changes in technology so it can anticipate new market trends and more effectively meet its customers’ future needs.

It cannot be ruled out that alternative technologies will emerge, for instance in relation to manufacturing procedures for solar panels or silicon carbide semiconductors, whose production requires a large quantity of graphite.

Developments in more traditional products and markets may be more or less favorable for Mersen. For example, the use of brushless motors could increase to the detriment of brushed motors, or a change in electrical standards could impact the market for the Electrical Power segment.

Lastly, Mersen operates in markets where product offerings are becoming increasingly comprehensive and integrated and distribution methods are becoming more varied (particularly thanks to e-commerce). Mersen has to factor in these trends and adapt its offerings accordingly, mainly in its Electrical Power segment.

The potential impacts for the Group are:

- A possible prolonged decrease in revenue if the Group is unable to respond to changes in a market or in standards, or if a new technology emerges in which Mersen does not have the required expertise.
- Loss of market share in strategic sectors, which could impact the Group’s future growth rate.
- Potentially heavy investment to adapt to market requirements and/or specific customer needs.

Risk management

A technological watch has been set up to help the Group anticipate new market trends. Synergies between R&D and sales teams have been reviewed and strengthened by the Technology Department. Capital expenditure and/or R&D budgets have been increased for markets and/or applications with high technological content and/or fast-paced change. In addition, steps have been taken to forge even closer ties with strategic customers.

The Group’s Research and Development Department has strengthened its simulation tools, developed partnerships with universities and worked with the business units to significantly improve the digitization of the customer offer.

The strategy adopted for certain product ranges has been reviewed in order to propose a broader and more comprehensive offering, notably by developing connected products. At the same time, the Group has invested in digital in order to track market developments.

Furthermore, it is pursuing an acquisition policy with a focus on gaining key expertise, to further help prevent this risk. It is closely monitoring competitors’ reorganization projects in order to study potential opportunities for consolidation, particularly in the Electrical Power segment.

9.1.5. Delayed rollout of digital tools and/or product offering for certain markets

Description of risk

A growing part of the Group’s activity involves the development of e-commerce and tools to assist in the implementation of technical solutions using Mersen products. This is particularly important for standard fuse products and solutions (Electrical Power segment). This digital turn must be taken in order to continue to provide our customers with a wide and comprehensive offer. The implementation of this type of tool should also allow us to expand more widely in countries not yet covered.

The potential impacts on the Group are:

- Loss of revenue opportunity.
- Falling behind our competitors with loss of market share.
- Impact on the Group’s image and its ability to innovate.

Risk management

The Group has made available to its customers and partners:

- digital data in specific formats by region and/or country for certain products or applications.
- simulation tools that allow our customers to configure Mersen products for their own solutions. This type of tool has been implemented for a few product lines. Such tools will be developed for other product lines in 2022. In particular, they facilitate the ordering process while offering customers suitable technical solutions.
- application tools such as the one set up for product recognition. This application allows you to scan the product to instantly see all of its characteristics and place an order if needed.

A digital offer is in place in the North American market for this range of fuse devices. This digital offer is currently being deployed on other continents, particularly in Europe.

A study was conducted in order to implement a Group strategy. This study helped to define a digital roadmap with significant investments in tools planned over the coming years, notably in CRM software like Salesforce.

9.1.6. Digital cyberattack

Description of risk

All of the Group's management, planning and invoicing systems are dependent on IT. The reliability and availability of the Group's IT systems are determining factors for meeting customer deadlines, and are indispensable for certain activities such as electricity distribution.

In addition, some equipment that is essential for the Group's business and/or is potentially dangerous is controlled via software.

Lastly, certain confidential data, notably relating to plans (both the Group's and its customers'), product offers and personal data are stored on servers.

The potential impacts for the Group are:

- A stoppage of important equipment, which could temporarily affect production and therefore make it impossible for the Group to deliver one or possibly many order(s), which in turn could impact its profitability and potentially its future relations with some customers.
- Theft of confidential data, which could lead to penalties and/or legal disputes and could harm the Group's image.
- An accident due to the loss of control of dangerous equipment.

Risk management

The Group has an overall IT security policy, which is regularly presented to the Audit and Accounts Committee. This policy is updated regularly to ensure the information system remains efficient and synchronized at Group level.

A specific IT risk map has been in place for several years and internal audits are performed to verify that the relevant rules and procedures are respected. Awareness-raising sessions are also organized, particularly about phishing, in order to enhance the Group's cyber-risk culture. Moreover, Mersen uses external service providers to assess the effectiveness of some of the Group's risk strategies. IT governance projects have been redefined and the IT teams have been strengthened in order to manage IT risks more effectively, especially cybersecurity risks.

The Group's objective is to strengthen cybersecurity awareness and training for all employees with a desktop computer.

9.1.7. Inadequate quality and customer service

Description of risk

Mersen is a recognized expert and leader in two main areas: advanced materials and electrical specialties. It mainly develops innovative customized solutions of a quality that its customers have come to expect.

Over several years, Mersen has been developing an offer for the new electric vehicle market. This is a very demanding market in terms of product quality and supply chain reliability and responsiveness. It may require more of the Group's resources and time than anticipated.

The potential impacts on the Group are:

- Dissatisfied customers and loss of markets.
- Possibility of major disputes (product recall, late delivery and assembly line stoppage).
- Damage to the Group's image.
- Potentially significant financial consequences.

Risk management

- Implementation of a management and operational excellence policy several years ago.
- Hiring of specialists in the automotive field, particularly in terms of quality.
- Legal coverage in contracts.
- Implementation of quality management and dispute prevention tools.

9.1.8. Ineffective management of industrial projects and integration of newly acquired companies

Description of risk

The Group is continuing to grow by meeting the needs of its customers and expanding its product range, while remaining cost efficient. This means it has to constantly adapt its offerings and processes, which notably entails carrying out major industrial projects such as extending or relocating production facilities or transferring operations.

These projects can be complex for technical, regulatory, commercial or HR reasons. They can therefore be more costly or take longer than initially planned or can even negatively impact future business if they lead to a loss of customers and/or skills.

The Group has carried out numerous acquisitions in recent years, mostly of family-owned companies with strong local expertise. The success of these acquisitions hinges largely on effective integration, from a technical, commercial and, above all, human resources perspective.

For example, the Group acquired a manufacturing facility in Columbia, USA, which has given it additional production capacity for isostatic and extruded graphite. However this acquisition necessitated major investment to get the plant back up and running, and at the same time the Group had to master the process for manufacturing high-quality extruded graphite. It is a complex, strategic project for the Group, covering several years and requiring sizeable resources.

The potential impacts on the Group if one or several major projects were to fail are:

- Poorly managed production transfers or site relocations, which could impact sales and/or profitability.
- A longer timeframe and cost overruns for the Columbia project.
- Difficulties in hiring or retaining the necessary expertise for re-starting the Columbia plant and/or manufacturing extruded graphite.
- The need for additional financial investments or costs in order to bring acquired companies or assets up to the required standards.

Risk management

Industrial projects and acquisitions are managed by dedicated groups supervised by a governance body tasked with ensuring the projects and acquisitions are carried out in line with the original roadmap. The largest industrial projects are tracked monthly by the Operational Excellence Department, which reports on them to the Executive Committee.

The Columbia project is subject to a specific monitoring process, with regular presentations given to the Board of Directors. Specialists in extruded graphite manufacturing have been recruited. In 2021, the project progressed in line with the original plan.

For relocations of plants, precautions are taken for minimizing the impact of any delays, such as constituting back-up inventories.

Due diligences (covering operational, IT, legal, environmental and financial issues) are performed for all acquisitions and a tailored integration plan is drawn up and regularly monitored by the members of the Executive Committee.

The process of following up key persons during acquisitions has been reinforced.

9.1.9. Dependence on certain production sites and/or certain suppliers

Description of risk

When the Advanced Materials segment manufactures graphite products, it first prepares the raw material and then makes graphite blocks, which are subsequently processed and machined. The manufacture of these blocks, and some of the processing operations involved, require heavy and/or complex machines that cannot be easily installed in more than a certain number of sites. The production sites for these blocks are based in China and the United States. Complex transformation sites are also located in those countries, as well as in South Korea and France. In addition, there are unique production sites in France and the United Kingdom.

Some products manufactured by the Electrical Power segment require a large amount of labor to produce high volumes at a reasonable cost. The segment's facilities for making those products are therefore concentrated in a small number of plants in China and Mexico. This means that the Group is highly dependent on those plants for the manufacture of certain products.

On a general note, intra-group transactions account for approximately 26% of total billings.

There are some suppliers on which the Group may be dependent. In such a case, any significant delays in deliveries of components or raw materials could cause temporary stoppages or delays in production, which could lead to customer dissatisfaction and/or late delivery penalties. Although no single supplier represents more than 2% of the Group's total purchases, one supplier may be significantly important for a major Group plant.

The potential impacts for the Group are:

- Long stoppages at a major plant, which could lead to lower sales volumes, either directly or indirectly (e.g., production stoppages at other Group sites), with ensuing losses of revenue and profit.
- For some facilities in the Electrical Power segment, several days of stoppages at some plants or distribution centers could lead to a loss of customers.
- For some sites in the Advanced Materials segment, manufacturing delays could lead to substantial late delivery penalties.
- High costs if certain facilities and/or equipment have to be rebuilt or restarted following an accident or other incident at a production site.

Risk management

Business continuity plans have been drawn up for some sites. Alternative production solutions were also tested during the Covid-19 crisis. The Group intends to extend its business continuity plans to cover other production facilities in the coming years.

For almost all strategic suppliers of raw materials and components there is at least a second source. However, it may not always be possible for the second source to rapidly make up any significant supply shortages or to provide supplies within the main supplier's original timeframe.

An external solution could also be used in some cases, such as outsourcing certain processes or purchasing parts from other companies.

9.1.10. Changes in profitability in certain product lines

Description of risk

The Group's profitability is dependent on certain product ranges. For example, in the Electrical Power segment, profitability for the fuses range is much higher in North America than in other regions. And in the Advanced Materials segment, Graphite Specialties has a much higher profitability level than the Group's other activities, but at the same time is dependent on the use of graphite production capacity, particularly due to its capital intensive nature.

The potential impacts on the Group are:

- An erosion in the Group's overall profitability, resulting from uneven supply and demand for its graphite applications and/or a sharp fall in sales for the Electrical Power segment in North America.
- Having to adapt the cost structure to lower profitability levels, which could lead to significant restructuring costs.
- Having to recognize impairment losses on certain under-used assets, especially if there is a persistent imbalance between supply and demand.

Risk management

In the past, the Group has put in place measures that would enable it to swiftly and effectively adapt its cost structure to market changes, such as productivity plans, excellence programs and restructuring plans. Due to the Covid-19 crisis, the Group stepped up the pace of some of its action plans and swiftly and sustainably adapted its costs enabling it to decrease the profitability threshold of certain businesses.

It has also developed an in-house "Sales Excellence" program to enhance its commercial efficiency and gain market share in the most profitable segments.

The Group strives to limit the cycle-volume effect of its Graphite Specialties segment by positioning itself in growth markets with strong dynamics, such as solar and electronics.

Lastly, in the Electrical Power segment, it has launched action plans aimed at improving profitability for its lower profit-contributing product lines. It has also implemented an industrial reorganization plan, particularly in Europe.

9.1.11. Shortages of human capital (diversity, rapidly developing areas)

Description of risk

The Group's international scope as well as the diversity of its products, markets and applications mean that it needs significant resources that the Group cannot always provide as it is smaller than other major multi-national corporations.

Some regions, such as Asia, are rapidly changing, and require constant adaptation due to the emergence of new markets, customers and competitors. Consequently, the Group has made many investments and carried out a large number of industrial reorganizations and acquisitions. This high level of activity can lead to temporary shortfalls in human capital or additional human capital requirements that cannot always be satisfied at competitive rates.

The Group and its subsidiaries also need to deal with the increasing complexity of social, environmental and tax regulations. The increasingly demanding requirements for documentation and formal processes for compliance purposes have created large volumes of additional work, especially for support functions such as finance and HR. Some smaller sites may find it difficult to have effective regulatory watch processes in their particular country.

The Group must also continue making progress in terms of diversity, especially gender diversity, and notably in the engineers and managers category where women only account for 24.4% of the workforce and xxx% of the members of management bodies. Although the Group has implemented a diversity policy and has made tangible progress, if the proportion of women managers and members of the Group's management bodies rises too slowly, this could harm the Group's image and appeal.

The potential impacts for the Group are:

- Insufficient capacity to adapt quickly enough to changes (in markets, customers, etc.) compared to competitors.
- (Involuntary) non-compliance with regulations that could be prejudicial for the Group.
- Negative effect on the Group's image and/or appeal due to a lack of diversity.

Risk management

- The Group has had a gender diversity policy in place for several years now, particularly covering engineers and managers, and has made it one of Mersen's key CSR priorities.
- Inclusion of diversity criteria in the Group's recruitment policy.
- Certain support functions (compliance, legal affairs, environmental affairs, etc.) have been strengthened over the past few years to deal with the growth in regulations.
- Expansion and consolidation of its existing network of regional liaison officers (for HR, finance and audits) who provide support to local sites.

9.2. Industrial and environmental risks

9.2.1. Environmental damage

Description of risk

The Group was founded over 130 years ago and has a strong industrial heritage, partly built up thanks to acquisitions. Consequently, some of the practices formerly used by the Group, particularly by acquired companies, may have had an adverse impact on the environment, primarily regarding soil pollution. Furthermore, some Group plants – particularly in the Advanced Materials segment – are subject to fast-changing and increasingly strict regulations, particularly in terms of emissions. Lastly, the manufacturing processes of the Advanced Materials segment use energy, mainly electricity, which leads to indirect CO_2 emissions.

The impacts of this risk – which would be particularly significant if several events were to occur simultaneously – are:

- Costs incurred for researching less energy-hungry production processes, especially if certain regulations change.
- Non-renewal or suspension of an operating license, which could lead to a partial or total production stoppage at a major plant while awaiting an alternative solution.
- Costs related to cleaning up land at a former site and/or to third-party claims or disputes.
- Compliance costs of facilities.

Risk management

The Group has implemented numerous measures to mitigate the risks described above. In particular, it:

- Has put in place the centralized monitoring of operating permits.
- Has put in place a procedure whereby the Executive Committee regularly monitors changes in the main standards that apply to the Group in order to effectively anticipate any required investments.
- Has appointed local environmental officers.
- Has introduced the monitoring of regulatory compliance and depollution work.
- Has set up a system for regularly monitoring waste, with measures implemented to ensure better recycling at all of its manufacturing sites.
- Systematically carries out environmental due diligence reviews for acquisitions of manufacturing sites.
- Adoption and dissemination of formal Group environmental objectives. Integration of these objectives into the management team's bonus.

9.3. Legal and regulatory risks

9.3.1. Major claims and disputes

Description of risk

Mersen operates in complex and technically demanding markets. The products that the Group delivers are key elements for the operation and/or safety of our customers' products and services, notably in the chemicals, transportation and energy industries. Claims may potentially be made against the Group for alleged quality problems and/or for failing to meet delivery deadlines (such claims are frequent in the chemicals and automotive industries). These risks have a tendency to rise due to the more litigious nature of relations with certain key customers and the Group's expansion in new businesses and international markets with differing legal systems. This international positioning, combined with the fact that Mersen sells products that can be used for both civil and military purposes, exposes it to sanctions by or disputes with government agencies, especially tax and customs authorities.

The potential impacts for the Group are:

- Administrative sanctions imposed by a government, which could potentially restrict or prohibit the Group's access to certain markets and harm its reputation.
- Potentially high costs, especially in the event of product recalls or serial defects on products.
- A deterioration in commercial relations with certain customers, with an ensuing loss of revenue (although the Group's largest customer only represents approximately 3.8% of its total revenue).

Risk management

Prevention of customer disputes:

Since the end of the 1990s, the Group has had a quality program in place to ensure the quality of its products meets its customers' requirements. It also has an Operational Excellence Department, set up in 2015, to improve the monitoring and quality of its products.

The Group's Legal Department draws up contractual policy and assists the sales and technical teams in negotiating contracts and managing claims, thus ensuring better prevention of disputes with customers. The Group has also taken out a civil liability insurance policy to limit the financial consequences of such disputes (see paragraph on Insurance below).

Prevention of regulatory breaches

The Group is committed to raising awareness and training its employees in regulatory compliance to prevent the risk of breaches. Mandatory training is provided to all employees on the Group's Code of Ethics, which includes a section on regulatory compliance. Employees who are particularly exposed must also undergo specific training on anti-corruption rules and competition law. In terms of export controls and embargoes, procedures have been implemented within the Group and awareness-raising sessions are regularly provided to the staff concerned.

Disputes are periodically assessed and the Group makes provisions in accordance with applicable accounting principles to cover risks that it is able to reliably assess (see Note xxx to the consolidated financial statements).

Administrative proceedings in France

In 2013, SNCF launched two procedures against Morgan, SGL, Schunk and Mersen, in the Paris Administrative Court and the Paris Commercial Court respectively. SNCF is attempting to secure redress for losses that it allegedly suffered following practices that were sanctioned in December 2003 by the European Commission in connection with brushes for electric motors and products for mechanical applications. In 2014, the Paris Administrative Court rejected all of the claims lodged by SNCF, which appealed the decision. On June 13, 2019, the Paris Administrative Court of Appeal overturned the 2014 Administrative Court ruling. It also decided that it would rule on the case and issued an injunction for an expert appraisal to be carried out in order to determine the amount of the loss allegedly incurred by SNCF.

Mersen and the other defendants, who contest this ruling, referred the case to the French Supreme Court (Conseil d'Etat) for it to be set aside due to the incorrect application of the law. On October 12, 2020, the Supreme Court rejected the majority of the grounds put forward for setting aside the ruling.

In addition, the appraiser appointed by the Administrative Appeal Court issued its report in July 2020 and the case is still pending before that court. The Group has set aside a provision reflecting its estimate of the risk incurred in connection with these proceedings.

Criminal proceedings in France

Criminal proceedings that were initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers are still in progress. On December 22, 2019, and following corrective measures, on March 25, 2021, a ruling by the examining judge partially dismissed the case and brought Mersen's subsidiary in Gennevilliers ("the Company") and its managing director at that time before the Criminal Court (Tribunal correctionnel). On July 5, 2021, the Nanterre Correctional Court found the Company and its then managing director guilty of manslaughter and involuntary bodily injury and sentenced them to a fine of €150,000 and a six-month suspended prison sentence respectively. After having filed a precautionary appeal, the Company and its then managing director withdrew their respective appeals – this withdrawal should soon be confirmed by the Versailles Court of Appeal.

Investigation by India's competition authority

In July 2019, India's competition authority launched an investigation into the premises of Group subsidiary Mersen (India) Private Limited over allegations of anti-competitive practices in the supply of carbon brushes to Indian railways in 2010-2014. Mersen India, which contested these allegations, fully cooperated with the competition authority and provided all requested information. In his report dated April 27, 2021, the head of the competition authority concluded that no breaches occurred during the 2010-2014 period but raised questions regarding the subsequent 2015-2019 period.

In its order dated November 1, 2021, the competition authority found that Mersen India and a competitor had breached the provisions of the competition act during the period 2015-2019. However, in view of a number of mitigating circumstances (including the commercial losses incurred by both companies on sales of the product in question and their cooperative behavior during the investigation), the competition authority decided not to impose a financial penalty.

The Group is not aware of any other administrative or legal proceedings, including any pending or potential proceedings, that could have or have had in the last 12 months, a material adverse effect on its business activities, financial position or results of operations.

10. Tax and customs proceedings

The Group regularly undergoes tax and customs audits carried out by the tax/customs authorities in the countries in which it operates. In the past, the reassessments issued after tax/customs audits have been for non-material amounts. The most material risks concern Mersen do Brasil, Mersen Maroc and Mersen India Pvt.

The following amounts include interest.

10.1. Proceedings involving Mersen do Brasil

Mersen do Brasil has issued challenges, which are at various stages, to various adjustments made by the Brazilian authorities to its social, tax and customs contributions. In particular, the Brazilian authorities allege delays in declarations and errors in the tax bases or in the customs codes used. The potential financial consequences amount to a total of BRL 31 million, i.e., approximately €5 million, a proportion of which has been provisioned, up to the amount deemed most likely to be payable.

10.2. Proceedings involving Mersen Maroc

In June 2021, Mersen Maroc received an audit notice. At the end of this procedure, the company received a letter of notification dated December 17, 2021, indicating adjustments for a total amount of approximately MAD 39 million, i.e., approximately €3.7 million. The Moroccan tax authorities are mainly challenging the losses made by the company in certain markets during fiscal years 2016 to 2020. Mersen Maroc is contesting all of the adjustments notified. A provision has been set aside in respect of the amount deemed most likely to be payable.

10.3. Proceedings involving Mersen India Pvt

Mersen India Pvt's tax returns are subject to annual tax audits. At the date of this document, the overall risk to which the company is exposed totals €88 thousand. This risk relates to the partial reassessment of certain intragroup expenses that were deducted in fiscal years 2011, 2012, 2013, 2014, 2017, and 2018. The dispute is pending before the courts or the dispute resolution commissions. The subsidiary is also exposed to a risk representing €138 thousand for customs duties (relating to 2011, 2014, 2016 and 2020), since certain customs import codes used by Mersen India Pvt have been reassessed by local customs authorities. This dispute is pending a second appeal hearing.

11. Insurance

The Mersen group has negotiated international insurance policies applicable in certain countries via local policies to cover its main risks. These insurance policies are underwritten by leading insurance companies.

To protect the Group's future, the levels of coverage are set based on an assessment of the risks incurred by the Group. Coverage, limits and deductibles are adapted to the needs of the Group and all of its subsidiaries. They are reviewed each year, taking into account the Group's activities and projects. They are also subject to change depending on the terms available in the insurance market.

The Mersen group does not have any captive policies.

Its main policies are as follows:

11.1. Civil liability insurance

The professional third party liability insurance program (operations, pre- and post-delivery) covers in particular – subject to the usual deductibles, exclusions and limits on coverage – bodily harm, physical and economic loss, disassembly/reassembly costs, collection costs, damage to goods in third party storage and decontamination costs. The international program comprises a master policy in France and local policies in certain countries.

11.2. Environmental liability insurance

The purpose of the environmental liability insurance policy is to cover, subject to the usual deductibles, exclusions and limits on coverage, the financial consequences for the Group resulting from bodily injury, property damage and consequential loss suffered by third parties in the event of pollution or environmental damage caused by the activities of the Group and its subsidiaries.

11.3. Property/Business interruption insurance

The Group's property/business interruption insurance program notably covers – subject to the usual deductibles, exclusions and limits on coverage – bodily injury and physical damage, as well as losses caused by the interruption of business at the Group's main plants as a result of any sudden and accidental events (such as fire, storm, explosion, electrical damage, theft, etc.). The program comprises a master policy and local policies in certain countries. It provides an overall contractual restriction per event (property/business interruption combined) with sub-restrictions for certain events, such as storms, natural disasters or certain specific guarantees, such as machine failures and IT and electrical risks.

11.4. Transportation insurance

Under the Group's transportation insurance program, Mersen and its subsidiaries are protected by a worldwide policy that covers all of the Group's goods shipments, irrespective of the means of transportation used.

12. Relations between the parent company and its subsidiaries

Mersen is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

The Mersen group encompasses 91 consolidated and unconsolidated companies in approximately 35 countries. The Group's largest manufacturing sites are located in France, the United States, China and Mexico.

The Group's Executive Committee runs its operational affairs. The members of the Executive Committee sometimes act as corporate officers or directors at the companies linked to their activity.

13. Parent company results

13.1. Parent company's financial position in the preceding financial year

The parent company, Mersen SA, generated sales and other income of €25.1 million in 2021. These revenues are derived from Mersen SA's activities as a holding company, namely the management of investments in subsidiaries and affiliates, Group financing and invoicing for various services, plus fees for the use of the trademark and other associated intangibles.

The parent company's operating items, which correspond to the holding company's operating costs and trademark fees, represented a net loss of €1.8 million.

Net financial income came to €16.2 million, compared with a net loss of €14.2 million in 2020, mainly comprising €24.6 million in dividends from subsidiaries, compared with €22.4 million in 2020, and impairment of equity interests in the amount of €8 million, compared with €36.2 million in 2020.

Net income before tax and non-recurring items came to €14.4 million. Non-recurring items amount to net income of €0.4 million versus net income of €0.1 million in 2020. This gain is notably linked to the reversal of a €0.5 million liability guarantee provision in 2021.

The Company recorded a €1.8 million income tax benefit, reflecting the tax savings achieved for profit-making French subsidiaries that are part of the tax consolidation group.

After taking these items into account, net income came to €16.6 million versus a net loss of €11.8 million in 2020.

13.2. Information about payment terms for the parent company's suppliers

Invoices received and issued at fiscal year-end (table from part I of Article D. 441-4 of the French Commercial Code)

	Trade payables: invoices received not settled and overdue at the balance sheet date						Trade receivables: invoices issued not settled and overdue at the balance sheet date					
(In € thousands)	At due date	1 - 30 days	31 - 60 days	61 - 90 days	91 days+	Total 1 day or more	At due date	1 - 30 days	31 - 60 days	61 - 90 days	91 days+	Total 1 day or more
(A) Late payment tranches												
Number of invoices	13	1				1	89	7			34	41
Total amount of invoices concerned incl. VAT	590	N/S				N/S	1,698	92			103	195
% of total amount of purchases for the year, incl. VAT	8.27%	N/S				N/S						
% of sales for the year, incl. VAT							7.50%	0.41%			0.45%	0.86%
(B) Invoices excluded from (A) in respect of disputed or unrecognized debts and/or receivables												
Number of invoices excluded												
Total amount of invoices excluding VAT												
(C) Reference payment terms used (contractual or legal – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Terms of payment used to calculate late payment	Legal terms: 45 days end of month, unless contractual terms are shorter						Contractual terms: 30 days end of month for French and other European customers, 60 days end of month for the rest of the world					

4 NON-FINANCIAL INFORMATION

1. Responsible growth and development

1.1. CSR: deeply embedded in the Mersen culture

Mersen's CSR culture has emerged from decades of commitment to ethical and responsible development at a time when CSR was neither regulated nor prized by companies.

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

Mersen is also committed to reducing its environmental footprint. For nearly 15 years, it has run a number of initiatives to that end. The Group demonstrates its commitment through its significant involvement in leading sustainable markets such as wind and solar energy, semiconductors, clean transportation and energy efficiency, and by inculcating good environmental practices across its facilities, capitalizing on the performance, quality and efficiency of its products.

1.2. Corporate Social Responsibility policy: an integral part of the Group's strategy

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

1.2.1. Our value-creation model

Information on the Company and its value-creation model, its markets and its positioning, as well as its competitive and regulatory/legislative environment, is provided in chapter 1 of this document. Further information on risk factors is provided in the management report in chapter 3 and the corporate governance report in chapter 2.

1.2.2. Mersen's Corporate Social Responsibility policy

The Group's CSR policy is an integral part of its business model, informing its model of profitable and responsible growth.

The overall approach involves identifying the societal, social and environmental challenges and risks specific to the Group, and addressing them through policies and targets.

Implementing this strategy involves all of the Group's subsidiaries and entities, with a view to involving all of the employees and stakeholders of its activities. The Executive Committee's role as driving force is applied within each facility, with the site manager tasked with ensuring that these issues are dealt with as effectively, collectively and pertinently as possible, in a manner consistent with the broader framework.

Our overall CSR approach forms the very foundation of an openly responsible and sustainable business.

Mersen reaches the Global Compact Advanced level

Mersen joined the United Nations Global Compact in 2009 and adheres to its 10 Principles in areas related to human rights, social rights, the environment and the fight against corruption.

Its ongoing commitment to the Global Compact and its initiatives has resulted in Mersen reaching the Global Compact Advanced level. This category comprises companies that meet the highest standards of reporting on CSR progress.

Only about 11% of companies worldwide have received this distinction.

1.3. Governance and implementation of the CSR policy

The CSR strategy is an integral part of the Group's strategy. It is implemented under the responsibility of the Board of Directors, which decided at its meeting of December 17, 2021 to designate a director responsible for CSR issues to lead and oversee progress on the CSR roadmap set out by Group General Management. Magali Joëssel, permanent representative of Bpifrance Investissement on Mersen's Board of Directors, has agreed to take on this role for the duration of her term of office, which expires at the close of the Annual General Meeting called to approve the 2022 financial statements.

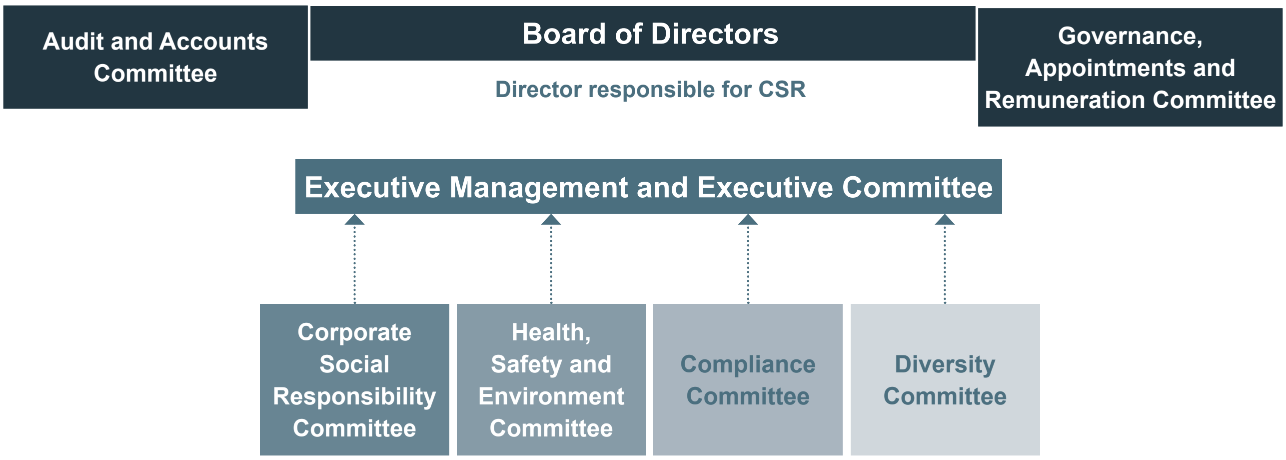
The CSR strategy is reviewed annually by the Board during the first quarter. Another Board meeting dedicated to CSR is held later in the year.

Specific meetings of the Audit and Accounts Committee are devoted to CSR risks; the Governance, Appointments and Remuneration Committee takes the same approach to compensation and governance issues.

The Group's Executive Committee supports the CSR strategy and oversees its implementation. To that end, it calls on several bodies:

- The CSR Steering Committee, a body combining General Management and the Human Resources, Operational Excellence, Communications, Finance and Compliance Departments, which meets quarterly to oversee and monitor progress on ongoing initiatives and to coordinate the implementation of cross-functional initiatives.
- The HSE (Health, Safety and Environment) Committee, which meets monthly to oversee all initiatives and indicators relating to health, safety and the environment. It comprises General Management, the Human Resources Department, the Operational Excellence Department and the heads of both of the Group's segments.
- The Compliance Committee, which meets quarterly to ensure that action plans are properly implemented and to analyze actions needed in the event of an ethics and/or compliance alert. It comprises General Management, the Finance Department, the Human Resources Department and the Compliance Officer.
- The Diversity Committee, which meets approximately four times a year. It comprises the Human Resources Department, the Internal Communications Department and four members of the Executive Committee. Its role is to monitor progress on the Group's commitment, make proposals, define priority actions and implement them, and foster the sharing of best practices.

The approach is also implemented through a suite of committees and working groups established to oversee programs combining general and specific objectives, without closing the door to local initiatives.



1.4. CSR and Group compensation

Since 2015, a safety criterion has been included in the Chief Executive Officer's annual variable compensation.

In 2021, the variable compensation package was structured as follows:

Yearly bonus

- **40%** of the variable portion of the non-financial criteria underlying the **Chief Executive Officer**'s compensation is subject to a CSR performance assessment (improvement of safety indicators, reduction of CO_2 emissions linked to the Group's activities, increase in the waste recycling rate, specialized agency ratings).
- There is at least one CSR performance criterion among the non-financial objectives underlying the variable portion of the compensation of the **top management** (Executive Committee members, Business Unit directors).

Long-term incentive plans

- 33% of the criteria of long-term incentive plans for all members of top management and managers are dependent on quantifiable CSR performance (percentage of women engineers and managers, percentage of waste recycled, CO_2 emission intensity).

1.5. Improvement of CSR Group's ratings

Mersen's social responsibility performance is regularly assessed by various rating agencies, using a variety of methods and criteria. These assessments contribute to the identification and analysis of areas for improvement.

- Mersen once again had its non-financial performance assessed by EcoVadis in 2021. With a score of 67, the Company achieved the "Gold" level of recognition, placing it in the top 3% of companies in its sector.
- In June 2021, Mersen received an A rating in the MSCI rankings, an improvement on the 2020 rating (BBB).
- In 2021, the Group obtained a "C" rating in the annual assessment of transparency and leadership on climate issues conducted by global environmental body CDP. Mersen is one of a small number – out of a total of more than 5,800 companies – assessed on those criteria, underscoring the Group's commitment to contributing to the transition to a more environmentally friendly economy.

1.6. Application of the European Green Taxonomy to the Mersen Group's activities for 2021

The Group presents the methodology of the European Green Taxonomy and the outcomes of its application in chapter 1 of this document.

2. Review of the 2018-2021 roadmap

The Group drew up its first CSR roadmap in 2018. It gave rise to five priority commitments broken down into medium-term targets:

Priority commitments	Ambition	2021 target (unless mentioned)	2021 achievements
Ecological footprint of our products	Develop innovative products that contribute to the ecological transition	• 55% of Group sales linked to sustainable development	**56%** of sales linked to sustainable development
Ecological footprint of our facilities	Reduce the environmental impact of our manufacturing facilities through the recycling and recovery of waste	• Improve the proportion of waste recycling by 15 points (including by-products)	Waste recycling rate: **62.4%, i.e.**, +16 points
CSR footprint of suppliers	Improve and secure the social and environmental performance of our supplier panel	• Evaluate our strategic suppliers	**45%** of CSR self-assessments received
Health and safety of our employees	Develop and consolidate the health and safety culture within the Group	• Increase the number of safety visits by 15% • LTIR ≤1.40; SIR ≤60	MSV*: **+16%** LTIR*: **1.62** SIR*: **47**
Development of our human capital	Develop and retain our expertise through an organization that promotes collective intelligence	• 3-point increase in the human capital success rate • 25% to 30% of women engineers and managers by 2022 • 100% of managers having completed the program Management Fundamentals	Human capital success rate: **88%** (+3 points) **24.4%** of women engineers and managers **100%** of managers trained

** See glossary at the end of the document.*

Most of the commitments made in 2018 were met by the end of 2021. Outcomes for some of them even exceeded the target.

The achievement of some targets was disrupted by the health crisis. This was particularly the case for supplier self-assessments, which are behind schedule. The slower pace is attributable largely to the global crisis and measures taken to manage it, resulting in temporary delays. The 2021 target has accordingly been deferred until 2022 (see 2022-2025 roadmap).

Similarly, the LTIR target was not met for all employees, temporary workers and subcontractors by the end of 2021, although the rate was steady at between 1.4 and 1.5 between 2019 and 2020. By contrast, our lost time injury rate of 1.62 is excellent compared with those of similar industrial companies. For Mersen employees alone, the rate is 1.06.

3. Main non-financial risks and opportunities

3.1. Methodology

To update the CSR risk and opportunity map, the CSR Committee has revised the previously established list of 16 challenges to reflect the emergence of new trends and provide comparison with a benchmark of companies operating in the same or a similar sector put together by an external firm.

The same firm conducted qualitative interviews with internal and external stakeholders to assess the various challenges based on the principle of double materiality, i.e., by evaluating the risks weighing on Mersen and the risks that Mersen places on its stakeholders. The analysis also served to identify the challenges whose materiality will increase most over time.

3.2. Materiality matrix

This process resulted in the inclusion of a new challenge in this year's risk mapping, namely "Business continuity" on account of the global pandemic. Other risk definitions have been fine-tuned to sharpen their relevance. Lastly, the "Ecological footprint of our products" challenge has been broken down into three new challenges, namely "Pollution and discharges", "Waste prevention, recycling and recovery" and "Energy consumption and climate change".

However, the "CSR Governance", "Mersen Culture" and "Impact of transportation" challenges were not included, although the third one has now been integrated into the "Responsible supply chain" challenge.

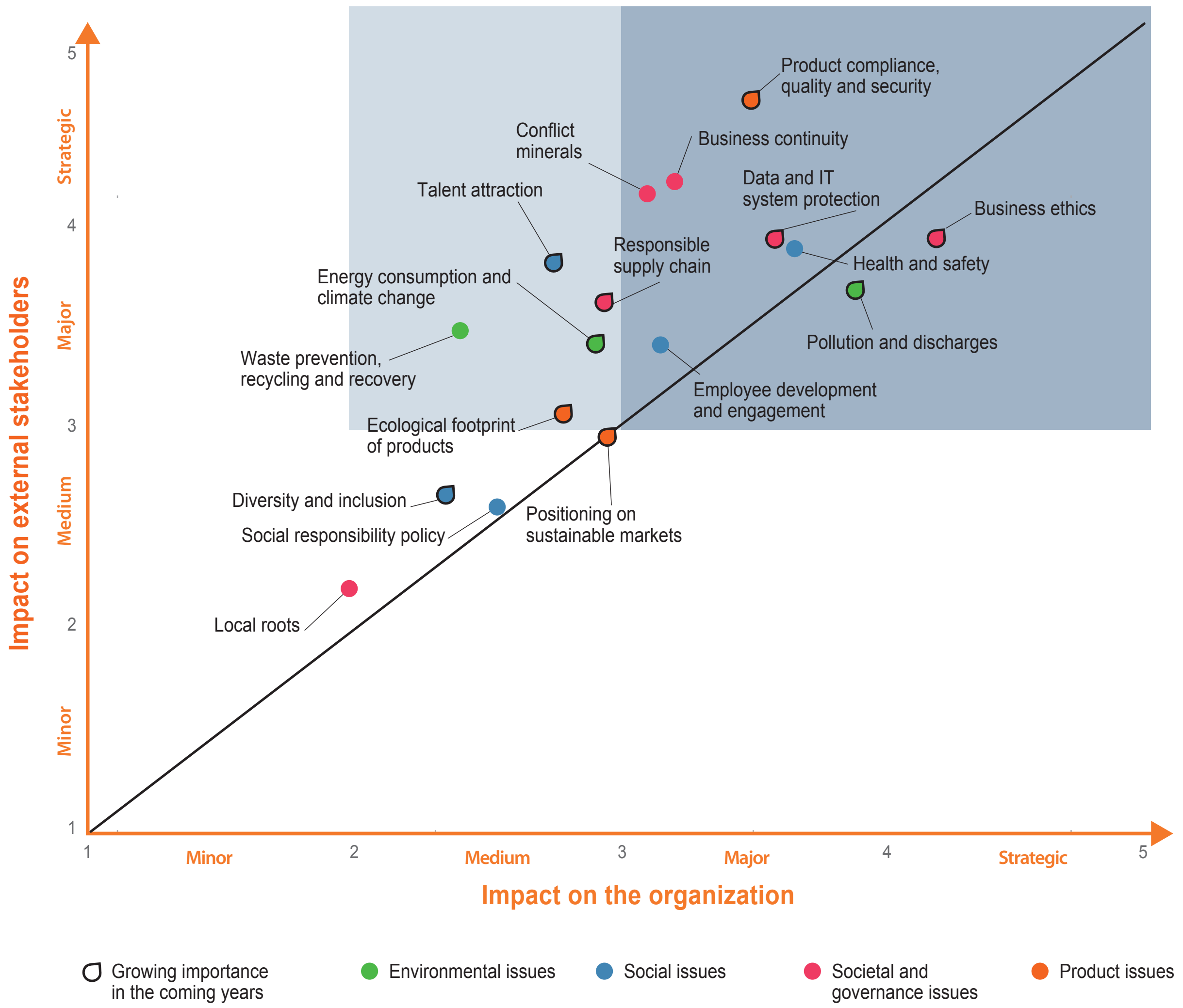
A total of 17 challenges were presented and evaluated.

Risks are expressed as challenges, a concept spanning both risks in the strict sense and opportunities. In the matrix below, risks are presented at their face value, i.e., without taking into account measures taken by Mersen to address them.

The dark gray area is for high-risk challenges, i.e., those perceived as being material or strategic both internally and for external stakeholders.

The light gray area groups together opportunities, i.e., challenges perceived as material or strategic for external stakeholders, but as moderate internally.

The blue line at the top indicates the perception of the greater materiality of the challenge for external stakeholders.



This process resulted in the identification of 13 risks and opportunities. They are addressed in this chapter, broken down into the four following themes:

- Responsible partner;
- Limiting our environmental impact;
- Developing human capital;
- Ethics and compliance culture.

3.3. Description

Theme	Challenge	Pages
Responsible partner	Responsible management of the sourcing of metals with potentially negative social and/or environmental impacts, particularly conflict minerals.	113
	Integration of environmental and social criteria in the purchase of products and services.	113
Limiting our environmental impact	Reduction of energy consumption, decarbonization, implementation of measures to mitigate climate change and adapt to its impact.	119
	Reduction of waste production, adoption of sorting and recovery through recycling or reuse measures.	121
	Pollution and discharges into the air, water and ground with a serious impact on the environment.	122
	Compliance with international regulations, particularly on hazardous/chemical substances.	122
	Reduction of the ecological impacts of products over the entire life cycle: reduction in the use of resources during production, eco-design, energy-saving products, etc.	121
	Preservation of business continuity in the event of exceptional climatic or health events requiring a reorganization of activities, and which may constrain international trade.	126
Developing human capital	Gender parity throughout the organization, local recruitment, policies in favor of disabled people and juniors/seniors, fight against all types of discrimination.	131
	Training and promotion policy to ensure the development of internal skills and the appropriation of the Company's values by employees.	134
	Ability of the Company to attract the talent essential to its operations.	129
	Working conditions guaranteeing the safety of employees and service providers. Prevention of accident risks, including psychosocial risks, both at Group level and by entity depending on their activities.	140
Ethics and compliance culture	Group ethical rules and their appropriation by partners, including corruption, fraud, competition rules.	143
	Data protection, compliance with personal data regulations, and computer system security.	146, 148

3.4. Mersen's contribution to the United Nations Sustainable Development Goals

In September 2015, 193 United Nations Member States adopted 17 Sustainable Development Goals (SDG) with a view to ending extreme poverty, protecting the planet and ensuring prosperity for all as part of a new global agenda.

Mersen supports the SDGs and has identified policies and practices within its operations that make a direct or indirect contribution to their achievement.

The Group focuses specifically on making a genuine contribution to the 11 SDGs listed below:

Theme	SDG
Responsible partner	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Limiting our environmental impact	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
Developing human capital	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Ethics and compliance culture	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

3.5. 2022-2025 roadmap*

Drawing on the process and results of the Materiality analysis presented above, the Group has plotted out a new roadmap defining its CSR priorities for the 2022-2025 period.

The performance indicators and timeframes for each objective are presented in the following sections. A summary setting out the contribution to the United Nations Sustainable Development Goals to which they contribute is presented below:

RESPONSIBLE PARTNER

Mersen meets the expectation of suppliers, users, partners and other stakeholders across the value chain, driven by a commitment to progress for all and guided by strict ethical principles.

ENSURING RESPONSIBLE PURCHASING

- Supplier CSR self-assessment
100% of suppliers in 2022
- Supplier map
- Supplier CSR progress measured through audits and action plans

LIMITING OUR ENVIRONMENTAL IMPACT

Mersen has a responsibility to limit the environmental impact of its operations, particularly by reducing CO_2 emissions.

LIMITING GREENHOUSE GAS EMISSIONS

- Reduce GHG emission intensity by
20%
(vs. 2018)

RECYCLING WASTE

- Increase the share of waste recycled to
75%

LIMITING WATER CONSUMPTION

- Reduce water consumption by
10%
(vs. 2018)

CSR

HUMAN CAPITAL

Around the world, Mersen strives to help employees, communities and talent grow while paying the utmost respect to human rights, health and safety, and diversity.

PROMOTING EQUAL OPPORTUNITY AND DIVERSITY

- Encourage gender diversity in the workplace:
- % women in senior management positions:
25%
- % women engineers and managers:
> 27% in 2022
- Improve inclusion of people with disabilities:
increase their number x2

PROMOTING A SOCIAL RESPONSIBILITY POLICY FOR ALL

- Provide social protection with a universal indemnity in the event of death in service
- Standardize profit-sharing schemes
- Adopt a minimum amount of paid leave in all countries

Employee beneficiaries 100%

PROMOTING WELL-BEING, HEALTH AND SAFETY AT WORK

- Keep LTIR ≤1,8 and SIR ≤60
- Continue prevention efforts: increase the number of management safety visits by
20%

ETHICS AND COMPLIANCE CULTURE

Mersen owes its development to a great extent to the trust and confidence that the Group inspires in its stakeholders.

- Compulsory ethics training for new hires
Compulsory refresher training every 2 years
(individual or theme-based training by site)
- Compulsory cybersecurity training for employees with a personal computer

* Compared with 2021 figures unless otherwise stated.

4. Responsible partner

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

Because we are present in 35 countries, we are often required to factor in a variety of legislation and widely varying local realities. This is why we make every effort to make sure our policy in this area is comprehensive.

4.1. Framework

4.1.1. Procurement charter

The procurement charter for a sustainable supply chain, which is available in five languages (English, German, Chinese, Spanish and French), formalizes relations and sets the standard for virtuous collaboration.

The framework sets out our requirements and promotes the implementation of best practices – including on social and environmental issues. It reaffirms Mersen's commitment to preventing slavery and protecting children's rights throughout the Group's supply chain.

This charter is circulated to our regular suppliers who are invited to sign it. The charter is available on www.mersen.com.

In 2021, the charter was sent out to more than 2,000 suppliers accounting for over 80% of our purchases by value. By the end of 2021, 45% of those suppliers had returned it signed.

4.1.2. Third-party corruption risk assessment procedure

The Group has also established a procedure to evaluate third-party corruption risk, including suppliers, using an internal database. All new third parties are now assessed on the basis of a risk table, with high-risk third parties subject to more in-depth scrutiny.

In 2021, specific assessments were conducted for 41 suppliers and the findings did not reveal any particular corruption risks.

To ensure that responsible purchasing training is rolled out widely across the Group, a dedicated e-learning module has been available since 2020. About 50 people have been trained.

4.2. Responsible purchasing approach

Mersen's Purchasing function is structured by segment, with the overall coordination of purchasing ensured by the use of shared processes and tools. It consists of about 100 people, located mainly in the various businesses.

The Group is committed to establishing a supplier map based on these self-assessments by 2025. This will enable it to pursue action plans aimed at improving suppliers' CSR approaches and to perform verification or follow-up audits when necessary.

4.2.1. Measuring suppliers' progress on CSR issues

In 2019, the Group finalized a CSR questionnaire with a detailed self-assessment grid that helps better integrate and evaluate CSR and Compliance performance. It includes items bearing on CSR policy, ethical risks, non-discrimination, safety policy, environmental policy and CSR practices.

In the previous roadmap covering the 2018-2021 period, the Group's goal was to collect self-assessments from suppliers representing 80% of its component and raw material purchases (approximately 400 suppliers). The health context disrupted progress on this target. The Group is maintaining its initial target, but has pushed it back to 2022.

The survey was nevertheless sent to over 1,000 suppliers in 2021 and 440 – or nearly 45% – returned it completed.

4.2.2. Vigilance on conflict minerals

In several countries, especially the Democratic Republic of Congo and neighboring countries, the extraction of certain minerals serves to support armed groups, conflicts and crimes against the population. The main minerals impacted, known as "conflict minerals," are cassiterite (tin ore), coltan (tantalum ore), wolframite (tungsten ore) and gold. They also go by the acronym 3TG, standing for "Tin, Tantalum, Tungsten, Gold".

Mersen has had its suppliers confirm that they and their own suppliers comply with the EU Conflict Minerals Regulation and the equivalent US legislation (Section 1502 of the Dodd-Frank Act).

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

Approximately 177 suppliers are subject to an annual update of their statement of compliance. This is done using either the official Conflict Minerals Reporting Template (CMRT) [(1)] or any other document recognized by Mersen. Conflict minerals declarations are available on Mersen's websites.

4.2.3. Improvement of the purchasing process

The Mersen Group has continued its CSR commitment and the implementation of areas for improvement to:

- Develop supply chains located as close as possible to its production facilities when feasible.
- Optimize packaging by using more ecological packaging and reducing weight.
- Select a range of greener vehicles.

4.3. Revenues derived from sustainable development markets

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

Our solutions contribute to the progress made in photovoltaic solar energy, and to the manufacture of wind turbine generators. We also work with hydro generator manufacturers, and help to **improve the performance and reliability of the equipment and infrastructure** of new forms of urban mass transit and electric vehicles.

In 2021, the Group derived 56% of its sales from sustainable development markets as defined in the Group's 2018-2021 roadmap, beating the target of 55%.

That definition does not replace those used in the EU Taxonomy Regulation and Delegated Acts presented in chapter 1 of this document.

4.3.1. Renewable energies

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

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

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

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

Energy storage: Mersen offers electrical component solutions for the protection and monitoring of industrial lithium-ion batteries which are used in the solar and wind energy sectors.

4.3.2. Electronics

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

Semiconductors: Mersen contributes to the development of semiconductors that are increasingly compact and efficient thanks to its offering of premium graphite and insulation felts. The quality and high-precision machining of our materials and coatings actively optimize manufacturing processes.

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

4.3.3. Energy efficiency

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

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

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

(1) See glossary at the end of the document.

4.3.4. Clean transportation

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

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

Hybrid industrial vehicles and light electric vehicles: Mersen helps car manufacturers meet the challenges of this booming market. Thanks to our expertise in managing direct current in batteries, we are able to offer solutions for battery management and protection.

4.4. Contribution to reducing the impact of industrial activities at our customers' sites

Most of the products and solutions designed and manufactured by the Group help reduce the environmental impact of our customers' products or processes. This impact is measured in terms of longer life, improved performance or reduced consumption. These savings are taken into account by our customers.

Reduced energy and water consumption

Eco&Flex Synthesis Unit for the production of liquid HCl

This new-generation synthesis unit limits the production of steam for our customers, thereby reducing the CO_2 emissions linked to the production process:

- 60 liters of oil are needed to generate 1 tonne of steam. That represents the equivalent of 0.17 tonnes of CO_2 emissions per tonne of steam.
- With Eco&Flex and its heat recovery system, a synthesis unit producing 50 TPD (Tonnes Per Day) of HCl will generate 30 TPD of steam. That would prevent the emission of 1,785 tonnes of CO_2 over a year.

It would also reduce water consumption and in turn the associated kW.

- For the same synthesis unit, the saving would be 80 cu.m. per hour, thereby reducing the consumption of electricity for cooling.

Reduction of 1,785 t CO_2 per year
Reduction of the water flow by 80 cu.m. per hour
Reduction of 100 MW per year

Reduced energy consumption

Insulation felt for the semiconductor industry

The semiconductor manufacturing process involves very high temperatures (2400°C, the sublimation point of silicon carbide).

The very high insulating power of Mersen's insulation felt allows our customers to reduce their energy consumption by 15% compared with a standard product. If all players in the sector were to equip themselves with Mersen insulation felt, the savings could represent 25 GWh, or the equivalent of the CO_2 emissions of 3,000 cars.

Reduction of 25 GWh per year

Reduced material consumption

New Modulostar fuse holder

Mersen has designed a product based on the PEP (Product Environmental Profile) process. It helps define the areas offering scope to minimize the product's environmental impact.

The new Modulostar fuse holder will allow the following estimated savings, based on the current production:

Reduction of 22 t of copper per year

Examples include:

• Improved product life

Grades of brushes or collector strips

Using an eco-design approach, the Group has developed new grades of brushes for wind generators and rail collector strips that improve the life of these products and as such reduce maintenance downtime.

• Reduced pollution

MERSEN DustCollector, clean generators for hydroelectric power plants

The MERSEN DustCollector systems are designed to avoid short circuits caused by the reduction in insulation between the active coils and the ground. Each component of the chain, from the brushes to the industrial vacuum unit, is carefully studied and selected to collect a maximum of carbon dust during operation.

4.5. Commitment to society: improved understanding of the planet thanks to Polar Pod

POLARPOD

Mersen is an official partner of the Polar Pod expedition, whose goal is to study the balance of the earth's climate and its biodiversity. The Polar Pod is an international oceanographic station. The program, which is coordinated by the French National Centre for Scientific Research (CNRS) in partnership with the French National Space Agency (CNES) and the French Research Institute for Exploitation of the Sea (IFREMER), has four avenues of research: air/ocean exchange, Southern Ocean monitoring, biodiversity survey and human impacts.

4.6. Circular economy

For Mersen, the levers are as follows:

- Sustainable supply chain: reduce the environmental and social impacts of purchasing through a responsible approach (see section 4.2)
- Eco-design: take environmental impacts into account systematically from the product design stage thanks to eco-design (see section 5.4.1)
- Industrial ecology: optimize the use of raw materials (see section 5.4.2) and control the use of hazardous substances (see section 5.4.4)
- Improve waste management and recycling at all our industrial facilities (see section 5.4)
- Use our products for markets related to sustainable development (see section 4.3)
- Manage product end-of-life (see section 5.4.5)

5. Limiting our environmental impact

5.1. Environmental policy

Mersen's aim is to reduce the environmental impact of its products and industrial operations. The Group responsibly develops products and solutions that enable customers to reduce their emissions.

Created in 2019 and revised in 2021, the **Environmental Management System** (EMS) environmental policy sets out the objectives, organization and principles implemented at all Group sites. It is built on the Executive Committee's environmental commitment, which has been shared with all employees, and on the following items:

- Objectives, organization and steering committees;
- Compliance with environmental regulations and operational control;
- Sustainable use of resources (energy and water, materials, product eco-design);
- Mitigation of climate change and reduction of greenhouse gas emissions;
- Protection of biodiversity and control of discharges and waste.

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

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

Manufacturing site managers: site managers are responsible for implementing an environmental management system that is effective, compliant with regulations and adapted to the local activity. They must appoint an environmental manager to oversee initiatives and report to the Group's Health and Safety, Environment and Industrial Risks Manager.

Manufacturing Site Environmental Managers: environmental site managers are in charge of monitoring site action plans, coordinating activities and evaluating progress.

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

Communication of the environmental policy, training and awareness-raising on environmental issues are essential.

Updated in 2020, the Discover Safety & Environment by Mersen e-learning module provides an overview of health, safety and the environment questions in the Group. It includes an online course comprising presentations, videos and quizzes, and is mandatory for all new employees.

The Group dispensed 10,270 hours of environmental training in 2021, compared with 6,390 in 2020, an increase of 61% (excluding training via Mersen Academy).

Environmental training	2021	2020	Difference
Training hours	10,270	6,390	+61%

For several years, the Group has been giving itself the financial means to bring its environmental policy up to the level required by regulatory developments and to carry out environmental improvement projects.

In 2021, the Group decided to move its operations in South Korea to a site that is better located from an environmental perspective. This explains the significant amount of environment-related investments in 2021.

in €m	2021	2020	Difference
Environmental investments	6.4	1.6	+400%

5.2. Benchmarks

Certification to ISO environmental management system requirements is obtained on the decision of each site manager.

Percentage of manufacturing sites certified	2021	2020
ISO 14001 – Environmental Management System	39%	40%

5.3. Limiting greenhouse gas (GHG) emissions

Mersen's industrial activities involve the development of graphite-based materials and the assembly of electrical components.

Heat treatment and machining are the main sources of greenhouse gas emissions in the graphite manufacturing process. Those resulting from the production of electrical components are plastic injection and machining.

Mersen completes the CDP Climate Change questionnaire. The CDP is a non-governmental organization that publishes corporate environmental information and provides a framework for action to combat global warming. The Group underlines its commitment and complete transparency by publishing its detailed emissions and reduction targets.

In 2021, the Group scored a C on its completed questionnaire (A demonstrating current best practices, B demonstrating coordinated actions on climate challenges, C demonstrating knowledge of climate impacts and challenges, and D demonstrating transparency on climate challenges).

The Group is a member of the European Carbon and Graphite Association (ECGA), which contributes to dialog with European institutions to ensure prior consultation on the application of regulations applicable to the graphite industry. Exchanges were particularly intense in 2021 due to the new environmental regulations.

Early in 2021, the Group undertook to reduce the intensity of its greenhouse gas emissions by 20% between 2018 and 2025 (ratio of Scope 1 and 2 emissions in tCO_2 to sales in €m).

5.3.1. GHG emissions audit

The GHG Protocol standards break emissions sources down as follows:

Scope 1 emissions

The Group's direct emissions resulting from:

- Fossil fuel combustion for processes and building heating
- Fuel consumption by company vehicles
- Chemical transformation in graphite and felt production processes

Scope 2 emissions

The Group's indirect emissions relate to the production of electricity. They result mainly from the consumption of electricity in industrial processes, and the heating and lighting of buildings.

Scope 1 and 2 emissions are the Group's own activities. As a consequence, reducing them is the priority.

Scope 3 emissions

Scope 3 emissions are indirect emissions from the Group's upstream and downstream value chain, resulting from:

- Purchases of goods and services
- Purchases of investments
- Maritime, air and road transport
- Business travel and commuting
- Waste

Indirect emissions related to product use and end of life are not calculated because there are many uses and none is predominant. First, it is impossible to reliably estimate either category in view of the prevailing understanding of product use data and the lack of a recognized methodology. However, Mersen is developing products that consume diminishing amounts of energy for our customers (see section 4.4).

The changes in scope in 2021 set out below were reviewed to determine whether the 2020 data needed to be adjusted. It was decided that no adjustments were required for 2020:

- Sites acquired or sold: none
- Sites transferred and closed: Sezemice to Kaposvar, Guangzhou to Changxing.

GHG emissions in tonnes of CO_2 equivalent	2021	2020*	Difference
Direct emissions from burning gas and oil fuel	57,920	38,312	
Direct emissions from company cars	1,734	1,174	
Direct industrial process emissions	19,994	13,095	
Scope 1 emissions subtotal	**79,648**	**52,581**	**+51%**
Indirect emissions related to electricity consumption	79,032	93,915	
Scope 2 emissions subtotal	**79,032**	**93,915**	**-16%**
Indirect emissions related to the purchase of goods and services	105,364	74,968	
Emissions related to capital expenditure	59,160	43,331	
Indirect emissions related to sea, air and road transportation	21,483	14,946	
Emissions related to business travel	319	1,589	
Emissions related to commuting	3,763	3,625	
Emissions related to waste	4,743	4,229	
Scope 3 emissions subtotal	**194,831**	**142,687**	**+37%**
TOTAL EMISSIONS	**353,511**	**289,184**	**+22%**

** Emissions at constant scope of consolidation.*

Emissions calculated in accordance with the market-based method laid down in the GHG Protocol standards

5.3.2. Reduction of GHG emissions in Scopes 1 and 2

Reducing GHG emissions involves measures of three types:

- Reductions in energy consumption
- Use of renewable or less GHG-intensive energy sources
- Offsetting of emissions

Reductions in energy consumption

Reducing the environmental footprint by reducing energy consumption is a priority for the Group. All manufacturing sites are involved in this continuous improvement process and are responsible for monitoring and improving their own energy consumption. Areas for improvement are identified and actions are taken to reduce energy consumption.

Energy in GWh	2021	2020	Difference
Electricity consumed	239.1	204.5	
Electricity purchased and consumed	238.2	204.8	
Self-generated and consumed electricity	1.3	0.1	
Self-generated and sold electricity	-0.4	-0.4	
Natural gas	230.3	151.6	
Liquefied petroleum gas (LPG)	2.5	2.0	
Fuel oil, propane, butane	3.2	2.4	
TOTAL	**475.1**	**360.6**	**+32%**
Energy intensity in MWh/€m of sales			
Energy intensity ratio	***515***	***426***	***+21%***

The Group's energy consumption amounted to 475.1 GWh in 2021, compared with 360.6 GWh in 2020, an increase of 32%. Electricity and natural gas are the two main energy sources, and the graphite and felt production processes using high-temperature furnaces in the Advanced Materials segment are the most energy-intensive.

The change in the energy intensity ratio from 426 (2020) to 515 (2021) MWh/€m of sales was attributable to the start-up of the graphite production site in Columbia (USA), which resulted in energy consumption with no associated sales.

The principle of energy efficiency is implemented by production sites in renovation and maintenance projects, buildings and industrial processes. Systems for measuring and sub-measuring electricity consumption are being phased in to accurately measure consumption.

The vast majority of manufacturing sites have implemented plans to replace their lighting with LEDs.

Initiative in 2021

A large part of the roof of the buildings on the Gennevilliers site (France) have been renovated to improve insulation, thereby achieving heating savings representing 10% of gas consumption and 0.5 GWh. The site's activities are located in the Group's legacy buildings, which are currently undergoing a multi-year renovation plan.

The subsidiaries are gradually equipping their fleets with hybrid or electric vehicles. The installation of charging stations continues at several production sites.

Use of renewable energy sources

Mersen aims to produce and self-consume renewable energy on sites where this is technically feasible and where the technical and economic interest is manifest.

Initiative in 2021

A second solar power plant comprising both carport shades and conventional panels has been installed on the Saint-Bonnet site (France). The two solar plants produce a volume covering 22% of the site's electricity needs.

Taking into account the share of renewable electricity in purchases, calculated on the basis of the country's electricity mix (source IEA 2019 and 2020), plus self-generated electricity from renewable sources and offsetting through green electricity purchases, the volume of renewable electricity consumed by the Group was 115.9 GWh in 2021, compared with 54.0 GWh in 2020. Its share of the total increased from 26% in 2020 to 48% in 2021.

Renewable electricity in GWh	2021	2020	Difference
Share of renewable electricity in purchases (excluding offsets)	37.0	47.7	
Electricity purchased with energy attribute certificates (offsets)	78.0	6.6	
Self-consumption of self-generated renewable electricity	1.3	0.1	
Self-generated renewable electricity sold	-0.4	-0.4	
TOTAL	**115.9**	**54.0**	**+146%**
Share of renewable electricity as a %	**48%**	**26%**	

Emissions offsetting

In addition to initiatives aimed at reducing energy consumption, the Group is working to substitute its energy purchases with green energy (solar, hydro or wind) associated with energy attribute certificates.

In 2021, the St. Marys site (USA) implemented a guaranteed renewable electricity purchase agreement, resulting in a saving of 28,022 tCO_2eq. Under the GHG Protocol, the Group's total offsetting amounted to 38,638 tCO_2eq. in 2021 (difference between indirect Scope 2 emissions according to the location-based and market-based methods).

Energy in GWh	2021	2020	Difference
Electricity purchased with energy attribute certificates (offsets)	78.0	6.6	+1,082%

Reduction of 20% in Scope 1 and 2 emissions intensity between 2018 and 2025

Emissions from prior and baseline years (2018) are not adjusted to the 2021 scope for the intensity ratio calculation. The scope for each year is the current scope, and emissions are consistent with sales.

The Group is on track to reduce intensity by 20% by 2025 thanks to its reduction and offsetting initiatives.

Emissions intensity of Scopes 1 and 2 in tCO_2eq/€m of sales	2021	2020*	2018*	Difference 2021-2018
Scope 1 and 2 emissions in tCO_2 equivalent	158,680	146,496	172,927	
Sales (€m)	922.8	847.2	878.5	
INTENSITY	**172**	**173**	**197**	**-13%**

** Reported perimeter.*

5.3.3. Control of Scope 3 GHG emissions

Scope 3 indirect emissions are attributable to sources upstream and downstream of the Mersen value chain. Based on 2021 data and excluding the use and end-of-life categories of products sold (see explanation in section 5.3.1 GHG emissions audit), they amount to 194,861 tCO_2eq. and break down as follows:

- Purchases of goods and services (54%)
- Purchases of investments (30%)
- Maritime, air and road transport (11%)
- Waste (3%)
- Business travel and commuting (2%)

Measures to control and reduce emissions from purchases of goods and services

The aim of the eco-design approach is to reduce the need for raw materials as far as possible (see section 5.4.1). For the same function, reducing the consumption of raw materials is the first means of limiting the environmental impact.

Measures to control and reduce transport emissions

The Group continues to develop information systems to measure GHG emissions with its transport providers. Emissions can be reduced using the measures set out below:

- Restriction of the use of air freight
- Increase in the use of maritime, rail and river transport when alternatives to road transport are possible
- Pooling of transportation between subsidiaries
- Optimization of truck loading
- Use of the same means of transportation to avoid empty returns

5.4. Innovations for a circular economy

Limiting the environmental impact also means implementing circular economy principles, which consist in moving from a linear consumption pattern to a circular approach akin to natural ecosystems.

The Group incorporates circular economy principles through the following measures:

- Product design with the progressive integration of eco-design
- Responsible use of raw materials
- Waste management and recycling
- Control of the use of hazardous substances

5.4.1. Product design with the progressive integration of eco-design

To offer products with a reduced environmental impact, Mersen uses appropriate techniques for the design of its new products by phasing in impact assessment practices throughout the life cycle.

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

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

Eco-sustainable redesign-to-cost approach: Mersen Group has been developing this approach based on the functional analysis of products. It is intended to replace or reduce the proportion of certain components or raw materials, substituting others that are more environmentally sound without affecting product functionality. This approach will be systematically applied to new products.

5.4.2. Responsible use of raw materials

The Group has identified the main raw materials used in its manufacturing processes:

- Graphite products, namely pitch, coke and artificial graphite
- Felt products, namely viscose fiber and phenolic resin
- Brush, fuse, bus bar and cooling products, namely copper and aluminum

These seven raw materials represent significant volumes in relation to other goods purchases.

The consumption of raw materials required to manufacture graphite and felt products is measured based on volumes of finished products, converted using coefficients based on the product manufacturing recipes. The increase in consumption in 2021 stems from the significant growth in activity in the Advanced Materials segment and the start-up of activity at the Columbia site (USA).

Raw materials in tonnes	2021	2020	Difference
Pitch	8,342	5,564	+50%
Coke	9,077	6,021	+51%
Artificial graphite	4,220	2,748	+54%
Viscose fiber	1,228	429	+186%
Phenolic resin	110	40	+175%
Copper	3,528	3,694	-5%
Aluminum	1,873	1,638	+14%

The graphite manufacturing process produces production residues, some of which are reused without additional processing in various production processes within the Group or in external channels. These residues are called by-products.

The consumption of wood and cardboard packaging materials is monitored at each site. They are used for downstream logistics for delivery to customers and between subsidiaries.

Raw materials in tonnes	2021	2020	Difference
Timber	2,293	2,229	+3%
Cardboard	1,738	1,635	+6%

Initiative in 2021

The La Mure (France) site replaced the wooden crates used in the recycling of aluminum scrap with reusable containers. The savings achieved made it possible to avoid the systematic destruction of the wooden crates by the subcontractor.

5.4.3. Waste recycling

The Group has achieved its 2018 target of increasing its recycled waste rate by 15 points over three years. The rate increased to 63% in 2021 from 46% in 2018. It has set a new target of 70% by 2023.

Industrial waste in tonnes	2021	2020	Difference
Waste	17,268	15,728	+11%
- o/w hazardous waste	*2,098*	*1,725*	+22%
- o/w recycled waste and by-products	*10,842*	*9,487*	+15%
Waste recycling rate	***63%***	***61%***	

The Group has taken initiatives to recycle the production residues of graphite products, which generate the largest volumes of waste. It has worked with the steel sector, which uses graphite scrap and dust.

5.4.4. Use of hazardous substances

RoHS Directive

The European RoHS Directive 2002/95/EC (Restriction of Hazardous Substances) sets rules restricting the use of hazardous substances in electrical and electronic equipment.

The Group complies with regulations and has based its organization on the following principles:

- Update of calculations and certificates in accordance with the latest list distributed (substances and thresholds)
- Provision of EU declarations to European customer services
- Active work by the R&D function on the replacement of substances on the exemption list to renew product lines before the RoHS deadline

REACH Regulation

The European REACH Regulation 1907/2006/EC (Registration, Evaluation, Authorization and Restriction of Chemicals) is a unique integrated system imposing responsibility for registration and authorization of chemicals on industry. The Group complies with regulations and has based its organization on the following principles:

- Collection of Safety Data Sheets from strategic suppliers
- Identification by the R&D function, in collaboration with the Purchasing, and Health and Safety functions, of presence of REACH substances and drafting of the necessary regulatory documents
- Provision of regulatory data to the Group's European customer services

Since 2010, the Group has registered several substances used in the production of graphite (primarily resins) and felt. Coal tar pitch is considered to be an input substance in the manufacturing processes and is excluded from the REACH registration as it is untraceable in the graphite end product.

5.4.5. Product end-of-life management

The products that Mersen sells are integrated into complex systems by its customers, most of which are OEMs (Original Equipment Manufacturers). Consequently, it is generally our customers who take the decision to recycle those products, based on their own recycling procedures, and the Group acts as a long-term partner in the overall recycling process.

The Group's products can be split into two main categories:

Electrical products: our low-voltage electrical products are subject to the European WEEE Directive 2002/96/EC (Waste Electrical and Electronic Equipment) and the Group pays the eco-contribution in accordance with the rules of each of the European countries where the products are sold.

Graphite-based products: because graphite powder and waste is used for making artificial graphite, graphite recycling forms part of a virtuous circle.

For example:

- The Suhl facility in Germany has created a program with one of its customers to recover all of the customer's unused scrap graphite. Some 3.5 tonnes of graphite was recovered in this way in one year.
- Some wind turbine brushes are made from silver. One of the Group's customers in Germany returns its used brushes and, depending on the weight of silver recovered, gets a number of new brushes free of charge.

5.5. Pollution control

Emissions of all kinds (air, soil, water) and waste have been identified as a challenge in minimizing environmental impacts. Reducing them is both a regulatory requirement and an environmental performance goal.

Operations identified as having significant environmental impacts, legal requirements and environmental objectives have been listed for each site. The most complex operations are managed using documented procedures.

Despite Mersen's best efforts, it is impossible to totally rule out the possibility of an environmental incident or other emergency situation arising. An appropriate response and the development of emergency procedures, can reduce injury rates, prevent or minimize environmental impacts, protect lives and minimize the loss of assets.

Since 2017, Mersen has systematically carried out an environmental audit when purchasing or selling industrial real estate. Similarly, the Group performs environmental impact assessments for its significant prospective investments.

In 2021, the Group received six minor notifications from environmental authorities and paid fines in a total amount of less than €1,500.

in €m	2021	2020
Provisions for environmental risks	4.4	4.6*
Fines for non-compliance with environmental laws and/or regulations	0	0
Notifications from environmental authorities (number)	6	4

** Adjusted for the impact of exchange rates.*

5.5.1. Control of air emissions

Air emissions from the Group's activities come mainly from two sources:

- Gas emissions related to the pyrolysis of raw materials to obtain graphite. These processes include gas emission processing systems to eliminate toxic products, sulfur dioxide (SO2) and volatile organic compounds (VOCs). Such systems capture an average minimum of 80% of these pollutants. Nine sites emit SOx and NOx and comply with local regulatory requirements.
- Particulate emissions due primarily to processes for raw material crushing and graphite product machining processes, and to silication used in fuse manufacturing processes. Each process includes a system to filter and capture particulates.

In Europe, four sites are subject to European Directive 2010/75/EC (the Industrial Emissions Directive or IED). They are located in France (Amiens, Gennevilliers, Pagny-Sur-Moselle) and the United Kingdom (Holytown). Adopted in 2010, the IED aims to prevent and reduce air, water and soil pollution caused by industrial facilities by relying on the Best Available Techniques (BAT). These sites were contacted by their respective regulatory authorities for a review of their operations on the basis of the best available techniques.

5.5.2. Soil pollution

Mersen does not directly exploit either the soil or biodiversity in its activities. Production sites are located mainly in specifically regulated activity zones.

The Group responsibly manages soil and groundwater contamination according to the following principles at all production sites:

- Implementation of the prevention policy
- Implementation of an operational control in the event of an emergency procedure
- Soil remediation in consultation with local regulatory authorities

In 2021, Mersen began soil remediation work at the Saint-Loup-de-Naud site (France) after obtaining approval from the administrative authorities. In 2010, the Group identified soil pollution that occurred prior to the acquisition of the site in 1991.

5.5.3. Biodiversity protection

In 2021, the Group updated its environmental policy with a commitment to protecting biological biodiversity so as to ensure the protection and survival of animal and plant species, genetic diversity and natural ecosystems. This commitment is based on the prevention, management and repair of damage to natural systems resulting from the Group's activities and their emissions and waste.

In 2021, the Group identified its production sites and their proximity to protected areas in a biodiversity map. Three sites are located within one or more protected areas, and 14 are located within a kilometer of one. All sites have received detailed information on their positions and their responsibility with respect to biodiversity. No site reported biodiversity loss for the reporting year.

Country	City	Protected area	Surrounds	WDPA reference	Category (IUCN or other)	Main usage	Owner/ Lessee	Type of protected area
Brazil	Cabreuva	Inside	Apa Cabreuva	555576351	V	Plant	Lessee	Land
Canada	Vaudreuil-Dorion	Adjacent	lac Saint-Louis (Rivière des Outaouais) Water Fowl Gathering Area	555567530	IV	Plant	Owner	Land
France	Bazet & Lannemezan	Adjacent	Réseau hydrographique de l'Echez		ZNIEFF type I	Plant	Owner & lessee	Fresh water
France	La Mure	Inside	Bas-marais du Villaret		ZNIEFF type I	Plant	Owner	Fresh water
France	La Mure	Inside	Lacs et zones humides du pays Matheysin		ZNIEFF type I	Plant	Owner	Fresh water
France	La Mure	Inside	Prairie humide de la citadelle		ZNIEFF type II	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Les Pres et Gravieres de Pagny-sur-Moselle		ZNIEFF de type I	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Boisements humides et Gravieres d'Arnaville		ZNIEFF de type I	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Coteaux calcaires du Rupt de Mad au Pays Messin		ZNIEFF de type II	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Lorraine		Natural Park/ 5	Plant	Owner	Land
France	Saint-Loup-de-Naud	Inside	Ancienne tourbière de la Voulzie		ZNIEFF type I	Plant	Owner	Fresh water
France	Saint-Loup-de-Naud	Inside	Rivière du Dragon		Natura 2000	Plant	Owner	Fresh water
Germany	Frankfurt Am Main	Adjacent	Grüngürtel Und Grünzüge In Der Stadt	378468	V	Office	Owner	Land
Germany	Husum	Adjacent	Standortübungsplatz Husum	555517811	Natura 2000	Plant	Owner	Land
Germany	Jestetten	Adjacent	Hochrhein-Klettgau	321646	V	Plant	Owner	Land
Germany	Linsengericht	Adjacent	Auenverbund Kinzig	378402	V	Plant	Lessee	Land
Germany	Maulburg	Adjacent	Dinkelberg und Röttler Wald	555623537	Natura 2000	Plant	Lessee	Land
Netherlands	Schiedam	Adjacent	Nnn-Zh	555638690		Plant	Lessee	Sea
Spain	San Feliu De Llobregat	Adjacent	Serra de Collserola	555523642	Natura 2000	Plant	Owner	Land
South Korea	Asan-Si	Adjacent	Chungcheongnamdo Asansi Eumbongmyeon 2	555637118	IV	Plant	Owner	Land
Tunisia	Mghira	Adjacent	Sebkhet Sejoumi	903086	Ramsar	Plant	Lessee	Land
United Kingdom	Portslade	Adjacent	South Downs	555545758	V	Plant	Owner	Land
United States	Louisville	Adjacent	Beargrass Creek Greenway at Irish Hill	555602449	V	Plant	Lessee	Land
United States	Newburyport	Adjacent	Ram Island State Wildlife Sanctuary - Salisbury	555655682	VI	Lab/R&D	Lessee	Sea
United States	Newburyport	Adjacent	Carr Island	55551004	V	Lab/R&D	Lessee	Land

WDPA : The World Database on Protected Areas
IUCN : International Union for Conservation of Nature

5.5.4. Reduction of water consumption

The Group uses water primarily to cool equipment used in heating processes (firing, graphitization and impregnation of graphite), ensuring water quality before disposal. Discharges are subject to rigorous controls to avoid any risk of pollution.

In 2021, water withdrawals represented 672,346 cu.m, compared with 605,128 cu.m in 2020, an increase of 11%. The ratio of withdrawal intensity to sales was identical.

In 2021, the Group undertook to reduce its absolute consumption by 10% between 2018 and 2025.

Water consumption in cu.m	2021	2020	2018	Difference
Total water consumption	672,346	605,128	692,394	+11%
- o/w sourced from water suppliers	*541,094*	*482,388*		
- o/w sourced from surface water	*1,150*	*1,145*		
- o/w sourced from underground water	*130,102*	*113,645*		
- o/w sourced from seawater	*0*	*0*		
- o/w sourced from water produced	*0*	*0*		
Percentage of reduction in water consumption since 2018	**-3%**	**-13%**		
Water consumption intensity in cu.m/€m sales				
Water consumption intensity ratio	*729*	*714*		

Aware of its responsibility and in accordance with its commitments made in 2018, the Group mapped the water stress of its production sites in 2021, drawing on the global conservation atlas prepared by the World Resources Institute. The degree of water stress corresponding to the gap between natural supply and human demand is determined by ecoregion; the stress levels of the regions where the sites are located are presented below in descending order of criticality:

- Sites in Bangalore (2) and Pune (India): extremely high;
- Sites in Santiago (Chile), Malonno (Italy), Juarez and Monterrey (Mexico), El Jadida (Morocco), Terrassa and Sant-Feliu (Spain), M'Ghira (Tunisia) and Gebze (Turkey): high;
- Other sites: medium-high, low-medium, low or no stress.

The production sites with the highest consumption are not located in regions with high or extremely high levels of water stress.

5.6. Management of climate-related physical risks

Mersen has endeavored to identify the main phenomena related to extreme weather events near its production sites: earthquakes, winter storms, hail, lightning, tornadoes, cyclones, volcanoes, fires, floods and tsunamis.

With the help of an external firm, mapping of the Group's sites was drawn up in 2021, using Munich Re's Nathan (now Natural Hazards Edition) maps. The highest exposures were determined for the following sites and dangers:

- Sites in Chiba and Kazo (Japan) and Gebze (Turkey): exposure to earthquakes;
- Sites in Chanxing, Kunshan and Shanghai (3) (China), Pagny-sur-Moselle and Gennevilliers (France) and Juarez (Mexico): exposure to flooding.

The table below presents the assessment of exposure to all dangers of the 15 production sites representing the highest asset values.

Main climate events		Earthquake	Winter storm	Hailstorm	Lightning	Tornado	Tropical cyclone	Volcano	Forest fire	Flash flood	Flooding	Coastal flooding	Tsunami
St. Marys	USA	1	2	2	2	3	1	0	1	3	1	0	0
Pagny sur Moselle	France	1	3	2	2	2	0	0	0	2	5	0	0
Amiens	France	1	3	2	2	2	0	0	0	2	1	0	0
Gennevilliers	France	1	3	2	2	2	0	0	0	2	5	0	0
Saint Bonnet de Mure	France	1	3	3	2	2	0	0	1	2	1	0	0
Chongqing	China	1	0	3	2	3		0	2	2	1	0	0
Bay City	USA	1	2	2	2	3		0	1	2	1	0	0
Holytown	UK	1	3	1	1	1	1	0	1	2	1	0	0
Greenville	USA	1	2	2	2	3	0	0	1	2	1	0	0
Juarez	Mexico	1	2	2	2	1	0	0	2	2	5	0	0
Bazet	France	2	2	4	2	2	0	0	0	2	1	0	0
Songjiang	China	1	1	3	2	1	2	0	1	3	5	5	0
Hittisau	Austria	2	3	2	2	2	0	0	1	2	1	0	0
Bay City	USA	1	2	2	2	3	1	0	1	2	3	0	0

Level of risk: 0: none – 1: very low – 2: low – 3: moderate – 4: high – 5: very high

Overall, Mersen's property assets and activities appear to have little exposure to physical climate-related risks.

The impacts of climate change on the ability to work in hot weather are the subject of adaptation measures already in place (seasonal shift in collective schedules, shift rotation, additional breaks, ventilation of workstations, etc.).

6. Developing human capital

6.1. Human Resources strategic roadmap

In 2020, Mersen drew up its new strategic HR Roadmap for 2021 to 2025, based on four main pillars, which comprise programs and objectives related to "Human Capital". Each of these programs is led by one or more members of the Executive Committee and is aimed at strengthening the promotion of a corporate culture whereby people are the bedrock of the Group and its business development.

The four major programs are focused on:

- Affirming Mersen's identity
- Being a learning organization
- Enhancing the employee experience
- HR excellence & support

6.2. References

Mersen's approach to human rights is set out in its new Human Rights Policy. Circulated within the Group in the first quarter of 2021, it has been translated into four languages (English, French, Chinese and Spanish).

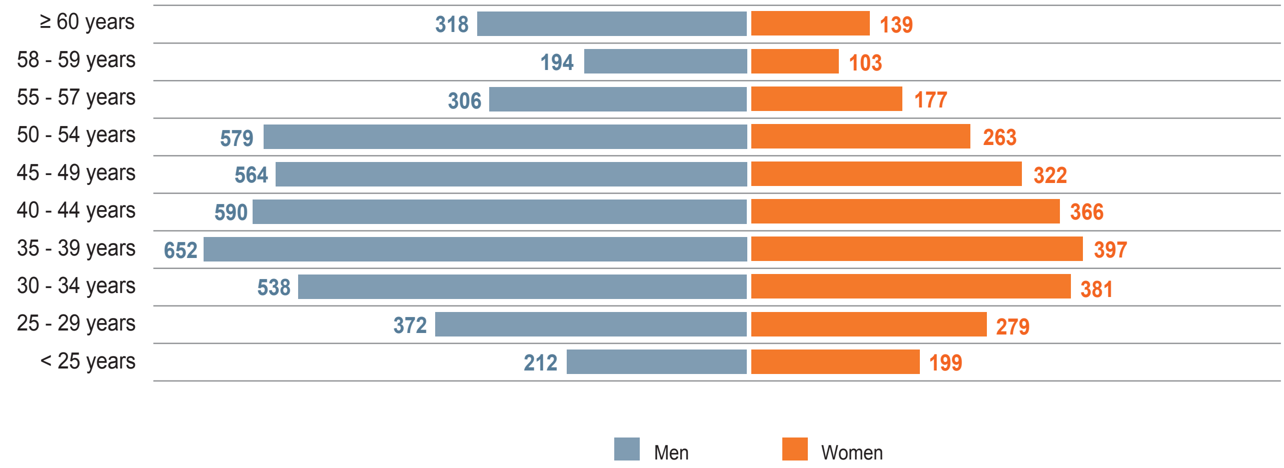
It serves as a reference for the "Ethics at Mersen" training course, which is mandatory for all Mersen employees.

6.3. Workforce mapping

Workforce	2021		2020	Difference
Europe	2,661	38%	2,374	287
o/w France	*1,309*	*19%*	*1,333*	*(24)*
North America (including Mexico)	2,153	31%	1,950	203
Asia-Pacific	1,635	24%	1,588	47
Rest of the world	519	7%	522	(3)
TOTAL	**6,968**		**6,434**	**534**

Workforce	2021		2020	Difference
Professionals and Managers	1,546	22%	1,525	21
Technicians and Supervisors	1,511	22%	1,384	127
Clerks	231	3%	236	(5)
Workers	3,680	53%	3,289	+391
TOTAL	**6,968**		**6,434**	**534**

The age pyramid is well balanced with the average age of Group employees being 42.2. Senior staff (over 55 years of age) represent 18% of the total workforce.



Workforce	2021
Permanent work contracts	5,614
Fixed-term work contracts	1,354
TOTAL	**6,968**
Temporary contracts (average annual FTE)	119

Part-time employees account for 2.8% of the Group's total workforce.

These figures do not include people on work-study placements, interns and apprentices, of which there are approximately 100 in the Group.

Workforce, end of 2020	6,434
Scope	295
Hires*	2,465
Terminations*	220
Other departures*	2,093
Adjustments	87
WORKFORCE, END OF 2021	**6,968**

** HRIS scope.*

The majority of the year's hires and departures were in Mexico (49% of hires and 52% of other departures). Mersen has a high staff turnover rate in Mexico as the local labor force is very volatile. This is also the case for some sites in China. This partly explains the Group's recruitment rate (number of new hires/year-end workforce) of 38.3%.

Terminations mainly concerned Mexico (40%) and the United States (17%).

The absenteeism rate was 4.0% vs. 4.4% in 2020.

Voluntary turnover (ratio of voluntary departures to the average annual workforce) and overall turnover (ratio of overall departures to the average annual workforce) are calculated excluding the Juarez site (Mexico) and China.

	2021	2020
Voluntary turnover	9.2%	5.1%
Overall turnover	16.5%	14.0%
Absenteeism	4.0%	4.4%

6.4. Affirming Mersen's identity

6.4.1. Shared values

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

Starting in 2016, information workshops were organized across Mersen sites to build employee buy-in for these values. A subsequent survey conducted globally was intended to compare these values with those encountered by staff on a daily basis, as well as with those they aspire to for Mersen's future. This survey gave the Group both a local and global vision, enabling it to define indicators for each site (human potential success rate, pride in belonging, alignment with values, alignment with duties, engagement rate, quality of action plans), together with action plans.

The new survey, conducted in 2021, confirmed this momentum, with a higher human potential success rate of 88%, in line with the target set in 2018. In 2018, 89% of employees stated they were proud to be part of the Group, and in 2020 the figure was 91%.

In 2021, the decision was taken to revisit the Corporate values to align them more closely with the day-to-day reality and feelings of employees (as expressed in surveys), as well as with the Group's new challenges (CSR, employer brand, etc.). This redefinition work is expected to be completed in 2022.

6.4.2. Rollout of the employer brand

To continue to innovate and develop high-quality solutions and components, our Group must attract and retain talent.

In 2021, Mersen formalized its employer brand in order to achieve this. Working groups were created to collect testimonials from Mersen employees, with a view to formalizing a shared vision. This resulted in the development of a strong employer brand that reflects our identity, who we are and the experiences of employees.

The Mersen employer brand is built on three pillars:

- Be part of the progress
- Be part of the challenge
- Be part of the family

These three pillars reflect a broader positioning, namely "Be part of the changing world", and are summed up in the tagline, "Mersen, a genuinely industrial & human culture".

The employer brand was first rolled out in six pilot countries, namely Austria, Canada, China, France, India and the United States. Thanks to these pilot countries, the Group now boasts a robust network of more than 120 ambassadors, whose role is to draw on their personal stories at Mersen to promote the brand, both internally and externally.

In 2022, the Mersen employer brand will be rolled out in all of the countries where the Group operates.

6.5. Inclusion: collaboration based on respecting local cultures and combating all forms of discrimination

6.5.1. Respect for local cultures

Present in 35 countries and on four continents, Mersen has made the diversity of its teams' origins, training, cultures and ways of thinking one of its quintessential strengths.

Diversity has formed part of the Mersen Group's values and HR strategy for a long time now as we believe that having a wide variety of profiles is a real asset and a performance driver. This very diversity is what drives collaboration between our teams and sparks our creativity so that we can understand the needs of our customers around the world better.

We firmly believe that promoting diversity will have a profound and positive impact on our organizations and business.

Mutual respect, the recognition of the intrinsic value of each individual whatever their origin, and combating all forms of discrimination are key aspects of our corporate culture. Human Resources strives to ensure equal opportunities at every level, while maintaining and strengthening the multi-disciplinary capabilities of teams.

In 2020, an anti-harassment policy was published at Group level and supplemented locally in some areas in line with the applicable laws and regulations. For example, in France a charter was drawn up on preventing and managing workplace bullying, sexual harassment and sexist behavior. This charter notably sets out the process to follow for handling any employee complaints.

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

6.5.2. Local commitment: Mersen, partner to schools and universities

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

- **South Africa:** The site has developed a very close relationship with the SAJ Competency Training Institute, which provides regular technical training (fitters and turners, boilermakers, electricians).
- **Austria:** The site has a very active apprenticeship program. Despite the difficult health context, the site welcomed some ten short-term apprentices in addition to the eight apprentices present for several years. It also organized a plant visit for local schools as part of their lessons on electricity.
- **Benelux:** The Schiedam plant has been officially recognized as a "learning company," enabling it to attract students whom it can then train in the production unit.
- **France:** The Mersen Boostec plant continues to provide support for local engineering school ENIT as a member of its administrative committee, and in 2021 confirmed its support for the creation of a new local "Production School" as a member of its administrative committee.
- **China:** One of the engineers at the Xianda plant gave two lectures to students at the Shanghai University Institute of Technology in 2021 and was awarded the title of "distinguished professor". In partnership with another company, the MSC plant organized a skills challenge with the local technical secondary school. The company's experts and the school's students competed with each other to machine a part used in one of our cooling devices.
- **United Kingdom:** The Teesside plant has entered into a partnership with a local university that combines research projects with work-study placements. One of the participating students has been recruited by the Group and is preparing a doctorate simultaneously. The Teesside and Holytown teams have two Science, Technology, Engineering and Mathematics (STEM) ambassadors who give presentations in schools and universities. These events were suspended due to the health crisis in 2021.
- **India:** Mersen continued its partnership with Skill India in 2020 and now has 111 Skill India apprentices. This program helps young people gain operational skills over three years while continuing their studies. The site runs a number of initiatives in partnership with schools and universities. They include plant tours (canceled due to the health crisis in 2021), helping students with specific projects, and career counseling for employees' children.

Mersen machining school

Created to address the difficulty in recruiting high-precision machining specialists, Mersen's in-house school at the Gennevilliers site has since 2015 offered a seven-month work-study certificate program in partnership with AFORP, a professional training body. Chiefly geared to job seekers, the program is also open to Mersen employees, allowing them to earn an additional qualification. Since the school was first established, 34 external people and six Mersen employees have been trained, including 22 who were hired on fixed-term and permanent contracts. We had to put this program on hold due to the pandemic in 2020 and 2021.

6.5.3. Success and close relationships through local management

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

Industrial plants	2021	Sites with a workforce of above 125	2020
Europe excluding France	13	3	15
France	8	4	8
North America	14	3	14
Asia-Pacific	13	3	13
Africa and South America	5	2	5
TOTAL	53	15	55
Site managers with local nationality	*98%*		*92%*

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

Local teams take part in economic (with local partners) and charitable initiatives alike.

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

- Mersen Boostec, located in the Occitanie region, is a member of the European Cluster of Ceramics, Aerospace Valley (aviation, space and embedded systems) and the European House of Innovative Processes (MEPI). The company has also joined the French Confederation of Ceramic Industries and the French Federation of Photonics.

  The site took part in the Ceramitec international trade fair conference.
- Mersen Angers is a member of S2E2 (Smart Electricity Cluster), a competitiveness cluster specialized in renewable energy, electricity grids and energy efficiency.

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

- In **Austria**, the Hittisau plant provides financial assistance to employees wishing to purchase electric bicycles.
- In **China**, volunteers visited elementary schools in Yufeng and Yunnan to distribute school supplies to children. A group of 37 employees took part in a beach clean-up in Fengxian (Shanghai).
- In **South Korea**, scholarships are offered to eight disadvantaged students. At the Ssangam plant, a disabled masseur offers massages to the operators after their day's work.
- In **France**, all employees will be invited to take part in the 2022 edition of the "Daffodil Run" to raise money for Institut Curie and cancer research. The Group will make a donation if the target is met. Since November 2021, all Mersen employees in France have also had the chance to support the charity of their choice from among three selected collectively, by making a monthly micro-donation from their salary. The Group matches each of the donations, thereby doubling them.
- In **India**, Mersen helps fund an organization that provides training to vulnerable young women and a daycare center for employees' children. During the pandemic, the site distributed Covid kits (including masks, sanitizer, food and basic necessities).
- In **Turkey**, initiatives organized to mark International Day of Persons with Disabilities on December 3 included providing wheelchairs to people with disabilities.
- **Most of the Group's sites** around the world give cash or in-kind donations, or organize collections for local charities (cancer or Alzheimer's research, women's refuges, children's homes, retirement homes, food banks, animal welfare organizations, etc.) and employees from a number of sites volunteer their time together.

6.5.4. Gender balance: ensuring equality in the workplace at all levels

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

	2021	2020
% of women in the Group's workforce	38	35
% of women in senior management positions (on the Executive Committee and the management committees of businesses and support functions)	22.6	20
% of women engineers and managers	24.4	24.2

In 2018, Mersen set itself the collective goal of hiring more women engineers and managers in order to increase female representation in that employee category to at least 25% to 30% by 2022, compared with 20% in 2018.

Also during 2018, Mersen set up a Group Diversity Committee which meets about four times a year. Four Executive Committee members sit on this committee, with one chairing it, illustrating the importance Mersen places on diversity. The committee's role is to monitor the progress of the Group's commitment, put forward proposals to the Executive Committee, decide on and carry out priority actions for the year, and share and encourage best practices.

The Group's diversity policy and the progress of action plans are presented and discussed each year at a meeting of the Governance, Appointments and Remuneration Committee, which is one of the Board of Directors' specialized committees. In addition, diversity is one of the four CSR criteria underlying the multi-annual variable compensation of the Group's key executives.

Special attention is given to bottom-up feedback in order to better identify any problems encountered by women that hold them back in their professional development, and to better coordinate among the different countries and segments. In 2020, Mersen took part in a research project on gender equality in the workplace created by PWN Lyon and the IDRAC business school, in order to find out more about the extent to which gender inequality still exists and the underlying reasons for it. Its results were shared in 2021.

Mersen's diversity action program is based on the following four pillars:

- **Recruiting more women, especially engineers and managers**

  The Group has set two objectives: one for the recruitment of women engineers and managers (see above), the other for increased representation of women on the Group's management committees. The objective is gradually to align the proportion of women among the Group's senior managers with the overall proportion of women among engineers and managers, i.e., to reach 25% of women in senior management bodies.

  The employer brand, initiated in 2020, also places an emphasis on women's careers, both internally and externally, thereby helping to promote them.

- **Developing women's careers and giving them greater visibility to encourage internal promotion**

  The mentoring program fosters for both the development and the recognition of women: 23% of mentors and mentees were women in the most recent session, held in 2021. The program is continuing in Europe, and will be rolled out in North America and China in 2022.

  The Women in Mersen network also offers development opportunities to women and helps give them greater visibility within the Group. In 2021, network meetings were held online in both Europe and the United States.

  Improving the visibility of women within the Group is a priority. As a result, the number of women on 2021 career committees nearly doubled. They are now also present in the Group's Open Expert network.

- **Raising employees' awareness about gender diversity and disability**

  The challenge organized each year to mark International Women's Day showcases the best local initiatives involving tangible and visible actions taken by a large number of employees. It also illustrates the deep commitment to diversity shared by Mersen and its teams. The challenge's second edition was a resounding success, with 37 participating sites, compared with 29 in 2020. Five sites, namely La Mure and Bazet (France), Cabreuva (Brazil) and those in the United Kingdom and Santiago (Chile), were rewarded for their initiatives. The La Mure site won first prize for the creation by its teams of comic strips illustrating gender stereotypes.

  In June 2021, Mersen joined the global community of companies taking action to promote gender equality by signing the United Nations Women's Empowerment Principles.

  WOMEN'S EMPOWERMENT PRINCIPLES
  Established by UN Women and the UN Global Compact Office

- **Identifying any gender pay gaps and taking measures to close them**

  The wage policy pays particular attention to reducing pay gaps. The aim is to intensify actions in this area. A Group-wide review has been conducted every year since 2018. It shows that female employees have received higher average salary increases than male employees since that date (in 2021: 2.5% for women versus 1.96% for men).

This study is rounded out by specific analyses in certain countries including France. Since March 2020, the Group has published the professional equality index for each site with more than 50 employees in France, together with improvement plans, on its website.

The Group has also decided to introduce a new tool to analyze pay equality. The Mercer methodology was selected for its rigorous approach, its national and international coverage and the fact that it is already used by many companies. The indicators resulting from this analysis (notably the gross wage gap and the gender wage gap) can be compared. Tested at the Saint-Bonnet-de-Mure site in France in 2021, the analysis will be extended to all sites in France, the United States and Canada in 2022.

For 2021 as a whole, the gender pay gap by country favors men overall, in terms of both base salary and all other components of the pay package.

At Group level, the median of the median readings by country gives the following results, by employee category. The following figures do not take into account the seniority parameter:

Median Women/Men	Basic salaries	Gross items paid
Engineers and managers	0.83	0.77
Technicians and employees	0.89	0.86
Operators	0.92	0.86

6.5.5. Integration: a workplace suited to disabled workers

Mersen's disability policy is part of an overall policy of fostering diversity. While some Group sites (India, Tunisia, etc.) have been implementing remarkable initiatives in terms of integrating disabled people for several years, situations remain varied due to differences in legal and cultural standards from one country to another.

Several specific initiatives have been developed in a number of countries:

- **China:** a half-day disability awareness workshop was organized for all site managers by an association recommended by the United Nations.
- **France:** a partnership has been entered into with ARPEJEH, a not-for-profit organization supporting educational projects for disabled school-age and university students. The Group regularly subcontracts with sheltered work agencies in France (ESAT) and equivalent entities in other countries. Also at Saint Bonnet de Mure, specific training and personalized follow-up measures are provided to disabled employees to help them integrate and build their skill sets (transparent masks for lip reading, a digital tablet so they can transcribe conversations and follow meetings more easily, and the provision of sign-language interpreters on site at meetings and training sessions). In this respect, the site accompanies a hearing-impaired employee. Comparable initiatives are being carried out on sites in Milan, Italy, and M'Ghira, Tunisia, which works closely with one of Handicap International's local partners.
- **Switzerland:** this site with less than 10 people has an employee with a severe visual impairment.

- **India:** Mersen works with EnAble India to train its staff on how to accommodate and work with disabled colleagues. The site's production units have taken on a number of employees with serious disabilities (8 in 2019, 13 in 2020 and 7 in 2021).
- **Turkey:** Mersen Turkey invited three members of a disabled people's association to discuss the subject with employees. The subsidiary decided to subsidize purchases of wheelchairs.

In 2021, Mersen decided to include disability in its proactive approach to developing diversity by including disability in its Diversity program. To mark its decision, the Group published a disability policy and joined The Valuable 500, an international network of 500 CEOs and their companies working to bring about lasting change for the 1.3 billion people living with a disability worldwide.

The Valuable 500

On the basis of a survey carried out at all sites at the start of 2021, an objective and policy have been set to better integrate people with disabilities. The objective is to double the number of disabled employees in the Group to more than 200 by 2025.

The new policy is built on four main pillars:

- Adaptation of the physical work environment
- Combating prejudices and stereotypes
- Internal and external inclusion

Mersen aims to build on the objective and the policy to strengthen the presence of disabled employees within its teams at all levels of its organization, and also to provide it with access to a pool of talent that has not been sufficiently solicited until now. An awareness-raising module was produced to promote the program in 2021. It is based on 12 video testimonials from employees with disabilities in Brazil, France, India, Switzerland and Tunisia, highlighting their journeys within the company. Mersen decided to launch the module and encourage local initiatives in conjunction with International Day of Persons with Disabilities, which falls on December 3 every year. Each of the Group's sites was called on to carry out a specific initiative on this theme.

So while initiatives are local, they are now also part of a comprehensive commitment made by the Group's Executive Committee.

In 2021, 135 of the Group's employees were classified as disabled (105 in 2020).

10,000 businesses for inclusion and professional development

In December 2019, Mersen Boostec joined the French Ministry of Labor's "10,000 businesses for inclusion and professional development" (10 000 entreprises pour l'inclusion et l'insertion) plan, which aims to encourage businesses to hire vulnerable workers. In this respect, the site had already committed to organizing a factory visit for young job-seekers, hiring interns from low-income communities and carrying out specific initiatives for people with disabilities.

6.5.6. Promotion of human rights

Mersen's new Human Rights Policy was released in 2021.

An updated "Ethics at Mersen" training course was released in 2021 with an e-learning training module and an interactive questionnaire to validate theoretical knowledge. This new version delivered via the Mersen Academy platform reflects the changes made to Mersen's Code of Ethics in 2021. Upon completion of the training, learners will:

- Understand what ethical work practices mean for Mersen in the daily working environment;
- Be able to identify situations and behaviors presenting an ethical risk;
- Know who to contact to report ethical issues.

The training is mandatory for all Mersen employees (including those who have already completed the previous version). Its rollout began in the fourth quarter of 2021, initially targeting the Group's French- and English-speaking employees with individual access to the Mersen Academy platform. By the end of 2021, 1,207 employees had completed it in full.

The Group is aiming for Engineers and Managers to complete this training every two years by 2025. Ad hoc events will be organized at the sites every 2 years for the other populations.

6.5.7. Strengthening internal communication

Launched in 2020, the new MersenONE Intranet is Mersen's first in-house communication media. Its main aim is to provide a simple and agile environment for improving how each Mersen employee can connect, collaborate and communicate to help drive our Group's development.

In early 2021, a "My Employee Experience" page went live on MersenONE. It was designed by the HR team to give employees access to all the useful tools and HR information they need at key moments in their career within the Group, in a new digital environment. The format makes it possible to provide regularly updated, quality information. As an extension to this, each French site has now launched its own "My Site Employee Experience" page, a local version of the Group page, on MersenONE. These pages provide employees with pertinent practical information and information specific to their site.

The format of the Group's in-house magazine, Inside, has been revamped to devote more space to information from the sites and to showcase local initiatives. To that end, a new editorial committee has been established, and the circle of contributors has been expanded. At each site, a person tasked with distributing the newspaper to operators has been appointed. Three issues were published in 2021.

6.6. A learning organization

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

The Group has created the “Mersen Academy” online training platform which has the following objectives:

- Streamline training through e-learning;
- Support teams in their personal development and employability;
- Integrate new hires into the core of Group training processes more easily;
- Systematically offer training programs on essentials, such as safety, quality, ethics and management;
- Reduce training costs;
- Promote interactivity and collaborative work within the Group.
- Facilitate the rollout of training in all formats: online, face-to-face or multimodal;
- Record training times for each learner with the relevant access, allowing the Group’s training offer to be adjusted or improved in line with user needs and usage observed after overall analysis.

6.6.1. Training reporting

	2021	2020
Total hours of training (1)	**161,637**	**122,400**
o/w Mersen Academy	*31,584*	*22,707*
Number of people trained (Mersen Academy)	3,054	2,860
Hours of training as defined in the reporting methodology (2)	**98,459**	**69,999**
Average number of hours per employee	**15.1**	**10.9**
o/w Mersen Academy	*4.8*	*3.5**
o/w France	*13.2*	*9.1*
Spending on training as a % of total payroll costs		
Group	1.2	0.9
France	1.4	0.8

HRIS scope
(1) includes Discover Safety and Environment and Environment training for all employees
(2) includes Discover Safety and Environment and Environment training for employees with a Mersen Academy account
** The figure initially published in 2020 was the average number of hours per Mersen Academy user and not per employee.*

6.6.2. Project management and cross-business coordination: a shared method

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

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

Multimodal learning: An e-learning module on the GPS method is used to familiarize employees with the broad guidelines and methods. It has been mandatory for new engineers and managers since 2016 and can be rounded out with in-depth classroom training given by in-house experts. In 2018, this training was complemented by role-playing exercises. To adapt to the context resulting from the health crisis and to offer an alternative solution to face-to-face training, role-plays were incorporated into the virtual training format in 2020. And since 2021, a hybrid “multimodal” format has made it possible to train new learners through virtual classes using an online game board.

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

6.6.3. Open Manager: increasing quality of management

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

Identification of skills: Going forward, the decision to assign an individual to a management position will be based on the new managerial skills identified. For certain key positions (expertise area executives, business managers and product line managers), the Group combines the approaches of internal promotion/external recruitment.

Training: Mersen launched its "Management Fundamentals" training course in 2018 aimed at the Group's entire open management community. The purpose was to revisit the fundamental practices that all managers need to apply in order to lead their teams effectively on a daily basis. In 2020, the course was released in a virtual format, allowing its rollout to continue despite the health conditions resulting from the Covid pandemic. The shift in teaching format, combined with the creation of a network of eight international trainers, allowed the Group to reach its objective of having 100% of managers trained by the end of 2021*. Since its launch in March 2018, this course has been completed by 1,100 team managers.

The development of the Group's managers will continue in 2021, with the launch of a new multimodal training course based on the "Motivate and Develop" dimension of the Open Manager framework: the "Evaluate and Develop My Team" training allows managers to identify their employees' development needs and to adopt the appropriate solutions from among a wide range of development tools and training courses. 10% of the Group's managers completed this training in 2021.

Personal development: Group senior management has access to a personalized development program. It uses 360° and Hogan-type assessments to draw up a development plan with the help of an executive coach.

6.6.4. Career development: opportunities for every profile

Mersen's global dimension provides employees with genuine career development opportunities. The Group has demonstrated its desire to encourage exchanges between its various segments and geographic areas by prioritizing mobility and the international diversity of managers. This international mobility policy is underpinned by a desire to develop local talents and recognize skills wherever they may be. This approach allows Mersen to encourage responsiveness to customers and foster growth and innovation. An Internal Mobility Policy was formalized and circulated in 2021. It sets out what is expected from the various stakeholders and describes the various tools used to support and promote internal mobility.

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

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

6.6.5. Managing human resources for the future

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

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

Group job map: Updated annually, it identifies and describes, for each of the 11 job fields (sales, marketing, business, R&D, production, production support, sourcing, information systems, human resources/safety/general services, finance and legal affairs, and business process owners), the 114 Group benchmark jobs shared by all segments. This job map, along with challenges, specificities and associated skills, is used to increase the effectiveness of the Group's HR policies (hiring, mobility, training, etc.) and narrow down the types of skills in demand during the hiring phase.

A process document for updating the job map was drafted in 2021. The aim was to clarify the approach, ushering in an annual agenda of regular meetings of a "Jobs Committee" comprising 11 two-person teams (one manager and one HR representative) for each job field.

6.6.6. Open Expert: Mersen's community of experts

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

These specialists are volunteers who, in addition to their expertise, are especially skilled in sharing know-how and galvanizing their colleagues to help move the Group forward.

Three levels have been defined (experts, senior experts, executive experts) and 26 Open Experts had been appointed by end-2021, forming the foundation of a community dedicated to spreading the Group's culture of expertise.

A fourth level (specialists) was added in 2021 for people with high-level skills in certain technical and scientific fields specific to the Group's markets. To date, Mersen has identified 32 different fields and 120 specialists. The experts belonging to this second circle are encouraged to cultivate and pass on their know-how, with support from the first three levels of experts.

The Open Experts share their expertise through the community of experts, which is open to all employees on the Group's intranet. The annual Open Expert Convention was held in October 2021.

6.7. Enhancing the employee experience

6.7.1. New recruit integration program

To allow every new recruit to quickly find their feet and take ownership of the Group culture, Mersen developed the mandatory integration program called "I Become Mersen". It starts on the first day on the job: the new recruit is given a welcome booklet and kit containing all the information he or she needs to learn about the Group. The program is then adapted to the profile of each new recruit. In 2021, a new platform called "My Employee Experience" was created, which is accessible via the Group intranet and gives all new employees the possibility of learning everything they need to know about the key moments to expect within the Group, both in their daily work and their overall career.

Mentors may be appointed for new employees depending on their site and position, and everyone joining the Group is required to follow a number of in-house training sessions. This training is given either face-to-face or via e-learning, and includes modules on health and safety, and training on the Group's Code of Ethics.

Engineers and managers are offered specific training courses (such as on project management and the Group's management framework), as well as an induction seminar called the "New Comers Event". At this event, participants are given presentations about the Group and its different businesses as well as tours of manufacturing sites to show them how issues such as health and safety and operational excellence work in practice. As the Covid-19 situation prevented the organization of these seminars in 2020, a virtual version was held in a special program broadcast live from headquarters in 2021. These induction seminars will feature an increased number of virtual events in 2022.

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

6.7.2. Knowledge transfer: preparing for retirement

Planning ahead for departures linked to demographic trends in the Group's workforce remains the central point of Mersen's human resources planning policy. The approach is based on training young people while at the same time keeping older people in employment. A proactive work-study policy encourages the transmission of key knowledge and skills through intergenerational exchanges between a tutor and trainee. The young people welcomed in this way are prepared to join the Group by their tutor. Tutoring ensures effective transmission of professional knowledge and reinforces the feeling of belonging while giving expertise real value.

The process of passing on key knowledge and skills also concerns the most critical knowledge – that which is specific to Mersen and based partly on experience. It was revisited in 2021 in favor of a more systemic and dynamic approach. Similar to the currently proposed experience interview, an action plan for the transmission of knowledge will now also be co-constructed by the employee and the manager. This action plan is mandatory for all Open Experts, as well as for certain employees identified as critical at the various sites. To determine priority employees for these two populations, a two-dimensional risk matrix (impact and probability) is proposed. Questionnaires are also available to identify the key knowledge and skills to be passed on. The tools available are adapted depending on the time and internal resources available.

This new five-step process will be phased in for career committee meetings in 2022. It can also be used on sites at any time for all managers, engineers, technicians or experienced operators and to plan for retirements.

Lastly, knowledge transfer can also contribute to the internal mobility of employees: an internal move will be all the easier if employees have already prepared their own knowledge acquisition and transmission.

6.7.3. Tools for supporting and managing teams better

Mersen offers its managers a range of tools to help with managing teams and providing personalized support to every employee.

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

Managers around the world can familiarize themselves with the evaluation process via training on the Mersen Academy platform.

In 2021, over 75% of eligible staff (workforce excluding operators and clerical workers) who had access to the performance assessment module had an annual evaluation (i.e., 29.6% of the Group's total workforce). Other employees can have a discussion with their manager directly.

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

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

Continuing education: Mersen has given its employees access to its e-learning platform since 2013.

Since 2018, the Mersen Academy training platform has helped develop the skills of the Group's employees and support their professional development. It also provides mandatory Compliance, Safety, Environment and Ethics training and over 3,000 employees worldwide now have access to the platform.

The Group also promotes qualifying training programs via joint qualification certificates in its business areas, such as metallurgy and chemistry, as well as training leading to a certifies with KEDGE business school.

The modules that generated the greatest number of training hours in 2021 (representing 45% of the total, or over 14,000 hours) were:

- Management Academy training courses: "Management Fundamentals" and the new version of the theoretical course on the Open Manager model (7,600 hours in total).
- "Sales Fundamentals", an introduction to the training program for sales employees provided as part of the Sales Academy launched in 2020 (2,500 hours).
- The multimodal "Finance Insight" course devoted to the fundamentals of finance for operational managers (2,300 hours).
- The new version of the "Ethics at Mersen" course (2,100 hours).

In all, 31,584 hours of training were logged on Mersen Academy in 2021, representing a +40% increase compared with the previous year. Of these training hours, 64% were top-down courses (organized through internal campaigns) and 36% were self-study courses.

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

6.7.4. Recruitment procedure

To ensure successful recruitment, HR teams can use the Group's various reference frameworks for skills (Open Manager, Open Expert, Group job map).

In 2021, the rollout of the employer brand included a training module on "How to integrate the employer brand into recruitment" which was offered to all HR managers in the six pilot countries (Austria, Canada, China, France, India, USA). It will be offered to all Group recruiters in 2022.

6.7.5. Labor relations

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

- **Europe:** Dialog with employee representative bodies at both French and European levels was adapted to deal with the health crisis in 2020 and 2021. Meetings of the Group Works Council and the renewed European Works Council were held by videoconference. Mersen's situation and its strategic priorities are discussed at these meetings, which complement existing consultation and discussion bodies within the Group's companies in the various European countries.
- **France:** Yearly meetings are also held with each union organization in France. Negotiations took place on employee savings and pensions, and on the forward planning for jobs and skills. In addition, the Bazet, Gennevilliers and Pagny sites took measures to adjust their working hours in response to the drop in activity in 2021.
- **United States:** The St Marys plant has worked with an external union for many years discussing wages, working and employment conditions, and employee benefits. The unions meet on a regular basis to address issues of common interest in order to ensure alignment with mutual interests. The last contract was signed in 2019 for a term of three years.
- **Brazil:** Mersen's staff representative bodies take part in various annual renegotiation discussions (wages, profit sharing, hour bank systems, etc.). Two committees, CIPA (health and safety) and PPR (profit sharing), also regularly oversee the Group's performance. Employees are also convened by General Management four times a year to discuss company strategy, market conditions and the performance of Mersen do Brasil.
- **Korea:** The subsidiary has established a Labor Management Counsel.
- **Canada:** Since its creation in the 1960s, the Mersen Dorion subsidiary has a formal union accreditation by virtue of a contract that is signed every four to five years between Mersen and the union organization, United Food and Commercial Workers (UFCW). The contract covers several areas (wages, profit sharing, working conditions, health and safety, public holidays, etc.) and was renegotiated in 2019 for a further five years, i.e., until 2024.
- **India:** The subsidiary has signed a five-year agreement with the trade union, bearing notably on benefits and salary increases granted to non-management grade employees. The agreement begins on May 1, 2020 and expires on December 31, 2025.

45% of the workforce is covered by local or branch collective agreements.

6.8. HR Experience & Support

6.8.1. Fundamentals of the compensation policy

The Mersen Group's compensation policy has four fundamental objectives: the search for equity, the reinforcement of competitiveness, the constant guarantee of employee benefits and a commitment to redistribute money to employees.

Equality

This commitment guarantees that each employee's pay corresponds to the expectations of the position held, and that it can be reevaluated each year. Increases reflect each person's commitment and individual contribution, as well as the market positioning.

For operators, employees and technicians, most sites endeavor to ensure that living standards are maintained. While some sites, such as France, usually allocate a general increase, others make sure to pay an amount that compensates for inflationary erosion.

For managers, equality is combined with a commitment to set pay on an individual basis according to employees' investment in their own job performance. Salary increases depend on demonstrated merit, and also reflect market positioning. They should be seen as a reflection of employee engagement as well as the wage positioning.

Equality also implies a compensation package reflecting the Group's expectations for each position. Mersen ensures that all employees are compensated fairly. As a result, any practice that leads to a form of discrimination is eliminated. The Group is committed to a policy of equal pay for men and women. This is reflected notably in a commitment to reduce the wage gap. In France, for instance, the wage policy has included an obligation to set aside funds to help reduce the gap since 2020. It also requires the average individual increase for women to be at least 10% above that granted to men. Lastly, after an initial trial in 2021, Mersen plans to roll out a tool to measure wage gaps at its main locations (France, USA, Canada) from 2022. This tool was created by Mercer and uses a methodology that has become a benchmark in some countries.

Competitiveness

In its quest for competitiveness, the Group compares its wages with the market standard. This process is intensifying, and now concerns all areas of compensation (direct and benefits).

The aim is to align Mersen's median practices with those of the broader environment, an approach that is systematic whenever Mersen introduces or renews benefit programs. For example, Mersen Brazil established a supplementary pension program in 2021, designed to improve the salary replacement rate of certain employees for whom their sole entitlement was a state pension capped at a particularly low level. A review of other companies' practices also helped define a competitive program.

In 2021, Mersen implemented a job grading tool as part of its quest for wage competitiveness. Based on the evaluation method proposed by the Mercer consulting firm (specialized in Human Resources management), all the benchmark positions set by Mersen have been evaluated. These evaluations determine market compensation metrics, position by position. As such, the competitiveness of direct compensation (salary, bonus, total cash) is immediately measurable, and provides insight on the positioning of the compensation of Mersen employees. These data are available for most of the countries in which the Group operates; the only countries not covered are those in which Mersen has fewer than 50 employees. In total, they cover 95% of the Group's workforce. This tool allows us to implement our wage policy without compromising on the competitiveness of our compensation.

Benefits

Benefits must take local practices and constraints into account. There is considerable variety in the countries where the Group operates. In 2021, Mersen set up a benefit pooling arrangement with service providers Insurope and Maxis to gain exhaustive knowledge of the various benefits systems in the Group's countries and to optimize their management. This will allow the Group to recover the surplus when one of the programs has an annual profit, and offer the sites preferential conditions in terms of contributions or benefits.

For several years, Mersen has been committed to developing a proactive and competitive employee benefits program. As of December 31, 2021, coverage of major risks was as follows:

Risk covered	% of sites	% of employees
Supplementary pension	63	54
Complementary health insurance	64	76
Other provisions	43	48

Mersen takes into account all the elements that comprise social security. In the case of sites that do not provide additional employer-provided benefits, it is usually because the statutory systems, generally administered by the relevant country's social security system, already provide a high level of cover. This is the case in Spain and Italy, for instance, where additional programs cannot really be justified, except on an occasional basis.

Benefits programs are regularly expanding. In 2021, in addition to the supplementary pension plan in Brazil, Germany continued to roll out its supplementary pension plan and India adopted a life insurance scheme. Its purpose is to guarantee the payment of an indemnity equal to one year's salary to the dependents of an employee who dies in service.

In 2021, Mersen launched a study on Corporate Social Responsibility in the area of compensation. Several lines of action have emerged. The aim is to guarantee all of our employees a minimum level of benefits. The Group has therefore decided to establish life insurance schemes wherever they are lacking. A preliminary study, conducted in partnership with Willis Towers Watson, indicates that 12% of Mersen's employees do not currently hold a life insurance policy. In addition to introducing such cover, the Group also aims to guarantee a minimum level of benefits equivalent to one year's salary.

Other avenues are being considered, with the overriding aim of making Mersen a benchmark in terms of the importance placed on the quality of benefits offered.

Redistribution

Mandatory through profit sharing in France, the redistribution of profits to employees has been practiced by Mersen in other countries where the Group operates for many years. Profit-sharing programs are in force in the United States, Canada and Mexico, and the amounts distributed to employees, based on the profits recorded in the relevant subsidiaries, can represent up to 5% of their total annual compensation.

Such programs are also in place in Australia, Brazil, Italy and the United Kingdom. In France, profit-sharing is complemented by an incentive policy, allowing a significant portion of profits representing up to 10.5% of the payroll to be allocated to employees.

Mersen is committed to extending this redistribution mechanism. Some Chinese sites have established profit-sharing plans, and the Group aims to extend the practice to all of its Chinese sites. In 2021, the decision was taken to implement one such plan in South Korea, starting in January 2022.

As of December 31, 2021, 43% of Mersen's sites and 58% of its employees were eligible for profit-sharing plans. The Group's goal is to cover 100% of its sites by 2025.

Mersen considers it fair to redistribute to employees a portion of the profits they help produce. Profit-sharing mechanisms are also seen as a means of motivating and retaining employees.

Employee incentive agreements related to the Group's earnings are in place at most of its French subsidiaries, as well as in certain subsidiaries in Europe, the United States, Canada, China and Australia. They include both financial criteria (operating income and EBIT) and, in some cases, technical criteria, such as safety improvements, customer service and scrap rates, etc.

Employee profit-sharing agreements are in place at various Group subsidiaries in France.

Profit-sharing mechanisms:

(In thousands of euros)	2021	2020
Amounts allocated to employees	7,903	5,457
Number of beneficiaries	3,004	3,165

6.8.2. Pay ratio

The pay ratio, which shows the difference between the compensation of executive officers and the median and average wages of all French employees, is provided in chapter 2 (section 2.2.4.).

Mersen also calculates this type of ratio for each of the countries in which it operates. The calculation method consists of comparing the highest gross compensation paid by country to the median wage for all employees.

A calculation is also made to measure the ratio of the increase in the compensation of the employee with the highest gross compensation paid in 2021 to other employees in the same country.

The median ratio is calculated at the Group level, based on country ratios:

	2021
Highest paid employee/ Median compensation paid	4.44
2021 increase of the highest paid employee/ Median increase for all employees	0.67

6.8.3. The HR Information System

In its 2021-2025 HR Roadmap, Mersen sets itself the goal of developing the quality of its Human Resources Information System (HRIS) and the excellence of HR services. Reflecting this goal, the Themis project was launched in 2021 to modernize the Group's HRIS, which has been in place for 10 years. The aim is to acquire a new, more robust and more efficient platform with a database, now managed in master mode, which will offer more reliable and better available data. The Group's HRIS, the Group's first employee database positioned at the heart of Mersen's application ecosystem, will thus be able to serve the users of the Group's other applications more effectively.

The future HRIS will naturally be designed to meet the Group's emerging HR needs, notably by offering a unified HR suite with an expanded range of functions. New modules covering areas including recruitment and onboarding will be rolled out, thereby promoting the digitization of the employee's career path. The self-service approach will give employees and managers greater access to their data and processes. The application can be accessed directly on mobile devices, with the aim of providing an enhanced employee experience to as many people as possible.

6.9. Promote well-being, health and safety at work

Mersen pledges to provide the best possible work environment for the well-being, health and safety of all its employees. The Group's Executive Committee has renewed its 2019 commitment to not compromise on health and safety, whatever the commercial and financial implications. Achieving excellence in occupational health and safety is a constant priority, as it is a key concern for stakeholders.

Our health and safety strategy is underpinned by the commitment of our managers to deploying a preventive approach at their sites based on the following principles:

- Ensuring employees are aware of the risks and hazards they may face and carrying out risk and hazard assessments on a regular basis and each time there is a change in working organization,
- Providing regular training to employees on health and safety and collective and personal protective measures,
- Ensuring that both managerial and non-managerial employees report on and analyze any incidents.

Prevention and health and safety performance measurement are making progress in the workplace over time.

6.9.1. Health and safety policy

The Health and Safety Management System sets out the objectives, organization and principles implemented at all of the Group's sites. It is based on a written commitment to health and safety made by the Executive Committee and shared with all employees, and a dedicated system that includes the following components:

- Objectives, organization and steering committees;
- Engagement from managers, health and safety indicators, and the annual prevention plan;
- Risk assessments, compliance with regulations, sub-contractors' prevention plans and health protection;
- Golden rules on safety;
- Job-specific training, emergency evacuation procedure;
- Observations, safety visits and audits;
- Analyses of incidents and potentially dangerous events.

As is the case every year, the system was comprehensively assessed in 2021 and no new elements or major changes to existing elements were identified. The Risk Assessment procedure has been improved.

Governance

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

The Group's Health and Safety, Environment and Industrial Risks function: This is part of the Operational Excellence Department, which is responsible for implementing the Group's health and safety policy across all industrial sites.

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

Site health and safety managers: These managers are in charge of site action plans, coordinating activities and measuring progress. In 2021, 87% of sites had a health and safety manager, compared with 77% in 2020.

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

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

Training/information

Communication on the health and safety policy, training, and awareness-raising on health and safety issues are all essential.

Updated in 2020, the Discover Safety & Environment by Mersen e-learning module provides an overview of health, safety and the environment questions in the Group. It includes an online course comprising presentations, videos and quizzes, and is mandatory for all new employees.

A total of 52,908 hours were devoted to health and safety training in 2021, compared with 46,011 in 2020, an increase of 15% (excluding training taken via Mersen Academy).

Training hours	2021	2020	Difference
Health and safety training	52,908	46,011	+15%

The Group continues to consistently invest in improving equipment safety and protecting the health and safety of employees and subcontractors. It invested €2.9 million in 2021.

in €m	2021	2020	Difference
Health and safety capital expenditure	2.9	1.6	+81%

6.9.2. Benchmarks

Certification to OHSAS 18001 or ISO 45001 safety management system standards is obtained on the decision of each site manager.

Percentage of manufacturing sites certified	2021	2020
OHSAS 18001 or ISO 45001 Safety Management System	32%	33%

6.9.3. Prevention of health and safety risks

Risk assessment and management safety visits: Mersen's approach to health and safety also involves identifying and assessing hazards and risks through the systematic implementation of a number of tasks and procedures. The most important of these are (i) annually updating a Risks Assessment document for each site, and (ii) carrying out Job Hazard Analyses (JHA). At the end of 2021, 98% of manufacturing sites had updated their Risk Assessment.

Management Safety Visits, or MSVs, are an important element of the Group's prevention toolkit as they are aimed at seeing how employees work on the ground and opening up dialog with them to identify any hazardous acts or conditions. In 80% of cases, immediate corrective action can be taken to remedy any problems identified during MSVs.

Mersen increased the number of visits by 19% between 2018 and 2021, in line with its target of a 15% increase. It has set a new target of a 20% increase between 2021 and 2025.

Management Safety Visits (MSV)	2021	2020	2019	2018
Number of safety visits	4,927	4,573	4,639	4,124
% change compared with 2018	*+19%*	*+11%*	*+13%*	

Awareness-raising: Mersen raises employee awareness on an ongoing basis and seeks to share best practices between sites. A "health and safety week" is held every year at all of its manufacturing sites. These awareness-raising events contribute to fostering a culture of safety and feature themed workshops and guest speakers (emergency services, ergonomics experts and health professionals) and are a great success with employees. Other than safety in the workplace, health, food hygiene and the risk of domestic accidents are also addressed. Regional coordinators share best practices with site health and safety managers during regular meetings.

Audits: Each year, the Executive Committee draws up a program of corporate audits for the Group's different sites. This is in addition to cross-audits between sites. The Group's objective is for each site to undergo an annual audit. Following internal decisions to restrict travel, the schedule was frozen in 2020. The process resumed in 2021, with 25% of sites audited, compared with 75% in 2019.

Health and Safety audits	2021	2020
Percentage of total Group sites subject to corporate audits and cross-audits	25%	N/A

6.9.4. Reduction in accident frequency and severity

The Group continues to develop an occupational health and safety culture informed by a commitment to transparency and learning from experience.

Accident reduction is aimed at both the number and severity of injuries. Accident rates have included temporary staff since 2011 and subcontractors since 2019. The frequency rate of occupational accidents with or without lost time (Lost Time Injury Rate, or LTIR, and Total Recordable Incident Rate, or TRIR) measures the number of reported accidents per million hours worked, and the Severity Injury Rate measures the number of days of lost time per million hours worked.

In 2018, the Group set itself ambitious targets for 2021 of an LTIR lower or equal to 1.40 and an ISR lower or equal to 60. The SIR target was met with a reading of 47 in 2021, whereas the LTIR was 1.62 in 2021. The causes of this discrepancy have been identified: temporary staff and subcontractors have much higher accident rates, and the Group is committed to strengthening their job training and safety protocols. When only Mersen employees are taken into consideration, an LTIR of 1.06 is relatively low compared with similar industrial companies. Moreover, at a level this low, a single accident impacts the rate by 0.07 points.

The Group has accordingly set a new target of keeping the LTIR less than or equal to 1.8 and the SIR less than or equal to 60 throughout the 2022-2025 period. (scope: Mersen employees, temporary workers and subcontractors)

Rate of accidents per million hours worked (Mersen employees, temporary staff and sub-contractors)	2021	2020
Lost Time Injury Rate (LTIR)	**1.62**	**1.54**
Total Recordable Incident Rate (TRIR)	3.75	3.08
Severity Injury Rate (SIR)	**47**	**64**
Fatal accidents (employees, temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	0	2

Rate of accidents per million hours worked (Mersen employees)	2021	2020
Lost Time Injury Rate (LTIR)	**1.06**	**1.38**
Total Recordable Incident Rate (TRIR)	3.17	2.92
Severity Injury Rate (SIR)	**44**	**60**
Fatal accidents (temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	0	1

Rate of accidents per million hours worked (temporary staff and sub-contractors)	2021	2020
Lost Time Injury Rate (LTIR)	**4.93**	**2.58**
Total Recordable Incident Rate (TRIR)	6.27	4.14
Severity Injury Rate (SIR)	**60**	**90**
Fatal accidents (temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	0	1

Safety Awards: Mersen gives out awards to manufacturing sites that have logged a record number of days without lost-time accidents. At the end of 2021, the results were as follows:

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

6.9.5. Health protection

Since its update in 2019, Mersen has been implementing its health protection policy along the following lines:

- Prevention of chemical risks
- Protection against noise and dust
- Workstation ergonomics
- Medical supervision of workers, in particular symptoms of stress and musculoskeletal disorders (MSDs)

Preventing chemical risks: All products and substances that come on to Mersen's manufacturing sites are authorized and monitored by the site's Health and Safety Managers. Risk assessments are requested regularly from both internal and external medical services. Periodic air quality checks are conducted in line with legal requirements and the information is then included in the risk assessments. The Group is maintaining its training efforts on exposure to polycyclic aromatic hydrocarbons (PAHs) at sites that manufacture graphite products.

Protection against noise and dust: The Group constantly strives to protect employees and local residents from noise caused by machinery and transportation. First and foremost, we make sure we comply with the applicable regulations in our host countries, and we constantly seek to eliminate sources of noise or take protective measures where this is not possible. Noise sources are measured and analyzed to determine sound levels. Depending on local restrictions, sound levels are measured as far as the site's boundaries and surroundings if it is located near a residential neighborhood.

Dust is primarily emitted during the processes to transform graphite and to fill fuses with sand. Graphite dust collection systems are monitored closely in line with regulations under a priority preventive maintenance program.

Workstation ergonomics: MSD prevention and load carrying rules are two priority focuses to improve ergonomics. Multidisciplinary working groups have been formed to adapt workstations, with the help of ergonomics experts at some sites.

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

Occupational illnesses	2021	2020
Deaths due to a recognized occupational illness	0	0
Employees declaring an occupational illness which is recognized by the authorities	4	1

6.9.6. Biological/infectious/epidemic risk management

The health of its employees has been a priority for Mersen since the onset of the pandemic. The main rules were established in a decentralized and pragmatic manner at Group level; all sites without exception began by applying the recommendations and regulations of the administrative and health authorities before then adopting the key Group rules.

Working organization was altered in line with Covid-19 restrictions and home working was put in place, with a home-working health and safety booklet provided to all employees concerned.

7. Ethics and compliance culture

7.1. Commitment

The Mersen group's development owes a great deal to the trust and confidence we inspire in all stakeholders, particularly our employees, customers and suppliers, investors and banks, and shareholders.

This is reflected through values and ethics that are shared by all its employees and applied responsibly, at all levels, from site management and human resources to financial transparency, anti-corruption and, of course, an ambitious sustainable development policy.

Mersen's regulatory environment is becoming increasingly complex. This is particularly the case for regulations in the fields of competition law, anti-corruption and money laundering. Another area where complexity is mounting is in respect of export control regulations, embargoes, economic sanctions and other trade restrictions imposed by the United States, Canada, the European Union or other countries or bodies.

Senior management has a strong commitment to the respect for business ethics; it takes an active part in the compliance program and monitors its proper application through dedicated governance.

7.2. Organization of ethics within the Group

The highest levels of the Company are involved in ethics and compliance governance, including senior management and the Board of Directors through its Audit and Accounts Committee.

The Risk and Compliance Department develops and coordinates the Group's ethics and compliance policy effectively and sustainably.

It is tasked with (i) identifying and assessing any risks of non-compliance with laws or regulations which would damage the image, culture or financial stability of the Group, (ii) implementing appropriate procedures and processes to minimize such risks, (iii) informing and raising the awareness of Group employees of the main risks and (iv) managing the "ethics hotline".

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

- The Human Resources Department to prevent illicit work and harassment, protect whistleblowers, ensure compliance with labor laws and train employees;
- The Legal Department to ensure that regulations are interpreted properly;
- Internal Audit, which takes compliance issues into account in its audit program and guidelines, and verifies that the related procedures are properly applied;
- Specialized committees (CSR, MAR (1), HSE (2), etc.) that deal with compliance.

Work on ethics and compliance is supervised by an Ethics and Compliance Committee comprising the Group's Chief Executive Officer, the Chief Financial Officer, the Vice-President for Human Resources and the Director of Risk and Compliance. It meets at least quarterly. It can also meet on an as-needed basis, particularly in the event of an ethics alert.

The Director of Risk Management and Compliance reports to the Audit and Accounts Committee on his ethics and compliance work at least once a year.

For the implementation of the General Data Protection Regulation (GDPR), the Group has set up a working group to determine the actions to be taken to comply with the regulation. The Group officially appointed a Data Protection Officer in early 2019 to step up the action needed to implement those measures.

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

To coordinate the implementation of this approach, the Group draws on a network of local correspondents in its companies located in the European Union.

A quarterly meeting is organized with the local correspondents, the Director of Risk and Compliance and a person from an external firm to review the progress of projects and discuss the implementation of various tools and procedures.

(1) Market Abuse Regulation.
(2) Health, Safety, Environment.

7.3. References

Mersen's commitments and rules in terms of business ethics and compliance are enshrined in the Group's codes and charters.

7.3.1. The Code of Ethics

The Code of Ethics restates the collective and individual commitment of Mersen and its employees to establish and build on mutual trust both within the Group and with all our stakeholders. It applies to all Mersen employees, irrespective of the country in which they work or their position, as well as to the members of the Board of Directors, and formalizes the Group's reciprocal commitments to:

- its employees;
- its external stakeholders;
- civil society.

The full Code is available on the Mersen website:
https://www.mersen.com/group/ethics-and-compliance

7.3.2. Human Rights Policy

Mersen fully supports the values of the United Nations Global Compact, of which it is a member, and notably its principles on human rights and labor standards.

In 2021, the Group rounded out these general principles by drawing up its own "Human Rights Policy" which sets out its commitments in terms of:

- Lawful work, particularly the Group's zero tolerance policy on child labor and forced labor;
- Freedom of association and the right to collective bargaining;
- Working conditions;
- Equal opportunities;
- Relations with local communities;
- Human resources and governance strategies.

7.3.3. The Anti-Corruption Code of Conduct

The Anti-Corruption Code of Conduct presents the rules to be implemented and respected in order to combat corruption at all levels and in all countries where Mersen is present. It is available on the Group's website.

Its rules cover the following areas:

- Specific rules for public officials;
- Gifts and hospitality;
- Donations, patronage and sponsorship;
- Facilitation payments;
- Third-party due diligence;
- Conflicts of interest;
- Accounting records and internal controls.

7.3.4. Law on transparency, the fight against corruption and the modernization of economic life, known as "Sapin II"

Third-party control

The Group has developed a tool for performing an initial analysis of new partners (suppliers, customers and agents) worldwide, based on three criteria:

- sales generated,
- country, and
- end market.

The assessment is based on data published by Transparency International.

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

Analysis of the historical third-party partners was completed in 2021. It did not bring to light any material disputes.

The analysis of third parties submitted to the Risk and Compliance Department in 2021 revealed one case of a company with capital from a country under embargo. Mersen therefore did not make a commercial offer to that company.

Accounting audits

Each month, an accounting extract of certain sensitive accounts with regard to corruption (gifts, donations, invitations, etc.) is carried out over a scope covering 75% of the Group's sites. The accounts in question are analyzed. Where necessary, additional questions are asked.

Corruption risk mapping

Group mapping of corruption risks was carried out in 2017. It was updated in 2019, and is scheduled to be reviewed again in 2022.

At the same time, corruption risk mapping is performed each year for certain corruption-sensitive countries (based on the Transparency International classification). Mapping of four countries was performed in 2020 and 2021. An additional two countries will be covered in 2022. An action plan is then developed to improve the control of potential risks. It is monitored by the Group's Compliance Department.

For the implementation of the Sapin II law, Mersen has commissioned an external firm to assess the Group's system and to identify any shortcomings or improvements that could be made. This audit did not reveal any shortcomings, although it did allow a few improvements aimed at better formalizing certain processes to be recommended. The study also concluded that the Mersen Group has a mature system compared with groups of similar size.

7.3.5. Dual-use and export control regulations

Mersen manufactures and delivers some products with sensitive and strategic applications, and must comply with specific regulations, such as those relating to dual-use items and export controls. In 2020, a practical technical guide was distributed, mainly to Advanced Materials sites, which are more exposed to this type of risk.

In 2021, the Group began drafting a simple and standard procedure for formalizing the export licensing process. This work is expected to be completed in 2022, contributing to a more formalized process for these complex regulations. The procedure's publication will be accompanied by initiatives to raise awareness and train the populations concerned.

The Electrical Power segment has less exposure to this issue. A study conducted in 2022 has confirmed that the products of this segment, with one small exception, were not covered by the dual-use regulation.

7.3.6. Embargo regulations

Mersen also has to comply with national regulations on embargoes in the countries where it operates.

Due to the extraterritorial application of some laws, especially US legislation, all Group companies may have to comply with certain US regulations (e.g., OFAC regulations with regard to counter terrorism sanctions).

7.3.7. Other regulations

Specific documents, codes and charters also set out the various aspects or practices of compliance that are applicable regardless of the country:

- Information Systems User Charter;
- Social Media Charter;
- Personal Data Protection Charter;
- Website privacy policy;
- Procedure for exercising GDPR rights.

7.4. Whistleblowing procedures

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

A procedure relating to this system and whistleblowers was finalized in 2019 and reviewed in 2020. It is available on the Group's intranet. It describes the process for handling reports and the protection measures for whistleblowers. Mersen is committed to ensuring that no disciplinary measures are taken against whistleblowers acting in good faith, and to preserving their anonymity in accordance with the regulations applicable to whistleblowers.

Two channels can be used to report issues:

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

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

Eleven cases were brought to Mersen's attention in 2021, including two through the website. All of the cases were investigated and have since been closed. Alerts and proven cases of misconduct have resulted in disciplinary action and one dismissal. One case is still being resolved with the help of the local police.

	2021	**2020**
Total ethics alerts	11	9
- o/w Workplace bullying	*4*	*3*
- o/w Conflicts of interest	*3*	*2*

7.5. Training and communication

Communication, awareness-raising and training for managers and employees are essential in explaining Mersen's Ethics and Compliance policy. There are four mandatory training courses: two on safety and ethics for all Group employees, and another two on anti-corruption and antitrust questions for more targeted populations.

All Group employees are also made aware of Compliance issues via a "Compliance" newsletter. The main topics discussed in 2021 were conflicts of interest and export controls.

To reinforce Compliance culture, all internal audits include Compliance awareness with the site management during the kick-off meeting.

Lastly, the MersenONE Group intranet gives each employee easy access to all the Group's charters, codes and policies.

7.5.1. Ethics training

A specific communication and training plan has been rolled out throughout the Group to raise awareness of the ethical behavior to be adopted and to prevent undue internal and external solicitations. Initial training was taken by all employees from 2018.

In 2021, the Code of Ethics e-learning module was updated and expanded. It is aimed at all employees. Newcomers are required to complete the module.

The Group is aiming for Engineers and Managers to complete this training every two years by 2025. Ad hoc events must be organized at the sites every 2 years for the other populations.

7.5.2. Anti-corruption training

A training course first implemented in 2018 is given to all employees directly exposed to these issues due to their departments (e.g., sales, procurement, finance) or position (management staff).

In 2020 and 2021, this training went online via Mersen Academy, the Group's training platform, and 868 people completed it (279 in 2021). It is compulsory for all newcomers joining the Group in one of the aforementioned positions that are the most exposed to corruption risks. As from 2021, any employee who fails to follow this training will not be eligible for a bonus.

The Anti-Corruption Code of Conduct was rounded out in 2020 by a practical guide setting out best practices for preventing corruption.

7.5.3. Training on competition law

The Group updated its competition law training course in 2020. It is now available on the Group's e-learning platform, Mersen Academy. Mandatory for the categories of people with the greatest exposure to the issue, mainly people in the sales function, this training has now been completed by 235 people (88 in 2021).

7.5.4. GDPR training

Training on the subject of personal data protection, within the framework of the GDPR, was put online in 2021. This training is intended mainly for the GDPR correspondents of the various sites concerned by the regulation, as well as for the human resources employees of the same sites.

7.5.5. Penalty for non-completion of training

Ethics and compliance training is mandatory, some for all employees (e.g., ethics training), others for employees whose functions are deemed to be at risk (e.g., sales and purchasing functions for competition law training).

Failure to complete mandatory Ethics and Compliance training now results in the non-payment of the relevant employee's entire bonus.

7.6. Control and audit of ethics and compliance policies

The monitoring and implementation of ethics and compliance policies are principally overseen by the Ethics and Compliance Committee, which is described at the beginning of this chapter and assesses progress on the issues within its remit on a quarterly basis.

The Committee reports on compliance to the Group's Executive Committee and the Audit and Accounts Committee at least once a year.

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

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

7.7. A responsible taxpayer

As an international group operating worldwide, Mersen is keenly aware of the important role that tax plays in countries' economies.

The Group is committed to being exemplary when it comes to tax matters, and takes particular care to comply with all the applicable national and international tax laws and regulations.

Mersen has always sought to build and maintain good relations with the tax authorities and ensures that its business is conducted in a spirit of mutual trust and transparency.

The Group's overall tax policy is designed to be responsible and effective, in line with Mersen's business and strategy, while ensuring legal certainty and safeguarding the Group's reputation. It also helps preserve the value generated for the Group and its shareholders.

In particular, Mersen does not engage in transactions that are purely tax driven or which are artificially structured. It may, however, benefit from tax incentives in some countries that are available to all companies and are therefore not specific to Mersen.

7.7.1. Organization and governance

The Group's Finance Department is responsible for coordinating and managing Mersen's tax situation. In this role, the Finance Department makes sure that the most relevant tax options are chosen in full compliance with the applicable laws and regulations. It also ensures that all taxes and provisions for tax risks are properly accounted for in the consolidated financial statements.

The Finance Department reports to the Audit and Accounts Committee on the Group's tax situation and main tax risks at least once a year.

The Finance Department draws on the expertise of the Group Tax Department. The Group's tax director reports directly to the Group's Chief Legal Officer and on a dotted-line basis to the Chief Financial Officer.

He is responsible for applying the Group's tax policy, especially for cross-border transactions and advising the Group's various companies on tax matters. He also provides specialist tax advice for all acquisition and divestment projects and on any other industrial operations. The tax director can be assisted by external consultants and advisors where required.

7.7.2. Mersen's geographic locations

At December 31, 2021, no Mersen Group companies were located in (i) a country considered "non-co-operative" by France or the European Union, or (ii) a jurisdiction classified as "non-compliant" in the OECD's tax transparency report.

7.7.3. Country-by-country reporting (CbCR)

In accordance with the applicable laws and regulations, Mersen reports to the French tax authorities on a country-by-country basis.

However, it does not publicly disclose this information for reasons of confidentiality with respect to its main competitors as the CbCR contains sensitive industrial and commercial information that could be used by competitors.

To the best of Mersen's knowledge, at December 31, 2021 none of the Group competitors mentioned in the Universal Registration Document had publicly disclosed its CbCR.

7.7.4. Variable compensation related to tax performance

None of the performance objectives of the operations or finance staff of the Group's sites or businesses relate specifically to reducing the amount of tax paid or recorded in the accounts. The objective based on operating margin before non-recurring items – which applies to everyone who receives variable compensation – is set on a pre-tax basis. By contrast, Group cash level targets take into account the amount of taxes paid.

The Group Chief Financial Officer and certain managers from the Group Finance Department may have performance objectives related to the Group's tax rate, in line with the budget, or changes in tax losses in certain countries. Some finance managers are set objectives for improving their performance in terms of tax monitoring or managing tax risks, or related to the documentation process for transfer pricing.

The Group's effective tax rate (ETR) for the past three years

	2021	2020	2019
Group ETR	24%	269%	23%

The Group's ETR primarily reflects the tax rates applicable in the countries where the Group conducts business. The ETR was particularly high in 2020 due to the fact that significant amounts of non-deductible, non-recurring expenses were recorded during the year, as well as impairment losses on deferred tax assets.

7.7.5. Cross-border transactions

Mersen takes care to ensure that its intra-group transactions comply with the arm's length principle set out in the OECD's Transfer Pricing Guidelines and in the bilateral tax agreements signed by the countries where the Group operates. One of the roles of Mersen's Tax Department is to ensure that this principle is properly applied.

Transfer pricing documentation is prepared for cross-border transactions and provided to the local tax authorities whenever required.

7.7.6. Tax risks and audits

The Finance Department endeavors to eliminate risks resulting from uncertainties or complexities in interpreting tax laws and regulations, with the assistance of external consultants or advisers where necessary. Mersen places particular importance on rigorously complying with both the letter of the law and the objectives sought by the legislators.

However, given the scale of its operations and the volume of its tax obligations, the Group's tax positions may be contested by the tax authorities due to differences of interpretation. In such cases, the Finance Department is responsible for defending the Group's interests.

The Group carries out tax due diligences whenever it acquires a company but may nevertheless be exposed to unidentified risks.

Mersen is subject to tax audits, which may be carried out in any of its host countries.

The main tax disputes are managed by the Group Tax Department, in conjunction with external consultants or advisers when necessary. The Group's principal tax risks are presented on a regular basis to the Audit and Accounts Committee.

7.8. Protection of information systems

The Group endeavors to protect its information systems from attacks intended to damage its systems or to manipulate, block or steal data through simulated cyber attacks and awareness-building campaigns for all its employees.

The Risk Department is responsible for overseeing information systems security, and specifically (i) ensuring the security of the IT systems and protecting data confidentiality, and (ii) ensuring the security of IT infrastructure and applications to safeguard the continuity of operations.

7.8.1. Organization

An Information Systems Security manager reports to the Risk and Compliance Department. Their role is to:

- verify that the information systems security policy is implemented properly;
- lead the information systems' network of correspondents on all aspects of security;
- propose analysis and improvement tools for optimum control of the existing systems;
- develop an information systems security culture.

The Information Systems Security manager organizes at least two meetings per year with the Risk and Compliance Department, the Chief Financial Officer and the Group Chief Information Officer to review the security of the Group's information systems.

For the last five years, the Information Systems Security manager has reported to the Audit and Accounts Committee on the cyber risks facing the Group and the corresponding policy implemented.

7.8.2. References

Launched in 2013, Mersen's information systems security policy is based on industry best practices and standards, particularly ISO 27001 and NIST SP 800-171.

The underlying objective of the policy is to protect Mersen's data and ensure optimal availability of IT tools and systems, while adapting their level of protection in line with the requirements of the Group's various businesses, and minimizing user constraints to the extent possible.

7.8.3. Audit and risk mapping

Each employee has a role to play in safeguarding the Group's IT assets, and Management encourages projects that seek to reduce IT risks in correlation with business-specific risks.

The overall policy is underpinned by an audit manual that lists the main domains to be controlled, as well as technical documents and best practices that are available on the Group's intranet.

The policy evolves over time in line with changes in threats to the Group's information systems security, and is focused on action plans and preventive measures.

Risks are identified and monitored based on a regularly updated risk map as well as the findings of audits regularly carried out either on site or remotely.

In 2021, it was decided to create a SOC (Security Operation Center) with a view to significantly improving real-time supervision of threats.

7.8.4. Training

IT staff and advanced users have had access to an e-learning module since 2016. Information letters are regularly issued in several languages to keep IT teams and users updated about potential risks and best practices. Specific training sessions are also held on a regular basis.

To increase awareness of cyber security among employees who have a PC, the Group plans to update and roll out a training module in 2022. The aim is to have trained all people concerned by 2025.

8. Our reporting methodology

This chapter contains the social, societal and environmental information required under Article R. 225-105-1 of the French Commercial Code, as amended by order no. 2017-1180 and implementing Decree no. 2017-1265, transposing Directive 2014/95/EU of the European Parliament and Council of October 22, 2014, relative to the publication of non-financial information. Reporting principles are described in a set of guidelines that is updated every year (v1.1 in October 2021).

8.1. Reporting scope

The CSR reporting scope encompasses all companies in the Group, whether consolidated or not, based on the following principles:

- **Standard reporting:** all companies included in the financial consolidation scope.
- **Social reporting:** workforce indicators are published for all companies included within the Group's financial scope of consolidation (except for the "workforce by age" indicator which is only available for companies included in the HR information system – HRIS). All the other indicators that are published only relate to the financial-scope companies included in the HRIS.
- **Social reporting:** all Group industrial and administrative sites.
- **Safety reporting:** all Group industrial sites, except for accident statistics that cover all Group industrial or administrative sites.
- **Environmental reporting:** all industrial sites.

Certain exclusions from the scope of reporting have been defined for certain indicators, such as where local legislation does not permit the reporting of relevant data or where sufficient arrangements for the collection of certain types of data have not yet been made. The summary table at the end of this section sets out the scope covered by each of the indicators.

8.2. Reporting periods

Quantitative indicators are calculated using the following method:

- **Labor data:** for the period from January 1 to December 31, 2021 (12 months), with figures reported as at December 31, 2021.
- **Health and safety data:** for the period from January 1 to December 31, 2021, or for companies acquired within the last year, as of the date they were integrated into the Group.
- **Environmental data:** for the period from January 1 to December 31, 2021, or for companies acquired within the last year, as of the date they were integrated into the Group.

8.3. Data collection

Quantitative information is reported using the indicators described in the dedicated frameworks. These frameworks specify the indicator's objectives, its scope of application, the definitions needed to understand the indicator and its scope, the calculation methodology, and the consistency checks.

8.3.1. Labor information

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

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

8.3.2. Safety information

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

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

8.3.3. Environmental information

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

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

8.3.4. Social information

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

8.4. Reporting process participants and their responsibilities

A certain number of employees are involved in implementing the reporting process within the Group and all of its subsidiaries.

There are three levels of responsibility:

Corporate responsibility

In conjunction with the Human Resources Department (for social information) and the Financial Communications Department (for societal information), the Operational Excellence Department organizes the reporting with the directors of the companies that fall within the scope. To this end, it:

- defines framework indicators;
- relays the framework and its indicators to the Group's site managers and section managers and ensures that they are clearly understood by providing adequate information and training;
- coordinates data collection;
- ensures that the reporting schedule is adhered to;
- checks the completeness and consistency of the data collected;
- consolidates the data;
- uses and analyzes the data.

Group companies' responsibility

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

- organize data collection at company level by defining responsibilities and ensuring that their compliance with the definitions of indicators;
- safeguard data traceability;
- ensure that the reporting schedule is adhered to;
- check the exhaustiveness and consistency of the data provided and implement the requisite checks and verifications by persons not involved in the collection process.

External organization

Audit and verification of data were performed in 2021 by an independent third-party organization, in accordance with the implementing Decree of August 9, 2017.

8.5. Notes on methodology

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

Absenteeism

Number of days of absence from work for any reason related to the employee that the employer cannot anticipate: illness, workplace accidents, maternity/paternity leave, strikes and any other unforeseeable absence. Absences related to reduced working time as a result of the Covid-19 pandemic in 2020 are not included in this indicator.

Reported accident

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

Lost-time accident

An accident resulting in time off work. An accident affecting several people is recognized as a single accident. Only the causative event is taken into account. The accidents taken into account are those considered to be directly work-related following investigation by the health and safety officers and against which the Group may be able to take preventive action. Certain events, such as non-work-related conditions or commuting accidents, are excluded, even if the relevant authorities have declared them to be workplace accidents. The LTIR (Lost Time Injury Rate), TRIR (Total Recordable Incident Rate) and SIR (Severity Injury Rate) indicators include Mersen employees, temporary workers and external companies.

Agreement

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

Total headcount and breakdown by gender, age and geographic area

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

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

As the concept of occupational illness varies significantly from country to country, this information is provided only for France. An illness is recognized as "occupational" if it appears on one of the tables appended to the French Social Security Code (Code de sécurité sociale) or French Rural Code (Code rural).

Under certain conditions, illnesses that do not appear on the tables may also be included:

- illnesses designated in a table of occupational illnesses, but for which one or more conditions have not been met (with regard to the time limit on claims, the length of exposure or the limited list of jobs), when it has been established that the victim's regular work is the direct cause of the illness;
- illnesses not designated in a table of occupational illnesses when it has been established that they are caused, mainly and directly, by the victim's regular work and that they lead to permanent disability at a rate at least equal to 25% or are the cause of a victim's death.

Hiring

Total number of people hired during the fiscal year who meet the definition of headcount described above.

Environment

All environmental data are expressed at current scope unless otherwise stated.

Training

Administrative sites with fewer than 10 employees are not included in the reporting scope for training indicators.

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

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

The following are excluded: required training for the position, trial periods, information programs, regulatory training, internships and apprenticeships (during education courses). The HRIS model used is based on monthly data collection. As training is not provided systematically on a monthly basis, it is subject to manual reprocessing at the end of the fiscal year.

Environmental protection training

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

Governing bodies

Executive Committee and management committees of businesses and support functions.

Managers

Employees are considered to be managers when they hold a managerial function, including engineer, project manager or technical expert, or a team management position, with the exception of first-level management (supervisors). More specifically, the notion of "manager" (based on managing a team) associated with the "Open Manager" training program comprises the "manager" and "supervisor" job categories. The notion of "manager" (based on level of responsibility) associated with workforce indicators, notably gender diversity, includes the "engineer" and "manager" categories.

Raw materials

Dark materials and resins are accounted for when they enter into the manufacture of semi-finished products.

Local nationality

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

Policy

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

Health, Safety Environmental (HSE) Manager

An HSE Manager is an employee who is responsible for managing environmental, health and safety matters.

Disabled employees

The Group operates in a large number of countries and is subject to the laws in force in those countries, and can therefore only collect information on disability affecting its employees within the framework of those laws. Quantitative information for certain countries is therefore only partial.

Senior employees

Over 55 years of age.

9. Summary table of non-financial indicators

To help understand Mersen's different indicators, the following table summarizes the list of indicators, their scope and their type (i.e., qualitative or quantitative), and the Global Reporting Initiative standards (2016 version) to which they correspond.

	Qualitative or quantitative information	Scope*	GRI reference	Page
RESPONSIBLE PARTNER			**204 301 TO 308**	
Purchasing policy	Qualitative	Standard		113
Supplier assessment	Quantitative	Standard		113
Conflict minerals	Quantitative	Standard		113
Sales linked to sustainable development markets	Quantitative	Standard		114
ENVIRONMENT			**204 301 TO 308**	
Organization of the Company to ensure environmental compliance	Qualitative	Standard		117
ISO 14001 certification rate	Quantitative	Environmental	307-1	117
Hours of training on environmental issues	Quantitative	Environmental	307-1	117
Investments linked to environmental compliance	Qualitative	Standard	307-1	117
Significant provisions for environmental risks	Quantitative	Standard	307-1	122
Fines for non-compliance with environmental laws and/or regulations	Quantitative	Standard	307-1	122
Greenhouse gases (GHG) emissions				
Scope 1 GHG emissions	Quantitative	Environmental	305-1	118
Scope 2 GHG emissions	Quantitative	Environmental	305-2	118
Scope 3 GHG emissions	Quantitative	Environmental	305-3	118
Reduction in GHG emissions	Qualitative	Environmental	305-5	119
Energy				
Electricity purchased	Quantitative	Environmental	302-1	119
Self-generated electricity	Quantitative	Environmental	302-1	119
Renewable electricity	Quantitative	Environmental	302-1	119
Natural gas consumption	Quantitative	Environmental	302-1	119
LPG consumption	Quantitative	Environmental	302-1	119
Fuel oil, propane, butane consumption	Quantitative	Environmental	302-1	119
Energy intensity ratio	Quantitative	Environmental	302-1	119
Raw materials				
Pitch consumption	Quantitative	Environmental	301-1	121
Coke consumption	Quantitative	Environmental	301-1	121
Artificial graphite consumption	Quantitative	Environmental	301-1	121
Viscose fiber consumption	Quantitative	Environmental	301-1	121
Phenolic resin consumption	Quantitative	Environmental	301-1	121
Copper consumption	Quantitative	Environmental	301-1	121
Aluminum consumption	Quantitative	Environmental	301-1	121

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

(1) In 2020, the Group carried out a comparison of the definitions for its indicators against those used by the GRI (2016 version) in order to allow for the gradual alignment of certain indicators over the medium term.

	Qualitative or quantitative information	Scope*	GRI reference	Page
Consumption linked to packaging and logistics				
Wood consumption	Quantitative	Environmental	301-1	121
Cardboard consumption	Quantitative	Environmental	301-1	121
Waste				
Total waste	Quantitative	Environmental	306-3	121
Hazardous waste	Quantitative	Environmental	306-3	121
Recycled waste and by-products	Quantitative	Environmental	306-4	121
Biodiversity				
Biodiversity protection	Quantitative	Environmental	304-1	123
Water				
Water consumption	Quantitative	Environmental	303-3	125
Water consumption intensity ratio	Quantitative	Environmental	303-3	125
Climate risk				
Exposure to climate risks	Quantitative	Environmental		126
HUMAN CAPITAL			**402, 404 TO 413**	
Head count by gender	Quantitative	Standard	401-1	128
Head count by age group	Quantitative	Labor	401-1	128
Head count by region	Quantitative	Standard	401-1	127
Headcount by employee category	Quantitative	Standard		127
Headcount by type of contract	Quantitative	Standard		128
Part-time employees	Quantitative	Standard	102-8	128
Number of new hires	Quantitative	Labor	401-1	128
Number of dismissals	Quantitative	Labor	401-1	128
Number of departures	Quantitative	Labor	401-1	128
Turnover rate	Quantitative	Labor	401-1	128
Absenteeism rate	Quantitative	Labor		128
Human potential success rate	Quantitative	Standard		129
Diversity				
Diversity and equality policy	Qualitative	Standard		129
Disabled employees	Quantitative	Standard		132
Percentage of engineers and managers who are women	Quantitative	Standard	405-1	131
Percentage of women on corporate governance bodies	Quantitative	Standard	405-1	131
Percentage of seniors	Quantitative	Labor	405-1	128
Percentage of site managers of local nationality	Quantitative	Standard		130
Labor relations	Quantitative	Standard	102-41	137
Training and skills development				
Training policies implemented	Qualitative	Labor	404-2	134
Number of hours of training per employee	Quantitative	Labor	404-1	134
Number of people trained	Quantitative	Labor		134
Hours of training as a % of total payroll costs	Quantitative	Labor		134
Employees receiving performance and career development reviews	Quantitative	Labor	404-3	136

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

(1) In 2020, the Group carried out a comparison of the definitions for its indicators against those used by the GRI (2016 version) in order to allow for the gradual alignment of certain indicators over the medium term.

	Qualitative or quantitative information	Scope*	GRI reference	Page
Remuneration				
Compensation policy	Qualitative	Labor	102-35	138
Ratio of compensation of women to men	Quantitative	Labor	405-2	139
Total annual compensation ratio	Quantitative	Labor	102-38	139
Percentage increase in total annual compensation	Quantitative	Labor	102-39	139
Welfare benefits	Quantitative	Labor		138
Profit-sharing	Quantitative	Labor		139
HEALTH AND SAFETY			**403**	
Health and safety policy	Qualitative	Standard	403-1	140
Health and safety audits	Quantitative	Standard	403-7	141
ISO 45001 or OHSAS 18001 certification rate	Quantitative	Standard	403-3	141
Percentage of sites with a dedicated EHS manager	Quantitative	Security	403-3	140
Lost Time Injury Rate (LTIR)	Quantitative	Standard	403-9	141
Total Recordable Incident Rate (TRIR)	Quantitative	Standard	403-9	141
Severity Injury Rate (SIR)	Quantitative	Standard	403-9	141
Hours of health and safety training	Quantitative	Standard	403-5	140
Number of management safety visits	Quantitative	Security	403-7	141
Safety awards	Quantitative	Security	403-6	142
Occupational illnesses	Quantitative	France	403-10	142
ETHICS AND COMPLIANCE			**205 TO 207, 408-409**	
Organization of the Company for ethics and compliance concerns	Qualitative	Standard	205-206	143
Training on ethics code	Quantitative	Standard	205-2	146
Human rights policy	Qualitative	Standard	408-409	144
Human rights training	Quantitative	Standard	412-2	144
Measures implemented to prevent corruption	Qualitative	Standard	205-1	144
Anti-corruption training	Quantitative	Standard	205-2	146
Third-party corruption risk assessment	Quantitative	Standard		144
Personal data protection	Qualitative	Standard		145
Competition law	Qualitative	Standard	206	146
Training on competition law	Quantitative	Standard	206	146
Whistleblowing procedures	Quantitative	Standard	205	145
Tax transparency	Qualitative	Standard	207-1	147
Protection of information systems	Qualitative	Standard		148

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

(1) In 2020, the Group carried out a comparison of the definitions for its indicators against those used by the GRI (2016 version) in order to allow for the gradual alignment of certain indicators over the medium term.

10. Report verifying the Non-Financial Information Statement

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

The Non-Financial Information Statement reviewed covers the year ended December 31, 2021.

Request, Responsibilities and Independence

At Mersen SA's request and pursuant to the provisions of Article L.225-102-1 of the French Commercial Code (Code de commerce), we have verified the Non-Financial Information Statement (hereinafter the "Statement") for the year ended December 31, 2021 included in Mersen SA's Universal Registration Document, as an independent third party certified by COFRAC under number 3-1341 (whose list of locations and scope are available at www.cofrac.fr).

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

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

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

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

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

Nature and scope of our work

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

- We obtained an understanding of the scope of consolidation to be considered for the preparation of the Statement, as specified in Article L.233-16 of the French Commercial Code. We also verified that the Statement covers all the entities within the scope of consolidation specified in the Statement.
- We obtained an understanding of the entity's activities, the context in which the entity operates, the social and environmental impact of its activities and the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation.
- We obtained an understanding of the content of the Statement and verified that it included the items listed in Article R.225-105 of the French Commercial Code:
  - Presentation of the entity's business model.
  - Description of the principal risks associated with all the consolidated entities' activities for each category of information set out in Article L.225-102-1 III, including, where relevant and proportionate, the risks associated with their business relationships and products or services, as well as the policies implemented by the entity, where applicable, and the due diligence procedures implemented to prevent, identify and reduce the occurrence of the identified risks.
  - The outcomes of these policies, including key performance indicators.
- We examined the entity's procedures for reviewing the impacts of its activities as listed in Article L.225-102-1 III, identifying and prioritizing the associated risks.
- We identified missing information, as well as information omitted without explanation.
- We verified that the Statement includes a clear and reasoned explanation for the absence of information regarding the principle risks identified.
- We examined the data collection process implemented by the entity to ensure the completeness and consistency of the information referred to in the Statement. We assessed the reporting procedures with respect to their relevance, reliability, understandability, completeness and objectivity, with due consideration of industry best practices, where appropriate.
- We identified the people within the entity who are in charge of all or part of the reporting process and interviewed some of them.
- We asked what internal control and risk management procedures the entity has put in place.
- Through sampling, we assessed the implementation of the reporting procedures, in particular the collection, compilation, processing and verification of the information.

- For the quantitative results[1] that we considered to be the most important, we:
  - performed analytical procedures and, using sampling techniques, verified the calculations and the consolidation of the data at the level of the Group and the verified entities;
  - selected a sample of contributing entities[2] within the scope of consolidation according to their activity, their contribution to the entity's consolidated data, their presence and the outcomes of work performed in earlier years;
  - performed tests of details, using sampling techniques, in order to verify the proper application of the reporting procedures, reconcile the data with the supporting documents and verify the calculations made and the consistency of the outcomes;
  - selected a sample representing 26.5% of the headcount and between 40% (consumption of cardboard packaging, copper, wood and water) and 61% (coke consumption) of the values reported for the environmental data tested.
- We referred to documentary sources and conducted interviews with the people responsible for drafting the documents in order to corroborate the qualitative information that we considered to be the most important.
- We assessed the consistency of the information referred to in the Statement.
- Our work was carried out by a team of seven auditors between September 20, 2021 and the completion of our report, and took a total of about five weeks. We conducted over 40 interviews with the people responsible for reporting at the time of this assignment.

Comments on the reporting procedures or the content of certain information

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

Generally speaking, work needs to be done to strengthen the shared culture and common rules for data reporting across all sites, particularly in the following areas:

- Social: There were some misunderstandings during verifications of certain data sets. This was because the way some data are reported by the HR system is not known in detail by some sites.
- Health and safety: The definitions of lost time days and what counts as a recordable incident are not sufficiently aligned across all sites in the reporting scope.

Conclusion

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

Puteaux, March 14, 2022

Bureau Veritas

Laurent Mallet

Managing Director

*(1) **Human resources information:** active headcount at December 31, broken down by gender and geographic distribution; share of sites with site managers of local nationality; number of recruitments; number of dismissals; percentage of women in the workforce; percentage of female engineers and professionals and percentage of women in governing bodies; LTIR and SIR (employees, temporary workers and subcontractors); number of safety visits; percentage of employees with a work-related illness; total average number of training hours per employee; human potential success rate; absenteeism, pay ratio.*
***Environmental information:** electricity consumption (gross, self-generated, sold, with energy attribute certificates) and energy intensity ratio; gas consumption; total energy consumption; water consumption; raw material use: coke, coal tar pitch, artificial graphite and copper; packaging consumption: wood and cardboard; CO_2 emissions, scope 1, scope 2 and scope 3 and intensity ratio; tonnage of total industrial waste; tonnage of industrial waste and by-products recycled and by-products; tonnage of hazardous industrial waste; provisions for environmental risk, HSE investment, fines and penalties, percentage of 14001 and 45001 certified sites.*
***Qualitative information:** responsible partner, product eco-design, affirming Mersen's identity, inclusion (respecting local cultures and fighting against discrimination), gender balance: ensuring equality in the workplace, enhancing the employee experience, HR experience and support, health and safety, ethics and compliance culture.*

(2) On-site audit of human resources and environmental information: Gennevilliers (France), Pagny-sur-Moselle (France), Holytown (United Kingdom), St Marys (United States); on-site audit of human resources information: Juárez, (Mexico); remote audit on social and environmental information: Songjiang (China).

5 Information about the Company, the share capital and share ownership

1. General information about the Company

1.1. Corporate name and legal form

Mersen

Limited liability company *(société anonyme)* with a Board of Directors, governed by French law.

1.2. Registered office

As of March 1, 2022, Mersen's registered office has been transferred to the following address:

Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France

In accordance with Article 4 of the Articles of Association, the Company's registered office was transferred by decision of the Board of Directors on December 17, 2021, with effect from March 1, 2022. The decision is subject to ratification by the Combined General Meeting of May 19, 2022.

1.3. Date of incorporation and term of existence (Article 5 of the Articles of Association)

The Company was first incorporated on January 1, 1937 and shall terminate on December 31, 2114, unless it is extended or dissolved in advance by decision of an Extraordinary General Meeting.

1.4. Corporate purpose (Article 3 of the Articles of Association)

The purpose of the Company in France and in all other countries is to carry out all operations concerning the research, manufacture, processing, use and sale of:

- carbon-based products, articles or equipment, whether or not they are combined with other materials;
- metal powders, articles made from these powders, special alloys and articles made from these alloys;
- electro-mechanical and electronic products;
- all industrial products, namely metallurgical, mechanical, plastic and elastomer products;
- all other products, articles or equipment that may be related to the above products:
  - by using the latter to make the former,
  - by developing research activities, or
  - through manufacturing processes, industrial applications or distribution networks.

Within the scope of the corporate purpose defined above, the Company may carry out all operations related to:

- raw materials, prepared materials, components and elements, spare parts and semi-finished products, finished products and equipment, combinations of equipment, assemblies of all kinds and sizes combining equipment;
- all work;
- all techniques.

The Company may also indirectly carry out operations related to its technical, industrial and commercial activities. To this end, it may form any companies and groups of companies, acquire holdings in any companies and partnerships, contribute assets to the capital and subscribe to the shares of any company, and purchase or sell any shares, partnership shares or corporate rights.

In general, the Company may carry out any industrial, commercial, financial, security or real estate operations related directly or indirectly to these activities.

It may also acquire any interest, in any form whatsoever, in any French or foreign companies or organizations.

1.5. Registration

RCS NANTERRE B 572 060 333 – APE CODE: 6420Z.

Legal Entity Identifier (LEI): OQXDLNM5DTBULYMF5U27.

1.6. Access to the Company's corporate documents

Corporate documents, particularly the Articles of Association, financial statements and reports to General Meetings by the Board of Directors and the Statutory Auditors, may be consulted at the registered office, under the conditions and during the periods prescribed by law, by contacting:

Thomas Baumgartner
Chief Financial Officer of Mersen

Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France

All shareholder documents are also available on the "Investors" page of the Company's website, www.mersen.com.

1.7. Fiscal year (Article 27 of the Articles of Association)

The Company's fiscal year commences on January 1 and ends on December 31.

1.8. Disclosure thresholds (Article 11 ter of the Articles of Association)

The Company's Articles of Association stipulate that any person, acting alone or in concert, who acquires, in any manner whatsoever within the meaning of Article L.233-7 et seq. of the French Commercial Code (Code de commerce), either directly or indirectly through companies that they control within the meaning of Article L.233-3 of the French Commercial Code, a stake of 1% or more in the share capital or voting rights is required, within five days of the transaction and irrespective of their delivery, to disclose to the Company, by recorded delivery letter with acknowledgment of receipt, the total number of shares or securities giving access to the share capital or voting rights that they hold. Should their stake drop below the 1% threshold, it must be disclosed in the same manner and within the same deadline. This obligation shall apply whenever the share capital or voting rights held increases or falls by at least 1%.

If a disclosure does not meet the terms and conditions above, the shares in excess of the threshold that should have been disclosed shall be stripped of voting rights at any General Meeting held in the two years following the date on which proper notification is made, at the request, during the Meeting, of one or more shareholders holding at least 1% of the share capital or voting rights.

In addition to the above disclosure obligation, any crossing of share ownership thresholds, as provided by law, must be disclosed.

1.9. Shareholders' meetings (Article 25 of the Articles of Association)

Shareholder meetings shall be convened subject to the conditions provided for by law and shall deliberate in accordance with quorum and majority voting requirements determined by law.

The meetings may be held at the Company's headquarters or at another location indicated in the notice calling the meeting.

The owners of registered shares have the right to attend the General Meeting or to be represented by proxy or to vote by post, regardless of the number of shares they hold, provided that their shares are fully paid up and registered in an account in their name by 12:00 am, Paris time, two days before the date of the meeting, or in a registered share account held by the Company, or in the bearer securities account held by an authorized intermediary. Shareholders may also, by decision of the Board of Directors at the time of convening the General Meeting, participate and vote at General Meetings by video conference or by any means of telecommunication that enables them to be correctly identified, in accordance with the law.

Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman of the Board of Directors and, if this is not possible, by a member of the Board of Directors specially delegated for the purpose by the Board of Directors. Failing this, the Meeting shall elect its own Chairman.

Minutes of the meetings shall be taken and copies thereof shall be certified by the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the secretary of the Board of Directors or by a signing officer authorized for the purpose.

1.10. Provisions that would delay, defer or prevent a change in control

There are no provisions in the Articles of Association that would delay, defer or prevent a change in control of the Company.

2. General information about the share capital

2.1. Conditions in the Articles of Association governing changes in the share capital and shareholder rights

None. Changes in the share capital and the respective rights of the various classes of shares are made in accordance with the provisions laid down in law.

2.2. Structure and amount of share capital

The Company's share capital comprises ordinary shares and preference shares issued pursuant to Articles L.228-11 *et seq.* of the French Commercial Code. Each share has a nominal value of €2.

As all category D preference shares (issued under the 2017 plan) were converted into ordinary shares in 2021 (see chapter 2 of this Universal Registration Document), only one category of preference shares remains: category E shares issued under the 2018 plan.

At December 31, 2021, the share capital amounted to **€41,642,414**, divided into 20,821,207 shares, of which:

- 20,820,470 category A shares; and
- 737 category E shares.

The rights attached to A and E shares are set forth in Articles 13 and 15 of the Company's Articles of Association.

A Shares

A Shares are ordinary shares. They are freely negotiable (Article 13). In addition:

1. The rights and obligations attached to each share are those defined under the law, the regulations and the articles of association, notably as regards the right to participate in General Meetings and vote on resolutions, communication rights, and subscription and allocation rights in the event of a capital increase.
2. Each A Share gives the right, through the ownership of assets in the Company, to a share in its profits and liquidation bonuses, in proportion to the number of A Shares in existence, after consideration of any capital that is depreciated, not depreciated or fully paid up, and the nominal amount of the A Shares as applicable.

Each A Share gives the right, during the life of the Company or during its liquidation, to an equal nominal value and, excluding any provisions linked to the date of entitlement to dividends, to payment of the same net sum in the event of an allocation or repayment. Similarly, no distinctions are made between A Shares for any tax exemptions or reductions, or for any taxation owed by the Company as a result of said allocation or repayment.

E Shares

E Shares are preference shares.

1. Each E Share gives the right, through the ownership of assets in the Company, to a share in its profits and liquidation bonuses, in the form of an E Share dividend that is equal to 10% of the dividend per share allocated to A Shares.

   Each E Share gives the right, during the life of the Company or during its liquidation, to an equal nominal value and, excluding any provisions linked to the date of entitlement to dividends, to payment of the same net sum in the event of an allocation or repayment. E Share dividends shall be equal to 10% of the sum paid out to each A Share in the event of an allocation or repayment, in accordance with the provisions of paragraph 1 above.
2. At the end of the holding period for E Shares (the "Holding Period") (the "Date of Expiry of the Holding Period") set in the plan for the free allocation of E Shares, each E Shareholder has the right to convert all or part of the E Shares they hold into A Shares, in accordance with the provisions of paragraphs 4 to 6.
   - The "Allocation Date" is defined as the date on which a plan for the allocation of free shares is adopted by the Board of Directors.
   - The "Initial Stock Price" refers to the volume weighted average opening price for A Shares during the last 20 trading sessions preceding the Allocation Date.
   - The total maximum number of A Shares that may result from the conversion of E Shares may not exceed 129,000; this number does not take into account any adjustments made to protect, in accordance with legal and regulatory provisions and contractual stipulations as applicable, the rights of category E share beneficiaries.
3. E Shares are freely transferable between E Shareholders as of the Date of Expiry of the Holding Period.

4. E Shares may be converted into A Shares during a period of thirty (30) days from (i) the fourth anniversary of the Allocation Date, or (ii) the date falling four years and three months after the Allocation Date (the "Conversion Periods"), in accordance with a ratio (the "Conversion Ratio") determined on the basis of the difference as a percentage between the Initial Stock Price and the Final Stock Price. If the Conversion Periods fall during a time when trading on Company securities is restricted, the commencement of the Conversion Period shall be postponed until said restrictions are lifted, within the limit of a period of ninety (90) days; it being specified that any rescheduling of the first Conversion Period will result in the subsequent deferral of the second Conversion Period for an identical number of days.
5. "N" is the "Conversion Ratio", namely the number of ordinary shares to which each E Share gives entitlement; it being specified that in the event of a fractional number, the number of ordinary shares allocated to an owner of E Shares shall be rounded down to the nearest whole number.

- Where CF < CI: N = 10
- Where CI < CF < CFMax: N = 10 + 600 x (CF – CI)/CF
- Where CF > CFMax: N = 10 + (CFMax x 100)/CF

Where:

"CI" is the "Initial Stock Price", namely the volume weighted average opening price for ordinary shares during the last 20 trading sessions preceding the Allocation Date.

"CF" is the "Final Stock Price", namely the volume weighted average opening price for ordinary shares between the date of the second anniversary of the Allocation Date (inclusive) and the date of commencement of the Conversion Period during which owners of E Shares have requested their conversion into ordinary shares (exclusive).

"CFMax" is the "Final Maximum Stock Price" which is equivalent to 120% of the "Initial Stock Price".

6. In the absence of conversion during the Conversion Periods, the E Shares shall be automatically converted into A Shares on expiry of the second Conversion Period, at the Conversion Ratio applicable during the second Conversion Period.

2.3. Valid authorizations and delegations regarding share capital increases

The table below summarizes valid financial authorizations and delegations granted to the Board of Directors by the General Meeting (in particular pursuant to Articles L.225-129-1 and L.225-129-2 of the French Commercial Code), and their use during the year.

Summary of valid delegations and authorizations regarding share capital increases and their use

Type of delegation/ authorization	Date of the General Meeting	Duration	Initial limit	Use in FY 2021
Delegation to increase the share capital through the capitalization of reserves, profits and/or premiums(1)	5/14/2020 *Thirteenth resolution*	26 months	Maximum nominal amount of capital increases: €50 million	None
Delegation to increase the share capital with preferential subscription rights for shareholders(1)	5/14/2020 *Fourteenth resolution*	26 months	Maximum nominal amount of capital increases: €17 million(2) Maximum nominal amount of debt securities: €300 million(5)	None
Delegation to increase the share capital without preferential subscription rights for shareholders by way of a public offer with a mandatory priority period and/or as consideration for securities in the context of a public exchange offer(1)	5/14/2020 *Fifteenth resolution*	26 months	Maximum nominal amount of capital increases: €8 million(3) Maximum nominal amount of debt securities: €300 million(5)	None
Delegation to increase the share capital without preferential subscription rights for shareholders by way of a private placement(1)	5/14/2020 *Sixteenth resolution*	26 months	Maximum nominal amount of capital increases: €4 million(4) Maximum nominal amount of debt securities: €300 million(5)	None
Delegation to increase the share capital as consideration for contributions in kind(1)	5/14/2020 *Eighteenth resolution*	26 months	Limited to 10% of the share capital(4)	None
Delegation to increase the share capital for employees of Mersen group companies outside France who are not members of a company savings plan	5/20/2021 *Eighteenth resolution*	18 months	€400,000(3)(8)	None
Delegation to increase the share capital for employees who are members of a company savings plan(1)	5/20/2021 *Nineteenth resolution*	26 months	€400,000(3)(8)	None
Authorization to grant free shares to certain employees	5/20/2021 *Twentieth resolution*	38 months	100,800 shares	Grant of 100,800 shares(6)
Authorization to grant free shares to senior executives and corporate officers	5/20/2021 *Twenty-first resolution*	38 months	84,000 shares	Grant of 84,000 shares(6)
Authorization to grant free shares to certain employees (high-potential managers or managers with expertise in strategic sectors)	5/20/2021 *Twenty-second resolution*	38 months	12,000 shares	Grant of 11,350 shares(7)

(1) This resolution may not be used during public offers.
(2) This amount is deducted from the overall ceiling of €17 million set by the General Meeting of May 14, 2020 for share issues (twentieth resolution).
(3) This amount is deducted from the overall ceiling of €17 million and the sub-ceiling of €8 million set by the General Meeting of May 14, 2020 (twentieth resolution).
(4) This amount is deducted from the overall ceiling of €17 million and the sub-ceilings of €8 million and €4 million set by the General Meeting of May 14, 2020 (twentieth resolution).
(5) This amount is deducted from the overall ceiling of €300 million set by the General Meeting of May 14, 2020 for issues of debt securities (twentieth resolution).
(6) Three-year vesting period, subject to continued presence and performance conditions.
(7) Three-year vesting period, subject to continued presence conditions.
(8) The eighteenth and nineteenth resolutions share the same ceiling.

2.4. Changes in the share capital

Date	Type of transaction	Share capital after transaction	Issue premium *(in €)*	Total number of shares after the transaction
12/12/2017	Issue of 165,772 new shares through the exercise of subscription options in 2017	41,275,252	2,666,545	20,637,626
12/12/2017	Cancellation of 585 category B shares, each with a nominal value of €2	41,274,082	N/A	20,637,041
5/11/2018	Issue of 1,172 category C shares, each with a nominal value of €2	41,276,426	N/A	20,638,213
1/23/2019	Issue of 129,905 new shares through the exercise of subscription options in 2018	41,536,236	2,075,670	20,768,118
5/18/2019	Issue of 10,600 ordinary shares and issue of 1,172 category D shares, each with a nominal value of €2	41,559,780	N/A	20,779,890
1/29/2020	Issue of 78,654 new shares, each with a nominal value of €2, through the exercise of subscription options in 2019	41,717,088	1,348,433	20,858,544
1/29/2020	Cancellation of 317 category B shares	41,716,454	N/A	20,858,227
5/17/2020	Issue of 737 category E shares	41,717,928	N/A	20,858,964
6/10/2020 11/27/2020	Conversion of 1,172 category C shares into category A shares	41,717,928	N/A	20,858,964
8/2020	Issue of 5,100 new shares through the exercise of subscription options	41,728,128	105,519	20,864,064
5/20/2021	Issue of 55,831 new shares through the exercise of subscription options	41,839,790	1,155,143.39	20,919,895
5/20/2021	Cancellation of 109,894 treasury shares	41,620,002	N/A	20,810,001
9/1/2021	Issue of 11,206 new shares to cover conversion requests for category D shares	41,642,414	N/A	20,821,207

2.5. Securities conferring rights to the share capital

Subscription options

The exercise period for subscription options under the 2014 plan expired on May 21, 2021 (see section 2.4 of chapter 2 of this Universal Registration Document). At December 31, 2021, there were no subscription options still to be exercised.

Free preference shares (executives program)

- 1,172 category D preference shares (2017 plan) were fully converted in 2021, resulting in a total of 29,746 ordinary shares being allocated to beneficiaries (out of a maximum of 128,920 ordinary shares);
- 737 category E preference shares (2018 plan) vested and 203 were granted subject to performance criteria, corresponding to a maximum of 103,400 ordinary shares after conversion.

The total number of ordinary shares that may vest (2018 preference share plans) is 103,400, of which 75,350 for members of the Executive Committee (including 8,470 for the Chief Executive Officer).

Free performance shares (executives program)

The total number of shares that may vest under the 2019 executives plan is 59,000, of which 44,250 for members of the Executive Committee (including 8,850 for the Chief Executive Officer).

The total number of shares that may vest under the 2021 executives plan is 84,000, of which 63,000 for members of the Executive Committee (including 12,600 for the Chief Executive Officer).

Free shares (managers and high potentials program)

The total number of shares that may vest under the 2019 plan is 84,000.

The total number of shares that may vest under the 2021 plans is 112,800.

Summary

At December 31, 2021, the number of free shares that may vest, including by converting preference shares into ordinary shares, is 443,200 new shares, each with a nominal value of €2, representing 2.1% of the current share capital.

There are no other instruments or securities conferring rights to the Company's share capital.

2.6. Voting rights

To account for the entry into force of Act No. 2014-384 of March 29, 2014, the Company submitted a resolution to the May 19, 2015 Extraordinary General Meeting to eliminate double voting rights so that shareholders could discuss and decide on this issue.

The resolution was rejected. Double voting rights are now attached to all shares that fulfill both of the following conditions: (i) have been held in registered form for at least two years and (ii) are fully paid up, in accordance with Article L.22-10-46 of the French Commercial Code.

Double voting rights have been recorded since April 4, 2016, in accordance with legal provisions.

Taking into account double voting rights as well as treasury shares, which do not have voting rights (see section 3.3 below), the theoretical number of voting rights stood at 23,435,363 at December 31, 2021.

2.7. Voting right certificates

None.

2.8. Investment certificates

None.

2.9. Shares pledged

None.

2.10. Shareholders' agreement

The Company is not aware of any shareholders' agreements or other agreements concerning its share capital.

3. STOCK REPURCHASE PROGRAM

3.1. Program authorized by the General Meeting of May 20, 2021

At the Combined General Meeting of May 20, 2021, the Company was authorized to trade in its own shares on the stock exchange in accordance with Articles L.22-10-62 and L.225-210 of the French Commercial Code in order to:

- enhance trading in the secondary market or the liquidity of the Mersen share by engaging an investment services provider under a liquidity agreement that complies with practices approved by French law. For the purposes of the program, the number of shares taken into account to calculate the abovementioned limit corresponds to the number of shares acquired, less the number of shares re-sold;
- hold the acquired shares in treasury and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;
- cover stock option and/or free share plans (or similar plans) allocated to Group employees and/or corporate officers, share allocations under company or group savings plans (or similar plans) or company profit-sharing plans and/or any other forms of share allocations to Group employees and/or corporate officers;
- cover securities conferring rights to the allocation of shares in the Company, in accordance with applicable regulations;
- cancel the acquired shares, in accordance with the authorization granted or to be granted by the Extraordinary General Meeting.

The maximum purchase price has been set at €50 per share. This price is set subject to adjustments related to any transactions affecting the Company's share capital. Based on the aforementioned maximum purchase price and the number of shares making up the share capital at the date of the authorization, the aggregate maximum amount of the purchases may not exceed €104,310,775.

This authorization replaced the authorization granted by the General Meeting of May 14, 2020.

These share purchases, allocations or sales may be entered into and paid for by any means, including as part of a liquidity agreement entered into by the Company with an investment services provider.

3.2. Liquidity agreement

In March 2005, the Company signed a liquidity agreement with Exane BNP Paribas in compliance with the charter of ethics drawn up by the French Association of Financial and Investment Firms (Association française des marchés financiers – AMAFI). This liquidity agreement was renewed each year by tacit approval. The Company signed a new agreement with Exane on January 23, 2019, which was updated on January 1, 2022, in order to comply with the new AMAFI recommendations.

The funds and shares made available pursuant to this agreement and credited to the liquidity account on February 25, 2005 comprised €2,200,000 and no shares.

At December 31, 2021, the following funds and shares appeared in the liquidity account:

- 32,236 shares;
- €1,339,030.

3.3. Trading in its own shares by the Company in 2021

In 2021, the Company canceled 109,894 treasury shares held for this purpose, in order to limit the dilutive effect of share capital increases carried out for employee share grants. It allocated 90,655 shares to the conversion of category C and D shares.

Number of treasury shares held by the Company at December 31, 2020	**229,872**
Number of shares allocated to the conversion of category E shares	-61,850
Number of shares issued for the conversion of category D shares	+11,206
Number of shares allocated to the conversion of category D shares	-28,805
Number of shares adjusted	+595
Number of shares canceled	-109,894
Number of shares purchased under the liquidity agreement	+251,918
Number of shares sold under the liquidity agreement	-259,088
Number of treasury shares held by the Company at December 31, 2021	**33,954**

The Company did not use any derivatives.

Breakdown by objective of treasury shares held at December 31, 2021

	Number of treasury shares and percentage of share capital
Allocation or transfer of shares to employees and/or corporate officers under company savings plans and the allocation of shares, specifically the allocation of free shares or stock purchase options	1,718 0.06%
Allocation of shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital	0 0%
Purchase for holding purposes and subsequent remittal as part of an exchange offer or in consideration for any acquisitions	0 0%
Cancellation of shares through a reduction in the share capital in accordance with the French Commercial Code	0%
Market-making via a liquidity agreement	32,236 0.2%

3.4. Description of the stock repurchase program submitted for shareholders' approval at the Combined General Meeting of May 19, 2022

Prepared in accordance with Articles 241-1 et seq. of the General Regulation of the French Financial Markets Authority (Autorité des marchés financiers – AMF) and Articles L.22-10-62 *et seq.* and L.225-210 et seq. of the French Commercial Code, this description is intended to present the objectives and terms and conditions of the renewal of the stock repurchase program.

3.4.1. Summary of the principal characteristics of the operation

- Mersen's ordinary shares, admitted for trading on Euronext Paris, Compartment B (ISIN code: FR0000039620).
- Maximum percentage of the share capital authorized for repurchase by shareholders at the General Meeting: 10%.
- Maximum acquisition price per share: €60.
- Duration of the program: the authorization is valid for 18 months as of the General Meeting of May 19, 2022, i.e., until November 18, 2023.

3.4.2. Objectives of the program

Shares may be acquired in order to:

- enhance trading in the secondary market or the liquidity of the Mersen share by engaging the services of an investment services provider under a liquidity agreement that complies with practices approved by French law. For the purposes of the program, the number of shares taken into account to calculate the abovementioned limit of 10% corresponds to the number of shares acquired, less the number of shares re-sold;
- hold the acquired shares in treasury and subsequently remit them as part of an exchange offer or in consideration for any mergers, demergers, asset contributions or acquisitions;
- cover stock option and/or free share plans (or similar plans) allocated to employees and/or corporate officers of the Group, including intercompany partnerships and related companies, as well as any share allocations under company or group savings plans (or similar plans) or company profit-sharing plans and/or any other forms of share allocations to employees and/or corporate officers of the Group, including intercompany partnerships and related companies;
- cover securities conferring rights to the allocation of shares in the Company, in accordance with applicable regulations;
- cancel the acquired shares, in accordance with the authorization granted or to be granted by the Extraordinary General Meeting.

3.4.3. Legal framework

The stock repurchase program is compliant with the provisions of Articles L.22-10-62 et seq. and L.225-210 et seq. of the French Commercial Code. It will be submitted to the approval of the shareholders at the Combined General Meeting of May 19, 2022, deliberating in accordance with quorum and majority voting requirements for Ordinary General Meetings. The corresponding resolution to be proposed by the Board of Directors will have the following characteristics:

Having considered the Board of Directors' report, the General Meeting authorizes the Board of Directors for a period of 18 months and in accordance with Articles L.22-10-62 et seq. and L.225-210 et seq. of the French Commercial Code, to purchase ordinary shares in the Company on one or more occasions and at the times that it deems appropriate. The number of ordinary shares held by the Company under this authorization may not be greater than 10% of the Company's capital at the date of the General Meeting and may be adjusted as necessary to take into account any capital increases or reductions that may occur during the term of the program.

This authorization supersedes the authorization granted to the Board of Directors by the General Meeting of May 20, 2021 in its sixteenth ordinary resolution.

The shares may be purchased by any means, including by way of block purchases, at the times that the Board of Directors deems appropriate.

The Company does not intend to use options or derivatives.

The Board of Directors may not use this authorization without prior authorization from the General Meeting from the date that a public offer for the Company's shares is filed by a third party until the end of the offer period.

The maximum purchase price has been set at €60 per share. In the event of a transaction affecting the Company's share capital, such as share splits or reverse splits and free share allocations to shareholders, the aforementioned amount will be adjusted in the same proportion (a coefficient of the ratio between the number of shares comprising the share capital before the transaction and the number of shares after the transaction).

The maximum amount of the stock repurchase program has been set at €124,922,820.

The General Meeting grants full powers to the Board of Directors to carry out the stock repurchase program, determine the conditions and procedures thereof, enter into any and all agreements and carry out all formalities.

3.4.4. Procedures

3.4.4.1. Maximum percentage of the share capital to be acquired and maximum amount payable by Mersen

Mersen will have the option of acquiring up to 10% of ordinary shares, i.e., 2,082,047 shares. This limit shall be assessed on the date on which shares are acquired, in order to take into account any capital increases or reductions that may occur during the term of the stock repurchase program. The number of shares taken into account to calculate the limit corresponds to the number of shares acquired, less the number of shares re-sold during the term of the program for liquidity purposes. As the Company cannot hold more than 10% of its share capital and given that it already held 33,954 shares (or 0.2% of the share capital) at December 31, 2021, the maximum number of shares that it may acquire under the program is 2,048,093 (or 9.8% of the share capital), unless it sells or cancels the shares that it already holds.

The Company reserves the right to use the entire authorization. Accordingly, the maximum amount that Mersen may pay, assuming that it acquires shares at the maximum price set by the General Meeting of €60 per share, would be €124,922,820.

In accordance with the law, the amount of the stock repurchase program may not exceed the Company's discretionary reserves. The Company's discretionary reserves, as stated under liabilities in the most recent annual financial statements prepared and audited at December 31, 2021, amounted to €304,087,617.

Mersen undertakes to stay below the direct and indirect ownership threshold of 10% of the share capital at all times.

3.4.4.2. Conditions governing repurchases

These shares may be purchased, allocated or transferred at any time (except during a public offer for the Company's shares) and paid by any means, on and off the market, including by acquisition or transfer of blocks of shares, and specifically pursuant to a liquidity agreement entered into by the Company with an investment services provider.

3.4.4.3. Duration of program

These stock repurchases may take place only after the approval of the corresponding resolution to be presented to the Combined General Meeting of May 19, 2022 and for a period of 18 months, i.e., until November 18, 2023.

4. Share ownership

4.1. Share ownership thresholds crossed

In 2021, shareholders disclosed the following threshold crossings:

ACF I Investissement (Ardian)

- Between January 12 and January 21, 2021: ACF I Investissement (Ardian) disclosed that it had fallen below the threshold on four occasions. On January 21, it disclosed that it held 409,899 shares, i.e., 1.97% of the share capital and 1.75% of the voting rights.
- February 5: ACF I Investissement disclosed that it had sold all of the shares that it held in Mersen.

BlackRock

- Between January 5 and February 15, 2021: BlackRock disclosed that it had exceeded or fallen below the threshold of 2% of the share capital on 17 occasions. On March 22, it disclosed that it held 451,312 shares, i.e., 2.16% of the share capital and 1.93% of the voting rights.
- Between July 2 and August 30: BlackRock disclosed that it had exceeded or fallen below the threshold of 2% of the share capital on 14 occasions. On August 30, it disclosed that it held 417,882 shares, i.e., 2.01% of the share capital and 1.78% of the voting rights.

Caisse des Dépôts et Consignations including Bpifrance Participations

- January 13: Caisse des Dépôts et Consignations Group disclosed that it had passively exceeded the threshold of 23% of the voting rights and that it held – directly and indirectly (through CDC Croissance and Bpifrance Participations – 3,262,907 shares, i.e., 15.64% of the share capital and 23.50% of the voting rights.

Dorval

- July 13: Dorval disclosed that:
  - January 12: it had exceeded the threshold of 1% of the share capital set in the Articles of Association and held 1.03% of the share capital;
  - May 20: it had fallen below the threshold of 1% of the share capital set in the Articles of Association and held 0.96% of the share capital;
  - July 13: it held 0.84% of the share capital and 0.75% of the voting rights.

Fonds de Réserve pour les Retraites (FRR)

- February 9: Fonds de Réserve pour les Retraites (FRR) disclosed that it had exceeded the threshold of 1% of the voting rights set in the Articles of Association and held 269,657 shares, i.e., 1.29% of the share capital and 1.15% of the voting rights.

Janus Henderson

- November 17: Henderson disclosed that it had fallen below the threshold of 5% of the share capital and held 1,033,627 shares, i.e., 4.96% of the share capital and 4.41% of the voting rights.

Norges

- March 23: Norges disclosed that it had fallen below the threshold of 4% of the share capital set in the Articles of Association and held 832,988 shares, i.e., 3.99% of the share capital.

Sycomore

- February 11: Sycomore disclosed that it had exceeded the threshold of 3% of the share capital set in the Articles of Association and held 629,830 shares, i.e., 3.02% of the share capital and 2.69% of the voting rights.
- June 18: Sycomore disclosed that it had fallen below the threshold of 3% of the share capital set in the Articles of Association and held 619,654 shares, i.e., 2.97% of the share capital and 2.63% of the voting rights.

4.2. Changes in share ownership

Shareholders	Dec. 31, 2021 Number of shares	Dec. 31, 2021 % of the share capital	Dec. 31, 2021 % of exercisable voting rights	Dec. 31, 2020 Number of shares	Dec. 31, 2020 % of the share capital	Dec. 31, 2020 % of exercisable voting rights	Dec. 31, 2019 Number of shares	Dec. 31, 2019 % of the share capital	Dec. 31, 2019 % of exercisable voting rights
Free float, o/w									
- French institutional investors	9,020,183	43.3%	48.1%	9,212,234	44.2%	48.9%	9,651,287	46.3%	54.9%
- International institutional investors	8,862,228	42.6%	37.8%	8,558,922	41.0%	36.5%	8,285,143	39.7%	32.7%
- Individual shareholders	2,579,740	12.4%	12.6%	2,608,784	12.5%	13.5%	2,476,781	11.9%	10.8%
- Employee shareholders	325,102	1.6%	1.4%	254,252	1.2%	1.1%	314,339	1.5%	1.6%
Treasury shares	33,954	0.2%		229,872	1.1%		130,677	0.6%	
TOTAL	**20,821,207**	**100%**	**100%**	**20,864,064**	**100%**	**100%**	**20,858,227**	**100%**	**100%**

The Chief Executive Officer and the members of the Board of the Directors own 2,292,183 shares (of which 2,242,770 held by Bpifrance Participations and 43,405 by the Chief Executive Officer), i.e., a total of 11% of the share capital.

To the best of the Company's knowledge, at the date of publication of the Universal Registration Document, the following shareholders hold more than 5% of the Company's share capital and voting rights:

	Shares	% of the share capital	Voting rights exercisable at GM	% of voting rights exercisable at GM
Bpifrance Participations	2,242,770	10.8%	4,485,540	19.2%
Caisse des Dépôts et Consignations	1,020,137	4.9%	1,020,137	4.4%
total BPI + CDC	**3,262,907**	**15.7%**	**5,505,677**	**23.6%**

To the best of the Company's knowledge, no other shareholder directly or indirectly, alone or in concert, holds more than 5% of the share capital or voting rights.

There has been no material change in share ownership or voting rights since December 31, 2021.

No shareholders' agreement is in place. No public tender or exchange offer, nor any guaranteed share price offer, has been made in respect of the Company's shares over the past three years. The Company has not initiated any such offers for other companies over the same period.

4.3. Trading in the Company's shares by senior managers as defined in Article L.621-18-2 of the French Monetary and Financial Code (Code monétaire et financier)

	Transaction	Number	Weighted average price
Christophe Bommier	Conversion of preference shares	2,211	N/A
Christophe Bommier	Purchase of preference shares	86	N/A
Christophe Bommier	Exercise of stock options	15,300	22.69
Christophe Bommier	Sale of shares	12,000	29.25
Didier Muller	Sale of shares	2,211	33.27
Didier Muller	Conversion of preference shares	2,211	N/A
Didier Muller	Purchase of preference shares	86	N/A
Eric Guajioty	Conversion of preference shares	2,211	N/A
Eric Guajioty	Sale of shares	2,211	31.62
Estelle Legrand	Conversion of preference shares	2,211	N/A
Estelle Legrand	Sale of shares	2,211	32.78
Estelle Legrand	Exercise of stock options	10,200	22.69
Estelle Legrand	Sale of shares	10,200	29.91
Gilles Boisseau	Conversion of preference shares	2,211	N/A
Gilles Boisseau	Sale of shares	2,211	32.60
Jean-Philippe Fournier	Conversion of preference shares	2,211	N/A
Jean-Philippe Fournier	Sale of shares	2,211	31.95
Luc Themelin	Conversion of preference shares	4,861	N/A
Luc Themelin	Sale of shares	4,861	31.95
Luc Themelin	Purchase of shares	4,861	31.95
Luc Themelin	Exercise of stock options	10,500	22.69
Luc Themelin	Sale of shares	10,500	29.89
Olivier Legrain	Sale of shares	600	35.36
Thomas Baumgartner	Conversion of preference shares	2,211	N/A
Thomas Baumgartner	Sale of shares	2,211	32.12
Thomas Baumgartner	Exercise of stock options	9,631	22.69
Thomas Baumgartner	Sale of shares	9,631	29.46
Thomas Farkas	Conversion of preference shares	2,211	N/A
Thomas Farkas	Sale of shares	2,211	33.57

4.4. Terms of shareholder participation in General Meetings

Subject to any adjustments that may be necessary in the context of the Covid-19 epidemic, the terms of shareholder participation in General Meetings are governed by the applicable regulations.

The right to participate in General Meetings is therefore subject to the shares having been registered by book entry in the shareholder's name or in the name of the intermediary appointed on his or her behalf at least two working days prior to the General Meeting by 12:00 am, Paris time. The entry must have been made either in the registered share accounts held by the Company or in the bearer share accounts held by the authorized intermediary.

Book entries in bearer share accounts must be justified by a shareholding certificate issued by the authorized intermediary.

If shareholders are unable to personally attend the meeting, they may choose an alternative from the following three options: (i) appoint a natural or legal person of their choice as a proxy under the conditions laid out in Articles L.225-106 and L.22-10-39 of the French Commercial Code; (ii) send a proxy form to the Company without appointing a specific proxy representative; or (iii) vote by correspondence.

5. Dividends

Dividend payments are time-barred as prescribed by law; namely five years after their payment. After this time, payments are made to the French State.

In April 2020, given the decline in Group activity due to the global economic and health situation, the Board of Directors decided not to pay a dividend in respect of 2019, in order to maintain greater financial flexibility for the future and contribute to the solidarity measures needed at this time.

Mersen's Board of Directors has set a dividend distribution policy based on the Group's net income, whereby the payout ratio is equal to between 30% and 40% of the Group's net income for the year, potentially adjusted for non-recurring items.

In the third resolution of the Combined General Meeting of May 20, 2021, the shareholders approved the payment of a gross cash dividend of €0.65 per ordinary share, and a gross dividend of €0.065 per eligible preference share, in respect of 2020.

In the 3rd resolution of the Combined General Meeting of May 19, 2022, shareholders will be asked to approve the payment of a gross dividend of €1 per ordinary share, and a gross dividend of €0.1 per eligible preference share, in respect of 2021.

	No. of shares at year-end	Dividend per ordinary share* *(in €)*	Share price *(in €)*			Overall yield based on share price at year-end
			High	**Low**	**Last**	
2016	20,471,854	0.50	20.38	11.25	20.32	2.5%
2017	20,637,041	0.75	39.43	20.43	37.34	2.0%
2018	20,768,118	0.95	41.90	21.95	23.50	4.0%
2019	20,858,227	0	35.15	22.80	34.15	0
2020	20,864,064	0.65	35.30	12.38	24.75	2.8%
2021	20,821,207	1.00	37.25	23.25	36.90	2.7%

** Gross dividend per ordinary share (category A), it being understood that preference shares (category E) are entitled to a dividend equal to 10% of this amount.*

6. Mersen and the stock market

Mersen endeavors to meet the value creation targets of its shareholders and to promote a broader understanding of the Group by providing clear, regular and transparent information.

6.1. Share price performance and trading volumes

6.1.1. Share-related data

- Listing: Euronext Paris.
- Market: Eurolist Compartment B.
- Indices: CAC All shares, CAC Mid&Small, Next 150, Tech 40.
- Eligible for SRD (deferred settlement) and PEA (equity savings plans).
- ISIN code: FR0000039620.

6.1.2. Market data

Share price	Number of shares traded	Share capital traded on a monthly basis *(in € millions)*	Average daily number of shares traded	Price High *(in €)*	Price Low *(in €)*	Price Average(a) *(in €)*
2020						
January	1,016,538	33.30	46,206	35.30	29.40	33.02
February	1,043,468	30.25	52,173	31.10	25.70	29.24
March	1,866,677	34.08	84,849	27.80	12.38	18.70
April	806,536	14.38	40,327	20.75	15.90	17.77
May	704,702	13.53	35,235	21.85	17.28	18.93
June	757,844	16.59	34,447	24.70	20.35	21.72
July	585,997	12.51	25,478	23.20	19.72	21.43
August	566,109	13.95	26,958	26.80	22.15	21.52
September	484,799	12.65	22,036	28.85	23.80	20.04
October	580,214	14.29	26,373	27.30	20.40	25.20
November	841,471	20.28	40,070	25.80	21.35	24.20
December	507,725	12.61	23,078	25.50	23.30	24.95
2021						
January	632,265	16.03	31,613	27.00	23.25	25.39
February	733,958	20.58	36,698	30.50	25.10	27.90
March	894,997	26.02	38,913	30.75	27.25	28.93
April	650,201	19.27	32,510	31.15	28.2	29.72
May	757,025	22.81	36,049	32.1	28.45	30.01
June	523,444	16.81	23,793	33.3	30.85	32.10
July	647,476	21.47	29,431	34.9	30.7	33.20
August	342,153	11.18	15,552	34.3	31.45	32.73
September	320,785	10.63	14,581	34.3	31.45	33.09
October	385,187	12.18	18,342	34.3	29.7	31.29
November	419,069	13.94	19,049	35.25	31.25	33.36
December	481,706	17.11	20,944	37.25	32.3	35.51
2022						
January	418,416	15.08	19,925	38.4	33.4	36.25
February	389,617	13.57	19,481	38.05	31.55	35.14

Source: Euronext.
(a) Average closing price.

(Share price in €)	February 2022	January 2022	2021	2020
At end of period	33.20	36.25	35.51	24.75
High/Low	38.05 / 31.55	38.4 / 33.4	37.25 / 23.25	35.30 / 12.38
YoY change			+49%	-29%
SBF 120/Stoxx Europe 600 change			+25% / +22%	-8% / -4%
Market capitalization at end of period *(in € millions)*	691	755	739	516
Average monthly number of shares traded	389,617	418,416	565,689	813,507
Average daily number of shares traded	19,481	19,925	26,311	37,985

6.2. A confidence-based relationship with shareholders

Mersen maintains a confidence-based relationship with its shareholders built on transparency and communicates through various channels to give them a better understanding of the Group, its strategy, businesses and fundamentals.

The Group's investor relations strategy is predicated on an active program of information meetings and presentations, including:

- meetings with institutional investors in Europe and North America;
- meetings and themed conferences run for the benefit of financial analysts and journalists from the economic and financial press;
- information and discussion meetings with individual shareholders in France and a twice-yearly shareholders' newsletter.

In addition, the website provides extensive information on products and markets. All regulatory information, Focus documents on the Group's business lines, and presentations of results are available in the Finance section.

6.3. Timetable for the Group's financial communication

Sales

Q4 2021 sales – January 27, 2022

Q1 2022 sales – April 27, 2022

Q2 2022 sales – July 29, 2022

Q3 2022 sales – October 26, 2022

Results

2021 annual results – March 16, 2022

2022 half-year results – July 29, 2022

Annual General Meeting

Paris – May 19, 2022

6.4. Officer responsible for financial information

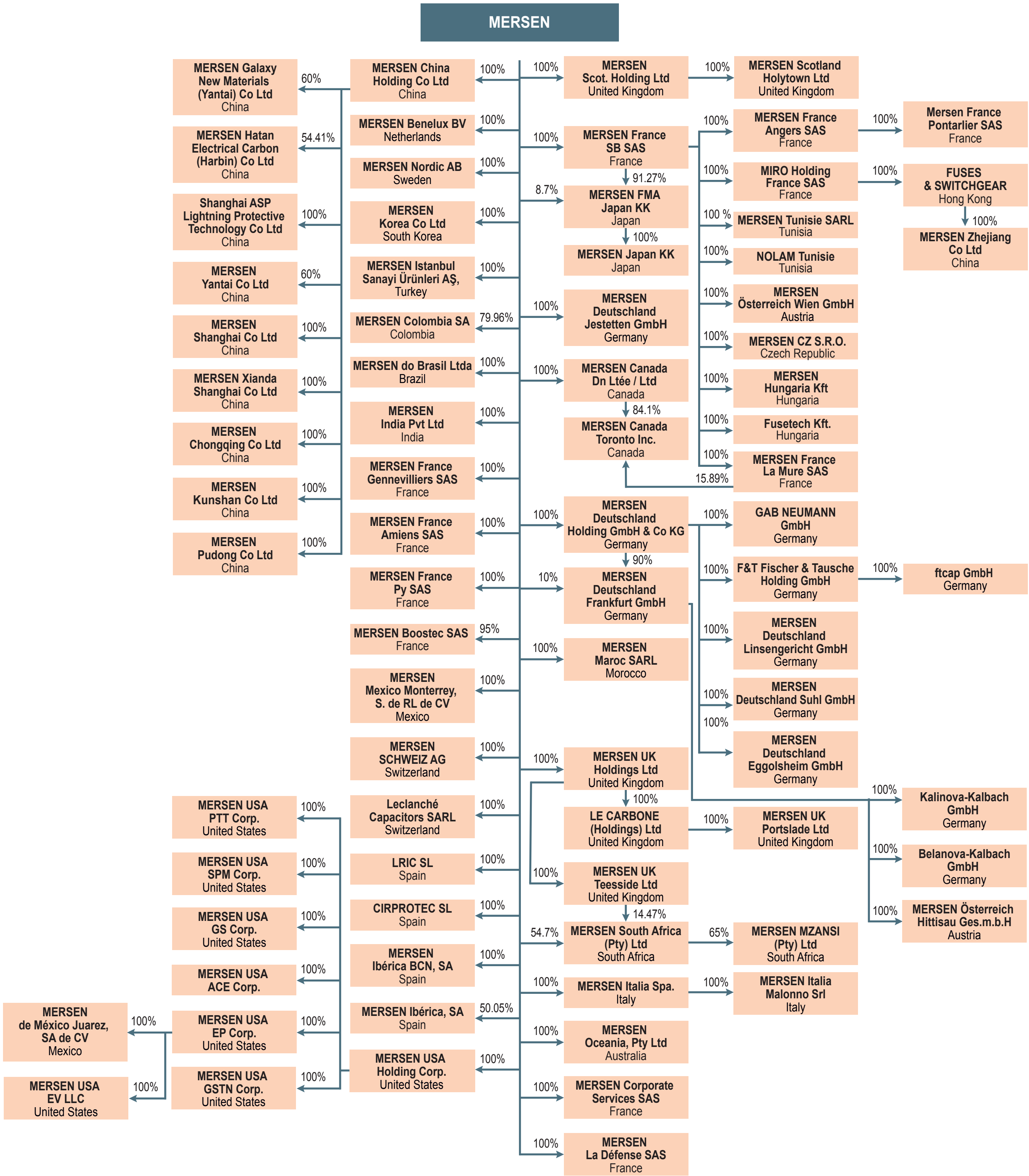
Thomas Baumgartner
Chief Financial Officer

MERSEN
Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France

6 CONSOLIDATED FINANCIAL STATEMENTS

NB: comments related to changes in the Group's operations, results and debt are presented in the Management Report (Chapter 3) of this Universal Registration Document.

CONSOLIDATION SCOPE AT DECEMBER 31, 2021



LIST OF CONSOLIDATED COMPANIES

	Consolidation method FC: Fully Consolidated	% of Group control	% of Group interests
1. MERSEN (France)	IG	100	100
2. MERSEN France Amiens S.A.S (France)	IG	100	100
3. MERSEN France Gennevilliers S.A.S (France)	IG	100	100
4. MERSEN France Py S.A.S (France)	IG	100	100
5. MERSEN Corporate Services S.A.S (France)	IG	100	100
6. MERSEN France SB S.A.S (France)	IG	100	100
- MERSEN France La Mure S.A.S (France)	IG	100	100
- MERSEN France Angers S.A.S (France)	IG	100	100
- MERSEN France Pontarlier S.A.S (France)	IG	100	100
- MERSEN Österreich Wien GmbH (Austria)	IG	100	100
- MERSEN CZ S.R.O. (Czech Republic)	IG	100	100
- MERSEN Hungaria Kft (Hungary)	IG	100	100
- MERSEN Tunisie SARL (Tunisia)	IG	100	100
- NOLAM Tunisie SARL (Tunisia)	IG	100	100
- MIRO Holding France SAS (France)	IG	100	100
- FUSES & SWITCHGEAR (Hong-Kong)	IG	100	100
- MERSEN Zhejiang Co. Ltd (China)	IG	100	100
- MERSEN FMA Japan KK (Japan)	IG	100	100
- MERSEN Japan KK (Japan)	IG	100	100
- Fusetech Kft. (Hungary)	IG	100	100
7. MERSEN Boostec S.A.S (France)	IG	95	95
8. MERSEN La Défense S.A.S (France)	IG	100	100
9. MERSEN Deutschland Holding GmbH & Co. KG (Germany)	IG	100	100
- MERSEN Deutschland Frankfurt GmbH (Germany)	IG	100	100
- Belanova-Kalbach GmbH (Germany)	IG	100	100
- Kalinova-Kalbach GmbH (Germany)	IG	100	100
- MERSEN Österreich Hittisau Ges.m.b.H. (Austria)	IG	100	100
- MERSEN Deutschland Linsengericht GmbH (Germany)	IG	100	100
- MERSEN Deutschland Suhl GmbH (Germany)	IG	100	100
- MERSEN Deutschland Eggolsheim GmbH (Germany)	IG	100	100
- F&T Fischer & Tausche Holding GmbH	IG	100	100
- ftcap GmbH (Germany)	IG	100	100
- GAB Neumann GmbH (Germany)	IG	100	100
10. Leclanché Capacitors (Switzerland)	IG	100	100
11. MERSEN Deutschland Jestetten GmbH (Germany)	IG	100	100
12. MERSEN Ibérica S.A (Spain)	IG	50	50
13. MERSEN Ibérica BCN S.A (Spain)	IG	100	100
14. Cirprotec S.L. (Spain)	IG	100	100
15. LRIC S.L. (Spain)	IG	100	100
16. MERSEN UK Holdings Ltd. (United Kindom)	IG	100	100
- Le Carbone (Holdings) Ltd. (United Kindom)	IG	100	100
- MERSEN UK Portslade Ltd. (United Kindom)	IG	100	100
- MERSEN UK Teesside Ltd. (United Kindom)	IG	100	100

	Consolidation method FC: Fully Consolidated	% of Group control	% of Group interests
17. MERSEN Scot. Holding Ltd. (United Kindom)	IG	100	100
- MERSEN Scotland Holytown Ltd. (United Kindom)	IG	100	100
18. MERSEN Italia Spa. (Italy)	IG	100	100
- MERSEN Italia Malonno Srl (Italy)	IG	100	100
19. MERSEN Benelux BV (Netherlands)	IG	100	100
20. MERSEN Nordic AB (Sweden)	IG	100	100
21. MERSEN Schweiz AG (Switzerland)	IG	100	100
22. MERSEN Canada Dn Ltée / Ltd. (Canada)	IG	100	100
- MERSEN Canada Toronto Inc. (Canada)	IG	100	100
23. MERSEN USA Holding Corp. (United States)	IG	100	100
- MERSEN USA PTT Corp. (United States)	IG	100	100
- MERSEN USA GS Corp. (United States)	IG	100	100
- MERSEN USA ACE Corp (United States)	IG	100	100
- MERSEN USA EP Corp (United States)	IG	100	100
- MERSEN de México Juarez, S.A DE. C.V (Mexique)	IG	100	100
- MERSEN USA EV LLC (Etats-Unis)	IG	100	100
- MERSEN USA SPM Corp. (Etats-Unis)	IG	100	100
- MERSEN USA GSTN Corp. (Etats-Unis)	IG	100	100
24. MERSEN Mexico Monterrey, S de R.L. de C.V. (Mexico)	IG	100	100
25. MERSEN Oceania, Pty Ltd. (Australia)	IG	100	100
26. MERSEN Korea Co. Ltd. (South Korea)	IG	100	100
27. MERSEN India Pvt. Ltd. (India)	IG	100	100
28. MERSEN China Holding Co. Ltd (China)	IG	100	100
- MERSEN Pudong Co. Ltd (China)	IG	100	100
- MERSEN Chongqing Co. Ltd (China)	IG	100	100
- MERSEN Kunshan Co. Ltd (China)	IG	100	100
- MERSEN Xianda Shanghai Co. Ltd (China)	IG	100	100
- MERSEN Shanghai Co. Ltd (China)	IG	100	100
- MERSEN Yantai Co. Ltd (China)	IG	60	60
- Shanghai ASP Lightning Protective Technology Co. Ltd (China)	IG	100	100
- MERSEN Hatan Electrical Carbon (Harbin) Co. Ltd (China)	IG	54	54
- MERSEN Galaxy New Materials (Yantai) Co. Ltd (China)	IG	60	60
29. MERSEN South Africa PTY Ltd (South Africa)	IG	69	69
- MERSEN Mzansi PTY Ltd (South Africa)	IG	65	45
30. MERSEN do Brasil Ltda. (Brazil)	IG	100	100
31. MERSEN Istanbul Sanayi Ürünleri (Turkey)	IG	100	100
32. MERSEN Colombia S.A (Colombia)	IG	80	80
33. MERSEN Maroc S.A.R.L (Morocco)	IG	100	100

All these companies have a fiscal year that corresponds to the calendar year.

Significant events of the period

1. Operating environment

2021 saw an upturn in business levels, with Mersen's plants more or less returning to pre-pandemic operations. Only two sites that are heavily dependent on the aeronautics and chemicals markets used short-time working in 2021, and these two sites also implemented the redundancy plans announced in 2020. The successive waves of Covid-19 that hit most countries during the year continued to restrict employee mobility but not at all to the same degree as in 2020. In view of this more favorable operating environment, the governmental aid measures that the Group used in 2020 were not renewed in 2021.

The rapid recovery in global growth has resulted in a strain on supply chains. There were some limited impacts on delivery times for certain product lines but the Group's competitiveness was not affected. The global recovery has also led to increases in commodity and energy prices, which the Group has offset to a large extent through hedging and a policy of raising customer prices.

2. Changes in consolidation scope

In 2021, Mersen acquired the Hager group's stake in Fusetech, a manufacturer of industrial fuses based in Kaposvar, Hungary. Fusetech has been consolidated since January 1, 2021.

In 2020, Mersen completed its acquisition of all of the shares in Germany-based GAB Neumann GmbH on February 28, and acquired the insulation business of the US company Americarb in July. The production equipment of this insulation business was transferred to Mersen USA GSTN Corp's site.

These two transactions only had a limited impact on the Group's consolidated financial statements.

3. Financing

In May 2021, the Group carried out a private placement with North American investors, comprising a USD 60 million tranche with a ten-year term and a €30 million tranche with a seven-year term. The funds became available in October 2021.

This financing further strengthened the Group's already solid financial structure, also bearing in mind that, in 2020, Mersen did not take out any French government-backed loans.

4. Shareholding structure

In February 2021, Ardian announced that it had sold on the open market all of the shares held in the Company by ACF I Investment S.à r.l. Ardian had owned 5.6% of the Company's capital at December 31, 2020.

CONSOLIDATED STATEMENT OF INCOME

In millions of euros	Notes	2021	2020
CONTINUING OPERATIONS			
Consolidated sales	19	922.8	847.2
Cost of sales		(633.0)	(595.6)
Total gross income		**289.8**	**251.6**
Selling and marketing expenses		(75.8)	(71.4)
Administrative and research expenses		(118.6)	(107.9)
Amortization of revalued intangible assets		(1.4)	(1.4)
Other operating expenses		(1.4)	(2.3)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**92.6**	**68.6**
Non-recurring expenses	18	(7.9)	(51.4)
Non-recurring income	18	3.0	0.0
OPERATING INCOME	**19/21**	**87.7**	**17.2**
Financial expenses		(10.7)	(12.0)
Net financial expense	**22**	**(10.7)**	**(12.0)**
Income/(loss) from continuing operations before tax		**77.0**	**5.2**
Current and deferred income tax	23	(18.6)	(14.0)
Net income/(loss) from continuing operations		**58.4**	**(8.8)**
Net income/(loss) from operations held for sale and discontinued operations	5	0.0	0.0
NET INCOME/(LOSS)		**58.4**	**(8.8)**
Attributable to:			
- Owners of the parent		54.4	(12.0)
- Non-controlling interests		4.0	3.2
NET INCOME/(LOSS) FOR THE PERIOD		**58.4**	**(8.8)**
Earnings/(loss) per share	**24**		
Basic earnings/(loss) per share *(€)*		2.62	(0.58)
Diluted earnings/(loss) per share *(€)*		2.58	(0.57)
Earnings/(loss) per share from continuing operations	**24**		
Basic earnings/(loss) per share *(€)*		2.62	(0.58)
Diluted earnings/(loss) per share *(€)*		2.58	(0.57)
Earnings/(loss) per share from operations held for sale and discontinued operations	**24**		
Basic earnings/(loss) per share *(€)*		0.00	0.00
Diluted earnings/(loss) per share *(€)*		0.00	0.00

Condensed consolidated statement of comprehensive income

In millions of euros	Notes	2021	2020
NET INCOME/(LOSS) FOR THE PERIOD		**58.4**	**(8.8)**
Items that will not be subsequently reclassified to income			
Financial assets at fair value through "Other comprehensive income"		0.3	(0.6)
Remeasurements of the net defined benefit liability (asset)		18.1	(0.7)
Tax impact on remeasurements of the net defined benefit liability (asset)		(3.8)	0.3
		14.5	(1.0)
Items that may subsequently be reclassified to income			
Change in fair value of hedging instruments		(1.1)	1.4
Exchange differences on translation of assets and liabilities at the period-end rate		35.2	(27.5)
Tax impact on change in fair value of hedging instruments		0.5	(0.4)
		34.5	(26.5)
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		**49.0**	**(27.5)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**107.4**	**(36.3)**
Attributable to:			
- Owners of the parent		101.0	(39.0)
- Non-controlling interests		6.4	2.7
TOTAL COMPREHENSIVE INCOME/(LOSS)		**107.4**	**(36.3)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

In millions of euros	Note	Dec. 31, 2021	Dec. 31, 2020
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill	6	269.5	256.8
- Other intangible assets	8	38.8	34.6
Property, plant and equipment	8		
- Land		33.2	32.1
- Buildings		83.8	75.9
- Plant, equipment and other tangible assets		208.2	186.7
- Assets in progress		79.2	42.7
- Right-of-use assets	16	51.6	46.2
Non-current financial assets			
- Equity interests	9	2.0	3.5
- Non-current derivatives	3	0.0	
- Other financial assets		4.0	3.7
Non-current tax assets			
- Deferred tax assets	23	27.9	25.0
- Long-term portion of current tax assets		9.5	9.1
TOTAL NON-CURRENT ASSETS		**807.7**	**716.3**
CURRENT ASSETS			
- Inventories	10	218.2	181.1
- Trade receivables	11	143.6	128.2
- Contract assets	11	6.2	6.9
- Other operating receivables		27.4	20.6
- Short-term portion of current tax assets		2.7	2.5
- Other current assets		0.0	0.0
- Current financial assets	15	34.0	26.0
- Current derivatives	3	2.3	3.4
- Cash and cash equivalents	15	49.5	110.7
- Assets held for sale and discontinued operations	5	0.0	0.0
TOTAL CURRENT ASSETS		**483.9**	**479.4**
TOTAL ASSETS		**1,291.7**	**1,195.7**

EQUITY AND LIABILITIES

In millions of euros	Note	Dec. 31, 2021	Dec. 31, 2020
EQUITY			
- Share capital	12	41.6	41.7
- Retained earnings and other reserves		503.4	509.5
- Net income for the period		54.4	(12.0)
- Cumulative translation adjustments		2.8	(30.0)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**602.3**	**509.2**
- Non-controlling interests		29.1	24.5
TOTAL EQUITY		**631.3**	**533.7**
NON-CURRENT LIABILITIES			
- Non-current provisions	13	12.6	9.3
- Employee benefit obligations	14	49.1	71.7
- Deferred tax liabilities	23	37.2	24.7
- Long and medium-term borrowings	15	244.5	230.9
- Non-current lease liabilities*	16	40.0	32.7
- Non-current derivatives	3	0.0	0.0
TOTAL NON-CURRENT LIABILITIES		**383.4**	**369.3**
CURRENT LIABILITIES			
- Trade payables		67.1	56.1
- Contract liabilities		28.5	23.6
- Other operating payables		112.8	87.5
- Current provisions	13	10.4	17.5
- Current lease liabilities*	16	12.6	13.9
- Short-term portion of current tax liabilities		4.6	4.3
- Miscellaneous liabilities	13	7.3	2.2
- Other current financial liabilities		7.0	74.2
- Current derivatives	3	1.3	0.9
- Financial current accounts	15	0.0	0.2
- Bank overdrafts	15	25.1	11.6
- Liabilities related to assets held for sale and discontinued operations	5	0.2	0.7
TOTAL CURRENT LIABILITIES		**276.9**	**292.7**
TOTAL EQUITY AND LIABILITIES		**1,291.7**	**1,195.7**

* *Current and non-current lease liabilities are presented on two separate lines for 2021.*
The figures for 2020 have been restated and also presented on these two separate lines to enable meaningful year-on-year comparison.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital	Additional paid-in capital, retained earnings and other reserves	Net income/ (expense) for the period	Cumulative translation adjust-ments	Total	Non-controlling interests	Total equity
	Attributable to owners of the parent						
AT JANUARY 1, 2020	**41.7**	**452.6**	**57.3**	**(3.0)**	**548.6**	**22.0**	**570.6**
Prior-period net income/(loss)		57.3	(57.3)		0.0		0.0
Net income/(loss) for the period			(12.0)		(12.0)	3.2	(8.8)
Change in fair value of derivative hedging instruments, net of tax		1.0			1.0		1.0
Financial assets at fair value		(0.6)			(0.6)		(0.6)
Remeasurements of the net defined benefit liability (asset) after tax		(0.4)			(0.4)		(0.4)
Translation adjustments				(27.0)	(27.0)	(0.5)	(27.5)
Total other comprehensive income/(loss)	**0.0**	**0.0**	**0.0**	**(27.0)**	**(27.0)**	**(0.5)**	**(27.5)**
COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**0.0**	**0.0**	**(12.0)**	**(27.0)**	**(39.0)**	**2.7**	**(36.3)**
Dividends paid					0.0	(0.2)	(0.2)
Treasury shares		(2.7)			(2.7)		(2.7)
Increase in capital		0.1			0.1		0.1
Stock options and free shares		2.1			2.1		2.1
Other		0.1			0.1		0.1
AT DECEMBER 31, 2020	**41.7**	**509.5**	**(12.0)**	**(30.0)**	**509.2**	**24.5**	**533.7**
Prior-period net income/(loss)		(12.0)	12.0		0.0		0.0
Net income/(loss) for the period			54.4		54.4	4.0	58.4
Change in fair value of derivative hedging instruments, net of tax		(0.7)			(0.7)		(0.7)
Financial assets at fair value		0.3			0.3		0.3
Remeasurements of the net defined benefit liability (asset) after tax		14.3			14.3		14.3
Translation adjustments				32.8	32.8	2.4	35.2
Total other comprehensive income/(loss)	**0.0**	**13.8**	**0.0**	**32.8**	**46.6**	**2.4**	**49.0**
COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**0.0**	**13.8**	**54.4**	**32.8**	**101.0**	**6.4**	**107.4**
Dividends paid		(13.5)			(13.5)	(1.8)	(15.3)
Treasury shares		1.9			1.9		1.9
Increase/decrease in capital	(0.1)	(0.3)			(0.3)		(0.3)
Stock options and free shares		2.0			2.0		2.0
Other		1.9			1.9		1.9
AT DECEMBER 31, 2021	**41.6**	**503.4**	**54.4**	**2.8**	**602.3**	**29.1**	**631.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	2021	2020
Income before tax	77.0	5.2
Depreciation and amortization	54.7	52.9
Additions to/(reversals from) provisions	(5.4)	32.0
Net financial expense	10.7	12.0
Capital gains on asset disposals	0.5	0.2
Other	1.0	10.4
Cash generated by/(used in) operating activities before change in WCR	**138.4**	**112.7**
Change in working capital requirement	(5.9)	31.4
Income tax paid	(15.7)	(11.4)
Net cash generated by/(used in) continuing operations	**116.8**	**132.7**
Cash generated by/(used in) discontinued operations	**0.0**	**0.0**
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES	**116.8**	**132.7**
Cash flows from investing activities		
Intangible assets	(5.5)	(5.2)
Property, plant and equipment	(87.2)	(58.4)
Decreases (increases) in amounts due to suppliers of non-current assets	8.5	1.7
Financial assets	0.0	0.0
Changes in scope of consolidation	(9.4)	(13.6)
Other cash flows from investing activities	(0.3)	1.1
Cash generated by/(used in) investing activities from continuing operations	**(93.9)**	**(74.4)**
Cash generated by/(used in) investing activities from discontinued operations	**0.0**	**0.0**
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES	**(93.9)**	**(74.4)**
NET CASH GENERATED BY/(USED IN) OPERATING AND INVESTING ACTIVITIES	**22.9**	**58.3**
Amounts received/(paid) on capital increases/reductions and other changes in equity	1.6	(3.5)
Net dividends paid to shareholders and non-controlling interests	(15.3)	(0.1)
Interest payments	(6.8)	(7.4)
Lease payments	(13.6)	(13.5)
Change in debt	(50.8)	29.2
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES	**(85.0)**	**4.7**
Net increase/(decrease) in cash and cash equivalents	**(62.0)**	**63.0**
Cash and cash equivalents at beginning of period (Note 15)	110.7	45.2
Cash and cash equivalents at end of period (Note 15)	49.5	110.7
Impact of currency fluctuations	(0.8)	(2.5)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(62.0)**	**63.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

Note 1 Compliance statement

In accordance with Regulation (EC) No. 1606/2002 of July 19, 2002, the consolidated financial statements of Mersen and its subsidiaries (the "Group") have been prepared in accordance with IFRS (International Financial Reporting Standards).

Standards and interpretations effective for annual reporting periods beginning on or after January 1, 2021 are set out in Note 2. The new standards applied with effect from 2021 are presented in Note 2-W. The standards and interpretations yet to be applied appear in Note 2-X.

The options chosen by the Group are indicated in the chapters that follow.

The consolidated financial statements at December 31, 2021 were prepared by applying the principles for recognizing and valuing transactions set forth in the IFRS standards adopted in the European Union on this date. They were also prepared in accordance with the rules of presentation and financial information applicable to annual financial statements, as defined in the General Regulation of the French Financial Markets Authority (Autorité des Marchés Financiers - AMF).

For comparison purposes, the 2021 consolidated financial statements include data for 2020, which were prepared using the same accounting rules.

The accounting principles described in Note 2 *et seq.* were used to prepare the comparative information and the 2021 annual financial statements.

Note 2 Summary of significant accounting policies and methods

A - Consolidation scope and methods

The consolidated financial statements include the financial statements of the parent company as well as those of companies controlled by the parent company.

Income from subsidiaries acquired or sold during the period is included in the consolidated statement of income since the date of acquisition or up to the loss of control, respectively.

All intra-Group transactions and balances are eliminated.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, amounts are expressed in millions of euros and rounded to the nearest decimal place. Rounding may lead to non-material differences between the reported totals and the sum of the rounded amounts.

The Group's business is not seasonal; both sales and purchases are spread evenly over the year.

B - Presentation of the financial statements

The Mersen group presents its financial statements in accordance with the principles contained in IAS 1 "Presentation of Financial Statements".

B1 - Statement of comprehensive income

In view of customary practice and the nature of its business, the Group has opted to present the statement of income using the function of expense method, which consists in classifying expenses according to their function under cost of sales, the cost of commercial activities, administrative activities and Research and Development (R&D).

The Group presents comprehensive income in two statements consisting of a statement of net income and a separate statement showing income and other items of comprehensive income.

B2 - Consolidated statement of financial position

Assets and liabilities linked to the operating cycle and those having a maturity of less than 12 months at the reporting date are classified as current. Other assets and liabilities are classified as non-current.

B3 - Statement of cash flows

The Group prepares the statement of cash flows using the indirect method and as stipulated in IAS 7.

The indirect method consists in determining the cash flows relating to the operational activities, for which net income or loss is adjusted for the effects of non-cash transactions and items relating to investment and financing activities.

B4 - Activities, assets and liabilities held for sale and discontinued operations

In application of IFRS 5, assets and liabilities that are immediately available for sale in their current state, and whose sale is highly probable, are presented on the statement of financial position under assets and liabilities held for sale. Where a group of assets is held for sale as a single transaction and this group of assets represents a distinct component of the entity (business segment or principal and distinct geographical region covered by a single and coordinated disposal plan, or a subsidiary acquired exclusively with a view to resale), we consider the group of assets as a whole, together with the related liabilities. The sale must take place during the year following this presentation of the asset or group of assets.

The non-current assets or group of assets held for sale are stated at the lower of their net carrying amount and the fair value net of disposal costs. Non-current assets presented in the statement of financial position as held for sale are no longer depreciated (or amortized) once they are presented as such.

For groups of assets that meet the definition of an operation held for sale or discontinued, their net income is presented separately from the net income of continuing operations and their cash flows are presented on separate lines in the cash flow statement.

C - Foreign currency translation

The financial statements of the Group's foreign subsidiaries are prepared in their functional currency.

The statements of financial position of companies whose functional currency is not the euro are translated into euro at the closing exchange rate, with the exception of equity, which is translated at the historic exchange rate. Statements of income are translated at the average exchange rate during the period; the average exchange rate is the approximate value of the exchange rate on the date of the transaction, in the absence of significant fluctuations.

Foreign exchange adjustments resulting from translation are recognized under other items of comprehensive income, and are presented in the currency translation reserve component of equity. However, if the operation involves a subsidiary that is not wholly owned, a foreign exchange difference proportional to the percentage of the holding is assigned to the non-controlling interests. Where a foreign operation is sold and control or significant influence or joint control is lost, the aggregate amount of the corresponding foreign exchange differences is reclassified in income. Where the Group sells part of its equity interest in a subsidiary that includes a foreign operation while retaining control, a proportional share of the aggregate amount of the foreign exchange differences is reallocated to non-controlling interests. Where the Group sells only a part of its equity interest in an affiliated or proportionally consolidated company that includes a foreign operation abroad, but maintains a significant interest or joint control, the proportional share of the aggregate amount of the foreign exchange differences is reclassified under income.

With the exception of cash that is translated at the closing exchange rate, the cash flow statement is translated at the average exchange rate, unless it is not appropriate to do so.

Statement of financial position translation differences are recorded separately in equity under cumulative translation adjustments and include:

- the impact of the exchange rate movements on assets and liabilities;
- the difference between income calculated at the average exchange rate and income calculated at the year-end exchange rate.

Goodwill and fair value adjustments resulting from acquisitions of subsidiaries whose functional currency is not the euro are treated as assets and liabilities of the subsidiary. They are therefore stated in the functional currency of the subsidiary and translated at the closing exchange rate.

D - Translation of foreign currency transactions

The recognition and measurement of foreign currency transactions are defined by IAS 21 "Effects of Changes in Foreign Exchange Rates".

Foreign currency transactions are translated at the exchange rate effective at the time of the transaction. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate. The resulting translation adjustments are recognized in operating income under foreign exchange gains and losses.

Translation adjustments on financial instruments denominated in foreign currencies corresponding to a net investment hedge at a foreign subsidiary are recognized in equity under cumulative translation adjustments.

E - Hedging

The recognition and measurement of hedging transactions are defined by IAS 32 and 39.

E1 - Currency and commodity hedging

A currency derivative is eligible for hedge accounting provided that the hedging relationship was documented from the outset and that its effectiveness over its lifetime has been demonstrated.

Hedging protects against variations in the value of assets, liabilities or firm commitments; it also guards against variations in the value of cash flows (sales generated by the company's assets, for example).

Derivatives are stated at fair value. Changes in the fair value of these instruments are recognized using the following methods:

- changes in the fair value of instruments eligible for the hedging of future cash flows are recognized directly in equity for the effective component of the hedge (intrinsic value); changes in the fair value of these instruments are then recognized in operating income and offset changes in the value of the hedged assets, liabilities, or firm commitments as and when they occur. The time value of the hedges is recognized in operating income under other operating expenses;
- changes in the fair value of instruments not eligible for hedging future cash flows are recognized directly in income.

E2 - Interest rate hedging

Interest rate derivatives are valued on the statement of financial position at fair value. Changes in fair value are recognized using the following methods:

- the ineffective component of the derivative instrument is recognized under income as the cost of debt;
- the effective component of the derivative instrument is recognized as:
  - equity in the case of a derivative recognized as a cash flow hedge (e.g. a swap to fix a debt carrying a floating interest rate),
  - income (cost of debt) in the case of a derivative recognized as a fair value hedge (e.g. a swap turning a fixed interest rate into a floating interest rate). This recognition is offset by changes in the fair value of the hedged debt.

F - Intangible assets

The applicable standards are IAS 38 “Intangible Assets”, IAS 36 “Impairment of Assets” and IFRS 3 “Business Combinations”.

In accordance with IAS 38 “Intangible Assets”, only items whose future economic benefits are likely to benefit the Group and whose cost can be reliably determined are recognized as intangible assets.

The Group’s intangible assets consist primarily of goodwill.

Other intangible assets (software, customer relationships, technology, etc.) with a finite lifespan are recognized at cost less accumulated amortization and impairment. Amortization is recognized as an expense on a straight-line basis over the estimated useful life.

F1 - Goodwill

The Group recognizes business combinations using the acquisition method when an acquired set of activities and assets meets the definition of a business and the Group has obtained control of that business. In order for an integrated set of activities and assets to be considered by the Group as a business, it has to include, at a minimum, an input, and a substantive process that together significantly contribute to the ability to produce goods or services.

Goodwill arising on business combinations corresponds to the fair value of the consideration transferred (including the fair value of any equity interest previously held in the acquired company) plus the amount recognized for any non-controlling interest in the acquired company, less the net amount recognized (usually the fair value) for the identifiable assets acquired and liabilities assumed, with all these items measured at their acquisition-date values. When the difference is negative, the resulting gain is recognized as a bargain purchase in income.

The Group chooses, transaction by transaction, on the date of acquisition, to value any non-controlling interest at either its fair value or its share in the identifiable net assets of the acquired company recognized.

Goodwill is allocated to the Group’s cash-generating units (CGU). The Group has defined the following five CGUs:

- Power Transfer Technologies;
- Graphite Specialties;
- Anticorrosion Equipment;
- Solutions for Power Management;
- Electrical Protection & Control.

Goodwill is not amortized. It is subject to an impairment test as soon as indications of impairment appear, and at least once a year.

In accordance with IAS 36, the method used by the Group for testing the impairment of assets consists in:

- developing cash flows after normative taxes on the basis of the Strategic Plan of the relevant CGU;
- calculating a value in use using a method comparable to any business valuation by discounting the cash flows at the Group’s Weighted Average Cost of Capital (WACC);
- comparing this value in use with the carrying amount of the assets to determine whether an impairment loss should be recorded.

The value in use is determined from discounted projections of future operating cash flows over five years, and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax for each cash generating unit (see Note 7).

Any impairment losses recognized against goodwill are irreversible.

F2 - Patents and licenses

Patents and licenses are amortized on a straight-line basis over the legal protection period.

Computer software is amortized on a straight-line basis over its useful life.

F3 - Development costs

According to IAS 38 “Intangible Assets”, development costs are capitalized as soon as it has been demonstrated:

- that the company has the intention and the financial and technical capacity to see the development project through to its term;
- that the future economic benefits that are attributable to development spending will benefit the company;
- that the cost of this asset can be measured reliably; and
- how the intangible asset will generate probable future economic benefits.

Development costs that do not meet the above criteria are expensed as incurred. Development costs (including for IT) that meet the above criteria are recorded in the statement of financial position. They are amortized on a straight-line basis over their useful life.

Costs incurred accessing application software hosted on a service provider’s infrastructure are treated as a service contract or an intangible asset, depending on the rights conferred.

F4 - Intangible assets acquired in connection with a business combination

Intangible assets also include the technology, trademarks and customer relationships valued at the time of the acquisition of companies in application of IFRS 3 “Business Combinations”.

Amortization is recognized as an expense on a straight-line basis over the estimated useful life of the intangible assets, other than goodwill, as soon as they are ready to be brought into service. The estimated useful lives for the current period and comparable period for the acquisitions made were as follows:

- trademarks whose useful life is finite — up to 30 years
- patents and technology — up to 30 years
- customer relationships — up to 30 years

To determine whether the useful life of an intangible asset is finite or indefinite, the Group examines the external and internal factors relating to the asset according to the criteria laid down in the standard.

G - Property, plant and equipment

In accordance with IAS 16 “Property, plant and equipment”, only items whose cost can be reliably determined and whose future economic benefits will probably benefit the Group are recognized as Property, plant and equipment.

Property, plant and equipment are valued at their historical acquisition cost, less accumulated depreciation and impairments observed, with the exception of land, which was revalued on the date of the IFRS transition date.

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are included in the cost of this asset.

Depreciation is calculated on the basis of the rate of consumption of the expected economic benefits for each asset item on the basis of the acquisition cost, where appropriate less a residual value.

The various components of property, plant and equipment are recognized separately if their useful life and therefore their depreciation period are significantly different.

Accordingly, the depreciation method used by the Group is the straight-line method, depending on the projected useful life of the asset.

The periods used are:

- construction: 20 to 50 years;
- fixtures and fittings: 10 to 15 years;
- plant and equipment: 3 to 10 years;
- vehicles: 3 to 5 years.

These depreciation periods and the residual values are reviewed and adjusted at the end of each annual period; the changes are applied prospectively.

Investment subsidies are recognized at the outset as a deduction from the gross value of the asset.

H - Leases

In accordance with IFRS 16, the Group’s statement of financial position includes right-of-use assets and lease liabilities relating to leases of assets valued at more than €5,000 (USD 5,000) or leases with a term of more than one year.

Right-of-use assets are initially measured at cost and subsequently amortized on a straight-line basis over the reasonably certain term of the lease. Where necessary, right-of-use assets are adjusted for any loss in value.

Lease liabilities are initially recognized at the present value of the lease payments not yet paid at the commencement date of the lease. Subsequent to initial recognition, lease liabilities are remeasured if (i) there is a change in future lease payments resulting from a change in an index or a rate, or (ii) there is a change in the amounts expected to be payable under a residual value guarantee, or (iii) the Group reassesses the probability of it exercising a purchase, renewal or termination option, or (iv) there is a change in an in-substance fixed lease payment.

One of the key assumptions is that specific discount rates should be set for each country, to be calculated according to the default risk of the country and the credit risk of the lessee entity, as well as the Group’s external financing conditions.

The Group estimates the reasonably certain term of its leases based on its past experience.

In the consolidated statement of financial position, the Group presents right-of-use assets on a separate line in non-current assets. Current and non-current lease liabilities are presented on two separate lines of the consolidated statement of financial position and are not included in consolidated debt.

I - Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36 “Impairment of Assets”, if events or changes in the market environment suggest that there is a risk of impairment, the Group’s property, plant and equipment and intangible assets are subject to a detailed review to determine whether their carrying amount is lower than their recoverable amount; this amount is defined as the higher of either their fair value less costs of disposals, or their value in use.

If the recoverable amount of the assets is lower than their carrying amounts, an impairment loss is recognized equivalent to the difference between these two amounts. Impairment losses relating to property, plant and equipment and intangible assets (excluding goodwill) with a finite useful life can be subsequently reversed if the recoverable amount becomes higher than the carrying amount (within the limit of the impairment loss originally recognized).

The recoverable amount of an asset is usually determined on the basis of its value in use. This corresponds to the value of the future economic benefits expected from their use and sale. It is calculated in particular by reference to the future discounted cash flows determined in line with economic forecasts and provisional operating conditions used by the Management of the Mersen group.

IAS 36 defines the discount rate to be used as the pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the asset. It is the rate of return that investors would require if they were to choose an investment whose amount, maturity and risks were equivalent to those of the relevant asset or Cash-Generating Unit (CGU).

J - Financial assets and liabilities

Measurement, recognition and presentation of financial assets and liabilities are defined in IFRS 9 “Financial Instruments”, IAS 32 “Financial Instruments: Presentation” and IFRS 7 “Financial Instruments: Disclosures”.

Financial assets include equity instruments at fair value through other items of comprehensive income, the fair value of hedging instruments derivatives held as assets, guarantee deposits paid, loans and receivables, contract assets and cash and cash equivalents at amortized cost.

Current and non-current financial assets measured at amortized cost are written down in line with the expected loss model set out in IFRS 9: impairment of trade receivables is calculated based on historical loss rates, adjusted prospectively for future events that factor in both individual credit risks and the economic outlook on the markets in question.

Financial liabilities include borrowings, other financing facilities and bank overdrafts, guarantee deposits received, contract liabilities and the fair value of hedging instruments-derivatives held as liabilities. Unless they have been hedged at fair value, borrowings and other financial liabilities are measured at the amortized cost calculated using the effective interest rate (EIR).

Equity interests

The equity interests of unconsolidated companies are non-current financial assets classified as "available for sale" and measured at their fair value.

For each investment, at initial recognition, the Group may make an irrevocable decision to present subsequent changes in the fair value of the investment in other comprehensive income.

The principal activity of the unconsolidated subsidiaries consists in the distribution of products manufactured by the consolidated companies.

Subsidiaries that are considered, individually or on an aggregate basis, to be immaterial, are not included in the consolidation scope.

K - Capital

Ordinary shares are classified as equity instruments. Incidental costs directly attributable to the issuance of ordinary shares or share options are recognized as a deduction from equity, net of tax.

Treasury shares are recorded at their acquisition cost as a reduction in equity. The proceeds of the sale of these securities are posted directly to equity and do not contribute to the income for the fiscal year.

L - Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized if at the end of the year the Group has an obligation to a third party that is likely or certain to result in an outflow of resources corresponding to future economic benefits in favor of this third party.

This obligation may be legal, regulatory or contractual. It may also result from the Group's practices or from public commitments that have created a legitimate expectation in the minds of the third parties concerned that the Group will assume certain responsibilities.

The estimate of the amount shown as provisions corresponds to the outflow of resources that the Group will probably have to cover in order to fulfill its obligation. If this amount cannot be reliably estimated, no provision is recognized; an explanation is then added to the notes to the financial statements.

Contingent liabilities correspond to potential obligations resulting from past events whose existence will only be confirmed by the occurrence of uncertain future events that are partly beyond the control of the company, or correspond to probable obligations for which the outflow of resources is not beyond its control. An explanation is then added to the notes to the financial statements.

In the case of restructuring, an obligation is created provided that the restructuring has been announced, or has commenced and is described in a detailed plan, before the closing date.

If the Company has a reliable timetable, liabilities are discounted if the effect of discounting is significant.

M - Inventories

Inventories are valued at cost price, or at its probable net resale value if the latter is lower.

The cost price is the acquisition cost or the production cost.

The production cost takes into account the normal level of activity of the production tool.

Indirect costs taken into account when valuing work in progress and finished products include only those relating to production.

Interest expenses are not capitalized.

N - Consolidated sales

Sales include sales of finished products and services relating to these products, sales of scrap, sales of goods purchased and invoiced shipping costs.

They are recognized in accordance with IFRS 15 "Revenue from Contracts with Customers", i.e. revenue is recognized once control over a good or service passes to a customer for the amount of consideration to which a seller expects to be entitled once performance obligations have been satisfied.

Given the nature of the products and the Group's general terms and conditions of sale, Group sales are usually recognized once the performance obligation has been satisfied, on the date the products leave the Group's warehouse, or at delivery if Mersen is responsible for transporting the products. The products are recognized as revenue once (i) inherent control over performance obligations has been transferred to the customer, (ii) the consideration is expected to be recovered, and (iii) related costs, the possibility that the goods will be returned and the amount of revenue can all be reliably measured.

For the Advanced Materials segment, income from service agreements and construction contracts is recognized in the statement of income based on the contract's state of progress at the reporting date. Revenue is recognized as and when the performance obligations are satisfied. Progress in satisfying the performance obligations is measured based on work completed.

Use of the Percentage of Completion method requires compliance with two qualifying conditions set out in IFRS 15, paragraph 35(C).

Consequently, the Group recognizes revenue over time, if these two criteria are met:

- the asset created by Mersen has no other use apart from that provided for in the contract; and
- the Group has an enforceable right to payment for performance completed to date.

Moreover, the Group presents the contract in the statement of financial position as a contract asset or a contract liability depending on the relationship between the entity's performance and the customer's payment:

- contract assets mainly comprise the Group's accrued entitlements to payments for work completed but not billed at the reporting date;
- contract liabilities mainly comprise prepayments received from customers.

Income from associated activities appear in the statement of income under headings of a similar nature (other income, financial income) or as a deduction from expenses of the same type (commercial, general, administrative, research).

O - Employee benefits

Post-employment benefits granted by the Group vary, depending on each subsidiary's legal obligations and policy on the matter. They include defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the Group's obligations are limited to the payment of regular contributions to external organizations that provide administrative and financial management of the plans. The charges recorded in connection with these plans correspond to the contributions paid during the reference period.

A defined benefit plan is any post-employment benefit plan other than a defined contribution plan. The Group's liability under defined benefit plans is evaluated separately for each plan by estimating the amount of future benefits acquired by the staff in exchange for services rendered during the current period and previous periods. When (i) beneficiaries of defined benefit plans are entitled to benefits when they reach a specified retirement age provided they still form part of the Group at that retirement age, and (ii) the amount of the retirement benefits to which the beneficiaries are entitled depends on the length of service before the retirement age and is capped at a specified number of consecutive years of service, the Group recognizes the related obligation based only on the years before the retirement age for which the beneficiaries' service gives rise to benefit entitlements. The amount of the defined benefit obligation is recognized in the statement of financial position at its present value. The fair value of plan assets is then deducted to determine the net liability (asset). The Group determines the net interest expense (income) on the net liabilities (assets) for the defined benefits for the period, by applying the discount rate used at the beginning of the fiscal year to evaluate the obligation under the net liabilities (assets).

The Group calculates the discount rate with the help of an independent expert, taking into account market practices.

The calculations are performed each year by a qualified actuary, using the projected unit credit method. If calculations of net liabilities result in an asset for the Group, the amount recognized in connection with this asset may not exceed the discounted value of any economic benefit available in the form of a future repayment by the plan or reductions in future contributions to the plan. All the minimum funding requirements that apply to the Group's plan are taken into account to calculate the current value of the economic benefits. An economic benefit is available for the Group if it is feasible during the lifetime of the plan, or on the settlement dates of the plan's liabilities.

Remeasurement of net liabilities (assets) relating to the defined benefits include actuarial differences, the return on the plan assets (other than the amounts taken into account in the calculation of the net interest on the net liabilities (assets) and the change in the impact of the asset ceiling (other than the amounts taken into account in the calculation of the net interest on the net liabilities (assets), if any). The Group recognizes them immediately as other items of comprehensive income and all the other expenses relating to defined benefit plans are recognized on the statement of income as employee benefit obligations.

If the plan benefits change, the impact associated with past services rendered by personnel is recognized immediately in the statement of income at the time of the change. If a plan is reduced, the profit or the loss resulting from the reduction is also recognized immediately on the statement of income on the date of the reduction.

The Group recognizes the profit or loss resulting from the liquidation of a defined benefit plan at the time of the liquidation. The profit or loss resulting from a liquidation is equal to the difference between the discounted value of the liquidated defined benefit liability, calculated on the liquidation date, and the consideration of the liquidation, including any plan assets transferred and any payment made directly by the Group in connection with the liquidation.

P - Non-recurring income and expense

Non-recurring income and expense correspond to expenses and income not arising during the normal course of the Company's business activities. This section is intended to recognize the impact of major events that may distort operating performance, and does not include any operating and recurring costs.

Non-recurring income and expense particularly include the following items:

- the proceeds of material and non-recurring sales: property, plant and equipment and intangible assets, equity interests, other financial fixed assets and other assets;
- impairment losses recognized on loans, goodwill, and assets;
- certain provisions;
- reorganization and restructuring expenses;
- costs relating to acquisitions as part of a business combination.

Q - Operating income

Operating income is shown before net finance expenses, taxes and non-controlling interests.

Operating subsidies are presented as a deduction from costs to which the subsidy relates.

R - Income tax

Income tax comprises current taxes and deferred taxes. It is recognized in profit and loss unless it relates to (i) a business combination or (ii) items recognized directly in equity or other comprehensive income

R1 - Current taxes

Current tax includes the estimated amount of tax payable (or receivable) in respect of the taxable profit (or loss) for a given year, adjusted for any tax carryforwards from prior years. Current tax payable (or receivable) is determined based on a best estimate of the amount of tax the Group expects to pay (or receive), as well as any related uncertainties. It is calculated on the basis of the tax rates that have been adopted or virtually adopted at year-end.

R2 - Deferred taxes

Accounting restatements or consolidation adjustments may affect the results of the consolidated companies. Timing differences shown in the statement of financial position between consolidated values and the tax values of the corresponding assets and liabilities give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group presents deferred taxes in the consolidated statement of financial position separately from other assets and liabilities. Deferred tax assets are recorded on the statement of financial position provided that it is more likely than not that they will be recovered in subsequent years. Deferred tax assets and liabilities are not discounted.

The following factors are taken into account when assessing the Group's ability to recover these assets:

- projections of future taxable income;
- taxable income in previous years.

Deferred tax assets and liabilities are measured using the liability method, i.e., using the tax rate expected to be applied to the fiscal year in which the asset will be realized or the liability settled, on the basis of the tax rates (and tax regulations) that have been adopted or largely adopted at year-end, taking into account future rate rises or cuts.

The measurement of deferred tax assets and liabilities reflects the tax consequences that depend on the extent to which the company expects, at year-end, to recover or settle the carrying value of these assets and liabilities.

S - Segment Reporting

IFRS 8 on segment information defines an operating segment as a component of an entity:

- that operates businesses from which it is likely to derive income from ordinary activities, and incur costs;
- whose operating income is reviewed regularly by the entity's chief operating decision maker with a view to taking decisions concerning the resources to be allocated to the segment and to assess its performance; and
- for which separate financial information is available.

The internal report made available to the chief operating decision maker, the Executive Committee, and the Board of Directors, corresponds to the managerial structure of the Mersen group, which is based on segmentation by type of business, as follows:

- **Advanced Materials** segment, which includes the Group's three businesses related to carbon materials: graphite specialties for high temperature applications (Graphite Specialties), anti-corrosion equipment (Anticorrosion Equipment), mainly used in the chemicals sector, and power transfer technologies (Power Transfer Technologies).
- **Electrical Power segment**, which includes the Group's two businesses related to the electrical market, namely Solutions for Power Management and electrical protection and control (primarily fuses, industrial fuse holders, and surge protection solutions) (Electrical Protection & Control).

In application of IFRS 8, the Group therefore identifies and presents its operating segments based on the information forwarded internally to the Executive Committee and the Board of Directors.

T - Earnings per share

Basic and diluted earnings per share are presented based on total net income and net income from continuing operations.

Basic earnings per share are calculated by dividing net income for the year attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year.

To calculate diluted earnings per share, net profit attributable to ordinary shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

U - Equity-linked benefits granted to employees

In accordance with IFRS 2 "Share-based Payment", the fair value of share purchase and stock options reserved for employees involving the Group's shares is measured at the grant date.

The value of share purchase and stock options depends in particular on the exercise price, the probability of fulfilling the conditions for the exercise of the option, the lifetime of the option, the current price of the underlying shares, the expected volatility of the share price, the expected dividends and the risk-free interest rate over the life of the option. This value is recorded under staff expenses on a straight-line basis over the vesting period, with a corresponding adjustment to equity for share-settled and debt-settled plans vis-à-vis the personnel for cash-settled plans.

V - Use of estimates

For the preparation of the consolidated financial statements, the calculation of certain figures shown in the financial statements requires that assumptions, estimates or appraisals be used, in particular when calculating provisions and performing impairment tests. These assumptions, estimates or appraisals are carried out on the basis of the information available or existing situations at the reporting date. These estimates and assumptions are made on the basis of past experience and various other factors. The current highly volatile economic and financial environment makes it difficult to accurately assess business prospects. The actual amounts may subsequently turn out to be different from the estimates and assumptions used.

The actual occurrence of certain events after the reporting date may subsequently differ from the assumptions, estimates and appraisals used in this context.

Use of management estimates in the application of the Group's accounting standards

Mersen may be required to make estimates and to rely on assumptions that affect the carrying amount of assets and liabilities, income and expenses, and also information relating to unrealized assets and liabilities. Future earnings may differ significantly from these estimates.

The underlying estimates and assumptions are determined based on past experience and other factors considered to be reasonable in the circumstances. They thus serve as a basis for the exercise of the judgment required to determine the carrying amounts of assets and liabilities that cannot be obtained directly from other sources. Actual amounts may differ from the estimated values.

The underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized during the period of the change, if this affects this period only, or during the period of the change and future periods if these are also affected by the change.

Notes 2-F1, 2-I and 7 relate to impairment testing of goodwill and other fixed assets. The Group's Management has conducted the tests on the basis of best expectations for future valuations of the businesses of the units concerned, taking into account the discount rate.

Notes 13 and 14 relating to provisions and employee benefit obligations describe the provisions introduced by Mersen. In calculating these provisions, the Group took into account the best estimate of these obligations.

Note 23 relating to the tax burden summarizes the Group's tax situation and is based, especially in France and Germany, on the best estimate that the Group has for future changes in taxable income.

All of these estimates are based on an organized process for gathering projections of future flows, with validation by the operational managers, as well as market data projections based on external indicators, used in accordance with consistent, documented methodologies.

W - New standards applied

Agenda Decision of the IFRS Interpretations Committee – Attributing Benefits to Periods of Service

In its decision published in May 2021, the IFRS Interpretations Committee (IFRS IC) concluded that retirement benefits under defined benefit plans should be attributed only to the years prior to retirement for which the employee's service gives rise to benefit entitlements. This decision calls into question the principles applied by the Group for plans that have the same characteristics as the defined benefit plan considered by the IFRS IC, i.e., plans for which: (i) the amount of the benefit is capped at a certain number of years of service and (ii) the beneficiary is only entitled to the benefit if they still form part of the Group at their retirement date. In collaboration with its actuaries, the Group identified that this concerns all of its French statutory retirement bonus plans as well as the Mersen SA supplementary pension plan.

Given the low materiality of the Agenda Decision's impacts on the consolidated financial statements, the Group has not restated its comparative financial statements, and the cumulative effects of applying this Agenda Decision at end-2020 were recognized in opening reserves for 2021. The corresponding impact – presented under "Other" in the statement of changes in equity – amounted to €1.9 million net of tax (€2.6 million before tax). In 2021, the application of the Agenda Decision resulted in an additional service cost of approximately €0.2 million, which was recognized in operating expenses.

IFRS IC decision on SaaS arrangements (IAS 38)

In April 2021, the IFRS IC published a decision on how to account for costs of configuring or customizing application software in a Software as a Service (SaaS) arrangement, specifying that costs are recognized as an expense when the services are received. The Group has not identified any material impact relating to the application of this decision.

Several other new standards and interpretations came into effect as from January 1, 2021 but did not have a material impact on the Group's financial statements.

X - New standards, amendments and interpretations published but not yet effective

Certain new standards, amendments and interpretations will be effective for annual reporting periods beginning after January 1, 2021. Despite being available for early adoption, the new standards, amendments and interpretations were not applied by the Group in preparing its consolidated financial statements.

They are not expected to have a material impact on those consolidated financial statements.

Note 3 Financial Risk Management

The Group is exposed to the following risks related to using financial instruments:

- Liquidity risk;
- Interest rate risk;
- Commodity risk;
- Currency risk;
- Credit risk.

This note provides information regarding the Group's exposure to each of the above risks, its objectives, its policy and its procedures for evaluating and managing risks.

Quantitative information is provided in other sections in the consolidated financial statements.

Information on capital management is presented in Note 12.

Liquidity risk

Mersen has confirmed credit lines and borrowing facilities totaling €472 million, of which 53% had been drawn down at December 31, 2021. Based on the amounts drawn down, the average maturity of these credit lines or borrowing facilities is just under six years.

Mersen has the following principal financing agreements:

- A multi-currency syndicated bank loan, set up in July 2012 and amended in 2014, 2017 and 2021. The amount of this facility is €200 million, repayable in full in July 2024 following the exercise of extension options in 2018 and 2019. The interest payable is at a variable rate, plus a credit margin.
- Bilateral bank loans arranged at the end of 2019 amounting to an aggregate RMB 170 million, of which RMB 120 million matures in 2024 and RMB 50 million matures in 2025 following the exercise of an extension option in 2021. These loans are intended to finance the Mersen group's operations in China.
- A €130 million German private placement ("Schuldschein") arranged in April 2019 with a pool of European and Asian investors, repayable in full at maturity after seven years. Investors receive fixed-rate interest on a nominal amount of €68 million and variable-rate interest at Euribor plus a credit margin on a nominal amount of €62 million.
- A private placement ("USPP") signed in May 2021 with a pool of North American investors, comprising one tranche of USD 60 million, maturing in 2031, and one tranche of €30 million, maturing in 2028, both of which are redeemable at maturity. The funds became available in October 2021 and were used to redeem the Group's previous USD 50 million USPP that matured in November 2021, as well as to redeem in advance of term part of its €60 million German private placement originally maturing in 2023. The holders of the notes issued under the USPP receive interest at a fixed rate.

In addition, as part of its policy to diversify its sources of financing, in March 2016 and May 2020, respectively, Mersen launched an NEU CP program and an NEU MTN program, amounting to a maximum of €200 million each. None of the NEU CP program had been used at December 31, 2021. The commercial paper that may be issued under this program has a maturity of less than one year and at its maturity date may be replaced by drawdowns on the Group Syndicated Loan. At the same date, the Group had used €35 million of the NEU MTN program, with maturities in 2022, 2025 and 2028.

Maturity schedule of confirmed credit lines and borrowings

(In millions of euros)	Amount	Drawdown at Dec. 31, 2021	Utilization rate Dec. 31, 2021	Maturity		
				Less than 1 year	From 1 to 5 years	More than 5 years
Group syndicated loan	200.0	0.0	0%	0.0	200.0	0.0
NEU MTN	35.0	35.0	100%	5.0	20.0	10.0
Confirmed credit lines - China	23.6	0.0	0%	0.0	23.6	0.0
German private placements	130.0	130.0	100%	0.0	130.0	0.0
US private placement	83.0	83.0	100%	0.0	0	83.0
Other	0.4	0.4	100%	0.3	0.1	0.0
TOTAL	**472.0**	**248.4**	**53%**			
AVERAGE MATURITY (YEAR)	**4.5**(1)	**5.9**(2)				

(1) Maturity calculated on the basis of authorized amounts
(2) Maturity calculated on the basis of drawdown amounts

Breakdown by maturity of cash flows on drawdowns of confirmed credit facilities and borrowings

(In millions of euros) DRAWDOWNS	Drawdown at Dec. 31, 2021	Expected cash flows	Maturity 1-6 months	6-12 months	More than 1 year
Group syndicated loan	0.0	0.0	0.0	0.0	0.0
NEU MTN	35.0	36.9	0.1	5.3	31.5
Confirmed credit lines - China	0.0	0.0	0.0	0.0	0.0
German private placements	130.0	138.5	0.9	0.9	136.6
US private placement	83.0	103.2	1.1	1.1	101.1
Other	0.4	0.4	0.2	0.2	0.0
TOTAL	**248.4**	**279.0**	**2.3**	**7.5**	**269.3**

Interest rate risk

The interest rate risk management policy is approved by the CEO of the Group on the basis of recommendations made by Mersen's Finance Department. It consists of establishing positions from time to time taking into account variations in interest rates.

When it was acquired by Mersen, Scotland Holytown had an interest rate swap with a nominal amount of GBP 4 million that was arranged on January 15, 2008 to convert the interest on part of its confirmed medium-term debt into a fixed rate. Under this swap, the Company receives interest due to the lender and pays 5.38%. The repayment and duration profile of the swap match those of the debt. At December 31, 2021, the nominal amount stood at GBP 0.4 million.

The US private placement set up in 2021 is at a fixed rate, with a coupon of 3.32% on the US dollar tranche and 1.27% on the euro tranche.

The 2019 German private placement includes a €68 million fixed-interest tranche paying a coupon of 1.582%.

In March 2017 the Company set up an interest rate cap with a nominal value of €25 million in order to hedge part of its confirmed debt against an increase in the Euribor of over 1%.

(In millions of euros)	Amount	Interest rate received	Interest rate paid	Maturity Less than 1 year	From 1 to 5 years	More than 5 years
GBP swap	0.4	1-month Libor	5.38%	0.3	0.1	0

(In millions of euros) SWAP	MTM [(a)]	Expected cash flows	Maturity Less than 1 year	From 1 to 5 years	More than 5 years
Assets	0.003	0.003	0.0	0.003	0.0
Equity and liabilities	(0.01)	(0.01)	(0.01)	0.0	0.0

(a) Mark-to-market = evaluated at market price.

(In millions of euros)	Amount	Variable rate	Rate for the year	MTM
Cap (EUR)	**25**	**6-month Euribor**	**1%**	**0.003**

Sensitivity analysis of the fair value of fixed-income instruments

The Group does not record any fixed-income financial assets or liabilities at fair value through the statement of income or designate any derivatives (interest rate swaps) as fair value hedges. Accordingly, a change in interest rates at the reporting date would not have any impact on the statement of income.

A change of 50 basis points in the interest rate would have triggered a change in other comprehensive income of €0.001 million (in 2020: €0.003 million).

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for a significant volume of purchases (in total, around €43 million) for the Mersen group. Different hedging techniques may be used, such as index-linking of purchase prices, index-linking of selling prices and, for hedgeable amounts, centralized bank hedging.

The commodity price risk management policy is validated by the Group's Executive Committee on the basis of recommendations by Mersen's Finance and Purchasing departments, and consists of establishing positions in the form of forward purchasing contracts or zero premium collars.

At end-2021, a portion of the copper and silver tonnage provided for in the 2022 budget had been hedged.

An increase or decrease in the price of copper and silver, with relation to closing prices at December 31, 2021 as indicated below, would have resulted in an increase/(decrease) in other comprehensive income and operating income by the amounts indicated below as a result of the commodity hedges.

	Copper		Silver	
Impact *(in millions of euros)* **At December 31, 2021**	Other comprehensive income	Gains or losses recognized in operating income	Other comprehensive income	Gains or losses recognized in operating income
Increase of 5%	0.6	0.0	0.3	0.0
Decrease of 5%	(0.7)	0.0	(0.3)	0.0

Recognition at year-end 2021 of commodity hedges

MTM[a] *(stated in millions of euros)*	Impact on 2021 other comprehensive income	Impact on 2021 income
MTM of copper and silver hedges	1.0	0.0

(a) Mark-to-market = evaluated at market price.

Other metals, primarily steel and reactive metals, are essentially used on the Chemical market. They are used for specific customer requirements and their cost is generally reflected in the commercial offer. As a result, changes in prices have a limited impact on the Group's gross margin.

Prices of petroleum-derived products, especially petroleum coke and pitch, which are raw materials used in the manufacture of graphite, have little correlation with oil prices. Energy, primarily electricity and gas, is purchased at fixed rates based on forecasted annual or multi-annual volumes depending on regions.

Changes in energy prices and petroleum derivatives have had little impact on the Group's margins overall, as they are partially or fully offset by reformulation programs.

Currency risk

Fluctuations in the principal currencies used by the Group

	JPY	USD	KRW	GBP	RMB
Average exchange rate from Jan. 1, 2020 to Dec. 31, 2020[a]	121.78	1.1413	1345.11	0.88921	7.8708
Closing exchange rate at Dec. 31, 2020[b]	126.49	1.2271	1336.00	0.89903	8.0225
Average exchange rate from Jan. 1, 2021 to Dec. 31, 2021[a]	129.86	1.1835	1353.95	0.86000	7.6340
Closing exchange rate at Dec. 31, 2021[b]	130.38	1.1326	1346.38	0.84028	7.1947

(a) Exchange rate used to convert the cash flow statement and statement of income.
(b) Exchange rate used to translate the statement of financial position.

The currency risk management policy is validated by the Group's Executive Committee on the basis of proposals made by the Finance Department. It consists of contracting forward exchange rate hedges with leading banks on the basis of a complete inventory of inter- company and non-Group risks.

In its commercial activities, barring exceptional circumstances, Group policy is to hedge currency risks when an order is taken or to hedge a large portion of the annual budget. The primary currency risk concerns intra-Group flows.

In the area of borrowings, Group policy is contract loans in local currencies, except for special cases. Borrowings in foreign currencies arranged by the parent company match loans made in euros subject to hedges (foreign exchange swaps) transforming them into loans in the currencies of the subsidiaries concerned.

For consolidation purposes, the statement of income and cash flow statements of foreign subsidiaries are translated into euros at the average exchange rate for the relevant period, while statement of financial position items are translated at the rate prevailing at the end of each reporting period. The impact of this currency translation can be significant. The principal impact concerns the effect of rate changes of the US dollar on the Group's equity and debt.

The Group's operating income before non-recurring items is exposed to exchange rate variations primarily through the translation of earnings recorded by companies whose currency is not the euro. The primary exposure is with the US dollar. A 10% decline in the value of the USD compared with the average confirmed rate of January through December 2021 would have had a translation impact of a negative €3.6 million on the Group's current operating income. Conversely, this 10% decline in the value of the US dollar compared with the closing exchange rate for 2021 would have had a translation impact of a negative €6.9 million on the Group's net debt at December 31, 2021.

Apart from these special cases, hedges are centralized at the level of the parent company. They are carried out under strictly defined procedures. Hedges are valued as described below.

EUR / Foreign currency risk

Risks *(stated in millions of euros)*[a]	JPY	USD	KRW	GBP	RMB
Sale of foreign currencies	10.7	17.4	3.6	11.9	10.2
Purchase of foreign currencies	(2.8)	(25.3)	(0.3)	(8.9)	(4.7)
Potential risks for 2022	7.9	(7.8)	3.3	3.0	5.5
Hedges outstanding at December 31, 2021	(6.2)	6.8	(1.1)	(2.4)	(3.6)
Net position	1.7	(1.1)	2.3	0.6	1.9
Impact in euros of a 5% fall in the euro[b]	0.09	(0.06)	0.12	0.03	0.10

(a) Excluding any anticorrosion equipment segment, which is hedged when an order is placed.
(b) Sensitivity calculated on the basis of currency exchange rates at December 31, 2021.

USD / Foreign currency risks

Risks *(stated in millions of US dollars)*[a]	JPY	KRW	GBP	RMB	CAD
Sale of foreign currencies	6.3	11.3	3.2	28.7	14.9
Purchases of foreign currencies	0.0	(4.3)	(18.4)	(32.9)	(16.7)
Potential risks for 2022	6.3	7.0	(15.2)	(4.2)	(1.8)
Hedges outstanding at December 31, 2021	(4.8)	(3.8)	13.2	3.8	1.8
Net position	1.5	3.2	(2.0)	(0.4)	0.0
Impact in USD of a 5% fall in the USD[b]	0.08	0.17	(0.11)	(0.02)	0.00

(a) Excluding any anticorrosion equipment segment, which is hedged when an order is placed.
(b) Sensitivity calculated on the basis of currency exchange rates at December 31, 2021.

Recognition at year-end 2021 of currency transactions

MTM[a] *(stated in millions of euros)*		Dec. 31, 2021
Mark-to-market of currency hedges value	Other comprehensive income	0.2
	Other financial items of operating income	(0.2)

(a) Mark-to-market = evaluated at market price.

An increase or decrease in the value of the euro, with relation to closing exchange rates of the USD, JPY and RMB at December 31, 2021 as indicated below, would have resulted in an increase (decrease) of other items of comprehensive income and operating income by the amounts indicated below as a result of the currency hedges.

	Increase in the euro against foreign currencies		Decrease in the euro against foreign currencies	
Impact at December 31, 2021 *(in millions of euros)*	Other items of comprehensive income	Gains or losses recognized in operating income*	Other items of comprehensive income	Gains or losses recognized in operating income*
USD (change of 5%)	0.88	0.36	(0.98)	(0.40)
JPY (change of 5%)	0.03	0.01	(0.03)	(0.01)
RMB (change of 5%)	0.28	0.11	(0.28)	(0.11)

** Excluding inverse impacts related to the revaluation of underlying items recorded in the statement of financial position.*

This analysis is carried on the basis of changes in exchange rates that the Group deems reasonably possible at the reporting date. For the purposes of this analysis, all other variables, especially interest rates, are assumed to have remained constant and the effect of forecasted sales and purchasing has been ignored.

Sensitivities relating to other currency pairs were not mentioned due to their immaterial impacts.

Future impact on income of currency transactions recorded at end December 2021

(Stated in millions of euros) CURRENCY	Mark-to-market of currency derivatives in other comprehensive income	Impact on income	
		Under six months	Over six months
Assets	0.8	0.3	0.5
Equity and liabilities	(0.6)	(0.1)	(0.5)

Future cash flows on currency transactions recognized at December 31, 2021

CURRENCY *(In millions of euros)*	MTM	Expected cash flows
Assets	1.3	1.3
Equity and liabilities	(1.3)	(1.3)

Currency hedges are adjusted as a function of underlying assets and there is therefore no timing difference between maturities.

Credit risk

The Group set up an insurance program in 2003 with commercial credit insurer Coface covering its principal companies in the United States and Europe against the risk of non-payment for financial or political reasons. Coverage may vary, by customer, between 0 and 95% of invoiced amounts. This program – which has subsequently been extended to China and then South Korea – does not however cover 100% of risk because the insurer excludes certain risks from the coverage.

During 2020 and 2021, the Group continued its assignment of receivables programs regarding several French subsidiaries, which gave rise to assigned receivables amounting to €11.0 million at December 31, 2021 compared with €11.8 million at December 31, 2020. Delegation riders to contracts covering French company assigned receivables were signed with the factoring agent.

The guarantee deposit relating to assigned receivables programs amounts to €0.6 million (derecognized assets with continuous application).

Note 4 Business combinations recognized in 2021

In 2021, Mersen acquired full control of Fusetech – a company based in Kaposvar in Hungary – by buying out the stake held by the Hager group.

This operation enables Mersen to strengthen its manufacturing efficiency on Europe's electric fuse market, and to integrate a high-performance site for the manufacture of some of its future product ranges in accordance with European standards (IEC).

Fusetech had been a 50:50 joint venture between Mersen and Hager since 2007. Its plant produces cost-competitive industrial fuses for the European market. The company currently has some 300 employees who work at a 6,000 sq.m site. In 2020, Fusetech generated external sales of approximately €7 million.

In 2021, following its consolidation on January 1, Fusetech contributed €7.9 million to the Group's sales and €0.3 million to net income. The acquisition premium on Fusetech amounted to €1.9 million and has been fully allocated to the "Goodwill" line in the consolidated statement of financial position.

In millions of euros	Acquisition date net assets	Fair value adjustments	Purchase price allocation	Fair value of net assets
Non-current assets	1.9	0.9	0.0	2.8
Current assets	5.1	0.0	0.0	5.1
Non-current liabilities	0.0	(0.9)	0.0	(0.9)
Current liabilities	(1.0)	0.0	0.0	(1.0)
Net assets	**6.0**	**0.0**	**0.0**	**6.0**
Goodwill				**1.9**
Non-controlling interests				0.0
Consideration transferred				**7.9**

In 2021, the Group also adjusted GAB Neumann goodwill by €0.2 million as part of the acquisition that took place in 2020.

Note 5 Assets held for sale and discontinued operations

Assets held for sale and discontinued operations recognized in prior periods had no material impact on the 2021 financial statements.

Note 6 Goodwill

In millions of euros	2021	2020
Carrying amount at start of period	256.8	280.6
Acquisitions	2.1	5.1
Impairment		(17.0)
Translation adjustments	10.6	(11.9)
Carrying amount at end of period	**269.5**	**256.8**
Gross value at end of period	296.5	283.8
Total impairment losses at end of period	(27.0)	(27.0)

Breakdown by cash-generating unit is given in the table below:

	Dec. 31, 2020	Movements during 2021			Dec. 31, 2021
In millions of euros	Carrying amount	Acquisitions	Cumulative translation adjustments	Other	Carrying amount
Anticorrosion Equipment	37.9	0.2	2.4		40.5
Graphite Specialties	94.3		2.1		96.4
Power Transfer Technologies	11.8		0.4		12.2
Electrical Protection & Control	70.5	1.9	3.6		76.0
Solutions for Power Management	42.3		2.2		44.5
TOTAL	**256.8**	**2.1**	**10.6**	**0.0**	**269.5**

The figures in the “Acquisitions” column concern the goodwill related to Fusetech in the EPC CGU and an adjustment to the goodwill recognized on the GAB Neumann acquisition in the ACE CGU.

There was no goodwill pending allocation at December 31, 2021.

Note 7 Asset impairment tests

Some of the Group's activities, particularly in the Advanced Materials segment, require significant quantities of plant and equipment, especially in order to anticipate demand in markets with high growth prospects. These assets lead to high levels of fixed costs in the Group's overall production cost base. They can also sometimes require long periods to be received and put into production and it is possible for the economic environment to deteriorate during those periods.

The Group is exposed to the risk of overestimating growth in some markets and/or of changes in the economic environment, which could lead to an insufficient utilization rate for the plant and equipment of the activities concerned and erode operating margin. A lasting erosion of operating margin would negatively impact the asset impairment tests.

1. Goodwill

Impairment tests for each of the cash-generating units were carried out at the close of 2021.

In application of IAS 36, the tests were carried out on the basis of the value in use determined by applying the discounted cash flow method. The main assumptions used were as follows:

- Five-year cash flows based on the 2022 budget and projections for the four following years approved by the Board of Directors;
- The average weighted cost of capital used in discounting future cash flows include Mersen's beta as calculated by analysts and that of the risk-free rate on ten-year French government bonds. In view of these parameters, of a market risk premium and a size-specific premium, the average cost of capital after tax used as a rate for discounting future flows was set at 7%, compared with 6.8% in 2020. As the risks are reflected in the cash flows for each business, a unique discount rate was set for all of the CGUs. There are no substantive grounds for applying a different discount rate per CGU;
- The perpetual growth rates applied were 2% for the Power Transfer Technologies and Electrical Protection & Control CGUs, 2.5% for the Anticorrosion Equipment and Solutions for Power Management CGUs, and 3% for the Graphite Specialties CGU. The perpetual growth rates applied for each CGU are based on the developments in their businesses in their various markets;
- The standard tax rate used was 25%.

The impairment tests performed in 2020 resulted in the recognition at December 31, 2020 of a €17 million impairment loss for the Anticorrosion Equipment CGU due to the significant impact of the health crisis on customers' capital expenditure projects in the chemicals sector with little chance of the situation improving before 2023. The tests completed at end-2021 concluded that no impairment loss existed in any of the CGUs.

Sensitivity analysis

The sensitivity of the impairment tests was verified based on the following changes in the three main assumptions:

- A 1-point increase in the discount rate;
- A 1-point decrease in the perpetuity growth rate;
- A 1-point decrease in operating profitability in the terminal year.

The decrease in values in use following these changes in assumptions does not call into question the reported amounts of net assets, except in the case of the Anticorrosion Equipment CGU, whose value in use is less than its net carrying amount for the three sensitivity scenarios considered.

A calculation of sensitivity to the discount rate was conducted such that the recoverable amount was equal to the carrying amount. Discount rates obtained are as follows:

- 15.4% for the Power Transfer Technologies CGU;
- 9.6% for the Solutions for Power Management CGU;
- 12.6% for the Electrical Protection & Control CGU;
- 12.0% for the Graphite Specialties CGU;
- 7.3% for Anticorrosion Equipment CGU.

Goodwill will be tested for impairment again at the 2022 year-end.

2. Impairment of specific assets

The Group reviewed the recoverable amount of its non-current assets and did not record any provisions for impairment for the period.

Note 8 Property, plant and equipment and intangible assets

In millions of euros	Intangible assets	Land	Buildings	Machinery, equipment and other assets	Assets in progress	Right-of-use assets	Total property, plant and equipment	TOTAL
Carrying amount at January 1, 2020	**34.2**	**32.3**	**78.8**	**196.0**	**31.3**	**50.2**	**388.6**	**422.8**
Acquisitions	5.2	0.0	4.3	19.5	34.6	12.1	70.5	75.7
Decommissioning, disposals and impairment	(0.2)	0.0	(0.1)	(8.8)	0.0	(0.9)	(9.8)	(10.0)
Depreciation and amortization	(4.0)	(0.1)	(5.3)	(33.0)		(11.9)	(50.3)	(54.3)
Translation adjustments	(0.7)	(0.9)	(3.7)	(9.2)	(2.6)	(2.8)	(19.2)	(19.9)
Changes in scope of consolidation	1.0			2.9	0.2		3.1	4.1
Assets held for sale and discontinued operations							0.0	0.0
Other movements (incl. equipment commissioning)	(0.9)	0.8	1.9	19.3	(20.8)	(0.5)	0.7	(0.2)
Carrying amount at December 31, 2020	**34.6**	**32.1**	**75.9**	**186.7**	**42.7**	**46.2**	**383.6**	**418.2**
Gross value at Dec. 31, 2020	102.1	35.0	170.7	747.7	45.0	70.1	1,068.5	1,170.6
Total depreciation and amortization at Dec. 31, 2020	(55.3)	(1.7)	(94.8)	(537.4)	0.0	(23.0)	(656.9)	(712.2)
Total impairment losses at Dec. 31, 2020	(12.2)	(1.2)	0.0	(23.6)	(2.3)	(0.9)	(28.0)	(40.2)
Carrying amount at January 1, 2021	**34.6**	**32.1**	**75.9**	**186.7**	**42.7**	**46.2**	**383.6**	**418.2**
Acquisitions	5.5	0.0	3.7	16.4	67.1	14.0	101.1	106.7
Decommissioning, disposals and impairment	(0.1)	(0.1)	(0.2)	0.4	0.0		0.1	0.0
Depreciation and amortization	(4.0)	(0.0)	(5.6)	(34.8)		(11.7)	(52.1)	(56.2)
Translation adjustments	0.6	0.7	4.5	12.0	4.0	2.3	23.4	24.0
Changes in scope of consolidation	0.0	0.0	0.4	1.0	0.5	0.9	2.8	2.8
Assets held for sale and discontinued operations							0.0	0.0
Other movements (incl. equipment commissioning)	2.1	0.5	5.2	26.6	(35.1)	0.0	(2.8)	(0.7)
Carrying amount at December 31, 2021	**38.8**	**33.2**	**83.8**	**208.2**	**79.2**	**51.6**	**456.0**	**494.8**
Gross value at Dec. 31, 2021	**110.4**	**36.2**	**184.5**	**802.6**	**81.5**	**87.3**	**1,192.0**	**1,302.3**
Total depreciation and amortization at Dec. 31, 2021	**(59.3)**	**(1.7)**	**(100.4)**	**(572.2)**	**0.0**	**(34.7)**	**(709.0)**	**(768.4)**
Total impairment losses at Dec. 31, 2021	**(12.3)**	**(1.3)**	**(0.2)**	**(22.2)**	**(2.3)**	**(0.9)**	**(26.9)**	**(39.2)**

The main contributor to the year-on-year change in assets in progress was Mersen USA GSTN Corp. (acquisitions and commissioning of fixed assets in connection with the start-up of the Columbia plant).

Research costs are expensed as incurred. Regarding development costs, an intangible asset resulting from development or from the development phase of an internal project, is recognized if, and only if, the Group can demonstrate that these developments satisfy the criteria of the standard.

At December 31, 2021, capitalized development costs for the period mainly related to the digitalization and IT upgrade plan.

Note 9 Equity interests

At year-end, investments in unconsolidated companies held by consolidated companies represented:

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Gross value	7.5	9.8
Fair value adjustment in other comprehensive income	(5.5)	(6.3)
TOTAL	**2.0**	**3.5**

The principal investments are the following:

In millions of euros **Company name**	% held	Gross value	Fair value of investments
Mersen Argentina	98%	4.3	0.1
Caly Technologies	49%	1.0	0.0
Mersen Chile Ltd	100%	0.6	0.2
Other investments		1.6	1.7
TOTAL		**7.5**	**2.0**

Note 10 Inventories

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Raw materials and other supplies	106.9	92.4
Work in progress	69.0	53.0
Finished products	66.0	56.5
Carrying amount of inventories	**241.9**	**201.9**
Impairment losses	(23.8)	(20.8)
CARRYING AMOUNT OF INVENTORIES	**218.2**	**181.1**

Net inventories were €37.1 million higher at December 31, 2021 than one year earlier, including a €3.1 million positive impact from changes in the scope of consolidation and a €9.3 million favorable currency effect. On a like-for-like basis (same scope of consolidation and constant exchange rates), the year-on-year increase was €24.7 million (or 13.6%).

Note 11 Trade receivables

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Gross trade receivables	150.2	133.3
Impairment losses	(6.6)	(5.1)
Contract assets	6.2	6.9
Net trade receivables	**149.8**	**135.1**

Net trade receivables rose by €14.7 million in 2021, of which €5.9 million was due to a positive currency effect and €1.6 million to newly consolidated companies. On a like-for-like basis, the year-on-year increase was €7.2 million (or 5.4%).

A factoring contract was established in 2009 that concerns the assignment of trade receivables of our main French subsidiaries.

This contract (see Note 3) anticipates a maximum amount of €20.0 million. At December 31, 2021 usage amounted to €11.0 million, compared with €11.8 million at end 2020.

At end-2021, late payments including for factored receivables represented 12.8% of trade receivables before advance payments, versus 14.8% at end-2020.

Payments more than 15 days past due represented approximately 2.8%.

Overdue trade receivables broke down as follows at December 31:

In millions of euros	Dec. 31, 2021		Dec. 31, 2020	
	Gross	Impairment	Gross	Impairment
Receivables not yet due	129.6	(2.4)	111.8	(1.5)
Receivables 0 to 30 days past due	11.5	(0.6)	10.5	(0.1)
Receivables 31 to 120 days past due	4.4	(0.8)	6.3	(0.5)
Receivables 121 days to 1 year past due	3.0	(1.2)	2.5	(0.8)
Receivables more than 1 year past due	1.7	(1.6)	2.2	(2.2)
NET TRADE RECEIVABLES	**150.2**	**(6.6)**	**133.3**	**(5.1)**

Movements related to impairment of trade receivables are as follows:

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Impairment losses at January 1	(5.1)	(4.7)
Allowance/reversal during the fiscal year	(1.6)	(0.4)
IMPAIRMENT LOSSES AT DECEMBER 31	**(6.6)**	**(5.1)**

Provisions for receivables are based on expected losses.

Note 12 Equity

Number of shares (unless stated otherwise)	Ordinary shares
Number of shares at January 1, 2021	20,864,064
Capital increase/reduction *(in millions of euros)*	(0.1)
Number of shares at December 31, 2021	20,821,207
Number of shares in issue and fully paid-up during the period	67,037
Number of treasury shares canceled	109,894
Number of shares in issue and not fully paid-up	
Par value of shares *(€)*	2
Mersen shares held by the Company or by its subsidiaries and associates	33,954

At December 31, 2021, the Company's share capital stood at €41,642,414, divided into 20,821,207 shares, comprising 20,820,470 category A shares (ordinary shares) and 737 category E shares (preference shares), each with a par value of €2.

The theoretical number of voting rights at that date, i.e., excluding treasury shares which do not carry voting rights, was 23,435,363. Since April 3, 2016, a double voting right has been attached to all shares that meet both of the following conditions: (i) they have been held in registered form for at least two years and (ii) they are fully paid up.

To the best of the Company's knowledge, its ownership structure at December 31, 2021 was as follows:

- French institutional investors: 43.3%
- International institutional investors: 42.6%
- Private shareholders: 12.4%
- Employee shareholders: 1.6%
- Treasury shares: 0.1%

Share ownership thresholds crossed

In 2021, shareholders disclosed the following threshold crossings:

ACF I Investissement (Ardian)

- Between January 12 and January 21, 2021: ACF I Investissement (Ardian) disclosed that it had fallen below the threshold on four occasions. On January 21, it disclosed that it held 409,899 shares, i.e., 1.97% of the share capital and 1.75% of the voting rights.
- February 5: ACF I Investissement disclosed that it had sold all of the shares that it held in Mersen.

BlackRock

- Between January 5 and February 15, 2021: BlackRock disclosed that it had exceeded or fallen below the threshold of 2% of the share capital on 17 occasions. On March 22, it disclosed that it held 451,312 shares, i.e., 2.16% of the share capital and 1.93% of the voting rights.
- Between July 2 and August 30: BlackRock disclosed that it had exceeded or fallen below the threshold of 2% of the share capital on 14 occasions. On August 30, it disclosed that it held 417,882 shares, i.e., 2.01% of the share capital and 1.78% of the voting rights.

Caisse des Dépôts et Consignations including Bpifrance Participations

- January 13: Caisse des Dépôts et Consignations Group disclosed that it had passively exceeded the threshold of 23% of the voting rights and that it held – directly and indirectly (through CDC Croissance and Bpifrance Participations – 3,262,907 shares, i.e., 15.64% of the share capital and 23.50% of the voting rights.

Dorval

- July 13: Dorval disclosed that:
  - January 12: it had exceeded the threshold of 1% of the share capital set in the Articles of Association and held 1.03% of the share capital;
  - May 20: it had fallen below the threshold of 1% of the share capital set in the Articles of Association and held 0.96% of the share capital;
  - July 13: it held 0.84% of the share capital and 0.75% of the voting rights.

Fonds de Réserve pour les Retraites (FRR)

- February 9: Fonds de Réserve pour les Retraites (FRR) disclosed that it had exceeded the threshold of 1% of the voting rights set in the Articles of Association and held 269,657 shares, i.e., 1.29% of the share capital and 1.15% of the voting rights.

Janus Henderson

- November 17: Henderson disclosed that it had fallen below the threshold of 5% of the share capital set in the Articles of Association and held 1,033,627 shares, i.e., 4.96% of the share capital and 4.41% of the voting rights.

Norges

- March 23: Norges disclosed that it had fallen below the threshold of 4% of the share capital set in the Articles of Association and held 832,988 shares, i.e., 3.99% of the share capital.

Sycomore

- February 11: Sycomore disclosed that it had exceeded the threshold of 3% of the share capital set in the Articles of Association and held 629,830 shares, i.e., 3.02% of the share capital and 2.69% of the voting rights.
- June 18: Sycomore disclosed that it had fallen below the threshold of 3% of the share capital set in the Articles of Association and held 619,654 shares, i.e., 2.97% of the share capital and 2.63% of the voting rights.

Treasury shares

At December 31, 2021, 33,954 shares were held in treasury, representing 0.2% of the share capital, including 32,236 shares held pursuant to the liquidity agreement entered into with Exane BNP Paribas.

Subscription options, free shares and preference shares

- **Subscription options**

The exercise period for subscription options under the 2014 plan expired on May 21, 2021 (see section 2.4 of chapter 2 of this Universal Registration Document). At December 31, 2021, there were no subscription options still to be exercised.

- **Free preference shares (executives program)**
  - 1,172 category D preference shares (2017 plan) were fully converted in 2021, resulting in a total of 29,746 ordinary shares being allocated to beneficiaries (out of a maximum of 128,920 ordinary shares);
  - 737 category E preference shares (2018 plan) vested and 203 were granted subject to performance criteria, corresponding to a maximum of 103,400 ordinary shares after conversion.

The total number of ordinary shares that may vest (2018 preference share plans) is 103,400, of which 75,350 for members of the Executive Committee (including 8,470 for the Chief Executive Officer).

- **Free performance shares (executives program)**

The total number of shares that may vest under the 2019 executives plan is 59,000, of which 44,250 for members of the Executive Committee (including 8,850 for the Chief Executive Officer).

The total number of shares that may vest under the 2021 executives plan is 84,000, of which 63,000 for members of the Executive Committee (including 12,600 for the Chief Executive Officer).

- **Free shares (non-executive program)**

The total number of shares that may vest under the 2019 plan is 84,000.

The total number of shares that may vest under the 2021 plans is 112,800.

- **Summary**

At December 31, 2021, the number of free shares that may vest, including by converting preference shares into ordinary shares, is 443,200 new shares, each with a nominal value of €2, representing 2.1% of the current share capital.

There are no other instruments or securities conferring rights to the Company's share capital.

Neither the Company nor its subsidiaries are subject to any specific capital requirements pursuant to external rules or regulations.

With respect to share-based payments, the plans were evaluated in accordance with IFRS 2. The characteristics and assumptions used to value the plans are as follows:

Characteristics/Assumptions	2014 plan Subscription options	2017 plan Free preference shares	2018 plan Free shares	2018 plan Free preference shares	2019 executives plan Free shares	2019 plan Free shares	2021 executives plan Free shares	2021 plan – Free shares – Managers	2021 plan – Free shares – High-potentials
Allocation date	05/21/2014	05/18/2017	05/17/2018	05/17/2018	05/17/2019	05/17/2019	05/20/2021	05/20/2021	05/20/2021
Availability date	05/21/2016	05/18/2019/ 05/18/2021	05/17/2021	05/17/2020/ 05/17/2022	05/17/2022	05/17/2022	05/20/2024	05/20/2024	05/20/2024
Expiration date	05/21/2021	05/19/2021	05/18/2021	05/18/2022	05/18/2022	05/18/2022	05/21/2024	05/21/2024	05/21/2024
Adjusted exercise price *(€)*	€22.69	- €	- €	- €	- €	- €	- €	- €	- €
Adjusted share price at allocation date *(€)*	€21.30	€25.15	€39.50	€39.50	€30.90	€30.90	€29.90	€29.90	€29.90
Estimated life *(number of years)*	4.5	4	3	4	3	3	3	3	3
Volatility	31.00%	27.7%	30.00%	30.00%	29.39%	29.39%	36.40%	36.40%	36.40%
Dividend per share *(as a % of share price)*	3%	3%	3%	3%	3%	3%	3%	3%	3%
Risk-free interest rate	0.64%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exercise period *(number of years)*	5	2 - 4	3	2 - 4	3	3	3	3	3
Lock-up period *(number of years)*	2	2 - 0	3	2 - 0	3	3	3	3	3
Adjusted number of allocatable options/shares	150,000	128,920	67,050	103,400	59,000	84,000	84,000	100,800	12,000
Estimated annual cancellation rate at the closing	N/A	N/A	N/A	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Estimated % of shares or options vested on achievement of performance conditions	N/A	N/A	N/A	0%	66%	100%	100%	100%	100%
Estimated number at period-end of options or actions remaining at end of vesting period	N/A	N/A	N/A	9,361	38,187	82,376	74,313	89,175	10,616
Valuation of options/shares *(Euro)*	N/A	N/A	N/A	€33.53 - €35.03	€28.24	€28.24	€27.33 - €16.02	€27.33	€27.33
Valuation as a % of the allocation date share price	N/A	N/A	N/A	84.9% - 88.7%	91.4%	91.4%	91.4% - 53.6%	91.4%	91.4%

A €2.0 million expense was recognized in 2021 for the plans in effect (versus €2.1 million in 2020).

Note 13 Provisions, contingent liabilities and other liabilities

	Dec. 31, 2021		Dec. 31, 2020	
In millions of euros	Non-current	Current	Non-current	Current
- provision for restructuring	3.0	4.8	4.2	10.3
- provision for environmental risks	3.4	1.0	3.5	1.1
- provision for litigation and other expenses	6.2	4.6	1.6	6.1
TOTAL	**12.6**	**10.4**	**9.3**	**17.5**

Current and non-current	Dec. 31, 2020	Provisions set aside / (reversals)	Uses	Other	Translation adjustments	Dec. 31, 2021
- provision for restructuring	14.5		(6.9)		0.2	7.8
- provision for environmental risks	4.6		(0.5)		0.3	4.4
- provision for litigation and other expenses	7.7	4.2	(1.6)	0.4	0.1	10.8
TOTAL	**26.8**	**4.2**	**(9.0)**	**0.4**	**0.6**	**23.0**

Provisions totaled €23.0 million at December 31, 2021 (versus €26.8 million at December 31, 2020). The €3.8 million year-on-year decrease primarily stemmed from:

- payments of restructuring costs out of the provisions set aside in 2020 for the business adaptation plans;
- the recognition of provisions for trade and tax disputes (see below).

Provisions for environmental risks mainly correspond to €3.4 million in clean-up costs for the Columbia site.

The €10.8 million in provisions for litigation and other expenses include €6.6 million in provisions for claims and disputes.

Administrative and legal proceedings

Administrative proceedings in France

In 2013, SNCF launched two procedures against Morgan, SGL, Schunk and Mersen, in the Paris Administrative Court and the Paris Commercial Court respectively. SNCF is attempting to secure redress for losses that it allegedly suffered following practices that were sanctioned in December 2003 by the European Commission in connection with brushes for electric motors and products for mechanical applications. In 2014, the Paris Administrative Court rejected all of the claims lodged by SNCF, which appealed the decision. On June 13, 2019, the Paris Court of Appeal overturned the 2014 Administrative Court ruling. It also decided that it will rule on the case and has issued an injunction for an expert appraisal to be carried out in order to determine the amount of the loss allegedly incurred by SNCF.

Mersen and the other defendants, who contest this ruling, referred the case to the French Supreme Court (Conseil d'Etat) for it to be set aside due to the incorrect application of the law. On October 12, 2020, the Supreme Court rejected the majority of the grounds for setting aside the ruling.

In addition, the appraiser appointed by the Administrative Appeal Court issued its report in July 2020 and the case is still pending before that court. The Group has set aside a provision reflecting its estimate of the risk incurred in connection with these proceedings.

Criminal proceedings in France

Criminal proceedings that were initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers are still in progress. On December 22, 2019, the examining judge issued a ruling (which was confirmed on March 25, 2021) partially dismissing the case and summoning Mersen's subsidiary located in Gennevilliers ("the Company") and its managing director at that time to appear before the Criminal Court (Tribunal correctionnel). On July 5, 2021, the Nanterre Criminal Court found the Company and its then managing director guilty of manslaughter and involuntary bodily injury and handed down respective sentences of a €150,000 fine and a six-month suspended prison sentence. Having filed appeals to protect their rights, the Company and its then managing director subsequently withdrew those appeals. The Versailles Court of Appeal is expected to place these withdrawals on record in the near future.

Investigation by India's competition authority

In July 2019, India's competition authority (the "Authority") conducted a search at the premises of the Group's subsidiary Mersen (India) Private Limited over allegations of anti-competitive practices concerning the supply of carbon brushes for the Indian railway market between 2010 and 2014. Mersen India, which contested these allegations, cooperated fully with the Authority and provided all the requested information. In a report dated April 27, 2021, the Authority's Director General concluded that there had been no competition law violations between 2010 and 2014 but raised questions regarding the subsequent period of 2015 to 2019.

In its order dated November 1, 2021, the Authority found that Mersen India and a competitor had violated the provisions of Indian competition law during the period from 2015 to 2019. However, in view of a number of mitigating circumstances (including the trading losses incurred by both companies on the sales of the product in question and their full cooperation during the investigation), the Authority decided not to impose a financial penalty.

The Group is not aware of any other administrative or legal proceedings, including any pending or potential proceedings, that could have or have had in the last 12 months, a material adverse effect on its business activities, financial position or results of operations.

Tax and customs proceedings

The Group regularly undergoes tax and customs audits carried out by the tax/customs authorities in the countries in which it operates. In the past, the reassessments issued after tax/customs audits have been for non-material amounts. The most material risks concern Mersen do Brasil, Mersen Maroc and Mersen India Pvt.

The amounts indicated below include interest.

Proceedings involving Mersen do Brasil

Mersen do Brasil is involved in a number of disputes – which are at various stages – concerning reassessments made by the Brazilian authorities in relation to social security contributions, taxation and customs duties. In particular, the Brazilian authorities are claiming that Mersen do Brasil was late filing its tax returns and made errors in the tax bases and customs codes used. The potential financial consequences of these disputes represent an aggregate BRL 31 million (approximately €5 million). The Group has set aside a provision corresponding only to the amount that it considers highly probable it will have to pay.

Proceedings involving Mersen Maroc

In June 2021, Mersen Maroc received a notice of a tax audit. At the end of this procedure, the company received a notification letter dated December 17, 2021, setting out reassessments totaling approximately MAD 39 million, i.e. approximately €3.7 million. The Moroccan tax authorities are mainly disputing the losses made by the company in certain markets during the fiscal years from 2016 to 2020. Mersen Maroc contests all of the notified reassessments. A provision has been set aside corresponding only to the amount that the Group considers highly probable it will have to pay.

Proceedings involving Mersen India Pvt

Mersen India Pvt's tax returns are subject to annual tax audits. At the date of this document, the overall risk to which the company is exposed totals €88 thousand. This risk relates to the partial reassessment of certain intra-group expenses that were deducted in fiscal years 2011, 2012, 2013, 2014, 2017, and 2018. The dispute is pending before the competent courts or dispute resolution commissions. The subsidiary is also exposed to a risk representing €138 thousand for customs duties (relating to 2011, 2014, 2016 and 2020), since certain customs import codes used by Mersen India Pvt have been reassessed by local customs authorities. This dispute is pending a second appeal hearing.

At the date of this document, there had been no developments in these proceedings.

Miscellaneous liabilities

Other liabilities in the amount of €7.3 million at December 31, 2021 chiefly comprise liabilities related to property, plant and equipment.

Note 14 Employee benefits

Under defined contribution plans, the Group is under no obligation to make additional payments on top of the contributions already paid into a fund if the latter does not have sufficient assets to pay out the benefits corresponding to the service provided by employees during the period in progress or during future periods. For these plans, contributions are expensed as incurred.

The Mersen group's principal pension plans are defined benefit plans and are located in the United States (49% of obligations), the United Kingdom (21% of obligations), France (13% of obligations) and Germany (8% of obligations).

There are two pension plans in the United States:

- the "hourly plan" for shop floor employees,
- the "salaried plan" for office employees and closed to new entrants in 2011 because it was replaced by a defined contribution plan. This plan was closed entirely in 2015. The employees are now covered by the defined contribution plan.

These two plans are funded by contributions calculated on the value of the obligation and paid based on a funding plan over seven years. The fund's coverage ratio by assets measured in accordance with local standards is 98.7% for the salaried plan. The hourly plan is covered by plan assets up to 106.6%.

There is a pension plan in the United Kingdom that was closed to new entrants in 2006. Based on local rules and conservative assumptions, it is fully covered by plan assets. Contributions are paid based on a schedule established with the trustees.

These pension funds constitute entities that are legally distinct from the Group. The funds' administrative bodies are composed of employee representatives, retirees and independent directors. They are legally required to act in the best interest of the plan's participants and are responsible for certain fund policies, including the investment, contribution and indexing policies, etc.

In France, the defined benefit plans involve primarily lump-sum retirement payments and long-service awards. These plans are not funded.

There are two pension plans in Germany that are closed to new entrants and are not funded.

The Group's obligations were measured at December 31, 2021 with the assistance of independent actuaries and in accordance with IAS 19.

The rates used for the main countries are summarized below:

2021	Discount rate	Average rate of salary increases	Inflation rate
France	0.90%	Between 1% and 4.75% depending on age	1.8%
Germany	0.90%	2.50%	1.8%
United States	2.85%	Not applicable	Not applicable
United Kingdom	1.90%	3.5%	3.6%

2020	Discount rate	Average rate of salary increases	Inflation rate
France	0.35%	Between 2% and 6.25% depending on age	1.8%
Germany	0.35%	2.50%	1.8%
United States	2.5%	Not applicable	Not applicable
United Kingdom	1.35%	2.9%	3.2%

Mortality assumptions are based on published statistics and mortality tables.

Reconciliation between assets and liabilities recognized

	Dec. 31, 2021	Dec. 31, 2020
Present value of defined benefit obligation	188.4	195.8
Fair value of plan assets	(139.3)	(124.1)
PROVISION BEFORE IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING	**49.1**	**71.7**
Impact of minimum funding requirement/asset ceiling		
PROVISION AFTER IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING	**49.1**	**71.7**

Breakdown of the Group's obligations at December 31 by geographical area

	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2021
Present value of defined benefit obligation	23.6	14.7	92.7	39.4	18.0	188.4
Fair value of plan assets	(3.3)		(76.4)	(48.8)	(10.8)	(139.3)
NET AMOUNT RECOGNIZED	**20.3**	**14.7**	**16.2**	**(9.4)**	**7.2**	**49.1**

Movements in the Group's obligations

	France	Germany	United States	United Kingdom	Rest of the world	Total
At December 31, 2020	**27.2**	**16.1**	**89.8**	**40.0**	**22.7**	**195.8**
Payments made	(0.6)	(1.0)	(4.2)	(1.4)	(2.1)	(9.4)
Expenses recognized	1.5	0.5	3.5	0.6	0.5	6.5
Translation adjustments			7.3	2.7	0.7	10.7
Actuarial gains and losses	(2.2)	(0.8)	(3.6)	(2.5)	(1.0)	(10.2)
Other movements	(2.3)				(2.7)	(5.0)
AT DECEMBER 31, 2021	**23.6**	**14.7**	**92.7**	**39.4**	**18.0**	**188.4**

The amounts recorded in "Other movements" primarily relate to:

- For France, the effect of the application of the IFRS IC Agenda Decision, corresponding to a negative €2.6 million (see Note 2 to these consolidated financial statements);
- For the "Rest of the world", the effect of the termination of Leclanché Capacitors SARL's defined benefit plan in Switzerland.

Change in plan assets

	France	Germany	United States	United Kingdom	Rest of the world	Total
At December 31, 2020	**0.4**	**0.0**	**64.1**	**46.5**	**13.1**	**124.1**
Return on plan assets			1.1	0.6	0.3	2.0
Employer contribution	2.5		2.1		0.3	4.9
Employee contribution					0.1	0.1
Payment of benefits			(4.2)	(1.4)	(1.2)	(6.8)
Actuarial gains and losses			7.7	(0.2)	0.4	7.9
Translation adjustments			5.7	3.2	0.7	9.6
Other movements	0.3				(2.7)	(2.4)
AT DECEMBER 31, 2021	**3.3**	**0.0**	**76.4**	**48.8**	**10.8**	**139.3**

The plan assets cover primarily the United States plans (55% of total plan assets, with 65% invested in equities and 35% in bonds) and the United Kingdom plans (35% of total plan assets, with 14% invested in equities, 83% in government bonds and 3% in real estate and cash).

"Other movements" mainly relate to the effect of the termination of Leclanché Capacitors SARL's defined benefit plan in Switzerland.

Net expense recognized

The net expense recognized for these plans in 2021 was €4.5 million, compared with €3.5 million in 2020:

	France	Germany	United States	United Kingdom	Rest of the world	12/31/2021	12/31/2020
Current service cost	1.8	0.4	0.8	0.0	1.0	4.0	3.8
Interest cost		0.1	1.7	0.6	0.5	2.8	3.8
Expected return on plan assets			(1.1)	(0.6)	(0.3)	(2.0)	(2.7)
Administrative costs			0.9		0.0	1.0	0.8
Plan amendments/curtailments/settlements					(1.0)	(1.0)	(2.0)
Other movements	(0.3)	0.1			(0.1)	(0.3)	(0.2)
NET EXPENSE FOR THE PERIOD	**1.5**	**0.5**	**2.4**	**(0.1)**	**0.2**	**4.5**	**3.5**

The increase in net expense for the period is primarily due to year-on-year changes in the impacts of curtailments. These impacts amounted to €1 million in 2021 and resulted from the termination of the Group's plans in Switzerland and Canada. In 2020, they totaled €2 million and related to provision reversals recorded as a result of the business adaptation plan and upcoming staff departures in France and Switzerland.

The change in actuarial gains and losses arising on the measurement of obligations and plan assets breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	12/31/2021	12/31/2020
Adjustments linked to changes in demographic assumptions			0.3	(0.1)	0.1	0.2	(0.6)
Adjustments linked to changes in financial assumptions	(1.9)	(1.0)	(4.6)	(1.8)	(1.0)	(10.2)	13.0
Experience adjustments to obligations	(0.4)	0.1	0.7	(0.6)	(0.1)	(0.2)	(0.4)
Experience adjustments to plan assets	(0.0)		(7.7)	0.2	(0.4)	(7.9)	(11.3)
ACTUARIAL GAINS AND LOSSES	**(2.3)**	**(0.8)**	**(11.4)**	**(2.2)**	**(1.4)**	**(18.1)**	**0.7**

Sensitivity analysis

A 0.5-point increase in the discount rates applied would lead to a €11.7 million decrease in the projected benefit obligation.

A 0.5-point increase in the inflation rate would lead to a €2.4 million increase in the projected benefit obligation.

These sensitivities correspond to the impact on the gross projected benefit obligation without taking into account any corresponding offsetting effect on plan assets.

The breakdown of sensitivities by country is presented in the table below.

Impact on the obligation in the case of	0.5 point increase in the discount rate	0.5 point increase in the inflation rate
France	(1.0)	0.0
Germany	(0.8)	0.7
United Kingdom	(2.8)	1.4
United States	(6.0)	0.0
Rest of the world	(1.1)	0.3
TOTAL	**(11.7)**	**2.4**

Note 15 Net debt

In accordance with IFRS 16, lease liabilities are not included in the calculation of financial debt.

Analysis of total net debt at Dec. 31, 2021

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Long- and medium-term borrowings	244.5	230.9
Current financial liabilities [(a)]	7.0	74.2
Financial current accounts	0.0	0.2
Bank overdrafts	25.1	11.6
TOTAL GROSS DEBT	**276.7**	**316.9**
Current financial assets [(b)]	(34.0)	(26.0)
Cash and cash equivalents	(49.5)	(110.7)
TOTAL NET DEBT	**193.2**	**180.2**

(a) Including €5 million in commercial paper issued under the NEU MTN program.
(b) Including €33 million of good quality Chinese bank drafts. Poor quality bank drafts are classified under Other operating receivables.

Total consolidated net debt at December 31, 2021 amounted to €193.2 million compared with €180.2 million at year-end 2020.

Gross debt decreased by some €40 million compared with year-end 2020 to €276.7 million at the same time as cash and cash equivalents decreased by around €60 million. Between mid-2020 and mid-2021, Mersen preserved a sizable cash cushion as a precautionary measure to deal with potential risks or contingencies relating to the health crisis.

Of the €276.7 million in total gross debt, €248.3 million stemmed from the use of confirmed loans and borrowings and the remainder chiefly from use of unconfirmed lines (bank overdrafts and other lines).

Net debt/equity

(In millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Total net debt	193.2	180.2
Net debt/equity [(a)]	0.30	0.33

(a) Calculated using the covenant method.

Net debt amounted to 30% of equity at December 31, 2021, compared with 33% at December 31, 2020.

Reconciliation between changes in net debt shown in the balance sheet and the cash flow statement

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Prior year debt	**180.2**	**218.2**
Cash generated/(used) by operating and investing activities after tax	(40.2)	(78.5)
Non-recurring items (restructuring, litigation, etc.)	7.8	6.6
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	9.4	13.6
Cash generated by the operating and investing activities of continuing operations	**(22.9)**	**(58.3)**
Cash generated by the operating and investing activities of divested and discontinued operations	0.0	0.0
Amounts received/(paid) on capital increases/reductions and other changes in equity	(1.6)	3.5
Dividends paid	15.3	0.1
Interest payments	6.8	7.4
Lease payments	13.6	13.5
Translation adjustments and other	0.7	(5.6)
Change in scope with no cash impact in the period	0.7	1.4
Other changes	0.4	0.0
DEBT AT YEAR-END	**193.2**	**180.2**

Financial covenants at December 31, 2021

In connection with its various confirmed borrowings at Group level and in China, Mersen is required to comply with a number of obligations typically included in these types of contract, including the ratio of net debt to EBITDA calculated before the application of IFRS 16. Should it fail to comply with some of these obligations, the banks or investors (for the US private placement) may require Mersen to repay the relevant borrowings ahead of schedule. Under the cross-default clauses, early repayment of one significant loan may trigger an obligation for the Group to repay other loans and borrowings.

Mersen must comply with the following financial covenants at June 30 and December 31 each year:

Financial covenants (a) (consolidated financial statements)

	Net debt/EBITDA (b)			Net debt/equity		
Confirmed credit lines and borrowings	Ratio	Dec. 31, 2021	Dec. 31, 2020	Ratio	Dec. 31, 2021	Dec. 31, 2020
US private placement						
Group syndicated loan	<3.5	1.42	1.65	<1.3	0.30	0.33
Confirmed credit lines - China						

(a) Method for calculating the covenants: in line with the applicable accounting rules, when calculating the net debt for the purpose of the financial statements, closing exchange rates are used to determine the euro-equivalent value of debt denominated in foreign currencies. Net debt has to be recalculated at the average EUR/USD exchange rate for the period if there is a difference of more than 5% between the average exchange rate and the closing rate. For the purpose of calculating the covenant ratios at June 30 and December 31, by convention EBITDA is deemed to be the sum of the EBITDA figures reported for the last two consecutive six-month periods.

(b) EBITDA before the application of IFRS 16.

The interest rate on the German private placement notes ("Schuldschein") is indexed to the ratio of net debt to EBITDA (<3.5). Exceeding this cap does not correspond to an event of default but the applicable margin would be increased.

The Group complies with all of its financial covenants.

At December 31, 2021, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Breakdown by currency of total net debt at December 31, 2021

Total gross debt at December 31, 2021 stood at €276.7 million and is broken down by currency as follows:

(By currency)	%
EUR	60.5
USD	29.4
GBP	9.3
Other	0.8

39.3% of net debt is denominated in US dollars.

Breakdown by currency of the drawdowns on credit lines and confirmed long- and medium term borrowings including the short-term portion at December 31, 2021

Operating receivables and payables all mature in less than one year. A breakdown of borrowings by maturity is shown below.

(In millions of euros)	Total	1 year	1 to 5 years	> 5 years
Borrowings in USD	53.0	0.0	0.0	53.0
Borrowings in EUR	195.0	5.0	150.0	40.0
Borrowings in GBP	0.4	0.3	0.1	0.0
Borrowings in RMB	0.0	0.0	0.0	0.0
TOTAL	**248.4**	**5.3**	**150.1**	**93.0**
Amortization of issuance costs at the EIR[(a)]	(0.9)			
Fair value of interest-rate derivatives	0.0			
TOTAL	**247.5**			

(a) Effective interest rate.

Out of the €150.1 million in debt with maturities of between one and five years, €150 million worth had maturities of between three and five years at December 31, 2021.

(In millions of euros)	Total	O/w maturity < 5 years	O/w maturity > 5 years
Debt	276.7	183.7	93.0
Cash and cash equivalents	(49.5)	(49.5)	0.0
Net position before hedging	**227.2**	**134.2**	**93.0**
Fixed-rate debt*	211.3	118.3	93.0
Net position after hedging	**15.9**	**15.9**	**0.0**

** Including an interest rate cap for a nominal amount of €25 million.*

Total net debt at December 31, 2021 breaks down as follows by type of interest rate:

(By interest rate)	%
Fixed	93.0
Variable	7.0

Assuming Mersen's debt and exchange rates remain unchanged at their December 31, 2021 level and taking into account the swaps held in the portfolio, an increase of 100 basis points in variable interest rates would increase the Group's annual interest costs by around €0.2 million.

This impact is chiefly related to debt in EUR, as debt in USD is primarily fixed-rate debt.

Note 16 Right-of-use assets and lease liabilities

The Group is a lessee of various real estate assets (offices, plants and warehouses), which represent the majority of its lease liabilities in value terms. In terms of the number of leases, however, movable assets account for the majority (primarily vehicles and forklift trucks). At December 31, 2021, right-of-use assets recognized in the statement of financial position totaled €51.6 million.

Right-of-use assets	Lands and buildings	Others	Total
At January 1, 2020	45.3	4.9	50.2
Depreciation and impairment for the period	(9.4)	(3.4)	(12.8)
Additions or modifications to right-of-use assets	7.1	4.5	11.6
Translation adjustments	(2.4)	(0.4)	(2.8)
AT DECEMBER 31, 2020	**40.6**	**5.6**	**46.2**
At January 1, 2021	40.6	5.6	46.2
Depreciation and impairment for the period	(8.7)	(3.1)	(11.7)
Additions or modifications to right-of-use assets	11.9	2.9	14.9
Translation adjustments	2.1	0.1	2.3
AT DECEMBER 31, 2021	**46.0**	**5.6**	**51.6**

At December 31, 2021, lease liabilities recognized in the statement of financial position totaled €52.6 million, including €12.6 million due in less than one year and €40.0 million due beyond one year.

Lease liabilities by maturity	Dec. 31, 2021	Dec. 31, 2020
Non-current lease liabilities	40.0	32.7
Current lease liabilities	12.6	13.9
Total lease liabilities	**52.6**	**46.6**

In 2021, lease payments totaled €13.6 million and the financing component recognized in net financial income/(expense) amounted to €2.5 million.

Movements in lease liabilities	
At January 1, 2020	48.1
Commitments generated by additions or modifications to right-of-use assets	12.1
Lease payments made in the period	(13.5)
Financing component of lease commitments	2.7
Translation adjustments	(2.8)
AT DECEMBER 31, 2020	**46.6**
At January 1, 2021	46.6
Commitments generated by additions or modifications to right-of-use assets	14.9
Lease payments made in the period	(13.6)
Financing component of lease commitments	2.5
Translation adjustments	2.2
AT DECEMBER 31, 2021	**52.6**

Amounts included in net income	2021	2020
Depreciation and impairment	(11.7)	(12.8)
Financing component of lease commitments	(2.5)	(2.7)

In 2020, total depreciation and impairment of right-of-use assets came to €12.8 million, breaking down as €11.9 million in depreciation and €0.9 million in impairment. In 2021, the total was €11.7 million and only consisted of depreciation.

At December 31, 2021, the Group held a number of leases that meet the exemption criteria under IFRS 16 (short-term and low-value leases). These contracts mainly correspond to leases of low-value assets. Future minimum lease payment obligations under these leases were not material at December 31, 2021.

Note 17 Fair value of financial instruments

The following tables show the fair value of the Group's financial assets and liabilities and their carrying amount in the statement of financial position, as well as their ranking in the fair value hierarchy for instruments measured at fair value. They do not provide information about the fair value of financial assets and liabilities, measured at their carrying amount, insofar as their carrying amount corresponds to a reasonable approximation of the fair value.

12/31/2021		Carrying amount					Fair value			
Statement of financial position sections and category of instrument	Note	Fair value of hedging instruments	Fair value through "Other items of compre-hensive income"	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value										
Unlisted equity interests	9		2.0			2.0			2.0	2.0
Derivatives held as current and non-current assets	3	2.3				2.3		2.3		2.3
		2.3	**2.0**	**0.0**	**0.0**	**4.3**	**0.0**	**2.3**	**2.0**	**4.3**
Financial assets not measured at fair value										
Current and non-current financial assets	15			38.0		38.0				
Trade receivables	11			143.6		143.6				
Cash and cash equivalents	15			49.5		49.5				
		0.0	**0.0**	**231.1**	**0.0**	**231.1**				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities	3	(1.3)				(1.3)		(1.3)		(1.3)
		(1.3)	**0.0**	**0.0**	**0.0**	**(1.3)**	**0.0**	**(1.3)**	**0.0**	**(1.3)**
Financial liabilities not measured at fair value										
Bank borrowings	15				(244.5)	(244.5)		(241.7)		
Financial current accounts	15				(0.0)	(0.0)				
Bank overdrafts	15				(25.1)	(25.1)				
Current financial liabilities	15				(7.0)	(7.0)				
Trade payables					(67.1)	(67.1)				
		0.0	**0.0**	**0.0**	**(343.8)**	**(343.8)**				
Carrying amount by category		**1.0**	**2.0**	**231.1**	**(343.8)**	**(109.7)**				

12/31/2020		Carrying amount					Fair value			
Statement of financial position sections and category of instrument	Note	Fair value of hedging instruments	Fair value through "Other items of comprehensive income"	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value										
Unlisted equity interests	9		3.5			3.5			3.5	3.5
Derivatives held as current and non-current assets	3	3.4				3.4		3.4		3.4
		3.4	**3.5**	**0.0**	**0.0**	**6.9**	**0.0**	**3.4**	**3.5**	**6.9**
Financial assets not measured at fair value										
Current and non-current financial assets	15			29.7		29.7				
Trade receivables	11			128.2		128.2				
Cash and cash equivalents	15			110.7		110.7				
		0.0	**0.0**	**268.6**	**0.0**	**268.6**				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities	3	(0.9)				(0.9)		(0.9)		(0.9)
		(0.9)	**0.0**	**0.0**	**0.0**	**(0.9)**	**0.0**	**(0.9)**	**0.0**	**(0.9)**
Financial liabilities not measured at fair value										
Bank borrowings	15				(230.9)	(230.9)		(233.6)		
Financial current accounts	15				(0.2)	(0.2)				
Bank overdrafts	15				(11.6)	(11.6)				
Current financial liabilities	15				(74.2)	(74.2)				
Trade payables					(56.1)	(56.1)				
		0.0	**0.0**	**0.0**	**(373.0)**	**(373.0)**				
Carrying amount by category		**2.5**	**3.5**	**268.6**	**(373.0)**	**(98.4)**				

Regarding financial derivative instruments (including foreign exchange forward contracts and interest rate swaps): the market comparable measurement technique is used. Fair value is based on brokers' quoted prices. Similar contracts are negotiated on an active market and their price reflects transactions that include similar instruments.

Note 18 Other non-recurring income and expenses

Other non-recurring income and expenses break down as follows:

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Business adaptation plan	(1.0)	(25.4)
Impairment of *ACE* goodwill		(17.0)
Litigation and other gains and expenses	(2.0)	(5.4)
Acquisition-related expenses and site start-up costs	(1.9)	(2.9)
Competitiveness plan		(0.7)
TOTAL	**(4.9)**	**(51.4)**

At December 31, 2021, non-recurring income and expenses represented a net expense of €4.9 million and mainly included:

- €1 million in additional restructuring costs for the adaptation plans announced in 2020, mainly concerning the streamlining of production sites in China;
- €1.9 million in start-up costs for the Columbia site;
- €2 million in net other non-recurring expenses representing a material amount and chiefly relating to trade disputes and the relocation of three plants.

At December 31, 2020, non-recurring income and expenses represented a net expense of €51.4 million and mainly included:

- €25.4 million in expenses related to the business adaptation plan and €17 million in impairment losses recognized against goodwill allocated to the ACE CGU,
- €2.9 million in acquisition-related expenses (mainly concerning GAB Neumann and Americarb) and start-up costs for the Columbia site,
- €5.4 million in costs related to claims and litigation, mainly trade disputes, and other material non-recurring expenses,
- €0.7 million in additions to provisions (net of reversals) relating to the competitiveness plan.

The costs related to the business adaptation plan and the competitiveness plan were measured based on a formal process drawn up and overseen by the Group Executive Committee.

Note 19 Segment reporting

Operating income

In millions of euros	Advanced Materials (AM)		Electrical Power (EP)		Total for continuing operations	
	Dec. 31, 2021	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
Sales to third parties	507.4	476.4	415.4	370.8	922.8	847.2
Proportion of total	55.0%	56.2%	45.0%	43.8%	100.0%	100.0%
Segment operating income before non-recurring items	**73.1**	**57.7**	**37.7**	**27.9**	**110.8**	**85.6**
Recurring unallocated costs					(18.2)	(17.0)
Segment operating margin before non-recurring items*	**14.4%**	**12.1%**	**9.1%**	**7.5%**		
Operating income from continuing operations					92.6	68.6
Operating margin from continuing operations before non-recurring items					10.0%	8.1%
Segment non-recurring income and expenses	(3.4)	(43.2)	(1.4)	(7.7)	(4.8)	(50.9)
Segment operating income	**69.6**	**14.5**	**36.3**	**20.2**	**106.0**	**34.7**
Segment operating margin*	13.7%	3.0%	8.7%	5.4%		
EBITDA margin (1)	21.9%	19.8%	13.1%	11.9%	16.1%	14.5%
Non-recurring unallocated costs					(0.1)	(0.5)
Operating income from continuing operations					**87.7**	**17.2**
Operating margin from continuing operations					9.5%	2.0%
Net financial expense					(10.7)	(12.0)
Current and deferred income tax					(18.6)	(14.0)
Net income from continuing operations					**58.4**	**(8.8)**

** Segment operating margin = Operating income/Segment sales to third parties.*
(1) The Group's EBITDA represents combined segment operating income before non-recurring items plus segment depreciation and amortization.

Breakdown of sales and sales trends by geographical area

In millions of euros	Dec. 31, 2021	%	Dec. 31, 2020	%
France	67.6	7%	62.7	7%
Rest of Europe	249.7	27%	223.9	27%
North America	298.3	33%	281.3	33%
Asia-Pacific	276.2	30%	253.6	30%
Rest of the world	31.1	3%	25.7	3%
TOTAL	**922.8**	**100%**	**847.2**	**100%**

No single customer accounts for over 10% of the Group's sales. The number one customer accounted for 3.8% of the Group's sales.

The Group's activities are not subject to any significant seasonal variation.

Segment assets

In millions of euros	AM	EP	Dec. 31, 2021
Net fixed assets	545.2	225.2	770.3
Inventories	144.1	74.0	218.2
Trade receivables	81.6	62.0	143.6
Contract assets	6.2		6.2
Other operating receivables	20.5	6.9	27.4
TOTAL SEGMENT ASSETS	**797.7**	**368.1**	**1,165.8**
Deferred tax assets			27.9
Non-current portion of current tax assets			9.5
Current portion of current tax liabilities			2.7
Other current assets			0.0
Current financial assets			34.0
Current derivatives			2.3
Financial assets			0.0
Cash and cash equivalents			49.5
Assets held for sale and discontinued operations			0.0
TOTAL UNALLOCATED ASSETS			**125.9**
TOTAL			**1,291.7**

Segment liabilities

In millions of euros	AM	EP	Dec. 31, 2021
Trade payables	35.4	31.7	67.1
Contract liabilities	27.5	1.0	28.5
Other payables and other liabilities	79.4	40.7	120.1
Non-current and current provisions	19.5	3.5	23.0
Employee benefits	36.9	12.2	49.1
TOTAL SEGMENT LIABILITIES	**198.7**	**89.1**	**287.8**
Deferred tax liabilities			37.2
Long and medium-term borrowings			244.5
Non-current lease liabilities			40.0
Non-current derivatives			0.0
Current lease liabilities			12.6
Current portion of current tax liabilities			4.6
Other current financial liabilities			7.0
Current derivatives			1.3
Financial current accounts			0.0
Bank overdrafts			25.1
Liabilities related to assets held for sale and disc. op.			0.2
TOTAL UNALLOCATED LIABILITIES			**372.5**
TOTAL			**660.3**

Note 20 Payroll costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement compensation) came to €296.3 million in 2021 compared with €277.6 million in 2020.

This represents a like-for-like increase of 5.7% (including the savings generated by the business adaptation plan) attributable to new hires, salary inflation and higher bonuses, as well as the non-renewal of the furlough assistance the Group received in 2020.

Headcount of consolidated companies at end of period by geographical area

Geographical area	Dec. 31, 2021	%	Dec. 31, 2020	%
France	1,316	19%	1,340	21%
Rest of Europe	1,348	19%	1,037	16%
North America including Mexico	2,153	31%	1,950	30%
Asia	1,632	24%	1,585	25%
Rest of the world	519	7%	522	8%
TOTAL	**6,968**	**100%**	**6,434**	**100%**

The Group's headcount increased by 534 people, reflecting:

- a scope effect related to the acquisition of Fusetech (Hungary) (328 employees at end-December 2021);
- an increase of 206 employees on a like-for-like basis, mainly in North America.

Headcount of consolidated companies at the year-end broken down by category

Categories	Dec. 31, 2021	%	Dec. 31, 2020	%
Professionals and Managers	1,546	22%	1,525	24%
Technicians and Supervisors	1,511	22%	1,384	21%
Clerks	231	3%	236	4%
Workers	3,680	53%	3,289	51%
TOTAL	**6,968**	**100%**	**6,434**	**100%**

Note 21 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Product sales	889.6	816.7
Trading sales	33.2	30.5
TOTAL SALES	**922.8**	**847.2**
Other operating revenues	5.5	5.7
Cost of trading sales	(23.3)	(21.4)
Raw material costs	(240.6)	(227.8)
Costs on other operating revenues	(3.2)	(3.2)
Manufacturing costs	(164.8)	(154.0)
Salaries, incentives and profit-sharing	(296.3)	(277.6)
Other expenses	(52.3)	(51.9)
Financial components of operating income	(1.7)	(2.6)
Depreciation and amortization	(54.7)	(52.9)
Impairment losses and provisions	(3.2)	(43.2)
Gains/(losses) on asset disposals	(0.5)	(1.1)
OPERATING INCOME	**87.7**	**17.2**

The impairment losses and provisions recognized in 2020 relate to (i) the business adaptation plan (€17.5 million in provisions for costs and €7.3 million in asset impairment losses), and (ii) the goodwill allocated to the ACE CGU (€17 million in impairment losses).

Further information about provisions is provided in Note 13.

Note 22 Net finance income/(expense)

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Amortization of bond issuance expenses	(0.3)	(0.3)
Interest on debt	(5.6)	(5.9)
Short-term financial expense	(0.9)	(1.5)
Commission on debt	(0.5)	(0.5)
Ineffective portion of interest-rate hedges	(0.1)	(0.1)
Financing component of lease commitments	(2.5)	(2.7)
Net interest income from employee benefits	(0.8)	(1.0)
NET FINANCIAL EXPENSE	**(10.7)**	**(12.0)**

The net financial expense shown above does not include the following items related to assets and liabilities that are not stated at fair value through profit or loss:

Recognized directly in equity

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Change in fair value of currency hedges	(0.3)	(0.1)
Change in fair value of interest rate hedges	0.1	0.1
Change in fair value of commodity hedges	(0.9)	1.4
Impact on changes recognized in equity	0.5	(0.4)
Net financial income/(expense) recognized directly in equity, net of tax	**(0.7)**	**1.0**

Note 23 Income tax

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Current income tax	(15.0)	(10.9)
Deferred income tax	(3.3)	(1.6)
Withholding tax	(0.3)	(1.5)
Actual income tax benefit (expense) recognized	**(18.6)**	**(14.0)**

The Group has:

- one consolidated tax group in France;
- one consolidated tax group in the United States;
- two consolidated tax groups in Germany;
- one consolidated tax group in the United Kingdom (Group relief).

The tax rate on the Group's continuing operations was 24% in 2021 (2020: 269%). The year-on-year change is due to the significant non-deductible exceptional expenses that were incurred or provided for in 2020 in connection with the business adaptation plan. The effective rate of 24% in 2021 notably factors in the effect of the remeasurement of deferred tax liabilities on taxable temporary differences of Group entities in the United Kingdom following the Finance Act passed during the year (raising the corporation tax rate to 25% from April 1, 2023 from the current 19%).

Analysis of income tax expense

In millions of euros	Dec. 31, 2021
Net income	**58.4**
Net income from assets held for sale/discontinued operations	0.0
Net income from continuing operations	**58.4**
Income tax expense/(benefit) on continuing operations	(18.6)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**(18.6)**
TAXABLE INCOME	**77.0**
Current tax rate in France	27.37%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(21.1)
Difference between income tax rate in France and other jurisdictions	4.6
Permanent timing differences	(0.8)
Remeasurement of deferred taxes following the increase in the UK corporation tax rate	(1.0)
Ceiling on deferred tax assets	(0.9)
Other	0.6
ACTUAL INCOME TAX BENEFIT (EXPENSE) RECOGNIZED	**(18.6)**

The impact of limiting deferred tax assets (€0.9 million) includes impairments of the net deferred tax asset position on losses, specifically in France, and China.

The deferred tax assets and liabilities recognized in the statement of financial position are as follows:

In millions of euros	Dec. 31, 2021	Dec. 31, 2020
Deferred tax assets	27.9	25.0
Deferred tax liabilities	(37.2)	(24.7)
Net position	**(9.3)**	**0.3**

Deferred tax movements during fiscal 2021 were as follows:

*In millions of euros**	Dec. 31, 2020	Net income/ (loss)	Other comprehensive income	Other	Translation adjustments	Dec. 31, 2021
Employee benefit obligations	12.6	0.4	(3.8)	(0.6)	3.2	11.7
Depreciation of fixed assets	(28.4)	(5.1)	0.0	0.8	(7.1)	(39.8)
Tax-regulated provisions	1.4	(0.5)	0.0	(0.4)	0.4	0.9
Impact of tax losses	11.9	0.8	0.0	(0.0)	(0.1)	12.6
Impairment losses	0.0	1.1	0.0	(0.7)	0.3	0.6
Other	2.8	0.1	0.5	0.1	1.2	4.6
DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION - NET POSITION	**0.3**	**(3.3)**	**(3.4)**	**(0.8)**	**(2.2)**	**(9.3)**

** (- liabilities / + assets).*

Deferred tax assets were recognized based on their recoverability. France and Germany were the main countries affected.

Given the short-term outlook on certain markets and geographic regions and in line with local tax rules and/or market practices, certain tax losses were not capitalized as deferred taxes. These tax losses mainly arose in France (€99 million, corresponding to tax loss carryforwards of the tax consolidation group), China (€25 million), Germany (€12 million), Morocco (€5 million) and Brazil (€3 million).

Note 24 Earnings per share

Basic and diluted earnings/(loss) per share are presented below:

Continuing operations and discontinued operations	Dec. 31, 2021	Dec. 31, 2020
Numerator: Net income/(loss) used to compute basic earnings/(loss) per share (net income/(loss) for the period in millions of euros)	54.4	(12.0)
Denominator: weighted average number of ordinary shares used to compute basic earnings/(loss) per share	20,787,253	20,634,192
Maximum effect of dilutive potential ordinary shares (unexercised options)	329,140	497,301
Weighted average number of ordinary shares used to calculate diluted earnings/(loss) per share	21,116,393	21,131,493
Basic earnings/(loss) per share *(€)*	2.62	(0.58)
Diluted earnings/(loss) per share *(€)*	2.58	(0.57)

Basic earnings/(loss) per share from continuing operations is the same as overall basic earnings/(loss) per share as the Group did not recognize any net income from discontinued operations in 2021 or 2020.

After adjusting net income for the items set out below, earnings per share for 2021 and 2020 would be as follows:

Continuing operations and discontinued operations	Dec. 31, 2021	Dec. 31, 2020
Basic earnings/(loss) per share *(€)*	2.62	1.67
Diluted earnings/(loss) per share *(€)*	2.58	1.63

In view of the amount and nature of non-recurring expenses, earnings per share for 2021 have not been restated. Details of the restatements made to the 2020 income statement items are shown below.

Adjustments to net income/(loss)	Dec. 31, 2020
NET INCOME/(LOSS)	**(12.0)**
Non-recurring expenses for the business adaptation plan, net of tax	25.4
Impairment of ACE goodwill	17.0
Impairment of deferred tax assets recognized for tax losses	4.1
ADJUSTED NET INCOME	**34.5**

Note 25 Dividends

At the Annual General Meeting held on May 20, 2021, the Company's shareholders approved the payment of a dividend of €0.65 per share for 2020. No dividend was paid for 2019 due to the economic and health crisis triggered by Covid in 2020.

The dividend proposed in respect of fiscal 2021 stands at €1 per share, representing an aggregate amount of €20.8 million.

Note 26 Related party disclosures

Mersen SA is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 91 consolidated and unconsolidated companies in 34 countries.

Transactions between the Group's consolidated companies are eliminated for consolidation purposes.

1 - Relations with unconsolidated subsidiaries

Sales generated by the Group with unconsolidated subsidiaries came to €4.9 million in 2021 (€5.0 million in 2020).

In 2021, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) amounted to €0.1 million, the same amount as in 2020.

The amounts receivable by the Group from its unconsolidated subsidiaries totaled €1.4 million at December 31, 2021 and there were no amounts payable to those subsidiaries at that date.

At December 31, 2021, shareholder advances granted to unconsolidated subsidiaries represented a nil amount (compared with €0.1 million at end-2020).

2 - Compensation and benefits paid to key executives

The table below sets out the annual compensation for the Group's Chief Executive Officer for 2021.

(In millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Salaries, bonuses, benefits in kind	1.1	0.7
Top-up pension plan payments[1]	0.3	0.2
Other long-term employee benefits		
TOTAL	**1.4**	**0.9**

(1) By contract, the Chief Executive Officer is entitled to the benefit of a top-up pension plan, defined as follows: provided that the person is still employed by the Group upon his/her retirement, this regime guarantees a top-up pension income of 10-20%, depending on length of service, of the basic reference salary during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus. The Group's related actuarial obligation was valued at €4.6 million at December 31, 2021 (compared with €4.3 million at January 1, 2021 after taking into account the impact of the IFRS IC Agenda Decision – see Note 2).

Should his appointment be terminated, the Chief Executive Officer will receive a severance payment of no more than 0.5 times the total gross compensation and benefits paid to him in respect of the 36-month period preceding termination, subject to the attainment of performance criteria. He will also receive a monthly no-compete payment equal to 50% of his last gross fixed monthly compensation, payable over 12 months.

In addition, the following share-based payments were granted to the Chief Executive Officer:

- Stock options

	2014 Plan Tranche 13
Date of the Management Board's meeting	May 21, 2014
Total number of shares allocated	30,000
Subscription price	22.69
Start of option exercise period	May 2016
Expiration date	May 2021

Stock options: 30,000 stock options were granted to the Chief Executive Officer in 2014. All of these options were exercised in 2021.

- Free preference shares

	2017 plan	2018 plan
Date of Board of Directors' meeting	May 18, 2017	May 17, 2018
Total number of preference shares allocated	189	77
Minimum equivalent in number of ordinary shares after conversion subject to achievement of performance criteria	1,890	770
Maximum equivalent in number of additional ordinary shares after conversion subject to the achievement of performance criteria and share price trends	18,900	7,700
Valuation at allotment date:		
Fair value of one guaranteed ordinary share	21.35	33.53
Fair value of one unguaranteed ordinary share	6.44	12.41
Definitive allocation date (end of the vesting period)	May 18, 2019	May 17, 2020
End of lock-up period	May 18, 2021	May 17, 2022

All of the preference shares allocated in 2017 vested in 2021.

- Free shares - program for senior executives

	2019 plan	2021 plan
Date of allocation decision	May 17, 2019	May 20, 2021
Total number of shares allocated	8,850	12,600
Share price at allocation date *(€)*	20.86	23.59
Definitive allocation date (end of the vesting period)	May 17, 2022	May 20, 2024
End of lock-up period	May 18, 2022	May 21, 2024

3 - Other agreements

The Group has not entered into any agreements or commitments with other parties aside from the one described above concerning the non-compete clause, termination of term in office and pension plan of the Chief Executive Officer, Luc Themelin.

Note 27 Off-balance sheet commitments

A - Financial commitments and liabilities

(In millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Commitments received		
Guarantees and endorsements	0.0	0.0
Other commitments received	0.0	0.0
TOTAL	**0.0**	**0.0**
Commitments given		
Collateralized debts and commitments	0.0	0.0
Market guarantees	23.4	19.5
Payment guarantee on acquisitions	0.0	0.0
Other guarantees	8.0	8.3
Other commitments given	6.1	5.5
TOTAL	**37.5**	**33.3**

The above table summarizes the Group's off-balance sheet commitments.

Nature

The approximately €4 million year-on-year increase in market guarantees reflects the business growth seen in the chemicals sector in the second half of 2021.

The "other guarantees" item, which amounted to €8 million, includes an €8 million guarantee covering the maximum daily drawings by subsidiaries under the European cash pooling arrangements.

Maturity

Off-balance sheet commitments with a maturity of over one year amounted to €17.9 million. They include the €8 million guarantee linked to the European cash pooling system, which remains in force for as long as the cash pooling agreements are in place. The term of market guarantees is generally less than one year but a number have been given for a longer contractual period, which never exceeds three years.

Control

Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to off-balance sheet commitments without obtaining the prior approval of the Group's Finance department and, where appropriate, of the Board of Directors. Nonetheless, certain Group companies have the option of issuing market guarantees not exceeding €150,000 with a maturity of less than two years without prior authorization in the normal course of their business activities. These guarantees are listed in the documents completed by the companies as part of the account consolidation procedure.

As far as the Company is aware, no material off-balance sheet commitments under the accounting standards in force have been omitted.

B - Title retention clause

None.

Note 28 Subsequent events

The beginning of 2022 was marked by the conflict between Russia and Ukraine. The Group laments this situation and would like to underline that its economic and balance sheet exposure to these two countries is not material (0.3% of sales, no direct suppliers, no plants).

Note 29 Approval of the financial statements

The Group's consolidated financial statements for the year ended December 31, 2021 were approved by the Board of Directors at its meeting on March 15, 2022.

Note 30 Fees paid to the Statutory Auditors and members of their networks by the Group

	KPMG		Deloitte	
	Statutory Auditors and their network		Statutory Auditors and their network	
	Fees	%	Fees	%
Audit of individual company financial statements and consolidated financial statements and limited review of half-yearly financial statements				
• Entity	186	17%	177	17%
• Subsidiaries	872	76%	810	77%
SUB-TOTAL A	**1,058**	**93%**	**987**	**94%**
Other regulatory and legally required services				
• Entity	0	0%	0	0%
• Subsidiaries	4	0%	0	0%
SUB-TOTAL B	**4**	**0%**	**0**	**0%**
Other services provided at the request of the entity				
• Entity	0	0%	0	0%
• Subsidiaries	81	7%	59	6%
SUB-TOTAL C	**81**	**7%**	**59**	**6%**
OTHER NON-AUDIT SERVICES SUB-TOTAL D = B + C	**85**	**7%**	**59**	**6%**
TOTAL (E = A + D)	**1,143**	**100%**	**1,046**	**100%**

Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2021

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 includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Mersen SA,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Mersen SA for the year ended December 31, 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Accounts Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics *(Code de déontologie)* for Statutory Auditors, for the period from January 1, 2021 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill

Notes 2-F.1, 2-V, 6 and 7 to the consolidated financial statements.

Description of risk

At December 31, 2021, the net value of goodwill amounted to €269 million against a total balance sheet of €1,292 million.

As indicated in Note 2-F1 to the consolidated financial statements, goodwill is tested for impairment whenever there is an internal or external indication of a loss of value or otherwise at least once a year by comparing the carrying amount of the relevant assets with their value in use.

Value in use is determined from discounted projections of future operating cash flows over five years, and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax for each cash generating unit (CGU).

We deemed the measurement of goodwill to be a key audit matter due to the materiality of these assets in the consolidated financial statements and the method of determining their value in use, which relies primarily on estimates, in turn requiring management to use assumptions and judgments, as described in Note 2-V to the consolidated financial statements.

The methods used to perform impairment tests are described in Note 2-F1 and details about the assumptions used are given in Note 7 to the consolidated financial statements.

How our audit addressed this risk

We verified the methods used to perform the impairment tests and, in particular:

- examined the process for drawing up and approving business plans;
- analyzed the consistency of cash flow forecasts with past performance, the market outlook, and the forecasts provided to the Board of Directors;
- with the guidance of our valuation experts, assessed the reasonableness of the assumptions used by management to determine the discount rate;
- reviewed the sensitivity analyses performed for the impairment tests.

Lastly, we also verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Provisions for claims and disputes

Notes 2-L, 2-V and 13 to the consolidated financial statements.

Description of risk

The Group operates in multiple countries, therefore requiring it to comply with the regulations applicable in those countries. The products manufactured by the Group are subject to specifications, and non-compliance with those specifications can expose the subsidiaries to liability claims from customers pertaining to defective products or late penalties for project-related sales. Accordingly, the Group undertakes an assessment of the risks arising out of liabilities, disputes or litigation related to its activities that are liable to have a material impact on its business and financial position.

As described in Notes 2-L, "Provisions", 2-V, "Use of estimates", and 13, "Provisions, contingent liabilities and other liabilities", to the consolidated financial statements, provisions and liabilities relating to ongoing claims and litigation amounted to around €10.8 million at December 31, 2021, and correspond to management's best estimate of the risk.

Given the degree of judgment required from management to assess the risks corresponding to the Group's legal, regulatory, contractual and constructive obligations, we deemed these provisions to be a key audit matter.

How our audit addressed this risk

We familiarized ourselves with (i) the procedures implemented by the Group to identify and catalog all claims made against it and that are liable to have a material impact on its business and financial position, (ii) the resulting risk assessment prepared by the Group, and (iii) the corresponding documentation.

Where applicable, we corroborated the Group's analyses with the written confirmation obtained from the Group's outside legal counsel.

We examined the principal risks identified and assessed the reasonableness of management's risk assessment.

Lastly, we also verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the Group management report includes the consolidated non-financial information statement required under Article L. 225-102-1 of the French Commercial Code. However, in accordance with Article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the consolidated financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L. 451-1-2 of the French Monetary and Financial Code *(Code monétaire et financier)* and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018. As it relates to the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Mersen SA by the General Meetings held on June 5, 1986 for Deloitte & Associés, taking into account the acquisitions or mergers of firms since that date, and May 12, 2004 for KPMG.

At December 31, 2021, Deloitte & Associés and KPMG were in the thirty-sixth and the eighteenth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit and Accounts Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by

management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit and Accounts Committee

We submit a report to the Audit and Accounts Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were the most significant in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit and Accounts Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Accounts Committee.

The Statutory Auditors

Paris La Défense, March 21, 2022	Paris La Défense, March 21, 2022
KPMG Audit	Deloitte & Associés
Département de KPMG S.A.	
Catherine Porta	Anne Demerlé
Partner	*Partner*

7 Additional information & glossaries

As the parent company financial statements are not published in English, this chapter corresponds to chapter 8 of the French version of the Universal Registration Document.

1. Information included by reference

The following information is included by reference in this annual report:

1.1. Fiscal 2020

Included in annual report no. D.21-0119 submitted to the Autorité des Marchés Financiers on March 15, 2021 https://www.mersen.com/sites/default/files/publications-media/2021-03-urd-en-mersen-2020.pdf

- the consolidated financial statements for fiscal 2020 prepared in accordance with the IFRSs in force in 2020, together with the Statutory Auditors' reports on the consolidated financial statements, pages 166 to 224;
- the annual financial statements for 2020, together with the Statutory Auditors' reports on the annual financial statements, pages 226 to 250;
- the 2020 management report, pages 76 to 99.

1.2. Fiscal 2019

Included in universal registration document no. D-20-0119 submitted to the Autorité des Marchés Financiers on March 10, 2020 (https://www.mersen.com/sites/default/files/publications-media/2020-03-en-urd-2019-mersen_0.pdf) are:

- the consolidated financial statements for fiscal 2019 prepared in accordance with the IFRSs in force in 2019, together with the Statutory Auditors' reports on the consolidated financial statements, pages 209 to 212;
- the annual financial statements for 2019, together with the Statutory Auditors' reports on the annual financial statements, pages 234 to 237;
- the 2019 management report, pages 75 to 96.

2. Officer responsible for the reference document

Luc Themelin, Chief Executive Officer

Mersen
Tour Trinity
1 bis place de la Défense
F-92400 Courbevoie
Tel.: + 33 (0)1 46 91 54 19

3. Statement by the officer

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to the best of my knowledge, these financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair value of the assets and liabilities, financial position and the results of operations of the Company and of all the entities included in the consolidation, and that the management report on pages 77 to 101 presents a faithful picture of the business trends, earnings and financial position of the Company and of all the entities included in the consolidation, as well as a description of the principal risks and uncertainties they are facing.

The consolidated accounts regarding the fiscal year ending December 31, 2021, presented in this document, were addressed in a report by the auditors, which appears on pages 227 to 230.

Luc Themelin

4. Auditors

4.1. Statutory Auditors

Deloitte & Associés
6, place de la Pyramide
92908 Paris La Défense

Date of first term: 1986

Date of last renewal: 2016

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2021)

Represented by Anne Demerle

KPMG Audit, Département de KPMG SA
Tour Eqho – 2 avenue Gambetta
F-92066 Paris La Défense

Date of first term: 2004

Date of last renewal: 2016

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2016)

Represented by Catherine Porta

2. Alternate Auditors

BEAS
195, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine Cedex

Date of first term: 2004

Date of last renewal: 2016

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2021)

Salustro Reydel
Tour Eqho – 2 avenue Gambetta
F-92066 Paris La Défense

Date of first term: 2016

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2021)

5. Independant Third Party

Bureau Veritas Exploitation
8, Cours du Triangle
92800 Puteaux

Represented by Laurent Mallet

6. Glossaries

Finance

Average capital employed	Weighted average capital employed for the past five quarters (in order to limit the effects of exchange rate fluctuations at end-of-period versus average).
Bonus preference shares	Free preference shares
Capital employed	Sum of property, plant and equipment and intangible assets, working capital requirement and receivables net of current tax and net derivatives.
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPS	Dividend per share
Free cash-flow	Net cash generated by operating activities after capital expenditure.
Gearing	Net debt-to-equity ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.
Gross [income/margin] rate	Ratio of dividend per share proposed for the year to Group net income per share for the year, calculated based on the average number of ordinary shares excluding treasury shares at December 31 of the current year.
Gross [income/margin] rate restated	Restated payout: ratio of dividend per share proposed for the year to Group net income per share for the year, restated for non-recurring items, calculated based on the average number of ordinary shares excluding treasury shares at December 31 of the current year.
Leverage	Net debt-to-EBITDA ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.
Like-for-like growth	Determined by comparing sales for the year with sales for the previous year, restated at the current year's exchange rate, excluding acquisitions and/or disposals.
Net debt	Gross financial debt net of cash and cash equivalents and current financial assets.
NEU MTN	Negotiable European Medium Term Note
Operating income before non-recurring items	As defined in recommendation ANC 2020-01
ROCE	Return On Capital Employed: ratio of recurring operating income to average weighted capital employed, excluding right-of-use assets.
URD	Universal Registration Document
USPP	US Private placement
WCR	Working capital requirement (WCR): sum of trade receivables and related accounts, inventories and other current receivables less trade payables and related accounts.
WCR rate	Working capital to sales ratio: ratio of working capital requirement to sales for the quarter, multiplied by four.

Business model

ACE	Anti-corrosion equipment
AM	Advanced Materials
BEV	Battery electric vehicle
BS (British Standard)	British Standardization organization
CSP	Company savings plan
DACH	DACH region (Germany, Austria and Switzerland)
DIN (Deutsches Institut für Normung)	German Standardization organization
EP	Electrical Power
EPC	Electrical Protection & Control
GAREAT	Insurance and Reinsurance Management of Attacks and Terrorist Acts Risks
GS	Graphite Specialties
HEV	Hybrid Electric Vehicle
ICPE	Installations classified as environmentally friendly
IEC	International Electrotechnical Commission
ITAR	International Traffic in Arms Regulation
Mersen Excellence Journey	Continuous improvement plan across all Group functions
OEM	Original Equipment Manufacturer
OFAC	Office of Foreign Assets Control
pHEV	Plug-in hybrid electric vehicle
PTT	Power Transfer Technologies
PVC	Polyvinyl chloride
SiC	Silicon carbide
SPM	Solutions for Power Management
UL	US Standardization organization
UNIFE	Association for the European Rail Supply Industry

CSR

BAT	Best Available Technologies
CFE	French corporate property tax
CGNR	Governance, Nomination and Remuneration Committee
CHSCT	Health & Safety Committee
CMRT	Conflict Mineral Reporting Template
CVAE	French companies' added value contribution
CSR	Corporate Social Responsibility
GDPR	General Data Protection Regulation
GHG	GreenHouse Gases
GPEC	Forward human resources planning process
EHS	Environmental health & safety
LMS	Learning Management System (Mersen Academy)
LTIR	Lost Time Incident Rate
MAR	Market Abuse Regulations
MSV	Management Safety Visits
RoHS (Restriction of Hazardous Substances Directive)	European Directive seeking to limit the use of 6 hazardous substances
SIR	Severity Injury Rate
WiN	Women in Mersen

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