



2013 SUSTAINABILITY REPORT



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MESSAGE FROM THE CEO



Dear Stakeholder,

Technicolor has been at the forefront of the transition from analog to digital media communications over the past decade and is now well placed to benefit from strong growth across multiple platforms and industry segments. Ensuring the sustainability of this growth remains a high priority for my entire leadership team. Our Amplify 2015 strategic plan, now in its final year, has created a solid foundation for us to set a leading example within the industry.

Another foundation has been our longstanding adoption of the United Nations Global Compact, and the publication of our commitments, notably through our Charters on 'Environment, Health and Safety', 'Ethics' and product environmental Whitepapers. The resulting governance processes have helped to place Corporate Social Responsibility at the heart of our business approach and ensure that commercial needs are appropriately balanced with those of local communities, the environment, our business partners and of course our employees.

This year we conducted for the first time a full external audit of our social, environmental and societal information reporting, involving more than 20 stakeholders within the organization across multiple countries. Accurate information is vital for the continued progress of our sustainability agenda and the data in this report is a key input to leaders across our business making operational decisions on a wide variety of important topics. We will repeat this audit process annually as part of the drive to improve our overall sustainability performance.

Employee health and safety remains an important focus, demanding continuous vigilance and innovation to ensure we do everything possible to keep our employees safe. We have also continued our core initiatives to drive eco-design principles into all our products and manufacturing processes and move closer to carbon neutrality, bringing benefits for both customers and the environment.

Building on Technicolor's strong heritage in film production, we are proud to continue to sponsor the work of the Technicolor Foundation for Cinema Heritage, a non-profit entity founded in 2006 to safeguard and promote film heritage worldwide.

*Frederic Rose,
Chief Executive Officer*

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1- COMPANY DESCRIPTION

Technicolor, a worldwide technology leader in the media and entertainment sector, is at the forefront of digital innovation.

Our world class research and innovation laboratories enable us to lead the market in delivering advanced video services to content creators and distributors. We also benefit from a thriving licensing business, including an extensive intellectual property portfolio focused on imaging and sound technologies.

Our commitment: the delivery of exciting new experiences for consumers in theaters, homes and on-the-go.

What we do:

Technology includes 4 activities: Research & Innovation; Licensing; M-GO; Virdata. The main objective of Research & Innovation is to develop and transfer innovative technology to support the services, software and solutions the Group provides. The Licensing activity - which includes patent, technology and trademark Licensing - is responsible for protecting and monetizing the Group's Intellectual Property and technologies, while managing some iconic brands. M-GO is a new platform aimed at making digital entertainment easier to find, watch, and enjoy. Virdata is a breakthrough lens for developing, viewing, and connecting big data and analytics with devices, applications and assets

To date highlights include:

- ▶ 80% of consumer electronics manufacturers integrate our IP
- ▶ c. 350 Researchers and Experts
- ▶ 3 Research Centers: Rennes, Hannover, Los Altos
- ▶ 7% of portfolio renewed every year

Entertainment Services develops and offers content-related technologies and services for the Media & Entertainment industry, notably the motion picture, broadcast and commercial advertising industries. This business is dedicated to delivering solutions for content management (including creation, imaging, finishing, preparation) and for digital and physical content distribution (including DVD & Blu-ray™ services). It also includes IZ-ON Media, which provides digital place-based media services.

To date highlights include:

- ▶ 6,000+ film & advertising visual effects shots every year
- ▶ Touching 75% of blockbusters worldwide in 2013
- ▶ 1.47 billion DVD and Blu-Ray™ shipped to 40,000 destinations in 2013
- ▶ 2013 Oscar Nominations® for 25 films
- ▶ 265,000+ digital cinema deliveries in 2013

Connected Home offers a wide range of solutions to Pay-TV operators and network service providers for the delivery of digital entertainment, data, voice, and smart home services. Through the design and supply of products such as set-top boxes, gateways and managed wireless tablets, Technicolor offers connected life solutions.

To date highlights include:

- ▶ 300 million digital home devices shipped
- ▶ #1 in gateways*
- ▶ #2 in set-top boxes*

*Worldwide in terms of shipments

2- APPROACH TO SUSTAINABILITY

The Technicolor approach to sustainability is founded upon our core values. We use these to guide us to business success as well as sound environmental stewardship and to ensure that we act responsibly.

As part of our sustainability drive, we establish and nurture partnerships aimed to improve our long-term business outlook.

Three principles guide our actions as we seek to fulfill our social responsibilities:

Understand and take into account stakeholders' sustainability expectations



We constantly seek to identify and respond to stakeholder issues. Technicolor is committed to responsible policies and practices in human resources, environmental performance and ethics as we provide quality products and services to customers. These policies and practices extend to our suppliers and subcontractors.

We adhere to the principles of the United Nations Global Compact and the International Labour Organization. Throughout the company this translates into integrity in business principles and practices, continuous efforts to make more efficient use of resources and an ongoing drive for carbon neutrality.

We want our suppliers to adopt the same sustainability values as ours. We support our customers' sustainability efforts by developing new generations of sustainable products and services. Technicolor also plays an active role in communities where it does business by enhancing and protecting film and TV heritage through the Technicolor Foundation and by supporting local community relationships and programs.

For more information about the United Nations Global Compact, please visit: <http://www.unglobalcompact.org>

Communicate CSR goals and initiatives to stakeholders

We pledge to deliver concrete, demonstrable proof of our social responsibility practices and achievements.

We provide facts and figures to give stakeholders the information they need to understand, analyze and compare our actions with those of similar organizations. We will progressively adapt Global Reporting Initiative (GRI) reporting standards in the near future (2014-2015).

Take the future into account in decision-making

We are committed to progressively integrate corporate social responsibility (CSR) data and criteria into business processes across the organization, to ensure that all decisions take CSR considerations into account. In this way, sustainability becomes part of how we do business.

As part of our commitment, we link product and service lifecycle aspects and impacts to their greater societal context, constantly striving to enhance all of our stakeholder relationships.



“ Now more than ever, corporate social responsibility is a business imperative. The more successful companies are those that integrate societal, environmental and economic reflections in how they do business thus reinforcing the links to all their stakeholders. At Technicolor we know it is in everyone’s interest to contribute to the sustainability of the communities we serve and in which we operate. ”

Didier Huck, VP, Corporate Social Responsibility and Public Affairs

3- RECENT SOCIAL RESPONSIBILITY ACHIEVEMENTS

Ethics

The Code of Ethics, refreshed and revised in November 2014, governs Technicolor’s business decisions, actions, and displays the fundamental values we practice in our day-to-day activities. As part of its effort to ensure that employees are familiar with the Code of Ethics and related policies, such as the Whistleblower Policy, the Ethics Compliance Committee (ECC) has implemented numerous training programs, including both in-person and online courses.

The ECC continued several training initiatives through 2013, including online training courses focused on the EU Competition-Dealing with Competitors, UK Bribery Act and preventing sexual harassment.

People:

After a pilot phase was launched for a new Management Academy in 2012, adjustments in the program were made further to its conclusions. Sessions were delivered in the U.S., UK, France and Belgium in 2013 and will be extended to most sites of the Group in 2014. Created around management communities who meet monthly, this management curriculum includes essential topics of people management and encourages collaboration between managers to improve their own practices.

In order to respond to evolving business needs and provide the foundations for a number of HR programs, an update of the Technicolor job architecture was conducted in 2013. Operational managers and HR teams from all regions have worked together to build a consistent framework throughout the divisions and geographies.

Product:

In 2013 we obtained a new version of our LCA tool software which allows access to the European reference Life Cycle Database (ELCD) in addition to other existing data bases and allows use of the International Reference Life Cycle Data System (ILCD) impact indicators in addition to or in place of other existing impact indicators. The use in LCAs of the ELCD data base and ILCD indicators allows for product LCA results that are more comparable than when the product LCAs have been performed using different LCA tools.



Community involvement:

In 2013, the Foundation created MEMORY! the first Film festival in Asia dedicated to international film heritage designed both for a large audience and cinema professionals.

The first edition took place in Phnom Penh (Cambodia) in June 2013 under the high patronage of the King of Cambodia and received significant support from public institutions both Cambodian and international.

Film restoration projects in 2013 include: Hiroshima Mon Amour (1959) by Alain Resnais and Marriage Italian Style (1964) by Vittorio De Sica. In 2012 they include: the first feature of Jacques Demy, Lola (1961) and Tell Me Lies (1968) by Peter Brook. All these films have been circulated worldwide since their restoration;



Peter Brook's, *Tell Me Lies* (1968)

CSR Management

Corporate Social Responsibility (CSR) is managed at the highest level within Technicolor. CSR is formally represented at the Executive Committee level by the Executive Vice President for Human Resources and Corporate Social Responsibility, Fabienne Brunet, reporting reporting directly to the CEO. Executive Committee members evaluate and authorize new company CSR initiatives, review progress and provide supervision in all related domains.

Reporting to the Executive Vice President for Human Resources and Corporate Social Responsibility, a Corporate Social Responsibility Department, headed by Didier Huck, Vice President for Public Affairs & Corporate Social Responsibility, has been in existence since 2007. The CSR Department holds broad authority to propose and coordinate CSR policy implementation and operational deployment. The department benefits from strong senior management support as well as assistance from Technicolor's Human Resources, Sourcing and Environment and Health & Safety network.



2013 saw the restoration of Alain Resnais' Hiroshima Mon Amour, which has since been circulated worldwide.



“ Technicolor’s Code of Ethics and related policies guide and support our employees each day in accomplishing the Company’s business objectives with ethical integrity. ”

Meggan Ehret, *Ethics Compliance Committee Secretary*

4- ETHICAL BUSINESS PRACTICES

Ethics Compliance Committee

The Technicolor Code of Ethics constitutes the foundation for the company’s core practices.

The Ethics Compliance Committee (ECC), created in connection with the 2006 Code of Ethics update, is responsible for all ethical issues related to the Group’s activities. The Code of Ethics, updated in November 2014, governs Technicolor’s business decisions, actions, and displays the fundamental values we practice in our day-to-day activities. It has been distributed to all Technicolor employees and is available on the company’s intranet.

In 2014, the ECC’s membership is comprised of the following: Fabienne Brunet (Executive Vice President, Human Resources and Corporate Social Responsibility), Didier Huck (Vice President Corporate Social Responsibility & Public Affairs), Lanny Raimondo (Strategic Advisor to the CEO), Guillaume Litvak (Internal Audit Director), Dillan Sum (General Counsel, Asia), Jacquelyn Boggs (Vice President, Indirect Sourcing) and Meggan Ehret (General Counsel, Litigation and Compliance). Didier Huck serves as the Chair of the Committee and Meggan Ehret as the Committee’s secretary. The ECC reports directly to the Audit Committee.

An ECC Ethics Training Subcommittee makes recommendations to the ECC concerning training on the Code of Ethics, Whistleblower Policy and related issues. Appointed by the ECC, subcommittee members can include non-ECC members. The Ethics Training Subcommittee may also take steps to implement training, as directed by the full ECC.

Ethics Programs and Initiatives

As part of its effort to ensure that employees are familiar with the Code of Ethics and related policies, such as the Whistleblower Policy, the ECC has implemented numerous training programs, including both in-person and online courses. The Ethics Compliance Committee continued several training initiatives through 2013.

In 2011, amongst other Ethics training courses, members of the finance community completed the Global Financial Fraud Prevention course. In 2012 and early 2013, online training courses focused on the EU Competition-Dealing with Competitors, UK Bribery Act and preventing sexual harassment. The Americas population has received training on anti-bribery, competition, anticorruption, business communications, addressing employee concerns, and fraud prevention.

In addition, several in-person trainings took place in Mexico, India and China on various aspects of the Company’s Code of Ethics. Combined, these training sessions involved 9,460 employees for the period 2010-2013.

Whistleblower Policy

The revised Technicolor Whistleblower Policy, launched in May 2006, is designed to make it easier for employees to share questions, concerns, suggestions or complaints about financial, accounting, banking or anti-bribery matters with an appropriate person.

Like the Code of Ethics, the Whistleblower Policy has been widely communicated to all Technicolor employees and is available on the company’s intranet.

In 2010, the Group provided to U.S. employees the ability to submit a Whistleblower report through an independent third party. The third party’s telephony and web-based hotline solution enables employees to easily and confidentially submit Whistleblower reports. In 2012, the Group greatly expanded the reach of this third party service and now those in many countries can submit a Whistleblower report through an independent third party.



Anti-Corruption Policy

The comprehensive Technicolor commitment to prevent corruption, formalized in our Anti-Corruption policy, seeks to not only comply with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws but to avoid even the appearance of questionable conduct in connection with Technicolor operations.

In 2012, the policy was revised to recognize additional countries with laws and regulations relating to anti-corruption.

A. HUMAN RESOURCES MANAGEMENT

Changes in Technicolor and its market position have brought parallel changes in the mix of our skills and talents. We endeavor to provide training and equal opportunities to Technicolor people worldwide.

The four pillars of the Technicolor approach to human resources development provide the framework for the tools that have been put into place to manage our pool of talent:

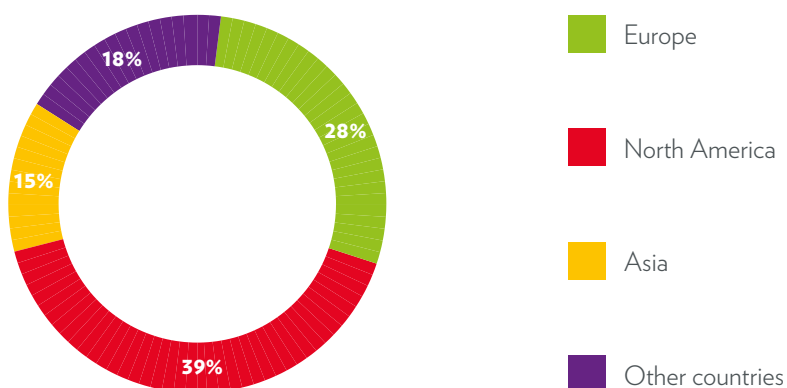
- Talent
- Culture
- Development
- Retention of key people

Human resources initiatives range from talent reviews, job grading and remuneration programs to skills mapping, employee referrals and training programs.

1- WORKFORCE EVOLUTION

Technicolor continually adjusts its workforce to meet the demands of the highly competitive, ever-changing communication, media & entertainment industries. As of December 31, 2013, the company employed 14,040 people - 4% fewer than the previous year, split into three main regions as follows:

Technicolor active headcount by regions



Regional distribution of headcount over three years

	2013	2012	2011
Europe	3,916	4,191	5,766
North America	5,486	5,930	6,497
Asia (1)	2,063	1,960	1,975
Other countries (2)	2,575	2,614	2,704
Total number of employees(3)	14,040	14,695	16,942
<i>Number of employees in entities accounted for under the equity method(*)</i>	417	413	232
<i>(*) Mainly the SV Holdco joint venture.</i>			
<i>(1) Including India</i>	1,409	1,238	1,183
<i>(2) Including Mexico</i>	1,562	1,618	1,608

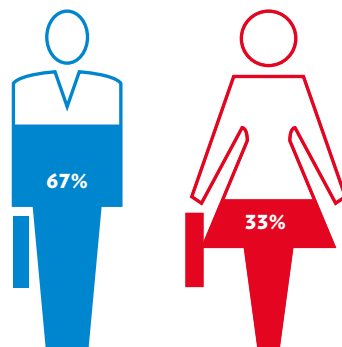
(3) Total workforce figures above account for executives, non-executives and workers. Interns are included but temporary workers and apprentices are excluded. Note that the Technicolor Annual Report excludes interns in its consolidated figures.

During 2013, 3,776 employees have been hired and 2,763 were made redundant. The overall reductions in work force during 2013 resulted primarily from the Group strategy to refocus on its core business.

2- WORKFORCE COMPOSITION

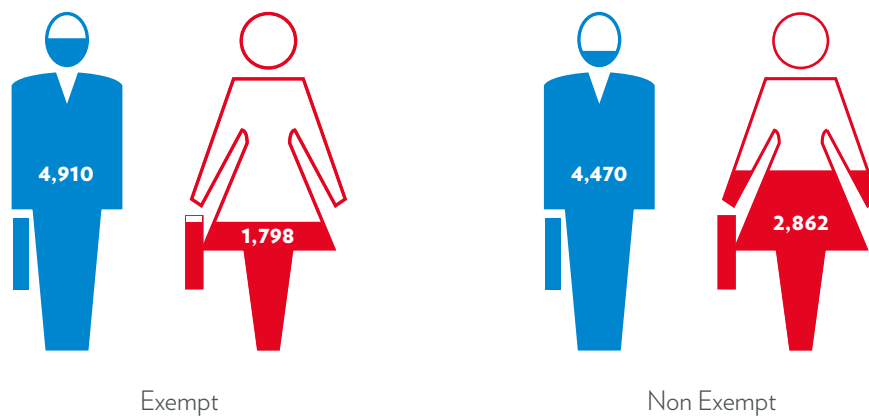
To ensure a good fit between customer needs and Technicolor human resources, the Human Resources & Sustainability Department constantly tracks worldwide workforce data. This global mapping covers gender and seniority as well as functional and geographical information.

Workforce Composition by Gender in 2013



As of December 31, 2013, women accounted for 33% of the workforce, 1% less compared to 2012.

Gender by Job Status in 2013



Breakdown by gender for Top Executives, ExCom members and members of the Board of Directors

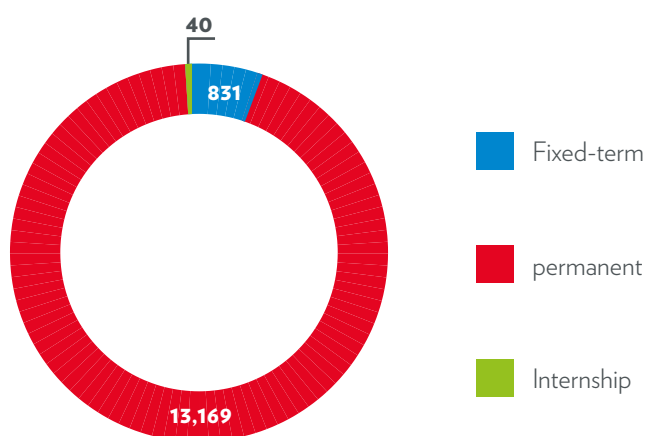
	Women	Men	Total
% Total workforce	33%	67%	100%
Total workforce	4,660	9,380	14,040
% Exempt jobs	27%	73%	100%
Exempt Jobs	1,798	4,910	6,708
% Management Committee	38%	62%	100%
Management Committee	5	8	13
% Excom	22%	78%	100%
Excom (1)	2	7	9
% Board of Directors	11%	89%	100%
Board of Directors (2)(3)	2	8	10

(1) Including CEO Frederic Rose

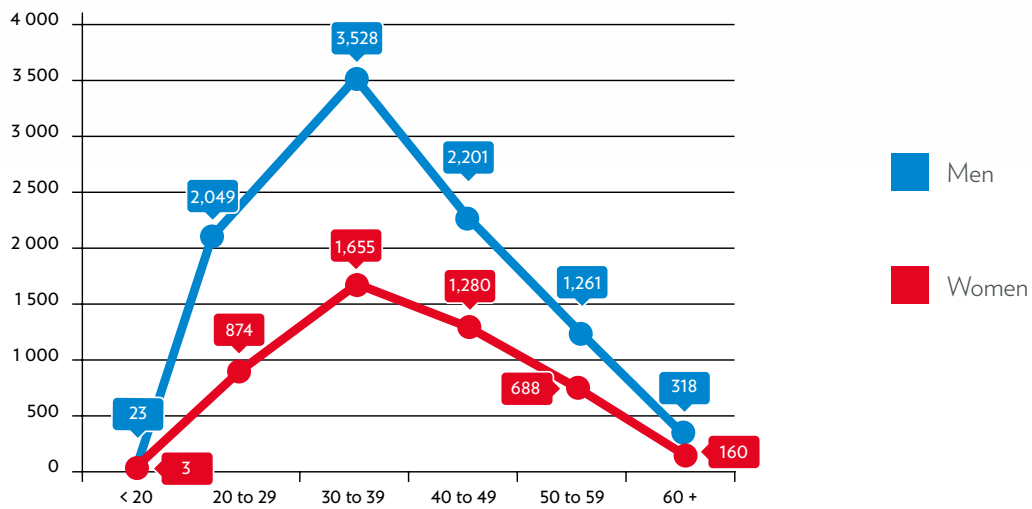
(2) Including CEO Frederic Rose

(3) In addition to its ten permanent members, the Board of Directors also comprises one Observer, who is a woman

Breakdown by Type of Contract in 2013

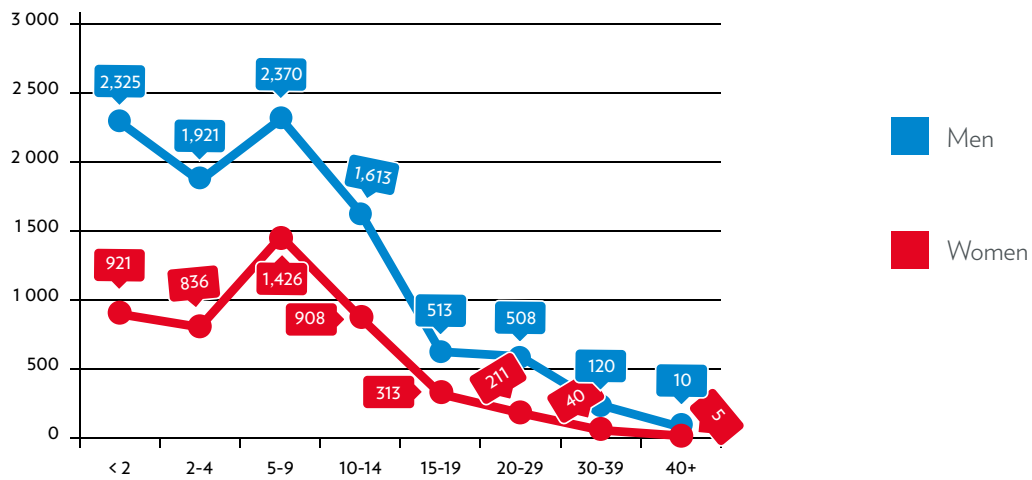


Age Distribution by Gender in 2013



About 58% of employees are 40 years old or younger; 25% are aged 40-to-50. Age distribution of employees is, on a global basis, similar for men and women; there is a similar proportion of men (18.1%) and women (16.8%) over the age of 50.

Seniority Distribution by Gender in 2013



The scale shows the total number of years of employment with Technicolor. 70% of employees have worked for the company for fewer than 10 years. 43% have worked for the company for fewer than 5 years. 27% have worked for the company for 5 to 10 years.



“ CSR must begin at home. By always striving to invest in the compensation, diversity and inclusion, development, environmental awareness and community involvement of our own employees, we can ensure that sustainable business practices are embedded in the organizational structure and drive all our activities. ”

Fabienne Brunet, *EVP, Human Resources & Corporate Social Responsibility*

3- PEOPLE DEVELOPMENT

Significant changes have taken place within Technicolor as the company has refocused on content creation and delivery and worked towards its strategic ambition to lead innovation in media monetization solutions. This has also led to us becoming a more customer-centric organization. The success of these changes depends upon significant workforce evolution and transitions.

To adapt to our new strategic focus and market context, we re-examined basic issues: what leadership skills are necessary to meet our new strategies and goals? How do we align our values with our vision and strategy to ensure that everyone is heading in the same direction? These questions provided the basis for a wide-ranging assessment of our ability to fill business-critical positions, now and in the future, including comprehensive succession planning.

We also completely revised our approach to performance management. The change is designed to ensure that expectations are clearly established and that individual results are well managed, in terms of both measurable outcomes and behaviors. The transformation also aims to ensure that employees are engaged in the company's future and will develop the right skills to face coming challenges.

HR & CSR adopted a new operating model in 2010, modelled around three main axes:

- Strong partnership with Business
- Global centers of expertise
- Regional Human Resources competence centers, reinforced with HR site leaders

Technicolor also launched in 2010 a revised worldwide employee performance management system, known as STEP, System for Technicolor Employee Performance. STEP was designed as a people development tool: in addition to traditional business objectives evaluation, it includes assessments based on company values and associated behaviors as well as a plan to support employee development.

2013 saw a further consolidation and stabilization of the programs initiated in 2010-2012.

People development projects cover a broad range of needs and issues:

• **Continuous process improvement for our performance evaluation system and interconnection with our talent review:**

- › Address succession plans
- › Risk analysis for key positions
- › Risk identification and minimization initiatives
- › Develop human capital at all levels of the organization
- › Job architecture


• **Development of key capabilities through:**

- › Identification and development of key functional and technical skills
- › Leadership Development Program
- › Programs to reinforce people and performance management skills

• **Enhance cooperation between divisions and functions through internal networks:**

- › Women's Forum
- › Management Academy

Technicolor priorities in Talent and Development in 2013 were reviewed to continue supporting the implementation of the Amplify 2015 strategic roadmap. In addition to our leadership development and management development programs, several actions were undertaken to ensure the coherence of learning and development investments with the execution of the 2015 plan. These actions have included a broad and deep analysis of all the training needs and investments in the Group and a comprehensive assessment of the evolution of jobs and competencies that are key for the execution of the 2015 plan, allowing to prepare specific competencies development projects that are to be deployed from 2013 onwards. As an immediate result of these actions, a special focus was given to the topics of innovation, change management and enterprise agility through the creation of new programs and the reinforcement of these topics in existing programs.



The Human Resources Management Committee meets bi-monthly. Progress is tracked through a human resources “scorecard.” Internal audits are conducted periodically to measure and evaluate progress for ongoing initiatives.

3.1 Major People Development Projects

Management Academy

The Management Academy plays an important role in the support HR provides to managers in the Group.

A group of HR managers has been trained to facilitate management sessions within the academy with the objective of ensuring the quality and the consistency of our management practices across the globe.

Adjustments in this program were made further to the conclusions of the pilot phase of 2012. Sessions were delivered in the U.S., UK, France and Belgium in 2013 and will be extended to most sites of the Group in 2014.

Talent Review

As we strongly believe that our talents constitute the backbone of Technicolor, a yearly Talent Review process is conducted in all divisions and corporate functions.

The process involves managers at all levels of the organization as well as the members of the Executive Committee and the Management Committee in the identification of employees with the right level of potential and performance to integrate the Group’s talent pool. The members of the talent pool benefit from dedicated leadership development training, activities and events during the year.

Further to the 2013 Talent Review, the talent pool represents 10% of the exempt population of the Group

Job architecture

In order to respond to evolving business needs and provide the foundations for a number of HR programs, an update of the Technicolor job architecture was conducted in 2013.

Operational managers and HR teams from all regions have worked together to build a consistent framework throughout the divisions and geographies.

As a result, a lean and standardized reference document covering all jobs in the Group is now available. This is the first step towards supporting the alignment of existing job structure and job profiles in the short-term.

Longer-term, it will be used as a basis for various activities such as workforce planning discussions and other HR processes (benchmarking, compensation planning, development, succession planning, etc.).

Job and Competency Evolution Plan

In order to continue to ensure Technicolor's competitiveness and innovation capacity, a comprehensive work plan has been initiated to identify the evolutions of key jobs. This work includes a review of the mission and responsibilities of jobs as well as the set of competencies that are necessary to achieve excellence in the execution of these jobs. A set of customer facing, R&D and research jobs were the first to benefit from this initiative. Different learning tracks were designed in 2012 to ensure the development of key competencies and give new perspectives on the evolution of execution in key jobs. More than 1,100 man/days of training were delivered in this program in 2013.

Linked with the learning tracks, a professional accreditation program has been designed to recognize the level of competencies and achievements of the employees that have followed the tracks. The accreditation program was launched in 2012 for four jobs: Product/Service Line Managers, R&D Project Managers, Customer Project Managers and Solution Architects. A broader range of jobs will benefit from learning tracks and professional accreditation from 2014 onwards.

Leadership Development

Preparing and aligning future leaders is crucial to the success of our refocused businesses. That is why we created a comprehensive leadership development curriculum, designed to build strategic business evolution capabilities as well as the capacity to inspire and influence others.

The set of competencies of our Leadership Profile has been expanded to encompass innovation and entrepreneurship.

The 2013 Leadership Development Programs included workshops on the theme "Leadership & Influence", and Forums led by Executive Committee Members and Management Committee members in Paris and Los Angeles to discuss not only Technicolor's business and leadership challenges but also ways to recognize and foster the talents of others.

A series of virtual meetings with Technicolor Executives were also organized during the year. These meetings

offered opportunities to discuss business and strategy and views on developing leadership.

One-day thematic events for Group High Potentials were organized in Europe and North America. The themes in 2013 were "The Role of Leaders in Spreading strategic Mentality" and "Generating Passion and Perseverance". These events were closed by discussions led by the CEO and the CFO on the Group's strategy as well as on important achievements of the past year.

The partnership with the University of Stanford in California was renewed for the second edition of the "Innovation Management and Culture" program. High Potentials in the Group followed this program that focused on demonstrating the impact of internal organizational aspects and external aspects on the capacity to innovate. Aligned with the Group's strategic priorities, topics such as innovation and profitability, monetization and innovative business models and leading for innovation were covered.

HR Development

An HR development program was created in 2011 to reinforce the people development capabilities of HR Business Partners and Managers and to support to the development of skills aligned with Technicolor's vision, values and strategy. This initiative continued in 2013 with a distance learning program mixing on-line courses and participative video conferences on how to develop leadership and emotional intelligence. Twenty members of the HR community participated in this initiative that aims to enhance HR leadership and the support HR provides to the development of managers and leaders.

Women's Forum

The Technicolor Women's Forum currently consists of almost 80 women, each of whom plays an important role in raising awareness of changing gender values. In 2013, the network ensured that each Technicolor site has one appointed woman leader who coordinates regular site meetings on the progression of women in the Company and how women can be change initiators for Technicolor.

Technicolor requires recruiting and personnel search professionals worldwide to ensure that the curriculum vitae/resume of at least one qualified woman is included in every list of finalists submitted for open senior management positions within the company.

Technicolor is part of the Women in Science & Technology (WIST) initiative. Under the aegis of the European Union, WIST consists of companies and academics committed to diversity who recommend ways to improve the status and position of women in scientific careers and corporate managerial positions generally.

Cooperative Programs in R&D

In research, emphasis is put on cooperation with educational institutions, public research bodies and other companies to keep the technology pace. In 2013, 22 cooperative programs involving academics were running, involving more than 90 European as well as overseas educational institutions and public research bodies. In addition, Technicolor contributes actively to several technology clusters, including at the governance level, where it operates R&D activities and has established strong relationships with neighboring educational institutions in close proximity to Technicolor research locations such as Stanford University in Palo Alto (California).

3.2 Training

The Technicolor training policy is implemented at three levels.

Company-wide

Technicolor provides development programs for the company's talent pools in order to develop leadership capabilities, reinforce management implication, consolidate management skills and meet cultural integration challenges.

Talent pools include executives, high potential employees and other employees with key identified experience and skillsets.

Transversal Functions

Particular transversal functions, such as finance or procurement, may define dedicated training programs to develop specific technical, management and functional skills relative to their role and expertise.

Sites

Local HR managers are responsible for training plans that address individual needs as expressed during Objectives/Performance assessment reviews. As part of this process, each employee discusses and defines specific development plans with his or her manager, including training. They are also in charge of ensuring training initiatives comply with local regulations. Local management tracks consolidation and follow-up.

Overall training initiatives offered in 2013 encompass 14,400 training seats and 136,500 person hours of training; in addition 179,000 hours of informal on the job training activities and discussion groups took place.*

* These figures cover all active employees within the Group, with the exception of training activities for 240 employees in Bangalore. Training hours for Piaseczno are based on enrolment. MPC UK internal training hours are not reported.

3.3 Compensation Policy

Technicolor wants to be an employer of choice and strives to ensure that our compensation and benefits attract, motivate and retain employees in our ambition to further reinforce our position as a worldwide technology leader in the media and entertainment sector. Remuneration policy is tailored to fairly recognize and acknowledge each employee's contribution to the success of the company. Salary benchmarks are reviewed annually with the help of salary surveys which compare general market salary data with Technicolor salaries.

The results, combined with other normal salary considerations, provide an objective basis for remunerating employees. Based upon the Towers Watson methodology, overall remuneration policy is structured around flexible, competitive compensation elements, fixed and variable, driven by market best practices as well as the company's objectives for long-term value creation.

Each Technicolor unit is free to recognize the potential and encourage the development of its people according to:

Competitiveness:

Comparisons with market benchmarks for total compensation in peer companies enable Technicolor to offer competitive compensation packages, ensuring that the company continues to attract and retain high potential talent in the international marketplace.

Equitable approach:

Technicolor remunerates employees on an equitable basis in each of its geographical locations, in line with local standards. Remuneration policy is set according to the Group's "broadbanding policy" based on each employee's level of responsibility, experience and contribution to the company's success. Remuneration of senior executives is centralized to ensure an appropriate level of governance and consistency and ease international and cross-business mobility.

Business and skills focus:

The remuneration of professionals, engineers and managers is a sound, market-driven policy and ultimately administered to stimulate business performance. A substantial part of the total remuneration package is composed of variable elements which drive a performance culture and support the Company's strategy. These variable elements are meant to stimulate, recognize and reward not only individual contribution, especially innovation and risk-taking, but also and in particular, solid and consistent Group and Divisions performances.

At constant currency rate exchange (end 2013) and at constant population of employees (all employees present both in 2012 and in 2013), the evolution of the base salary payroll mass (without variable elements and social contributions paid by the employer) between 2012 and 2013 increased by 2.84%.

3.4 Collaborative Tools

Following a demand for increased online collaboration expressed in employee surveys conducted in 2011 as part of the Operational Excellence Program, Technicolor's Intranet, my.technicolor, was developed to modernize the way our 14,000 employees work together around the world.

Launched at the end of 2012, my.technicolor offers an enhanced user experience, thanks to:

- A personalized homepage with widgets
- An optimized search engine
- An intuitive navigation
- Collaborative tools including Lync
- The possibility for anyone at Technicolor to contribute to wikis according to their domain of expertise
- Communities of interest (mini sites) pertaining to locations, business activities, projects or any other topic
- A new look & feel

To instill a collaborative spirit from the very start of the project, roughly 100 Technicolor volunteers were asked to vote for the intranet's new name and logo in addition to helping test the platform.

3.5 Working Time Management & Absenteeism

Working time is managed according to the needs of Technicolor's various business activities in both the parent company and its subsidiaries and complies with local regulations in the countries in which it operates. We ensure that employees do not exceed legal thresholds and are compensated for overtime according to their contractual terms unless they are exempt and are therefore paid a flat rate.

Part time and distance work are agreed upon on a case by case basis depending on occupational needs. Technicolor has 150 part time employees working between 1 and 4 days a week. Of these, 95% work at least 2.5 days a week and 60% work 4 days a week.

Some activities experience seasonal peak workloads (such as DVD Services) and thus require seasonal workers to cover demand in addition to overtime from permanent employees. Seasonal workers are either hired under temporary contracts or via third party agencies. The main countries employing seasonal workers are the U.S., Mexico, Canada and to a lesser extent Australia and Europe. Total overtime across Technicolor represents the equivalent of about 500 fulltime jobs and seasonal workers about 3,750 jobs.

Absences are qualified by employees throughout the year according to a set list of categories (vacation, medical leave, family leave, maternity leave, jury duty etc...) as defined by bargaining unit contract, employment contract or regulation. Absences are subsequently reviewed and approved within the applicable time tracking software. The average rate of employee absenteeism for the Group in 2013 was 3.6%.

For more information on methodology, please refer to the Group's Annual Report, available at: <http://www.technicolor.com/en/who-we-are/investor-center/regulated-information>.



4- DIVERSITY SUPPORTS SUSTAINABLE GROWTH

As the face of Technicolor has evolved, diversity has become one of our most valuable assets and an imperative to working in a competitive environment. We leverage the diversity of our workforce, as well as our partners, customers and communities, to drive innovation and diverse customer understanding. Our success depends on the energy, motivation and talent of our people and our ability to recruit and retain the most talented candidates from a broad range of disciplines and experience.

With a workforce distributed across Asia/Pacific, Europe and the Americas, business activities in about 30 countries, and acquisitions of companies with diverse business cultures, we are uniquely positioned to reap the benefits of diversity and our policy is to provide equal employment opportunity without regard to race, sex, religion, national origin, age or disability status.

Principle of non-discrimination

Non-discrimination and equal employment opportunity policies and anti-harassment, based upon the Ethics Charter and locally augmented according to specific legal requirements if needed, are implemented at all Technicolor sites. In several countries, managers and supervisors are provided Legal awareness training sessions about these issues.

In addition to the role of the management, detection of discrimination cases also relies on the whistleblower policy allowing any employee to confidentially disclose their situation or the situation of a co-worker, without fear of publicity or adverse reaction. Such cases are reported to the Ethics Committee and investigated with the Audit team. Some countries implement in addition an official trust person or advocate for employees if there is a discrimination issue. Overall about twenty cases of discrimination were reported in 2013.

Policies relating to equal opportunities for women are expanded on in the “Women’s Forum” section above.

Employment and integration of disabled people

Beyond legal requirements where they exist, Technicolor strives to adapt its workplaces, including its factories, to provide equal employment opportunities with no discrimination against disabled people with regard to hiring, training, allocation of work, promotion, or reward, and seeks to eliminate employment barriers and to accommodate disabled employees. In that regard, employment of disabled people is part of our non-discrimination policy, and Technicolor has been and continues to be willing to integrate different needs by offering modified duties, flexible hours, and customized workspaces.



“ At Technicolor, relations with labor unions and employee representatives are conducted on the basis of constructive dialog and mutual respect. Discussions and negotiations take place at European level with the Technicolor European Works Council and at national level with national or site Works Councils. Fostering such relations is critical to the development of an inclusive working environment and the overall success of the company ”
 Philippe Dubois, *Director, European Labour Relations*

5- DIALOGUE WITH LABOR UNIONS

Under the terms of an agreement with ten union organizations in Europe, the members of the Technicolor European Works Council meet several times each year. The Council, which consists of union representatives or members of works councils in European countries, addresses topics of a transnational nature. In 2012 no fewer than 7 European Work Council meetings were held to address both general company topics and specific issues, such as the disposal or reorganization of discontinued businesses.

In 2011, Technicolor renewed the composition of its European Works Council in order to reflect its business evolution in Europe; as a consequence, the European Works Council is now composed of:

Country	Number of European Works Council seats
Belgium	1
France	2
Germany	1
Italy	1*
Poland	1
UK	1

*Seat currently unfilled

Technicolor keeps the European Works Council informed of issues related to personnel, finance, production, sales, and research and development, and their impact upon employment and working conditions within Technicolor's European operations. The Council is also informed of major structural, industrial and commercial changes as well as reorganization plans. In accordance with European labor law, Technicolor executives in each European country meet annually with labor organizations to discuss remuneration and working conditions.

In accordance with domestic laws, data regarding the level of unionization is not available in most European countries (the laws in these countries do not allow this type of statistic to be published). In 2013, Technicolor entered into two collective bargaining agreements with its German employees; seventeen such agreements in France and one such agreement in Belgium.

In Italy 100% of the employees are unionized, in Poland 4.3% of the employees are unionized.

In the United Kingdom 2% of the employees are unionized and it is planned to establish an Employee Consultation Forum during the first quarter of 2013.

In Canada, in 2013, we entered into one collective bargaining agreement and 5.2% of the Group's employees are unionized.

In the United States, in 2013, 3.97% of the Group's employees were unionized and were covered by the collective bargaining agreements negotiated with the national and/or local unions. These agreements, with an average duration of three years, address salaries, employment benefits, and the working conditions and organization.

In Mexico, employment agreements are renegotiated every year, in 2013 three such agreements were signed. The proportion of employees belonging to a union is 55%. In Brazil, eight such agreements were signed.

In Australia, 60% of employees belong to a union and one collective agreement was signed in 2013.

In China, 100% of the employees are unionized. This information is not applicable for the rest of Asia.

6- HEALTH & SAFETY MANAGEMENT

The Technicolor Environment, Health and Safety (EH&S) Charter affirms our commitment to conduct business in a safe and responsible manner and to protect employees in their daily work. An effective occupational health and safety program, as defined by Technicolor, looks beyond specific requirements of law to address all hazards.

Our health and safety programs aim to identify potential risks and take appropriate prevention and severity reduction measures. Accident and injury prevention programs focus on local, site-specific health and safety work groups.

Work group members help ensure workplace safety analysis, improvement of written programs and procedures, and training. They also help prevent mishaps stemming from potential physical, chemical and ergonomic risks through inspections and audits, systematic analysis of accidents and incidents, and implementation of corrective measures as needed.

6.1 Managing Health & Safety

Corporate EH&S policies and guidelines establish requirements and provide guidance for working safely.

At local sites, programs and initiatives have been implemented to ensure that Technicolor meets its legal responsibilities and operates in a responsible manner by identifying risks and taking action to eliminate or at least minimize health and safety hazards.

Translated into six languages, the EH&S Charter is available on the Group's Intranet, and is displayed at each industrial site. Employee health and safety initiatives were undertaken at many Technicolor sites in 2013, including:

- › Medical examinations
- › Ergonomic assessments
- › Emergency training
- › Vaccination campaigns
- › First-aid training
- › Wellness programs

In 2013, Technicolor experienced a 2.7% increase in work-related injury and illness incident rate (number of recordable injuries and occupational illnesses per 200,000 hours worked) an increase from 1.10 in 2012 to 1.13 in 2013.

The work-related lost workday incident rate (number of recordable lost workday injuries per 200,000 hours worked) increased similarly, from 0.46 in 2012 to 0.51 in 2013.

Our goal is to achieve annual reductions in the injury rate at our worldwide operations. We hope to achieve a 5% reduction year on year by the end of 2015. More information on our approach to tracking annual progress can be found in section B3 "EH&S Goals and Progress" of this report.



6.2 Training People to Enhance Safety

Technicolor understands that, because each employee can impact EH&S efforts and performance, it is critical that each employee be provided with appropriate tools, resources and knowledge.

EH&S training programs develop awareness and skills that enable employees and contractors to perform their jobs in compliance with applicable laws, regulations and policies and to prevent accidents and reduce risks.

Training programs, evaluated during the corporate EH&S audit process, are a core ingredient in the EH&S performance measurement process. In 2013, 24,035 hours of documented training were provided on a wide variety of topics, from environmental and safety compliance and protection, injury prevention, emergency preparation and response, to occupational health.

6.3 Health & Safety Performance and Progress Assessment

Launched more than a decade ago, the Technicolor Environment, Health & Safety (EH&S) corporate audit program helps ensure that industrial locations comply with corporate EH&S policies and guidelines as well as applicable EH&S laws and regulations. The audit program has also proved a valuable tool for increasing EH&S awareness throughout the organization, identifying best practices, sharing successful initiatives, creating opportunities for diverse approaches to problem solving, and connecting our EH&S personnel to broader aspects of our multi-faceted business.

As part of our objective of auditing each industrial location at least every three years, three locations were audited in 2013. As a result of these audits potential improvement items were identified and evaluated, and more importantly, appropriate action plans were developed.

6.4 On-site H&S Initiatives

There were many notable H&S achievements during 2013 highlights of which are given below:

› Bangalore, India

In Bangalore's VFX & Animation site, the occupational doctor contract was augmented so that there is now a permanent medical service available to employees, including those working on evening or weekend shifts.

› Piaseczno, Poland

In the Piaseczno DVD replication site, the number of recordable injuries was divided by two compared to 2012.

› Bangkok, Thailand

The Bangkok film laboratory site included Safety awareness prevention messages into the site's LCD TV information channel.

› Rugby, UK

The Rugby packaging and distribution facility's efforts over the last three years to put in place a complete Safe System of Work were rewarded when the site obtained OHSAS 18001 certification during 2013 while registering no recordable injury for the second year in a row. As the project unfolded there were many improvements made, in-depth risk assessments were conducted and as a result some physical changes were made such as defining separate pathways for workers and manual handling equipment and separating them with physical barriers.

› Tutitlan, Mexico

The Tutitlan site laid the first bricks of a complete health and safety management system: risks assessments were conducted, some situational diagnosis tools were used to better control occupational risks in two areas, the site joined a pool of neighboring businesses to share experience and join forces to better address all emergency risks together, including emergency response in case of fire, earthquake, or floods. The site goal is to implement the Mexican PASST system (management of health and safety in the workplace).

› Memphis, USA

Memphis packaging and distribution continued to raise awareness among the workforce and supervisory staff through regular weekly safety talks and training modules, weekly cross function safety meetings to ensure excellent coordination between EH&S, Engineering, Facilities, and Maintenance managers, and a focus program about improved safety of order pickers working at height, all of which resulted in continued reduction of recordable injury numbers and rates.

› Sydney, Australia

The Sydney site engineering team devised a warning lights system on packing lines to alert operators when a line is activated remotely so as to avoid pinch points and entanglements.

› MPC, (London, New York, Santa Monica, Vancouver)

Existing and new MPC sites are actively promoting safety and well-being at work to provide safe and comfortable workspaces and to accommodate the permanent and contracted creative staff who can spend long hours devising the best award winning image effects.

B. ENVIRONMENTAL MANAGEMENT

1- COMMITMENT TO PROTECT THE ENVIRONMENT

Climate change remains one of the world's most pressing sustainability challenges and Technicolor is committed to environmentally responsible business practices.

Technicolor understands that consistent, universally applied standards help each site meet local requirements. Standards also provide a base to encourage people at each location to go beyond local regulatory requirements. This approach has been formalized in the Technicolor Corporate Environment, Health & Safety (EH&S) Charter, which provides a framework to manage and foresee environmental risks.

We track a wide range of environmental data at 41 worldwide sites, including waste management (total waste generated, landfilled and recycled), energy consumption (electricity and fossil fuels), water consumption, air emissions (greenhouse gas emissions), main materials used and process wastewater effluents. A table showing the 41 sites and a description of our tracking methodology is featured in the "Our Performance" section included at the end of this report.

2- REDUCING ENVIRONMENTAL IMPACT

EH&S principles and concerns affect all Technicolor activities. Corporate EH&S managers and EH&S site managers are responsible for EH&S management. A Corporate EH&S group, established in 1993, develops global policies, guidelines, programs and initiatives, helping each business meet the principles and commitments outlined in the EH&S Charter.

The Corporate EH&S organization reports to the VP Corporate Social Responsibility & Public Affairs. He in turn reports to the EVP Human Resources and Corporate Social Responsibility, who is a Member of Technicolor's Executive Committee.

A corporate manager oversees the EH&S network. Links between the EH&S group and various business units ensure that transferable local initiatives are shared quickly among sites wherever appropriate.

Local personnel, supported by local EH&S Committees, are responsible for reviewing and adapting corporate policies and guidelines as well as applicable laws and regulations at each site. They also supervise implementation of site-specific programs and procedures to ensure conformance and minimize health and environmental risks.

Environmental Management Systems (EMS) subject to certification according to the international ISO 14001 standard have been required at all Technicolor industrial sites with chemical risks above a defined threshold since the end of 2004.

During 2013, a total of 10 sites held ISO 14001 certification.

Newly acquired industrial sites are expected to achieve EMS certification within two years where it is determined that certification is required.



“With EH&S improvement and monitoring processes firmly in place within the industrial footprint of Technicolor, we must now specifically focus our communication, training, measurement, awareness-building and improvement efforts toward the non-industrial workplace within Technicolor, as the concentration of risk is shifting in line with the growth of digital distribution and content creation.”

Tom Sipher, *Vice President, Environment, Health & Safety*

Technicolor locations with ISO 14001-certified EMS

Site	Segment	Original certification date
Bangkok	Entertainment Services	November, 2011
Glendale Film	Entertainment Services	May 2012
Guadalajara	Entertainment Services	October 2004
Manaus	Connected Home	August 2003
Melbourne	Entertainment Services	December 2005
Piaseczno	Entertainment Services	December 2004
Pinewood	Connected Home	August 2009
Roma	Entertainment Services	November 2001
Rugby	Entertainment Services	November 2004
Sydney	Entertainment Services	December 2005

3- EH&S GOALS AND PROGRESS

Technicolor has been tracking annual progress toward environmental and resource conservation improvement goals since 1997.

The tracking includes:

- › Reduction of environmental impact on air, water and land
- › Reduction of consumption of water, energy or raw materials
- › Corrective actions related to internal EH&S audits and inspections
- › Development of emergency preparation and response plans and associated training and drills
- › Development of EH&S committees
- › EH&S-related employee training

4- CONTINUOUS IMPROVEMENTS IN ENVIRONMENTAL PERFORMANCE

4.1 Audits

EH&S audits play a vital role in Technicolor's ongoing efforts to improve EH&S management and performance and prevent accidents.

In addition to internal audits within each manufacturing, packaging and film lab site, a comprehensive corporate internal audit program has been implemented since 1996. Audits are conducted by trained, experienced Technicolor auditors.

The audit program helps ensure conformance with corporate EH&S policies and guidelines. The program has also proved to be a valuable tool for increasing EH&S awareness, identifying best practice opportunities, communicating successful initiatives between plants, creating new approaches to problem solving, and sensitizing EH&S personnel to various other issues.

As the result of environmental audits - three of which were carried out in 2013 - improvement items were identified and evaluated, and more importantly, action plans were developed.

4.2 2012-2015 Goals and Performance

Technicolor established the below EH&S goals and objectives for the Group, to be met by its worldwide industrial operations by the end of 2015:

- › 5% annual reduction of injury rate
- › 10% minimum proportion of energy coming from renewable resources
- › 75% minimum Waste Recycling Rate
- › Reporting to satisfy GRI Application Level B+

5- ENVIRONMENTAL INITIATIVES AT TECHNICOLOR SITES

There were many notable EH&S achievements in 2013 a selection of which are given here:

› Memphis, USA

A successful Internal Pallet Recycling Program was launched in the Memphis Packaging and Distribution activity, reworking and recycling damaged pallets. The programme yielded significant pallet expense reduction on the way and helped the site achieve a recycling rate of about 80%. The sites of Mexicali and Rugby also diverted more waste in 2013 from elimination and increased their recycling rate.

› Melbourne, Australia & Piaseczno, Poland

Process improvement in DVD replication at Melbourne and Piaseczno led to an improvement in effluent quality in the first, and the elimination of a solvent in the second.

› Rennes, France

Communication and awareness campaigns were deployed at the Rennes R&D center to further educate employees to minimize impacts in office and at home.

› Burbank, USA

In Burbank, the site has equipped the parking lot with electrical sockets for employees' electric cars.

› Brampton, Canada

Brampton (Canada) successfully implemented a pilot project to go paperless for pay statements

› Bangkok, Thailand

The Bangkok (Thailand) film lab implemented an energy-saving project to recover waste heat from condensate water and reduced HVAC-related energy consumption by about 15%.

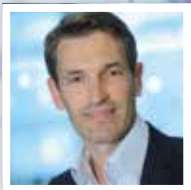
6- TECHNICOLOR CARBON FOOTPRINT

As part of its pledge to conduct business safely and responsibly, Technicolor has always measured environmental impact and sought to reduce it through monitoring programs and projects focused on its industrial activities.

Our focus has evolved in recent years as the company has undergone significant changes, resulting in a growing emphasis on business to business partnerships with Media & Entertainment professionals. Technicolor is a low carbon intensity company: in 2008, we estimated the company's carbon footprint at about 425,000 metric tons - nearly 90 tons per million euros of revenue. We rigorously manage our environmental impact.

Our goal is to initiate a dialogue with key stakeholders over how to address global warming issues related to our business activities. Feedback from internal and external stakeholders will help us improve our carbon footprint reporting through further identification of issues. It will also help us prepare for adequate disclosure in anticipation of potential global warming legislation.

For more information, download our first Carbon Footprint Report, which underlines both the challenges and opportunities of climate change. The report provides an overview of Technicolor carbon footprint management - a key element in our pledge to protect the environment.



“ The implementation of ecodesign and sustainable product development methodologies is a key factor in reducing negative environmental impacts associated with production processes. With this in mind, Technicolor has placed sustainable production processes at the forefront of its agenda which not only benefits the environment but also serves to drive innovation and quality improvement. ”

Eric Adam, *Vice President,
Connected Home, Sourcing, Industrial Partnerships & Hardware Platforms*

7- ECODESIGN AND LIFE CYCLE ASSESSMENT

7.1 Connected Home: A Strong Commitment to Ecodesign

Technicolor has long taken a positive stance towards environmental issues in the development, manufacture, use and ultimate disposal of its products. As long ago as 1992, we established our own EH&S charter, committing to conduct our business in a safe and environmentally responsible manner everywhere we operate. Our Business Units rigorously observe international standards, such as the ISO 14000 series and especially ISO 14062, which integrates environmental considerations into design and product development.

As part of its own principles when integrating environmental considerations, the Connected Home Division commits the organization to:

- › Comply with all the laws, regulations and industry guidelines endorsed by Technicolor. These include the European Union Code of Conduct on Energy Efficiency of Digital TV Service and Energy Consumption of Broadband Equipment, the Industry Voluntary Agreement to improve energy consumption of Complex Set-Top Boxes.
- › Constantly monitor environmental impacts through the management and control of hazardous substances and through waste reduction.
- › Constantly improve environmental management through regular audits.
- › Work with its suppliers to further drive environmental improvements.
- › Improve the environmental performance of its operations by better managing the entire lifecycle of electrical and electronic equipment including energy consumption during the use phase.



7.2 Ecodesign as a Business Advantage

Customer environmental awareness (both that of businesses and end-consumers) is growing and many purchasers take environmental criteria into account when making buying decisions. Responsible consumers also want to be reassured that vendors are taking all steps possible to ensure that the best environmental practices are applied at every stage of manufacturing and delivery processes.

Increasingly, Technicolor's direct customers are making good environmental practice a part of their contract terms - or at least are engaging in a dialogue on the subject. A Connected Home customer satisfaction survey in 2012 showed that 82% (versus 73% in 2011) of customers take environmental performance into account when selecting suppliers and business partners. Clearly, good "green" design is important to everyone.

Inevitably, meeting market expectations of good environmental stewardship involves some changes, in particular as far as design and manufacturing are concerned. For example, to be able to guarantee that a specific electronic design is as energy efficient as possible, developers have to prioritize energy efficiency when evaluating other design options and criteria.

Furthermore, ecodesign considerations may also have an impact on costs, product functionality, user habits, and service implementation while some green efforts have clear cost-savings, as is the case with most energy efficiency projects. It is only when a win-win situation can be demonstrated that all parties - end-users, manufacturers and service providers - will buy into best design practices. Understanding and identifying sustainability benefits requires accurate data and sound analysis about the true environmental performance across the product life cycle. This calls for reliable methodologies and tools.

7.3 Ecodesign Methodology

Ecodesign is an activity that integrates environmental considerations into product design and development - without compromising quality and performance - over the entire lifecycle of the product.

It therefore includes all environmental regulations and specific environmental product requirements including customer expectations.

International Standard ISO/TR 14062 covers practices and methodologies relating to the integration of environmental considerations into the product design and development process. It describes examples of inputs and outputs for each phase and the tools that need to be applied accordingly from conception through to market launch.

For each product lifecycle state (planning, conceptual and detailed design, testing and prototyping, product market launch, product review, etc.), the actions to be performed to design a product have to be compliant with the product's target environmental specifications. This ecodesign methodology has been merged with ETM (Early-to-Market) process methodology, which is the Technicolor-specific product development process deployed across the Connected Home Division's development sites.

7.4 Ecodesign Principles and Tools

To support the ecodesign process, Life Cycle Assessment (LCA) tools are needed to identify and measure the environmental impacts of a product over its entire life (i.e. from the cradle to the grave).

LCA is standardized in international standard ISO14040 (Environmental Management, Analysis of Life Cycle). Technicolor's Connected Home activity has selected the Environmental Information and Management Explorer (EIME) tool which is considered to be the reference LCA evaluation tool for electronic and electrical equipment.

It measures 11 environmental impact indicators such as global warming (i.e. CO₂ footprint), water eutrophication, resource material depletion, etc, which allow Technicolor to evaluate, compare, improve and communicate product design and environmental performance more effectively.

The table below shows the environmental impacts of a set-top box across its entire lifecycle.

Breakdown of environmental impacts over lifecycle of Technicolor IP/terrestrial high-end set-top box

Indicator	Unit	Total	manufacturing	Distribution	Installation	Use	End of life
Air Acidification (AA)	Kg H ⁺ eq	1.70E-02	17%	2%	0%	81%	0%
Air toxicity (AT)	m ³	2.11E+07	19%	2%	0%	79%	0%
Energy Depletion (ED)	MJ	1.55E+03	19%	0%	0%	80%	0%
Global Warming Potential (GWP)	Kg CO ₂ eq.	98	16%	1%	0%	83%	0%
Hazardous Waste Production	Kg	1.44E+00	62%	0%	0%	38%	0%
Ozone Depletion Potential (ODP)	Kg CFC-11 eq.	1.60E-05	16%	1%	0%	83%	1%
Photochemical Ozone Creation Potential (POPCP)	Kg C ₂ H ₄ eq.	3.77E-02	15%	1%	0%	83%	0%
Raw Material Depletion	Y-1	2.98E-13	99%	0%	0%	1%	0%
Water Depletion (WD)	dm ³	1.86E+02	74%	0%	0%	25%	0%
Water Eutrophication (WE)	Kg PO ₄ eq.	1.72E-03	83%	0%	0%	15%	2%
Water Toxicity (WT)	m ³	2.07E+01	23%	1%	0%	53%	23%

The following graph shows the distribution of each environmental impact over the different phases in the lifecycle.

Breakdown of environmental impacts over lifecycle of a Technicolor IP/terrestrial high-end set-top box



It shows that for a Set-Top-Box type of product:

- › The Use phase is the largest contributor to 8 indicators out of 11 - This represents around 80% of all other environmental indicators, including the GW (Global Warming) indicator which defines the product's carbon footprint.
- › The Manufacturing phase represent 98% of RMD (Resource Material Depletion) which calculates the depletion of natural resources and 52% of the WT (Water Toxicity) indicator.
- › The Distribution phase has a very small impact due to ship transportation - except for WE (Water Eutrophication) caused by cardboard packaging.
- › End-of-life treatments are not responsible for any significant environmental impact. The main impact of this phase is on Water Toxicity (WT) and Water Eutrophication (WE).

This type of impact distribution - where the main environmental impact is generated by the use phase - is generic to all set-top boxes and home gateways and, more generally, to ICT devices powered by mains electricity.

The table below shows the impact of a VDSL home gateway and the distribution of the various environmental impacts over the different phases of the product lifecycle.

Example of a Technicolor DSL Home Gateway

Indicator	Unit	Total	manufacturing	Distribution	Installation	Use	End of life
Air Acidification (AA)	Kg H+ eq	1.53E-02	8%	2%	0%	90%	0%
Air toxicity (AT)	m ³	1.85E+07	9%	2%	0%	89%	0%
Energy Depletion (ED)	MJ	1.95E+03	6%	2%	0%	92%	0%
Global Warming Potential (GWP)	Kg CO ₂ eq.	111	6%	1%	0%	93%	0%
Hazardous Waste Production (HWP)	Kg	1.78E+00	12%	4%	0%	84%	0%
Ozone Depletion Potential (ODP)	Kg CFC-11 eq.	2.98E-06	37%	6%	0%	56%	1%
Photochemical Ozone Creation Potential (POPCP)	Kg C ₂ H ₄ eq.	2.76E-02	11%	2%	0%	87%	0%
Raw Material Depletion (RMD)	Y-1	9.54E-14	97%	0%	0%	3%	0%
Water Depletion (WD)	dm ³	2.10E+02	21%	9%	0%	70%	0%
Water Eutrophication (WE)	Kg PO ₄ eq.	1.51E-03	36%	049%	0%	12%	3%
Water Toxicity (WT)	m ³	1.65E+01	15%	4%	0%	70%	11%

7.5 Participation in Standards and Voluntary Agreements to Enhance Lower Power Consumption


One of Technicolor's corporate values is a commitment to globally agreed standards and voluntary agreements. Technicolor maintains representation in international environmental and safety standards-setting bodies, just as it does in the relevant engineering committees.

Connected Home Division engineers who are members of Technicolor's International Ecodesign Task Force have served on several international boards focusing on energy consumption standards, endeavoring to draw together the work carried out in this respect in Europe, the U.S., Canada, China and Australia.

Technicolor also actively supports voluntary initiatives that contribute to minimizing environmental impacts, including initiatives on the more efficient use of energy and reduced power consumption.

Externally, there has been an increased drive towards good practice through voluntary codes such as Energy Star in the United States and the European Union's Codes of Conduct on the energy efficiency of Digital TV Service Systems and Broadband Equipment as well as the Industry Voluntary Agreement on Complex Set-Top Boxes.

Technicolor was an early signatory of the latter Codes of Conduct with the company putting its name to them in May 2008 which commits Technicolor to developing and bringing to market products that comply with stringent energy efficiency levels. They also commit Technicolor to reporting to the European Commission annually, providing information about the power consumption of equipment covered by the Codes of Conduct, thereby allowing the Commission to monitor the effectiveness of its program.



As it relates to Customer Premises Equipment (CPE), Technicolor was the first CPE vendor to sign the Code of Conduct for Broadband Equipment, putting itself in a leading role for low energy consumption residential gateways. Technicolor is also a regular contributor to the EU Committees and is strongly involved in making revisions to and drafting new requirements.

Company reporting for 2013 demonstrates that Technicolor achieved the power consumption targets respectively set by the Code of Conduct for Broadband Equipment, the Code of Conduct for Digital TV and the Industry Voluntary Agreement on Complex Set-Top Boxes. 2013 reporting demonstrated that:

- ▶ 93% of our set-top box units put on the market in 2013 are compliant with the Voluntary Agreement,
- ▶ 100% of our set-top box models put on the market for the first time in 2013 are compliant with the Code of Conduct on the energy efficiency of Digital TV Service Systems,
- ▶ 97.65% of our Home Gateway units introduced on the market for the first time in 2013 are compliant with the on state power target of the Code of Conduct for Broadband Equipment but only 17% are compliant with the idle state power target.

Non-compliant units resulted from the difficulty in reaching tier 2013 idle state power targets for high end Gateways. It appears that competitors had the

same difficulty in making their high end Gateways compliant, because the power target model of the CoC for BroadBand is not relevant for complex Gateway products.

For a number of years, most of Connected Home's complex set-top-box models marketed in the U.S. have been compliant with the relevant ENERGY STAR program.

Technicolor is not yet officially registered as a partner of the ENERGY STAR program as our current channel distribution is not direct-to-retail. Nonetheless, in 2010, our test laboratory in Indianapolis was accredited by EPA to perform ENERGY STAR testing on complex set-top-boxes.

In Australia, Technicolor supports growing consumer concerns over energy efficiency. In 2010, the company became an Associate Member of the Subscription Television Industry Voluntary Code for improving the energy efficiency of conditional access set-top boxes.

The code requires members to meet energy performance targets. By signing this Code, Technicolor is committed to the overall objective of improving the energy efficiency of complex set-top-boxes used in the subscription television industry. Technicolor complex set-top-boxes delivered in Australia and in the scope of this Code meet these targets.

7.6 Supplier Involvement

As part of its Code of Ethics and its procurement policy, the Connected Home Division has a comprehensive set of guidelines which cover every aspect of the environmental, health, and safety policies of every factory that contributes to its products - whether it is a Technicolor plant or that of a supplier. These policies are designed to ensure that everything within the finished product is produced according to best practice and is fully compliant with Technicolor's Code of Ethics. Complementing this, we have statements of work in place with our suppliers to ensure that they are also compliant with the company's Code of Ethics. The products themselves are made in accordance with all applicable laws and without the use of selected, restricted and controlled hazardous materials, and comply precisely with their aim of being energy efficient in use. This involves Technicolor specialists visiting suppliers to conduct a "green audit" of every manufacturing plant. These audits validate the plant's own compliance assurance system by spot-checking the plant, the manufacturing cycle, and the components and materials used.

From 2011 to 2014, it is intended that the above-mentioned ecodesign initiatives are not limited to Technicolor, but that they also ultimately extend to OEM (original equipment manufacturer) and ODM (original design manufacturer) suppliers. One of the key objectives is to work with our suppliers to ensure we meet environmental regulatory requirements so that energy consumption (ErP directive) hazardous substances (RoHS, REACH), waste electronic and electrical equipment as well as voluntary initiatives (CoC DTV, CoC BB and Industry VA for CSTBs) are managed appropriately.

7.7 Communicating Environmental Information

To facilitate transparency on environmental information, Technicolor's Connected Home Division has voluntarily put in place a system whereby the so-called Product Environmental Profile (PEP) of any given product can be obtained on request.

A PEP contains environmental data for any given product including its carbon footprint and summarizes the benefits of an environmentally conscious design. It provides information required to assess the environmental impact of products over their entire lifecycle and thus allows the identification of efficient ecodesign options.

A PEP is standardized according to international standard ISO14025: 2006 which governs Type III Environmental Declarations and IEC PAS 62545 relative to environmental information on electrical and electronic products.

7.8 Ecodesign Achievements

7.8.1 Deployment of ecodesign

2011 objectives relating to gateway and set-top-box LifeCycle Analysis (LCA) and ecodesign activities included the ability to acquire sufficient knowhow and practical experience in order to implement ecodesign for all newly developed product families in 2011.

Based on this knowhow, 2012 and 2013 objectives relating to gateways and set-top boxes have been to provide a contribution to EU energy efficiency initiatives such as the Code of Contact Digital TV, Code of Conduct Broadband, Voluntary Agreement for Complex Set-top boxes, but also EU energy related regulations such as lot 26 (networked standby) and the revision of lot 7 (external power supplies).

Technicolor has actively contributed to the completion of the 801/2013 regulation and the associated guidance document providing

practical guidance on the implementation of the regulation for products.

Whilst our intent is to extend these ecodesign initiatives to OEM (Original Equipment Manufacturer) and ODM (Original Design Manufacturer) suppliers, for the time being OEM or ODM supplier sustainability practices are limited to conforming to environmental regulations and very specific ecodesign requirements.

In addition, some non EU customers are less concerned by the environmental performance of the products they purchase when products are not subject to environmental regulation. In these circumstances, environmental improvements and features may be introduced on their device, only if there is no cost impact and no

constraint for the end user. This can be a barrier to the application of eco-design methodology to all of our products.

Service providers also play a central role in the specifications of boxes to give end-users access to devices which are not only more efficient but which contain auto-power-down (APD) features.

However, it is estimated that total energy consumption will continue to grow up to 2015, particularly in non-OECD countries. Consequently, year after year more AMERICAS, LATAM or APAC countries are introducing environmental regulations relative to banned substances and the energy efficiency of devices.

7.8.2 Life-Cycle Analysis tools

In early 2012, a new version of the Technicolor Life-Cycle Analysis tool (EIME V5) was made available and was completed in 2013. This version brings some significant improvements such as the addition of an Installation phase, full integration of the End-of-Life phase, full compatibility with the so-called PEP Ecopassport standard, and the addition of the standardized European Reference LifeCycle Database (ELCD) and International Reference LifeCycle Data (ILCD) indicators. In addition to the ILCD database related to electronic components, the materials and processes have been significantly reviewed and updated allowing for more precise LCAs.

7.9 Ecodesign Perspectives for 2013

As a leading supplier of Set Top Boxes (STBs) Technicolor has many years of experience incorporating ecodesign principles and methodology into our products. Rigorous product environmental performance analysis is used to measure the impact of these innovations and to target key areas of focus. Since 2008, specific ecodesign studies have been completed on many aspects of core product design (e.g., energy consumption, electronic cards and components, casing and cable materials, accessories, etc.) as well as on related elements including packaging and transportation.

Energy consumption remains a key priority across the industry. Technicolor will continue to support voluntary EU industry initiatives such as the Industry VA for CSTBs, the Code of Conduct (CoC) for Digital TV and the CoC Broadband. Such initiatives are particularly valuable because they promote a holistic

view of energy usage across the entire supply chain. Hence, both chip and device manufacturers, together with software suppliers and service providers, can form a joint and complete view of overall energy requirements and then work together to drive improvements.

In 2014 we expect completion of the 278/2009 regulation on External Power Supplies (EPS). The scope of this revision is likely to extend beyond energy efficiency and no-load power consumption. Our main objective is to convince the European Commission to align EPS targets with Department of Energy (DOE) targets in order to enable the use of the same EPS in the EU and the US.

Making all Technicolor Gateway and CSTB models compliant with Regulation 801/2013 will be the main ecodesign challenge of 2014.

Given that Technicolor has actively contributed to the 801/2013 regulation guidance document, a number of potential hardware and software solutions have been identified to make our Gateways and CSTBs compliant. Our subsequent task will be to evaluate the feasibility and cost of each of these solutions when implemented with a specific product type.

Knowing that the targets and requirements of the 2017 tier are significantly more challenging than those specified for the 2015 tier, the challenge will be to drive all new products developed in 2014 towards compliance not only with tier 2015 but also tier 2017. Our objective is to ensure that we use all technology available in order to avoid having to redesign products within a two year timescale of them having been placed on the market for the first time.

In the Smart Home context, energy reduction and management of networked devices will remain a key topic, requiring new innovation, standardization (of NW interfaces, protocols, services, etc.) and regulation. As Home GWs and CSTBs are both part of the problem and the solution, we are working to develop our own vision of which NW technologies (NW interfaces, modulation, protocols, services, etc.) should be specified, developed and implemented in Home GWs, CSTBs and other home devices to deliver both a radical improvement in home NW capabilities and reasonable power consumption.

Regarding materials and substances used in GWs and CSTBs, the main environmental improvement

will come from banishment of substances such as PVC, halogenous flame retardant, phthalates, etc. Some manufacturers have already restricted use of certain substances and materials from high end products and some EU countries (e.g. Denmark) are intending to ban some of them. We anticipate the EU playing a leading role in organizing such a revolution step-by-step within a reasonable time frame across Europe. We intend to pre-empt the regulations and study alternative solutions to these substances and materials in order to be able to propose solutions adapted to Home GWs and CSTBs for customers already demanding improved environmental performance.

The European Commission has developed plans to introduce a supply chain initiative for responsible sourcing of minerals originating in conflict-affected and high-risk areas ("conflict minerals"). While the exact outline of the planned policy is still unknown, an online consultation open to European and international stakeholders ended on 26th of June 2013. Technicolor is committed to ensure that minerals contained in our products are sourced with due respect to human rights, the need to avoid contribution to conflict and the desire to support development through our supply chain practices. Monitoring of conflict minerals began subsequent to requirements emanating from the US Dodd-Frank Act (see section 8.7).

8- KEY ENVIRONMENTAL REQUIREMENTS COMPLIANCE

Manufacturers of electronic products face growing sustainability requirements and increasing regulations concerning ecodesign and energy efficiency.

The variety and proliferation of environmental regulations as well as norms, standards and frameworks, influenced both by stakeholders and in-process regulations, has reinforced the need for better environmental management.

Technicolor operates in a worldwide market and thus has to deal with a wide variety of national and regional initiatives governing the environmental performance and risk management associated with its products.

The Group has put into place the necessary processes and initiatives to comply with laws restricting the use of hazardous substances, such as the European Restriction of Hazardous Substances (RoHS) and Restriction, Evaluation and Authorization of Chemical substances (REACH) directives.

We are also preparing for better end-of-life handling of Waste Electrical and Electronic Equipment (WEEE). Technicolor's various product categories are also affected by energy efficiency requirements with the company actively working to improve the energy efficiency and climate-related impact of its products.

Recognizing similar needs, other regions such as Asia, North America and Latin America have already implemented or are starting to adopt similar sets of regulations.

8.1 RoHS - European Restriction of Hazardous Substances

On July 1, 2011 the amended RoHS Directive (Directive 2011/65/EU) on the restrictions of the use of certain hazardous substances in Electrical and Electronic Equipment (EEE) was published in the Official Journal of the European Union. It replaces Directive 2002/95/EC (RoHS1) and it aims at adapting its provisions to the technical and scientific progresses made concerning the use of hazardous substances in EEE and the development of substitutes and thus is expected to improve the environmental protection of human health and the environment. The original six restricted substances and their maximum concentration values remain the same. RoHS2 contains a list of exemptions similar to the original RoHS1 Directive and subsequent Decisions.

RoHS2 requires the review of the list of restricted substances, based on a thorough assessment and coherence with other legislation related to chemicals (notably REACH). In a first instance, under RoHS2, four new substances of high concern are identified for assessment and possible inclusion in the Directive: hexabromocyclododecane (HBCDD - flame retardant); bis (2-ethylhexyl) phthalate (DEHP - PVC plasticizer and a dielectric in some capacitors); butyl benzyl phthalate (BBP - a PVC plasticizer); and dibutylphthalate (DBP - a plasticizer, used in some adhesives and inks). In 2013, the European Commission launched a study for the list of restricted substances (methodology and detailed substances assessment) with a view to their future restriction.

Under RoHS2, product marking will be required. The CE mark - a conformity marking for many products sold in Europe - will expand to include RoHS compliance. Member States will presume that all products bearing the CE mark are RoHS compliant.

Member States had until January 2, 2013 to transpose the directive into national legislation.

To ensure that Technicolor products sold in the European Union comply with RoHS and other relevant requirements:

- › Technicolor ensures that all components and product parts are RoHS compliant via a combination of supplier declarations, supplier audits and random finished product RoHS testing as additional verification. This includes close collaboration and constant dialogue with suppliers in order to gradually gather relevant information.
- › Technicolor has voluntarily expanded its list of controlled or banned substances by adding the additional four substances identified for priority assessment in the RoHS2 directive to the six already included in RoHS1.

RoHS compliance requires all homogeneous materials in products placed on the market to not contain RoHS substances unless they are exempt. The approach to adjudicating the case of exemptions is different under the RoHS2 regime as compared to that of RoHS1. End of 2012, the European Commission started reviewing the list of all exemptions under the Directive 2011/65/EU (RoHS 2), i.e. new exemptions requests, renewing existing exemptions, amending exemptions or revoking exemptions).

As a member of industry groups such as Digital Europe, Technicolor is committed to contribute to ongoing discussions and to intensively pursue implementation of the updated regulation with suppliers.

8.2 WEEE (Waste Electrical and Electronic Equipment Directive) Implementation

In summary, the European Union WEEE Directive (2002/96/EC) imposes obligations on manufacturers/brand owners and importers/distributors with respect to (1) product design, (2) separate collection, (3) treatment, (4) recovery, (5) financing, and (6) product marking, information, and reporting.

It also requires them to register in each E.U. country to implement local WEEE legislation and to support the recycling of discarded electronic products. Technicolor is committed to respect WEEE implementation laws and regulations in each E.U. member state. As required by law the Connected Home activity of Technicolor attaches WEEE labels to its products and provides appropriate instructions to end-users so that the equipment will not be discarded with general waste. Technicolor is registered as a producer and has joined collective compliance schemes in countries in which we bear the producer WEEE responsibility. As of this writing, this is the case in France, Germany, Italy, Spain and the U.K.

The WEEE Directive (Directive 2002/96/EC) has been in force since February 2003. With a view to further strengthening resource efficiencies in Europe for the years to come, the European Commission proposed an entire recast of the WEEE Directive focusing on clarification of the scope and definitions of the directive, waste collection, recovery and recycling targets with ambitious new collection rates, treatment requirements, the harmonization of national registration stipulations and a range of producer responsibility provisions including reporting. This recast to the directive was adopted by the European Parliament and the Council and was published in the Official Journal in July 2012 (Directive 2012/19/EU).

Technicolor is taking all necessary steps to achieve the targets, when the new provisions take effect (by February 14, 2014, transposition date of the Directive into national laws and regulations).

8.3 Battery treatment and recycling processes

The E.U. Battery Directive (2006/66/EC) requires manufacturers to design products so that batteries (primary cells) and accumulators (rechargeable cells) are easily removable and to provide instructions for end-users. The directive also requires producers and importers of batteries and appliances incorporating batteries to finance the cost of collection, treatment and recycling of waste batteries and accumulators.

Mercury, lead and cadmium substances in batteries are also restricted. All batteries are required to be marked with the separate collection symbol and those containing mercury, cadmium or lead are required to be marked with their

chemical symbol(s) when their content exceeds specific values. Batteries must be readily removable by the end user or a qualified professional and accompanied by instructions which explain how they can be removed safely. Portable secondary (rechargeable) batteries are required to be marked with their capacity.

Technicolor supports the aims of the Battery Directive and is compliant with the battery legislation of each country where we are obligated as a producer.

In support of the E.U. Battery Directive, Technicolor has undertaken the necessary registrations to collective compliance schemes in, France, Germany, Italy and Spain.

8.4 Packaging waste regulation

The E.U. Packaging Directive (94/62/EC) provides for measures aimed at limiting the production of packaging waste and promoting recycling, re-use and other forms of waste recovery. The Directive imposes "essential requirements" for packaging waste which can be summarized as follows:

(1) packaging weight and volume shall be reduced to the minimum necessary for safety and consumer acceptance

of the packed product; (2) hazardous substances and materials shall be minimized as constituents of the packaging with regard to emissions from incineration or landfill (as well as specific concentration limits on named heavy metals) (3) if reuse is claimed, packaging shall be suitable for that purpose.

It also requires member states to (1) adopt packaging waste prevention measures; (2) meet specific recovery

and recycling targets; (3) set up collection and recovery systems; (4) set up information systems on packaging and packaging waste; and (5) ensure that consumers are informed on packaging take back.

Technicolor is aware that packaging is an increasingly important recycling issue and is engaged in actions to optimize the amount and type of packaging we use. By way of example, one of Technicolor's goals is to propose carefully sized packaging to ensure that, while providing adequate protection for the product itself, this packaging is kept to an absolute minimum whilst at the same time perfectly fitting stacking dimensions of standard pallets and containers. Thus, in addition

to reducing the total volume of packaging waste such measures will also help lower the environmental impact and costs associated with product transportation.

Technicolor has joined a packaging compliance scheme in countries where we have obligations as a producer and has undertaken the necessary registrations for the recovery and recycling of used packaging in Austria, Belgium, France, Germany, Luxembourg and Spain.

In February, 2013 Annex I to the Directive on packaging was officially released, providing a list of illustrative examples for interpretation of what is packaging and what is not (Commission Directive 2013/2/EU).

8.5 REACH

8.5.1 REACH Training

Since February 2008, Technicolor has conducted REACH training sessions at most of its European sites in R&D, Sourcing, Quality, EH&S, Supply Chain and Manufacturing and ensures that relevant personnel at all sites worldwide receive regular updates on REACH requirements and developments where appropriate.

The topics covered by REACH training sessions have included: REACH information to involve suppliers in a well data collection, information on chemicals used to provide to suppliers (manufacturers and importers of chemicals), the authorization process linked to annex XIV, the restriction conditions laid out in annex XVII and the Classification, Labeling & Packaging directive (Dir. 2008/1272/EC).

8.5.2 REACH initiatives

Substances and preparations used, contained and embedded in our products (both purchased products and finished goods marketed in Europe) are closely monitored through our Supply Chain. This monitoring includes the identification of SVHC (Substances of Very High Concern) pursuant to the Candidate List, banned substances as listed since May 2009, restricted substances (Annex XVII) as well as substances subject to authorization (annex XIV).

Some of our products may contain more than traces (i.e. more than 0.1%) of some of the 46 hazardous chemicals categorized as Substances of Very High Concern (SVHC) by REACH. We have begun communicating to our direct clients so as to comply with this REACH obligation pursuant to article 33.

Internally, a REACH governance program was set up in 2009.

In line with our corporate policy, REACH program management, through REACH network members, are implementing processes to comply with requirements directly applicable by the Business Units, such as:

- › Customer communication process;
- › Safety data sheets management process;
- › Controls management process;
- › Supplier data collection and management;
- › Uses information for suppliers;
- › Classification, labeling and packaging of substances (pursuant to Dir. CLP n° 1272/2008)
- › REACH audits management.

Additional processes have been set up in the Sourcing Department, such as the creation/qualification of new components as well as supplier selection and follow up.

8.6 Energy-related Products - ErP (previously EuP) Directive

The European Union's Energy-related Products (ErP) directive (2009/125/EC) aims to improve the energy efficiency and environmental performance of products throughout their life cycle. ErP is a framework directive meaning that products are not subject to ecodesign or energy efficiency requirements until "Implementing Measures" (E.U. Commission regulations) have been issued setting specific standards for priority products.

Implementing Measures include designing products with both ecodesign and power consumption/energy efficiency requirements for products placed on the market, with conformity verified through application of the CE label. In December 2012, the European Commission published its Ecodesign 2012-2014 working plan setting out an indicative list of energy-using products which will be considered in priority for the adoption of implementing measures (as an indicative list, twelve broad product groups will be considered with no major direct impact on the Technicolor current business model).

In 2013, the European Commission launched a public consultation to review the effectiveness of the application of the ErP Directive (as well as the Energy Labelling Directive). The final study and recommendations should be finalized by mid-2014. To date, products marketed by Technicolor Connected Home are not subject to the Energy Labelling Directive.

The ErP directive stipulates that self-regulation may be an alternative to an Implementing Measure for setting ecodesign requirements if self-regulation achieves policy objectives more

quickly or at lesser expense. It is within this framework that a group consisting of service providers, equipment manufacturers, software providers, conditional access providers and component manufacturers has tabled an Industry Voluntary Agreement (IVA) to address the environmental impact and energy consumption of complex set-top boxes (set-top boxes with conditional access).

Companies that join this VIA must ensure that 90% of their products comply with set energy consumption limits. Technicolor is actively engaged in this initiative and became a member and signatory in 2011. The latest period of reporting (from July 1st, 2013 to June 30th, 2014) revealed that 93% of Technicolor sales of products put on the European market were compliant with these energy consumption limits.

In December 2008, the European Commission adopted Ecodesign Regulation n° 1275/2008 to reduce the energy consumption of all household and office products in standby and off mode (the "Standby Regulation"). Under the regulation, ecodesign requirements took effect in two tiers: in January 2010 and January 2013. This second tier introduced a power management feature in addition to eco-design requirements relating to power consumption in "off mode", power consumption in "standby mode", availability of off mode and/or standby mode with more stringent energy performance requirements.

Other EC regulations impacting Technicolor business activities include ecodesign requirements for no-load condition electric power consumption, average active efficiency of external

power supplies (278/2009/EC), and ecodesign requirements for simple set-top boxes (107/2009/EC).

Technicolor continues to develop ecodesign assessment tools and systems to effectively deal with ErP regulations, including new and future features and builds a comprehensive strategy in this regard.

Furthermore, as E.U. regulations continue to evolve, Technicolor constantly tracks developments directly via Digital Europe, a European industry association, and other industry organizations.

In this way, Technicolor contributes to preparatory studies that will feed into drafting of the Implementing Measures for the ErP framework directive and shares its knowledge accordingly. This was notably the case for the preparatory study on Networked Equipment (known as Lot 26), now Commission Regulation 801/2013/EU, amending the existing Standby Regulation. Changes include the addition of new definitions of networked standby electric power consumption levels, power management of networked equipment, information to be provided by manufacturers, transition periods, new measurement requirements & verification procedure.

In 2013, Technicolor also actively contributed to discussions on the review of the regulation on external power supplies 278/2009.

Acutely aware of the contribution of energy efficiencies to environmental improvements, Technicolor is continually innovating to achieve optimal energy efficiency targets.

8.7 Other regions - brief overview

Efforts to deal with waste electronic products and substances management are also being stepped up in Asia-Pacific.

In 2012, the Chinese Ministry of Industry and Information Technology (MIIT) published draft Measures for Administration of the Pollution Control of Electronic and Electrical Products (known as new China RoHS2) for public consultations.

The revised version of China's Management Methods for the Control of Pollution by Electrical and Electronic Products (China RoHS) is likely to be enacted in the Autumn of 2013. The new measures are expected to involve significant changes in scope, from a focus on information technology products to electrical and electronic products.

Measures regulating energy performance standards and energy efficiency labels are in progress most notably in Australia. In addition, standards governing the eco-efficiency of products related to Technicolor's Connected Home activity are also being implemented.

In the United States, regulations discouraging industry's use of certain heavy metals are being proposed with many states also considering legislation that would establish a variety of collection schemes for waste electronics.

Final rules of the Dodd-Frank Wall Street Reform and Consumer Protection Act, in its Section 1502 Requirements, were published and approved mid-2012. Section 1502 covers the reporting of specific conflict minerals (columbite- tantalite-coltan-, cassite-

rite, gold, wolframite, or their derivatives) used by companies governed by the Securities and Exchange Commission (SEC) i.e. companies publicly traded in the US. Final rules restricted these minerals to the following metals: Tantalum, tungsten, tin and gold (3TGs). Companies in scope are first required to report by May 31, 2014 inputs based on the 2013 fiscal year. Technicolor is not directly under scope. However, we may need to conduct Conflict Minerals compliance works as a material or part suppliers to our US customers under scope. To that end, Technicolor has first conducted a survey on the use of such minerals throughout its entire supply chain for US market that is critical in preventing the use of conflict minerals. Our approach is to rely on the Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI) Conflict Minerals Due Diligence reporting template and dashboard as a standard questionnaire for conducting inquiries into our suppliers' databases. EICC and GeSI defined a common industry approach to support the due diligence information requirements. They develop a reporting template for downstream suppliers that enable companies to work with their supply chains through a common interface. We plan to extend this process to European suppliers and market during 2014/2015 given that 3TGs within the scope of the European Commission approach are the same as those considered under the US Dodd-Frank Act. As such, Technicolor will exercise a due diligence approach with reasonable country of origin inquiries by gathering data from its suppliers.

A new EnergyStar program relating to energy consumption for Small

Network Equipment, following US customer requests, potentially impacting Technicolor models marketed in the United States, entered into force in September, 2013.

The Environmental Protection Agency (EPA) as well as the Department of Energy (DOE) regularly issue environmental regulations including technical, operational and legal details for the purpose of implementing associated legislation. Technicolor most notably follows the DOE proposed amendment on external power supplies and DOE rulemaking initiatives on efficiency standards for Set-Top Boxes and Network Equipment.

Environmental laws in key Latin American countries, including Brazil, Chile, Colombia and Mexico, are evolving at a rapid pace.

Chile and Mexico have introduced mandatory Energy Consumption labelling for most electronics, including devices marketed by Technicolor in these countries (respectively Set-Top Boxes and Complex Set-Top boxes, external power suppliers, routers).

Regulations in Africa are also increasing, both those developed by African countries and those imposed by international treaties (such as Basel, Rotterdam and Stockholm). Technicolor's Connected Home activity is constantly monitoring and tracking environmental regulations and standards to ensure that the products we market across the globe are compliant with such legislation and satisfy our customer requirements and expectations.

9- TECHNICOLOR DIGITAL HOME

The concept of “convergence” has progressively become a business reality. The telecom and multimedia industries have taken steps to achieving a standardized interoperable protocol allowing the transport and delivery of data, voice and content on a single network. This is known today as “triple” (video, voice and data) and “quadruple” (video, voice, data and mobility) play. Based upon these developments, experts have considered that convergence could be extended to the home network in order to support various needs such as home automation, home security and e-health.

TECHNICOLOR chairs the French association “Agora du Réseau Domiciliaire” which brings together key industry and SME players around the concept of the “smart home” market. The purpose of the Association is to foster and support any initiative that could contribute to the opening and development of this ‘smart home’ market through complementing existing standards, the introduction of consumer protection labels, the development of technologies and associated ecosystems as well as through suitable regulation and relations with public authorities.

The use of interoperable home networks is not limited to areas such as telecommunications, multimedia, energy and traditional home automation but also encompasses the safety and security of persons and property including preventive and curative health and welfare services with the constraints that such services can impose on the network. It is reasonable to imagine many other types of services which are currently not feasible due to the silo-like organization of the different industry sectors - fixed and mobile telecommunications and multimedia - set in place some ten years ago.



A decade later and we are now seeing how the transformation of these silos into IP layered models has tremendously stimulated the market.

As part of its work, Agora has published a whitepaper called the “Rainbow Book”, which develops an initial list of principles to govern the home network as well as articulating plans on how to achieve a true home network. One of the primary conclusions of the white paper is the importance of having a single home network or common open platform - regardless of whether wired or wireless - via which products are interconnected and any services and applications can be deployed as opposed to the presence of a multitude of independent networks in the home.

The existence of a single home network would then make it possible to communicate to consumers minimum levels of compatibility and interoperability (illustrated by the so-called ‘domocompatible’ label) between different product and service providers. Agora has also identified the need to have engineers and technicians trained to design, operate and maintain this type of network and associated products and services.

In practice, Agora has identified the following steps on the road to the smart home:

- Smart ‘Sweet’ Home prototype with underlying common platform using 2012 product technologies and services - a common demonstrator has been built to illustrate and develop usage scenarios;
- Advanced solution in 2015 which further reduces ‘silos’ with first ‘domocompatible’-labeled products and services on the shelf followed by a completely open solution by 2020.

Members of Agora are keen to emphasize the association’s European credentials. Many members are part of standardization initiatives both in Europe and further afield which is of obvious benefit to those both within and outside the association.

Where standards are necessary, they must be effective for products and services especially products sold in horizontal markets, and they must be based on principles that support business, especially open innovation. Clearly, international cooperation will be of paramount importance in this regard.

The Smart Home and Sustainability

Today, the home network is largely occupied by multimedia content. The concept of the Agora smart home assumes the cohabitation of audiovisual applications with other applications such as those to manage energy and water flows in the home, safety and security services and digital medical care, for example.

Many of the devices in the home are, however, based on proprietary technical specifications for the inner portion of the home which makes interconnectivity and interoperability no simple matter. This is further complicated by the different global networks potentially involved (the internet via ADSL, cable or fiber and the mobile network via 3G and increasingly LTE).

Agora seeks to help equipment manufacturers, services developers - and ultimately consumers - maneuver through this complexity by providing pertinent recommendations.

The association's proposals include recommendations on optimum transport layers and ideal technology configurations to be deployed thus making it easier to use and manage devices and networks as well as facilitating the delivery of myriad services to the home. In this way, the Agora initiative - chaired by Technicolor - is helping to ensure that the benefits to people and the environment of services such as telecare, home security and power and water consumption controls, for instance, are realized as soon as possible.

10- FULFILLING ENVIRONMENTAL RESPONSIBILITIES

10.1 Acquisitions

To identify and understand potential environmental contamination, Technicolor reviews sites prior to acquisition and upon closure. This process not only helps limit financial liability, but also enables us to understand the type and level of support required to ensure that our corporate policies and guidelines are effectively implemented.

Once acquired, sites are expected to comply with Technicolor EH&S policies and guidelines, including, for example, development of sound management practices for chemicals and waste.

10.2 Environmental Clean-up

Spending on environmental remediation clean-up projects totaled approximately € 1.53 million in 2013.

Soil and groundwater contamination was detected at a former production facility in Taoyuan, Taiwan acquired in the 1987 transaction with General Electric Company and Technicolor's affiliate in Taiwan owned the facility from approximately 1988 to 1992, when it was sold to an entity outside the group. Soil remediation was completed in 1998.

In 2002, the Taoyuan Environmental Protection Bureau ordered remediation of the groundwater underneath the former facility.

The groundwater remediation process is underway. It is Technicolor's position that General Electric Company has a contractual obligation to indemnify Technicolor with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric.





“ Sustainable supply chain management is integral to robust corporate citizenship. To ensure that our guidelines and policies are well understood and respected, Technicolor proactively engages with key electronics manufacturing partners and conducts regular audits to assess compliance with environmental and social regulations and practices on a worldwide basis. ”
*Xiao Ping Chen, Manager Sourcing,
Supplier Quality Assurance China*

C. EXTERNAL STAKEHOLDERS

1- RESPONSIBILITIES TO SUPPLIERS

Delivering products and services to our customers involves numerous external supply chain partners.

We aim to fulfill our social responsibilities and ensure that our values are respected throughout.

Beyond raw material and component purchasing, the main areas where Technicolor subcontracts production and services are the manufacturing of set of boxes and gateways (81%), photochemical film processing (66% of film footage), and part of the logistics of the DVD services in Europe (38%). In addition, to manage seasonal peak workloads within DVD services, Technicolor uses contracted labor services to provide additional workforce on packaging and distribution sites in America, where site headcount may double during the peak season.


To ensure supply chain CSR compliance, we audit our suppliers, promoting progressive labor and social standards, environmental protection and fair business practices.

The Technicolor Supplier Ethics Program:

- › Ensures that Technicolor suppliers respect our policies and program requirements
- › Promotes economic and social welfare through the improvement of living standards and support for non-discriminatory employment practices Technicolor actively seeks suppliers with similar interests and ethics commitments. Suppliers are expected to adhere to these basic principles:
 - › Tolerate no discrimination and encourage diversity
 - › Promote best working conditions
 - › Use no child or forced labor
 - › Protect peoples' health, safety and the environment
 - › Support employee development
 - › Respect fair market competition
 - › Strive to be a good corporate citizen
 - › Respect consumer and personal privacy
 - › Avoid potential conflicts of interests

To ensure that suppliers respect established principles, Technicolor sourcing management:

- › Defines a list of high risk commodities and countries
- › Determines when ethics audits, always performed by Technicolor-selected auditors, are required
- › All suppliers must sign the General Rules of Conduct Compliance Certificate
- › All suppliers are periodically reviewed according to the Technicolor Suppliers Ethics Handbook/Checklist procedure.



Technicolor requires suppliers to actively support its EH&S principles and to comply with local legislation and standards. They must also ensure that their components and products comply with legal requirements in the countries where our products are sold. Compliance certificates are required from suppliers to ensure they follow regulations and standards as well as Technicolor programs and specifications.

Through audits and other methods, Technicolor shares its expectations that suppliers and their subcontractors provide safe and healthy working conditions for their employees, abide by human rights laws and standards, and strive for continual improvement in their environmental management systems, processes and products.

During the audit process, instances of child labor are classified as “critical,” resulting in an immediate stoppage of business. Audits revealing employee discrimination, forced labor, safety violations, permanent disabilities or fatal injuries are classified as “major,” and require immediate corrective action.

Technicolor performed 43 supplier audits in 2013. These audits revealed “unacceptable” or “unsatisfactory” violations at 13.9% of audited suppliers in 2013, compared to 21.5% of audited suppliers in 2012 and 15% of audited suppliers in 2011.

Technicolor monitors key performance indicators according to SA8000 criteria for key active electronics manufacturing service (EMS) partners to ensure they comply with CSR regulations and practices. Since 2009, monitoring has been carried out as part of the company’s quarterly business reviews.

KPIs are weighted 40% on CSR focus at top management level, to ensure that supplier management is sufficiently engaged and adopts a proactive CSR approach. Ten percent of KPIs focus respectively on young workers performing hazardous work, monthly employment turnover rate, average overtime, one day-off per week rate, EH&S (Environmental, Health and Safety) training for operators and injury trends.

Technicolor gives preference to suppliers who have achieved ISO 9001 certification and who are certified to meet such EH&S standards such as ISO 14001 and OHSAS 18001.

The Supplier Ethics Program applies to all new and current suppliers. To ensure effective supplier assessments, Technicolor has defined a specific audit scope and focus for suppliers categorized as “high risk,” defined as suppliers in countries with a relatively high potential for adverse human rights issues.



“ Satisfied customers are the lifeblood of any successful company. For this reason, customer satisfaction and quality practices, processes and tools lie at the heart of the Connected Home activity. To fulfill our commitment to customers, we not only listen carefully to our customer needs but also observe end-user environments and habits to identify opportunities for continued product and service improvements as well as stronger stakeholder engagement. ”

Gilles Fleury, Vice President, Connected Home, Quality & Customer Satisfaction

2- RESPONSIBILITIES TO CUSTOMERS

2.1 Customer Satisfaction

Continuous improvement of the quality of our products and services ranks among Technicolor's top priorities.

Sustainable success as a business depends on our ability to gain and maintain customer confidence over the long term.

To help ensure that all of our people at every level of the organization remain fully committed to build sustained customer satisfaction and loyalty, all employees who work in the quality field are required to engage in our quality management system.

2.2 Quality approach

Our quality management system extends to our business units, including the creation, management and delivery of products and services.

It establishes a good balance between flexibility and the compulsory guidelines needed to adequately control processes.

Designed to guide and challenge business unit management, the guidelines help us avoid procedures that might hinder new initiatives or innovation.

To achieve continuous quality improvement, we:

- Conduct internal audits and customer feedback surveys to track progress.
- Track quality KPI's, including environmental impact, throughout product life cycle assessment.

Action plans are defined at business unit level and according to geographical regions to ensure that customer needs are taken into account across our broad range of products and services.

Technicolor corporate management supports the business units' dedicated quality teams and guarantees their independence.

In keeping with our long-standing management approach, middle management is empowered to take responsibility for business objectives, which include quality management goals.

2.3 Case studies


2.3.1 Connected Home

With product volumes in the dozens of millions, Connected Home requires a state-of-the-art quality management system. Worldwide leader in its product segments, Technicolor Connected Home shipped a total of 32.5 million access devices in 2013.

In February 2010, Technicolor reached the milestone of delivering 100 million digital set-top boxes over multiple networks since it entered the market in 1994. Technicolor also began shipping WiFi tablets in 2009 and continued through 2013.

As part of the Connected Home's quality policy, the Division has decided to focus its quality management for the maximization of customer satisfaction on the deployment of quality practices, processes and tools across all activities of the Division: from R&D through Customer Program Management through to Operations and beyond.

The Connected Home Quality & Customer Satisfaction function plays a significant transformative role in ensuring process and performance improvements are achieved across all aspects of the Division while further reducing non-quality costs through application of the Lean-Six Sigma methodology.



The Connected Home Quality and Customer Satisfaction Department, headed by the Vice President Gilles Fleury, is responsible for worldwide quality, reporting directly to the President of the Division, Michel Rahier. To achieve its customer satisfaction mission, the department is structured around three primary services:

- The Quality Systems and Assurance, including Quality Management System, Product Quality Assurance and Lean Six Sigma initiative are essential elements of the Division's commitment to quality.
- R&D processes and tools including software quality tools for the definition of the complete tool chain required by developers and testers to deliver quality software and thus wholly satisfy customer expectations in this regard.
- Division Transformation initiatives include software and hardware transformation and project & program management transfor-

mation with a view to ensuring best-in-class HW and SW design, boosting productivity, and evangelizing best-practices across the Division.

In our commitment to provide the best-possible quality and service to our customers, the details of the Quality and Customer Satisfaction missions have evolved further and include the following highlights as it relates to service assurance and product quality measures:

- Issues resolution loop whereby feedback from the field facilitates the more effective deployment of corrective measures if required
- Issues prevention loop whereby quality policies are enforced consistently across the company
- 6 SIGMA practices which lay the groundwork for continuous improvement including an evangelization role to ensure the deployment of best-in-class practices especially in R&D

- Change in culture and mindset of each and every engineer as supported by persons assigned as 'evangelists' in their respective areas of responsibility and expertise
- Quality engineers specifically assigned the task of ensuring that best-in-class processes and suite of associated quality tools are applied and continually enforced within each core team and at each and every stage of product development and rollout.

The Connected Home activity is also committed to environmental aspects of products and services through the definition of a product's environmental policy to support our ecodesign strategy in a clear and consistent manner.

More information on this can be found in Section 7 on Ecodesign and LifeCycle Assessment in this report.

• **Connected Home Quality Management System**

With an emphasis on continual improvement, the Connected Home Quality Management System encompasses both pro-active and reactive quality control. At its core lies the objective of enabling employees to achieve the highest possible levels of quality in their work, ensuring that customer quality assurance is always under control, any necessary improvements identified and implemented and customer satisfaction thus continually strengthened.

Quality also helps reduce costs; high-quality products and services have lower warranty repair costs. That explains why we include quality as a key element in our product development and maintenance policy and guidelines, which outline the entire design and manufacturing process. We track progress through a combination of internal and external assessments and measurements, which ensure best practices are shared across the Division, areas needing improvement highlighted and non-conformities solved. Internal audits make it possible to continuously improve business processes and product development while minimizing problems and risk.

Various quality certifications from independent third parties boost quality management efficiency and effectiveness and help ensure that Technicolor meets stringent internationally recognized standards. Conformity to the ISO 9001: 2008 standard helps foster a culture of continuous improvement while increasing customer confidence in our products and services.

• **ISO 9001**

Thanks to the deployment of our quality management system, 90% of Connected Home sites are certified, including those in Paris, Rennes, Edegem (Belgium), Hong Kong, Shenzhen and Beijing (China), Indianapolis (USA), Manaus (Brazil) and Monterrey (Mexico).

• **TL 9000**

TL 9000 is a quality management system, based on ISO 9001, designed specifically for the telecommunications industry. It includes performance and cost-based metrics that measure reliability and quality performance of products and services. Five Connected Home sites (Edegem, Issy-les-Moulineaux, Hong Kong, Shenzhen and Beijing) have been certified to conform to the TL 9000 R 5.0 standard for supply chain quality.

• **Customer Satisfaction Survey**

One of the most important ways of identifying possible improvements to our products and services portfolio is the annual customer satisfaction survey which covers the entire Technicolor worldwide customer base. Our policy is to conduct this survey at least every two years. The goals of this survey are to measure customer satisfaction with the Group's products and services, better understand customer expectations and their perception of the company and take any remedial measures identified as being necessary.

The detailed survey tracks the key areas below including comparisons with competition on:

- Products/services in general
- Business operations and supply chain
- Customer care and after-sales
- Sales/Account management
- Project management/Engineering
- Information and administration
- Innovation
- Environmental awareness
- Customer care and after-sales
- Complaint handling
- Price
- Image and loyalty

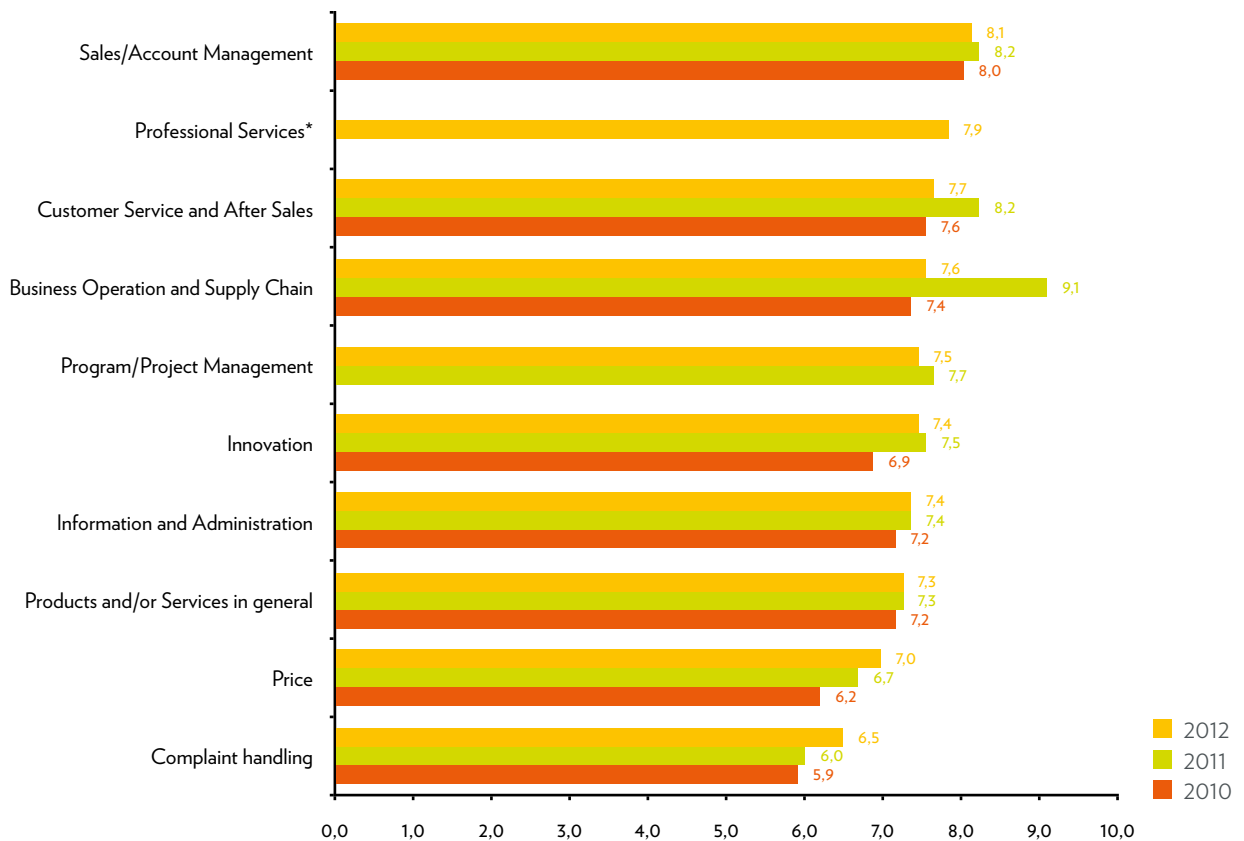
• **Customer Satisfaction Survey Results and Trends**

No customer survey was conducted in 2013 however in 2014, as per our policy, a customer survey has been completed.

The table below illustrates key overarching metrics for the last 3 customer satisfaction surveys held.

	2010	2011	2012
Total Sample Contacts	106	304	238
Answer rate per companies selected	64	70	84
Number of companies selected	24	35	31

The graph below illustrates Connected Home customer satisfaction trends over the last three customer survey years across the respective parameters measured.*



*Professional Services was a new parameter introduced in 2012, whilst Program/Project Management was introduced in 2011.

The system structure and attention to customer expectations - as highlighted in the annual customer satisfaction survey - enable Technicolor quality management to embed awareness of quality in all organizational and operational processes at all levels of the company with a view to achieving the highest possible quality in both products and services.



“ Continuous Process Improvement (CPI) at Technicolor DVD Services is a constant effort to improve how we can do our work better. It’s importance is based on the fundamental belief that the vast majority of operational problems are process-based rather than people-based. Technicolor’s approach is to rigorously determine root causes of issues and design and implement process improvements that are proven to address problems via evaluation of results. A structured approach to CPI based on prior year experience, allows DVD Services to materially improve its quality and associated environmental, health and safety standards on an annual basis. ”

John Town, SVP Technology & Quality

2.3.2 DVD Services

As the world’s leading optical disc manufacturer, DVD Services places the highest priority on the quality of its products and services. The unit, which specializes in high-volume production and full turnkey services, provides complete supply chain management services for Hollywood studios, software publishers, game publishers and independent rights holders. DVD Services operates through 19 locations worldwide, which produced/packaged and distributed 1.475 billion DVDs and Blu-ray™ discs in 2013.

• Global Network

A global network of quality experts manages DVD Services quality policies and practices, including supply chain challenges. Quality network members consist of experts located at each DVD Services site, supervised by regional U.S. and international personnel and a worldwide coordinator reporting directly to the head of DVD Services.

The members of an independent Continuous Improvement Program team help ensure constant improvement in quality processes.

• Tools to Implement Continuous Improvement

Problem-solving efforts have been set up to ensure that people from different Technicolor departments and organizations work together. Task forces implement the so-called Quick Action Reporting - Eight Disciplines method to resolve issues.

A problem management tool widely used to handle customer returns and issues, the Eight Disciplines (8D) process incorporates all key problem management issues, including problem containment and root-cause analysis as well as problem correction and prevention. Combined, these tools provide a clear sign of DVD Services’ commitment to customer performance.

Improving Quality and After-Sales Service Customer Satisfaction Surveys

The DVD Services Global Quality & Continuous Improvement manager issues a quarterly 'Voice of the Customer' report to management. DVD Services maintains an ongoing dialogue with major customers through:

- › Regular face-to-face meetings on overall performance
- › Weekly/monthly/quarterly KPI reporting
- › Quarterly performance scorecards
- › Service level agreements with measurement criteria for most customer contracts

DVD Services ISO 9001 certified locations

ISO 9001 Certification	2011	2012	2013
Memphis Packaging & Distribution	✓	✓	✓
Michigan Packaging & Distribution	✓	✓	✓
Toronto Packaging & Distribution	✓	✓	✓
Mexicali Packaging	X	X	X
Guadalajara Replication	✓	✓	✓
Mexico City Distribution	X	X	X
Poland Replication & Packaging	✓	✓	✓
Australia Replication - Melbourne	✓	✓	✓
Australia Packaging Sydney	✓	✓	✓
UK Distribution - Rugby	✓	✓	✓
UK Distribution - Coventry	✓	X	X

•Aiming for Continuous Improvement

The Technicolor Continuous Improvement Plan provides a standardized platform for achieving continuous improvement and sharing best practices across all DVD Services sites. It includes rules that structure activity and clearly connect each customer and supplier to a specific flow path. The 5S Visual Shop Floor Management system helps simplify the work environment, reduce waste, improve quality and enhance safety.

•CPI and Best Practice Sharing:

Best practices, identified through Best Practice Sharing Workshops, ISO internal / external process audits, are shared within the Technicolor Continuous Improvement Program.

- › In 2012-13, major focus was placed further worldwide Blu-ray™ capacity additions plus significant footprint/re-structuring changes in distribution. Projects included the expansion of replication, packaging and distribution. Numerous 'Continuous Improvement' projects were implemented that were derived from a "2012 Annual Quality Review" which identified a Top 10 list of opportunities to improve customer experience via process improvements. Weekly discussion and collaboration sessions are conducted between WW site-based QA Leadership under the guidance of SVP Quality. The CPI approach adopted is to identify areas of opportunity and target specific problems; solutions are generated through brainstorming among the QA Leadership team and formulating procedures that can be deployed at all locations. Further weekly meetings are used to discuss execution and measurements of success.

3- COMMUNITY INVOLVEMENT

3.1 Technicolor Foundation

Created in 2006, the Technicolor Foundation for Cinema Heritage is a non-profit entity, acting worldwide to support the preservation and promotion of film heritage, which reflects the history and culture of a country. Working in cooperation with local and international partners, the Technicolor Foundation identifies and supports urgent programs to safeguard moving images. By identifying the appropriate resources required for each project, the Technicolor Foundation helps set up multi-disciplinary teams. These include experts from Technicolor and specialists from leading film archives, as well as film preservation and cinema schools. Transmission and education play a key role in each project. In all Foundation programs, films and audiovisual materials are preserved so that they can be shared and shown to the widest possible audience. The Technicolor Foundation operates worldwide and as a priority, in countries where archives are at risk. It works closely with film institutions or any entity holding film collections as well as cinema schools and festivals. Its efforts seek to:

- › Preserve film heritage as an invaluable element in each country's distinctive national patrimony
- › Promote and highlight film heritage in order that it may be seen by and shared with as wide an audience as possible
- › Train and sensitize everyone who can play a part in the safeguarding of film heritage.

Technicolor Foundation programs are underway in Europe, Asia and the Americas. New projects are currently being developed in Africa and the Middle East. Each year, the Foundation supports the restoration of a major international cinematic work, to help raise public awareness of the value of film heritage and of the risks when films are not properly safeguarded. In 2012, among other projects the Foundation worked on the first feature film directed by Jacques Demy, *Lola* (1961) and on *Tell Me Lies* (1968) by Peter Brook. In 2013, *Hiroshima Mon Amour* (1959) by Alain Resnais was restored and presented at the Cannes Film Festival

The Foundation also contributed to the color restoration of Georges Méliès' masterpiece, 'A Trip to the Moon' (1902) a screening of which was given at the opening ceremony of the 2011 Cannes Film Festival thus marking the 150th anniversary of the filmmaker's birth. Considered the most complex and ambitious restoration project in the history of cinema, the digital restoration of this iconic work was carried out at Technicolor's laboratories in Los Angeles (California) and was supervised by Tom Burton.



Lola at the cabaret from Jacques Demy's *Lola* (1961)



The Astronomers embarkation, from the Georges Méliès' *Trip to the Moon*



The Foundation benefits from a variety of intervention options:

● **Direct on-site intervention alongside film and/or television archives.**

In Cambodia, India and elsewhere, annual programs help improve access to archives.

These take the form of safeguard actions, equipment donations, education programs for local teams, collection enrichment, regular consulting on new archive programs and others. In 2012, the Foundation amplified its support to Bophana Center, the Cambodia Film and Audiovisual Archive, managed by the Franco/Cambodian filmmaker Rithy Panh. The program comprises equipment donation and technical training, lost film search worldwide, digitization of film, creation of an international festival fully dedicated to film heritage etc.

● **Major restoration programs:**

Each year, the Technicolor Foundation seeks to restore a major international film. In 2009, the Foundation restored Mr. Hulot's Holiday by Jacques Tati as well as Atif Yilmaz's Selvi Boylum al Yazmalim. In 2010, the Foundation restored the entire work of Pierre Etaix, including Rupture (1961), Happy Anniversary (1962), The Suitor (1963), Yo Yo (1965), As Long As You're Healthy (1966), The Great Love (1969), Land of Milk and Honey (1971) and Feeling Good (unreleased until 2010). Work was also completed on other restoration projects, including films by Agnès Varda (France), Jin Xie (China), Jacques Demy (France) and Peter Brook (UK). An early cinema film by George Méliès, A Trip to the Moon (1902), screened at the opening of the 2011 Cannes Film Festival. Considered the most complex and ambitious restoration project in the history of cinema, the digital restoration of this iconic work was carried out at Technicolor's laboratories in Los Angeles (California) and was supervised by Tom Burton. In 2013, Hiroshima Mon Amour (1959) by Alain Resnais was restored and presented at the Cannes Film Festival in presence of Emmanuelle Riva. Marriage Italian Style (1964) by Vittorio De Sica also featured as a major restoration project in 2013. All these films have been circulated worldwide since their restoration.

● **Education programs:**

The Foundation acts in various ways, from complete curricula inserted into film school programs to regular workshop sessions within such programs to participation in festivals. The Foundation has taken part in film festivals in China, Ethiopia, France, India, Italy, Portugal, Romania, Russia, Turkey and the U.S. Education programs cover basic aspects of film heritage, including preservation stakes and risks, access to film heritage, basic technical and legal knowledge, and such filmmaker responsibilities as rights and duties. The objective is to raise awareness among future generations of filmmakers, in close liaison with film industry representatives and film archive institutions.

● **Film heritage events and festivals:**

The Foundation supports classics festivals or events for the promotion of film heritage: creation in India of the Pune Film Treasures Festival and IFFI Goa Film Treasures, classics section of the International Film Festival of India; free access and outdoor events mixing, screening and music on stage (Tati concerts at the International Film Festival of La Rochelle (France) followed by Hong Kong, Addis-Adeba and Berlin) to provide access to film heritage to a new audience.

● **Film archive federations:**

The Foundation provides regular support to the FIAF (International Film Archive Federation) and the annual conference of AMIA (Association of Moving Image Archivists) which gathers film archive professionals from around the world in the U.S. and offers professional training in moving image archiving, including the awarding of scholarships.

In addition to the above, the Technicolor Foundation partners with international institutions dedicated to film heritage, such as George Eastman House, UCLA Film & Television Archive and Cinémathèque française.

3.2 Local Initiatives & Impacts on Local Communities

Technicolor maintains close relations with local communities in order to limit the impacts of the Company's activities on the local environment (e.g. noise pollution; light pollution; air pollution and road traffic). We strive to take necessary steps in these contexts in order to achieve a satisfactory outcome for all concerned.

In addition, various local community initiatives and charitable donations were undertaken in 2013.

• Guadalajara, Mexico, Nutrition Excellence Program

Established to improve employee lifestyles through healthier nutrition, the Nutritional Excellence initiative at the Guadalajara plant has provided employees with the opportunity to have free health checks as well as diet and fitness programs tailored to suit their needs. Individual progress is monitored on a weekly basis with exercise and nutritional guidance from professionals and healthy canteen options provided to encourage continued participation. Some 400 employees have joined the program since its inception.

• Issy HQ

Technicolor sponsors Les Toiles Enchantées, a non-profit organization that brings current movies, including some in sneak preview, to hospitalized children throughout France. As part of the sponsorship, employees from Technicolor headquarters volunteer to help set up monthly screenings at Paris hospitals. Created in 1997, Les Toiles Enchantées is a one-of-a-kind organization, supported by the entire film industry in France, including distributors, producers, directors, actors and others.

In 2012 the Issy Rugby Club was launched for and by Technicolor employees, growing since then as both a sporting association and as a great opportunity to meet people across the Group. The Technicolor team continued through 2013 to meet for training every Friday lunchtime at a nearby stadium and regularly takes part in weekend matches with other local clubs.



• **Manaus, Brazil, Reforestation Program**

Started in 2010, Technicolor's reforestation program in Manaus involves the planting of acai berry trees - renowned for their ability to absorb greenhouse gases - in deforested areas of the Amazon. In this way, program participants not only contribute to tackling deforestation which is responsible for 15% of the world's greenhouse gas emissions but also help raise the awareness of fellow employees and residents as regards the importance of preserving natural resources and how we all play an important part in the fight against global warming. 2013 saw about 5,000 seedlings of the species planted in the area covered by the program.

Manaus also received the Certificate of Partner of Nature Company Seal at the 7th Latin American Conference of Environmental Conservation in 2013. This Seal is awarded to companies that commit to minimizing impacts on the Environment, and to implementing socio-environmental measures.

Team members from Technicolor's reforestation program in Manaus



• **Bangalore, India**

The Bangalore India team in 2012 developed a supporting relationship with the Vatsalya School for Special Education, which works with children suffering from cerebral palsy, autism, and associated disabilities, inviting members of the school to showcase their vocational product

OUR PERFORMANCE

A. KEY SUSTAINABILITY DATA

Three - year performance data, trends and explanation				
Environment	2011	2012	2013	GRI
Energy consumption (terajoules or TJ/M€) (1)				
Electricity	1,201	1,051	1,062	EN3
o/w renewable energy sources	8.4%	7.6%	7.2%	
Fuel Sources	279	164	193	EN3
Total	1,485	1,221	1,261	
Total per revenue	0.430	0.341	0.360	
Total Water withdrawal consumption by source (thousand cubic meters or km ³ /M€) (2)				
Total Consumption	1,488	880	624	EN8
Total per revenue	0.431	0.246	0.181	
Waste generation and management (metric tons or M-Ton/M€)				
Total Waste Generated	39,748	33,450	33,741	EN22
Land-filled waste	7,391	4,410	-	EN22
% Treated Hazardous (3)	5.7%	7.6%	3.3%	
% Recycled	76.4%	81.4%	77.1%	
Total per Revenue	11.5	9.35	9.78	
Greenhouse gas emissions (metric tons CO ₂ e)				
Fuel combustion sources (Direct sources)	15,694	9,469	10,285	EN16
Total indirect greenhouse emissions by weight	NA	NA	NA	EN16
Total CO ₂ emitted (4)	NA	NA	NA	
Industrials effluents (in million cubic meters)				
Industrials effluents (in million cubic meters) (5)	1.04	0.63	0.19	EN21
Priority pollutants (in tons)	0.24	0.3	0.05	EN21
Biological Oxygen Demand (in tons)	111	34	6.5	
Chemical Oxygen Demand (in tons)	46	47	0.15	
Main raw materials usage (in metric tons)				
Polycarbonate molding plastic	23,248	23,050	33,557	EN2
Cardboard and paper packaging	10,897	12,604	13,690	EN2
Plastic packaging	1,889	1,843	3,438	EN2
Photochemical film	3,342	1,077	324	EN2
Bonding resin for DVD	1,256	1,267	1,451	EN2

Three - year performance data, trends and explanation

Social and human resources				
	2010	2011	2012	GRI
Health and safety (Work-related Incident rates per 200,000 hours worked)				
Incidents	218	196	201	LA7
Incident Rate	1.05	1.1	1.13	LA7
Lost Workday Injuries	67	83	90	LA7
Lost Workday Incident Rate	0.32	0.46	0.51	LA7
External stakeholders				
Suppliers				
Number of supplier audits	60	51	43	HR2
Records per category				
Excellent	14	7	5	
Acceptable	37	33	32	
Unsatisfactory	6	8	2	
Unacceptable	3	3	4	
Annual Customer Satisfaction Survey Results				
Number of customers surveyed (6)	35	52	NA	PR5
Response rate	70%	84%	NA	PR5
Overall Satisfaction per individual contacts	62%	64%	NA	PR5
Overall Satisfaction per company surveyed	70%	NA	NA	PR5

- (1) Non-industrial sites reported energy consumption for the first time in 2010. Their consumption represented approximately 15% of total usage. In 2013 worldwide energy use was approximately 1,261 tera joules, an increase of 3.3% compared with 2012. Of the total energy consumed, 84.2% was in the form of electricity (of which 7.2% was from renewable sources), 15.3% was in the form of fossil fuels, and 0.5% was in the form of purchased steam. When compared to total revenue, average energy intensity was 0.360 TJ/m€ across the business in 2013.
- (2) Non-industrial sites reported water consumption for the first time in 2010. In 2013, water consumption at the Technicolor reporting locations decreased by 29% versus 2012 to 624 thousand cubic meters, primarily as a result of the Group's continued exit from Photochemical film. When compared to revenues, average water consumption rate was 0.181 km³/M€ across the business in 2013.
- (3) Hazardous waste generally includes most waste chemicals, fuels, oils, solvents, batteries, fluorescent light bulbs, or items such as cleaning materials or containers that may have come into contact with hazardous materials.
- (4) 2008 was our first worldwide carbon footprint analysis, involving all businesses, sites and operations.
- (5) Ten of our industrial sites use water in their industrial processes. To measure the impact of effluent after treatment and before discharge into the environment, we took into account 100 substances considered "priority pollutants" by both the European Union and the U.S. Environmental Protection Agency. Based upon these lists and information received from the sites regarding the parameters they are required to monitor and report on, 13 pollutants were identified as listed by the EC, the EPA, or both. For reporting year 2013, the amount of effluents discharged was 188 thousand m³ and the total estimated amount of discharged priority pollutants was 0.05 metric tons.
- (6) Committed to customer satisfaction and continual improvement in products and services, Technicolor tracks the performance of its business units and segments compared to competition. We measure the entire customer relationship, to highlight strengths, weaknesses and expectations. We identify key satisfaction drivers to understand what is most important to customer satisfaction. We spotlight areas needing improvement to develop the most appropriate solutions.

Performance Data for Business Divisions, year ending 31 December 2013

Environment				
Energy Consumption (terajoules or %)				
	Entertainment Services	Connected Home	Technology	Other
Total energy	1,176.5	59.9	3.4	21.8(1)
% Total Group	93.3%	4.8%	0.3%	1.7%
Electricity	985.1	58.5	3.4	15.4
% Total Division	83.7%	97.7%	100%	70.6%
Fuels	191.4	1.4	-	0.4
% Total Division	16.3%	2.3%	-	1.8%
Water consumption (thousand cubic meters)				
Total Consumption	574.4	40.6	2.1	6.7
% Total	92.1%	6.5%	0.3%	1.1%
Waste generation (metric tons or M-Ton/M€)				
Total waste generated	33,092	649	-	-
% Total	98.1%	1.9%	-	-
% treated hazardous	3.3%	1.6%	-	-
% recycled	76.9%	91.3%	-	-
Health and safety (Work-related Incident rates per 200,000 hours worked)				
Incidents	162	37	1	1
Incident Rate	1.09	1.65	0.68	0.21
Lost Workday Injuries	61	29	0	0
Lost Workday Incident Rate	0.41	1.29	0	0

Collection Period: January 1, 2013- December 31, 2013

(1) Total energy includes about 6 TJ steam purchase

• Data Collection Method and Rationale

This report contains data from 41 locations. Given the diversity of our operations, environmental impacts vary by location, thus not every location is required to report on each of the established metrics. The Corporate EH&S Organization has identified key information that is tracked and reported.

This information includes utility consumption, waste generation, recycling and disposal, air emissions and water effluent from the identified locations. To ensure the timely and consistent reporting of information from our worldwide locations, Technicolor has developed its own electronic reporting system.

This system serves as a vital tool for identifying and acting upon trends at the reporting site, business unit, regional and global levels. The reporting locations provide required data through the electronic system on a monthly and annual basis, depending upon the information provided. Data is organized and consolidated globally and is communicated to all appropriate stakeholders.

Scope of Data Collection: The following sites provided data for this report:

Site	Segment (ref 2012)	Location	2011			2012			2013		
			E	Utility	H&S	E	Utility	H&S	E	utility	H&S
Angers	N/A ⁽¹⁾	France	X	X	X						
Bangalore	Entertainment Services	India		X	X		X	X		X	X
Bangkok	Entertainment Services	Thailand	X	X	X	X	X	X	X	X	X
Beijing	Connected Home	China		X	X		X	X		X	X
Brampton	Entertainment Services	Canada	X	X	X	X	X	X	X	X	X
Boulogne	Entertainment Services	France								X	X
Burbank	Entertainment Services	California, USA		X	X		X	X		X	X
Camarillo	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Chiswick	N/A ⁽¹⁾	UK		X	X						
Coventry	N/A ⁽¹⁾	UK	X	X	X						
Detroit	N/A ⁽¹⁾⁽²⁾	Michigan, USA	X	X	X						
Edegem	Connected Home	Belgium	X	X			X	X		X	X
Glendale	Entertainment Services	California, USA		X	X		X	X		X	X
Glendale (film)	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Guadalajara	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Hannover	Technology	Germany		X	X		X	X		X	X
Hilversum	N/A ⁽¹⁾	The Netherlands		X	X						
Hollywood	Entertainment	California, USA		X	X		X	X		X	X
Indianapolis	Digital Delivery	Indiana, USA		X	X		X	X		X	X
Issy	Corporate	France		X	X		X	X		X	X
Livonia	Entertainment Services	Michigan, USA	X	X	X	X	X	X	X	X	X
London MPC	Entertainment Services	UK		X	X		X	X		X	X
Madrid	N/A ⁽¹⁾	Spain	X	X	X						
Manaus	Digital Delivery	Brazil	X	X	X	X	X	X	X	X	X
Melbourne	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Memphis	Entertainment Services	Tennessee, USA	X	X	X	X	X	X	X	X	X
Mexicali	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Mirabel	N/A ⁽¹⁾	Canada	X	X	X						
Montreal	Entertainment Services	Canada	X	X	X	X	X	X		X	X
New York	N/A ⁽¹⁾	New York, USA	X	X	X						
New York MPC	Entertainment Services	New York, USA								X	X

Site	Segment (ref 2012)	Location	2010			2011			2012		
			E	Utility	H&S	E	Utility	H&S	E	utility	H&S
North Hollywood	N/A ⁽¹⁾	California, USA	X	X	X						
Ontario California	Entertainment Services	California, USA	X	X	X	X	X	X	X	X	X
Paramount	Entertainment Services	California, USA							X	X	
Perivale	Entertainment Services	UK		X	X		X	X		X	X
Piaseczno	Entertainment Services	Poland	X	X	X	X	X	X	X	X	X
Pinewood	Entertainment Services	UK	X	X	X	X	X	X	X	X	X
Princeton	Technology	New jersey, USA		X	X		X	X		X	X
Rennes Cesson	Connected Home	France		X	X		X	X		X	X
Rome	Entertainment Services ⁽²⁾	Italy	X	X	X	X	X	X	X	X	X
Rugby	Entertainment Services	UK	X	X	X	X	X	X	X	X	X
Saint-Cloud	Entertainment Services ⁽³⁾	France		X	X		X	X			
San Francisco	Entertainment Services	California, USA					X	X		X	X
Santa Monica MPC	Entertainment Services	California, USA								X	X
Sydney	Entertainment Services	Australia	X	X	X	X	X	X	X	X	X
Toronto (film)	N/A ⁽¹⁾	Canada	X	X	X						
Toronto (post)	Entertainment Services	Canada	X	X			X	X		X	X
Tultitlan	Entertainment Services	Mexico	X	X	X	X	X	X	X	X	X
Vancouver MPC	Entertainment Services	Canada	X	X			X	X		X	X
Vancouver (post)	Entertainment Services	Canada	X	X			X	X		X	X
Warsaw	Corporate	Poland								X	X
Wilmington	Entertainment Services	Ohio, USA	X	X	X	X	X	X	X	X	X

E = Environmental data, **Utility** = Water and Energy data, **H&S** = Work injury data

(1) These sites have been closed or sold

(2) These sites stopped operating during 2012, and their partial-year figures for the duration of their operation are included in this report

(3) The prior Saint Cloud location was transferred during 2012 and a small part of prior site was refurbished for dubbing operations

(4) The prior Saint Cloud location was transferred during 2012 and a small part of prior site was refurbished for dubbing operations

• **Data Verification:** Data reporting requirements, and data collection and consolidation systems are developed by the Corporate EH&S organization and are communicated to locations through each of the Regional EH&S groups. Each location is responsible for developing internal systems for the collection of required data and reporting that data to the Regional EH&S group. The Regional EH&S groups review the submitted data for accuracy and work directly with the locations in their region to clarify and when necessary, resolve inconsistencies. In addition, the location's data are reviewed during scheduled Corporate EH&S audits.

B. RECOGNITION

1- CARBON DISCLOSURE PROJECT

An independent, not-for-profit organization which deals with climate change, the Carbon Disclosure Project (CDP) has become the global standard for carbon disclosure methodology and processes. Technicolor has been responding to the CDP since 2008.

You can consult Technicolor's responses to CDP at:

<https://www.cdproject.net/en-US/Results/Pages/Company-Responses.aspx?company=19100>

2- EIRIS/ETHIFINANCE

EIRIS is the leading global provider of independent research into the social, environmental and ethical performance of companies, providing comprehensive research on more than 2,800 companies. EIRIS assessments of French companies are generally handled by EthiFinance, its French research partner.

Technicolor replies every year to the EIRIS questionnaire.

3- GLOBAL COMPACT PROGRESS

Technicolor has been a member of the United Nations Global Compact since 2003.

The UN Global Compact requires companies to respect values in the areas of human rights, labor, the environment and anticorruption. Technicolor business practices and principles, in terms of ethical standards, safety and environmental initiatives and fair business practices, meet or exceed the goals embodied in the UN Global Compact initiative.

For the latest update on Technicolor initiatives and the UN Global Compact, please visit:

<http://www.unglobalcompact.org/COPs/detail/23334>

ACRONYMS

- **AMIA:** Association of Moving Image Archivists
- **APAC** (Association Française des Compagnies Privées): French Association of Private Companies
- **BU:** Business Unit
- **CSR:** Corporate Social Responsibility
- **CDP:** Carbon Disclosure Project
- **COP:** Communication on Progress
- **CSTB:** Complex Set-Top-Box
- **ECC:** Ethics Compliance Committee
- **EIME:** Tool to calculate environmental impact of products
- **EMEA:** Europe/Middle East/Africa region
- **ETM:** Early-To-Market
- **EU:** European Union

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- **EUP:** Energy-Using Product
 - **ExCom:** Executive Committee
 - **GHG:** Greenhouse gases
 - **GRI:** Global reporting initiative
 - **GW:** Gateway
 - **HD:** Hard Drive or Hard Disk Drive
 - **LCA:** Life Cycle Analysis
 - **MEDEF** (Mouvement des entreprises de France): French Employers' Association
 - **PEP:** Product Environmental Profile
 - **REACH:** Registration, Evaluation and Authorization of Chemicals (European Commission)
 - **RoHS:** Restriction of the Use of Certain Hazardous Substances
 - **STB:** Set-Top Box
 - **WEEE:** Waste Electrical and Electronics Equipment

EXTENSIVE WORLDWIDE PRESENCE



Vancouver

Las Altos

Mexico

Rennes

Piaseczno

Beijing

Hollywood

New York

Manaus

London

Rome

Bangkok

Indianapolis

Guadalajara

Paris

Montreal

Bangalore

Sydney

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