

THE EMPLOYEE SHAREHOLDING SCHEME AT ESSILOR

by

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Overview

Essilor is one of the forty largest companies trading on the Euronext Paris stock exchange. The principal shareholders are the 13,000 employees who are either currently working for the company or are retired. They hold 8.3 % of the capital and nearly 15 % of the voting rights. Half of them are also members of Valoptec, an association which, because of a very precise functioning, plays a key role in the company's system of governance. Three representatives from Valoptec are on Essilor's board of directors. Similarly, Essilor's general management is present at Valoptec's board meetings during which discussions take place and questions which have been put forward by local representatives can be addressed. Valoptec's annual general meeting has to pass a vote of confidence in Essilor's strategy and human resources policy. Aïcha Mokdahi believes that employee shareholding and membership of the Valoptec association are the factors which determine the performance of the group due to the vigilance of both past and present employees, and their exceptional commitment to the future of the company.

TALK: Aïcha Mokdahi and Jean-Arnaud Thai

Aïcha Mokdahi: I have been working for Essilor for 36 years, and I have two jobs at present. I am the director of Essilor's supply chain for Europe, and I am Chairman of Valoptec, an association whose members are the employee shareholders of the Essilor group.

The Essilor group

The Essilor group is the world leader in optical lenses. It employs 50,000 people in over sixty countries. In 2011, its turnover was 4.2 billion Euros. The company is growing by about 10 % a year in terms of its volume of activity, and this growth is accompanied by a continuous increase in personnel.

The history of the group has been notable for a number of ground-breaking innovations such as the Varilux lens (which corrects long- and short-sightedness), and the unbreakable organic lens (which is a substitute for mineral lenses which are fragile and heavy to wear). The two most recent innovations are Essilor's anti-fog lenses, and lenses which provide protection from ultra-violet rays. All these innovations can be combined into one pair of glasses thanks to successive coatings which can be applied to the lenses.

In a global population of 7 billion, 4.2 billion people need visual correction. Of these, approximately 1.7 billion already have glasses. Essilor offers a complete range of products and innovations.

The potential market is huge with 2.5 billion clients, including a small number in so-called 'developed' countries (50 million in North America and 130 million in Europe) and the majority in emerging countries (1.6 billion in Asia and 550 million in Africa).

The history of Essilor

Essilor was created in 1849. A group of artisan spectacle manufacturers decided to form a company, Essel, based in the Marais quarter of Paris. From the outset, they chose to involve the managers in the company's shareholding and in its decision-making process.

The merger between Essel and the Silor group took place in 1972, and gave rise to the Essilor group. Georges Lissac owned Silor, and he founded and managed the Frères Lissac shops. When the merger took place, it was decided to include the Silor employees in the group's shareholding. To achieve this, it was necessary to convince them to take out loans, with help from the company, in order to buy shares. After the merger, the Essel employees owned 50 % of the shares, Georges Lissac 25 %, and the Silor employees, 25 %.

As the group expanded, its capital was made available to those outside the company, and the proportion of capital held by Essilor employees fell to 50 %. An unlimited liability company created within the group held and managed all the shares of the employee shareholders.

In 1975, the group was floated on the Paris stock exchange and began to expand abroad. From the 1980s onwards, employees from foreign subsidiaries were also able to buy shares.

In 2000, a new method of organisation was adopted because the operation of the unlimited company became restrictive. It was replaced by Valoptec, an association to which employee shareholders could belong. This association informs them, coordinates them and represents them in the governance of the company.

In 2012, of the group's 50,000 employees worldwide, 13,000 own shares in the company. They hold 8.3 % of the capital and nearly 15 % of the voting rights because each share held by an employee entitles them to two votes, once each employee has been a shareholder for two years. Because the rest of the capital is floating, Essilor employees represent the majority shareholder in the group.

How employees become shareholders

Jean-Arnaud Thai: I was a consultant in the HayGroup consultancy before working for Carrefour and Bureau Veritas. I joined Essilor a year-and-a-half ago. I am the compensations and benefits director in the human resources department.

There are two ways for Essilor employees to become shareholders in the group.

Share-buying schemes

Essilor can make capital increases or implement share-buying schemes which are reserved for employees. The company offers to pay for part of the share value (with a specified limit,

depending on the country) in order to encourage employees to buy shares and to limit the risk incurred.

Share-buying schemes have been in place in most countries where the group has a site, and they have been adapted according to local tax and social legislation.

Allocation of free performance shares

In the case of long-term salary plans, Essilor can also allocate performance shares. These shares are reserved for more than just a few managers: in 2011, more than 8,000 employees were recipients. Their distribution depends on the company's performance, and whether the employees are still in the company at the moment of distribution because this is a means of keeping managers loyal to Essilor.

The members of Valoptec

Aïcha Mokdahi: The Valoptec association was created in 2000, and approximately half the employee shareholders of the group (around 6,500 people) are members. There are four types of members: current employees, retired former employees, those who inherited from former employees, and partners.

The retired and the inheritors

A particular feature of this shareholding structure is the importance of the retired employees. For Essilor employees, buying shares is generally a long-term investment. In his book 'Si on faisait confiance aux entrepreneurs' (2010), Xavier Fontanet, the former CEO of Essilor, explains how, when he visited a factory, an employee said to him 'I have a few shares and I need to buy a car. Do you think that I can sell them without endangering the company?' Not only do employees keep their shares over the long-term, but many of them continue to keep them when they retire from the company, or they include them in their estate. Of the 6,500 members of Valoptec, there are about 500 retired employees including the group's founding members and about one hundred inheritors. Given such diversity, Valoptec members account for about 7 % of the 8.5 % of shares held by the employees, and consequently have nearly 14 % of the voting rights of the 15 %.

Former Essilor employees are generally very active. They regularly take part in general meetings and sit on different commissions. They ask lots of questions because they are extremely concerned about the future of the company and the employee shareholding system. I regularly ask them for their input, for example when I have to consider a statutory change or a new organisation of the board. Their vigilance is extremely precious, not only regarding the future of their capital, but also the development of the company's governance. Every year, we organise a day for them: in the morning there is a talk from general management about the way the company works and its strategy, and in the afternoon they are invited to visit one of Essilor's sites. They are very attached to the company and want to be informed about the latest changes and events. Last October, they visited the Vision Institute and the International Continuing Education Centre for Eyecare Professionals, and we showed them the new concepts which have been implemented in our sales points. Next year, they will visit the new Centre of Innovation and Technology based in Créteil which will be inaugurated in the Autumn of 2013.

Partners

Frequently, when the group buys a company, it only takes some of the capital and keeps the manager as head of the company. A good way of integrating these company managers into Essilor's culture is to offer them the opportunity to buy shares. When the corporate acquisition takes place, some managers use money from the sale to buy Essilor shares. Their purchasing power is significant, and they already represent 1 % of the 8.5 % of shares held by employees. They can also use share-buying schemes for employees.

The governance of Valoptec

The Valoptec association's aim is to combine the company's interests with those of employee shareholders. This takes place by means of a permanent dialogue between the association and the company management on the one hand, and between the association and its members on the other. This dialogue allows management to appraise the company regularly, on all its sites, and also allows employee shareholders the opportunity of contributing to the governance of the company.

This dual role is possible as a result of the independence of the association which has its own governance and operating budget.

The board of directors

The Valoptec board of directors should represent all the employee shareholders who are members of the association. However, because the members of the board are elected by the general meeting according to the amount of capital held by each voter, and the French members have a large proportion of the shares, it is difficult for our colleagues abroad to be elected. This is why we decided to reserve one or two seats on our board for each region: two for the United States, one for Canada, two for France, two for Europe, and two for Asia. South America will have a seat on the board in the near future. The board should also reflect the diversity of our members. It includes three executives, two operation managers, and two retired employees. In the long-term, we intend to have a seat on the board for those who have inherited and partners.

Valoptec representatives in the field

In order to carry out its role as a go-between between the employee shareholders and company management, Valoptec must be up-to-date on what is happening in the field. At each Essilor site, shareholders nominate advisors who are in contact with the representatives of the region or the relevant professional group. This is how the association gathers information and queries, and later shares them with management at Valoptec board meetings.

At the Valoptec board meetings which take place every two months, discussion of these queries are the first point on the agenda. We let the Essilor management know these queries three or four days in advance of our board meeting to which they are invited so that they can prepare their answers and inform our board. These exchanges are recorded in the minutes which are put on the Valoptec website the week after the board meeting has taken place.

The commissions

As in any corporate governance, there are several commissions.

The most important commission is the 'Évolution Valoptec et Actionnariat' commission whose role is to consider how one can ensure the development and longevity of our model with support from a committee of experts.

The social commission meets with the Essilor director of human resources three times a year for half a day in order to discuss questions raised by Valoptec members: for example, 'How should one manage the integration of partners in the long-term?' or 'How should the organisation evolve commensurate with the group's development?' These are very important subjects which are studied by the director of human resources and his teams, and are the basis of a report to general management. This commission enables a constant monitoring of the operation and atmosphere within the company.

The appeals commission allows an associate employee who is experiencing personal difficulties to be heard. Our aim is not to take over the role of trade unions, but to try to

understand what has happened, check to see if the procedures have been complied with, and try to help resolve the problem.

The tax commission studies queries raised by the members of Valoptec. Because our model of long-term share-buying, and the group's performance, and its share value, some employees and retired employees from Essilor are subject to wealth tax and request information and advice.

There is also a statutes commission and a communications commission.

The general meeting

Once a year, the Valoptec members are invited to a general meeting which is a large event. Nearly one thousand employees attend, and there is interactive live transmission so that simultaneous translations can be broadcast to another thousand people elsewhere.

At the general meeting, the employee shareholders take a vote of confidence in the Essilor management. The CEO of the company and his two assistant directors present the balance sheet, the company outlook and the group's strategy. The director of human resources explains the company's social policy and values. At any time during the general meeting, those present can ask questions and talk with the general management live. At the last general meeting, there were a number of questions about the company's human and social policy. All the relevant documents are included in the invitation to the general meeting, and the employees can therefore make up their own minds about what they have read and heard. They can also give their opinion when a new CEO is appointed. This was the case in April 2008 when Hubert Sagnières was appointed executive director of the group.

Voting is done electronically. For employees who are unable to be present, voting takes place on the site of an independent service provider in order to guarantee confidentiality.

The resolutions from the Essilor general meeting are presented, and put to the vote at the Valoptec general meeting. This exercise is very important for the group's managers. We sense they are wary and nervous when they come to talk in front of the employees. In the past, for example, the assembly voted against the group's human and social policy which led to the departure of the director of human resources.

At the last general meeting, the group's general policy was approved by 98.09 %. This result is naturally interpreted in a relative way: any vote less than 90 % would be seen as worrying and would make the Valoptec board question the reasons.

Valoptec is at the heart of Essilor's governance

Valoptec's contribution to the governance of the group goes well beyond the resolutions which were passed at the annual general meeting.

Valoptec has three of the fifteen seats on the Essilor board. This is a significant number. These seats are given to the chairman of Valoptec and two representatives of the regions. They are currently Yves Gillet, the managing director of Essilor Spain, and Yi He, the president of Essilor China. All three of us are also members of the strategic committee.

As chairman of Valoptec, I am also a member of the Essilor audit committee, and I was recently asked to sit on the appointments committee. Finally, I am consulted by the committee of representatives to outline the objectives for our CEO.

Also, every two months at each Valoptec board meeting, a large part of the meeting is given over to general management which informs us about a number of projects about which we are asked to express our opinion.

Financial autonomy of the association

Valoptec's financial resources come mainly from subscriptions (25 Euros for each member, which amounts to a total of 130,000 Euros every year) and the amount of directors' fees paid out by the three representatives of Valoptec who sit on Essilor's board (in other words, 20 to 30,000 Euros).

The association's largest expense is the organisation of the general meeting which costs about 80,000 Euros. The site and the organisation necessary for the voting process cost 40,000 Euros, and the rest is spent on hiring the conference hall, the translation facilities, communications and finally the buffet, which is a very important and convivial time for all the generations of people who have been involved with Essilor.

The association has one permanent employee, Clémentine Dega, who works in our headquarters in Charenton-le-Pont, and is in charge of management and communication. Since I became chairman six years ago, she has helped me completely restructure the association. She has also been in charge of creating our website where members can find useful information as well as the minutes of the general meetings and the board meetings almost in real time.

Communication

A large part of the association's work consists of communicating both internally and externally.

In France, the employees know Valoptec's role and how it works quite well. The same is not true abroad. I recently went to a global conference to explain Valoptec's governance to 450 employees and partners. Before my talk, I asked an employee what Valoptec meant to him. He turned on his mobile telephone and showed me a photo of a Mustang, and explained that it was due to the sale of his Essilor shares that he had been able to buy it. I realised then and there that my little talk would not be very useful... For many employees, especially those abroad, taking part in the governance of a company is still an unfamiliar concept. We must work hard to try to explain it to people and to convince them of this concept.

Beyond Essilor, little is known about our governance model and the role of employee shareholders in it. Gradually, when we started meeting people from other companies, we realised that this model was original, and that it aroused a certain amount of interest. Today, Valoptec's external communication has almost become a full-time job and we are starting to wonder whether we should make it a source of revenue for the association...

For example, I have spoken at the NYSE Euronext summer university and to companies such as the French Post Office (La Poste), the Société Générale bank, and the Le Duff group (which has sites in North America). Surprisingly last March, the managing director of Huawei, a Chinese telecommunications company with 140,000 employees, came to meet us. He wanted to find out about our model of governance, and models used by other French companies.

A decisive contribution to performance

Evidently our employee shareholding system and the involvement of employees in the company's governance are of interest to people outside our group. I am delighted because I think this situation is fantastic. It brings together the values and the culture of the company, and I think that it is an essential factor which contributes positively to the company's performance.

Of course, it is obvious that performance is primarily strategy, innovation, and international development. These factors are enhanced by a climate of vigilance and dialogue which exists

in the company. Management is faced with a probing group which asks for explanations about its decisions, and which acts as a watchdog. Next Monday, for example, I shall be meeting the CEO. I have prepared my questions and so has he. I am sure that our discussion will be interesting and fruitful.

The performance of the company is also based on the commitment of the employee shareholders who do not ‘dabble’ in the stock market with their Essilor shares but instead make long-term decisions and contribute to the future of the company.

Incidentally, the employee shareholding structure also plays a role in the control of expenditure. There is a standing joke in the company: ‘How do you recognise a Valoptec employee? - He’s the one who turns out the lights in the evening when he leaves the office.’

Finally, the opportunity for each member to contribute to a general discussion and to take part in how the company can best operate, also helps to sweeten the pill when it comes to accepting decisions which do not always correspond to what we would like.

In conclusion, I think that the motivation and enthusiasm of the employees are as important to a company’s performance as a good corporate strategy or the capacity for innovation. When employees are happy to go to work, they put all their energy and commitment into it. This is what makes the difference.

DISCUSSION

Employee shareholders who are not members of Valoptec

A speaker: *You mentioned that 6,500 of the 13,000 employee shareholders were members of Valoptec. What about the other half?*

Aïcha Mokdahi: Employees can buy shares either through the saving scheme or through the allocation of performance shares. Some are content with this contribution to their savings plan and do not feel concerned by the company’s governance. This is their right. Others want to use their voting rights individually. The majority think that it is preferable to unite in order to make a better contribution to decisions being made within the company. In this case, they join Valoptec and allow the association to cast their vote. However, at any moment, they can take back their vote and use it individually. As you can see, the employees have a great deal of freedom.

Four years ago we decided to invite all the employee shareholders to the general meeting, even those who are not members of Valoptec so that they could see how the system works. Usually, after they have been to the meeting, they decide to become members of the association.

A “Senate” in the company

Speaker: *The role played by retired Essilor employees in the company reminds me of that of the Senate. And yet, we know that the older we get, the more conservative we become. Does the influence wielded by the retired group not dominate and risk slowing down innovation?*

A. M.: No, because the retired are well aware that the group’s growth is largely due to innovation. More than half the turnover is generated by products which have been launched in the previous two years. What interests the retired and makes them pleased is anything which promotes the company.

Speaker: *In what way do they take part in the company’s performance?*

A. M.: They know the company, they have lived through its history and are very observant, which is absolutely essential.

Jean-Arnaud Thai: One day, during a meeting of the commission which deals with matters concerning development and employee shareholders, I was suggesting new measures for the company when a retired employee interrupted me and said ‘Hang on a minute, we don’t want any of that here; it’s not in our culture.’

A. M.: One of our most active retired employees is Bernard Maitenaz, the inventor of the Varilux lens. He is 86 years old, but is still extremely active. He is an honorary member on the Essilor board and is the first person who is consulted when the R&D (Research and Development) department brings out innovations. He also works a great deal with Valoptec.

Speaker: *The advantage of these older shareholders is that they are patient. At a past session, Michel Bon¹ said that the average duration of ownership of a share of one of the 40 top companies quoted on the Paris Stock exchange is about five minutes. It is difficult to work on a long-term basis with shareholders who are so volatile. I should think that many companies would be happy to have 15 % of voting rights held by sensible shareholders. This is why I like the analogy of the Senate. Senators are people who take the time to let things happen, and Valoptec members are a bit like this.*

Relations with trade unions

Speaker: *Is it easy for trade unions to exist in a company like Essilor?*

A. M.: Well, they do exist at Essilor! We meet and we hold discussions, but each one of us knows the limits of his position and respects them. The areas which matter to us are not necessarily the same. If a site has to be closed, it is likely that the trade unions will be opposed to this, whereas at Valoptec we are more affected by concerns for the future of the company. On the other hand, I often have to call the trade unions to clear up some difficulties or tensions. Some of the trade unionists are members of Valoptec, but this is not a reason for them to stand up at the general meeting and start making demands. They understand how Valoptec functions and they respect this.

Speaker: *If there is a strike, does the association play a role in resolving the conflict?*

A. M.: There are very few strikes at Essilor. Sometimes there are strikes or work stoppages which can last for an hour or two in some laboratories. More often than not, they are linked to local problems to do with work conditions or ambiance, for example in the case of a certain activity being under great pressure at a particular time. The most important subjects, notably the closure of sites, are usually anticipated and discussed. When the decision is taken to close a site, we then have between three and five years to prepare ourselves. People are not faced with a *fait accompli*, and discussion helps us to find a solution. However, to answer your question, Valoptec never intervenes when there is a conflict. It is the employees’ and the trade unions’ right to decide or not to strike. On the other hand, we try to understand what has happened and to see how we can prevent it happening again in the future.

Turnover and recruitment

Speaker: *Does the employee shareholding system influence staff turnover?*

A. M.: Some young people think that having worked at Essilor is a good thing to have on their CV. However, the average number of years an employee works for Essilor is 17.

Speaker: *Does the governance model help the company to have a good image?*

¹ Michel Bon, “Réinventer le partage du profit”, seminar in the ‘Économie et sens’ series at the École de Paris du management (ref ES240512).

A. M.: As I explained, until now Essilor has been very discrete about its governance model. Its image was based above all on the growth of the company and the fact that everyone knows that Essilor is a good employer. However, the reasons for why this is the case were not necessarily made clear. Today, we have focused our communication more and more on our original model based on participation. Recently, we recruited the successor to the group's R&D director and I asked him what motivated him about the job. He talked about the group's strategy, and the importance that we attach to innovation, but he also told me that he had been very interested by the Essilor governance model and our foundation. Today, in every company, the environment and the methods of working put more and more employees under pressure. It is important to work for a company where one's views can be heard and valued.

Young people are particularly sensitive to this. All the new executives follow an integration programme in the course of which I explain to them how Valoptec works. Until recently, they normally waited between two and three years before joining the association. Now, they are interested in it much earlier on. Some of them would even like to sit on the board of directors, but because they are not very well known, they do not tend to get enough votes. Nevertheless, we intend to inject new blood into the board in order to attract more young people to the association. Valoptec must not get the reputation of being a 'club for the oldies'. It is an association where everyone can find his place. The future representative for Asia on the board is going to succeed someone who has been with the company fifteen years, although he has only has been with the company three years.

Performance shares

Speaker: *What deterlines the allocation of performance shares?*

J.-A. T.: The criterion is the performance on the stock exchange. The aim is to align management's interests with those of external shareholders because we are also subject to recommendations from investment companies.

Speaker: *Do you not consider criteria such as the quality of management or the management of human resources as is done at Danone?*

J.-A. T.: These criteria may be taken into account in the variations of salary of the members of the executive committee but they are not considered when allocating shares based on performance.

Could this company be taken over?

Speaker: *Generally speaking, British or American shareholders think that employee shareholders should not account for more than 5 % of all shareholders. How do you deal with this?*

J.-A. T.: If we just take into account active employee shareholders, we are within this requirement. It is one of the subjects that we discuss with them.

Speaker: *The balance of power between 15 % of voting rights for employees and 85 % for floating capital seems unequal. How do you impose your model on external shareholders?*

J.-A. T.: As long as the company's performance is good, they accept a certain number of things. If performance were to deteriorate, this would not be the case.

Speaker: *Is it possible to mount a take-over of a company like this?*

J.-A. T.: Technically yes, because the majority of the capital is floating. However, we are relatively protected by our high share price and our governance model. The requirements to enter this organisation, to understand its complexity and to abide by the Valoptec associates vote certainly represents a significant problem for people who would consider taking over the company.

The change in employee shareholding

Speaker: *What would happen if an employee shareholder who owned a large amount of shares sold them?*

A. M.: All shareholders are free to sell their shares whenever they wish. There is no charter or scheme which forces anyone to keep his shares. Therefore, we must be constantly vigilant in order to keep 15 % in employee shareholding, or even increase this because our ambition is to do just that. However, this would require large financial resources because we help employees by contributing towards their purchase of shares. The commission which deals with these questions devotes a great deal of time to listing where the capital goes (deaths, retirement, sales and so on) and calculates the necessary revenues to compensate them as well as the relevant financial resources.

Speaker: *How will the proportion of employee shareholding change in the coming years?*

A. M.: As the shareholders get older, there is a natural process of attrition. Over the past two years, the rate of participation has fallen to 7.5 %. When Hubert Sagnières was appointed in 2008, I had a long discussion with him. I asked him if he thought that employee shareholding was part of the company's strategy. He replied 'More than ever!' and he showed it, by speeding up the opening of capital globally, especially with regard to partners. This has helped us recover to a proportion of 8.5 %.

Speaker: *Does your objective of increasing employee shareholding risk being compromised if current social tax exemptions are revised by the new Socialist government?*

A. M.: Our major concern is to prevent this magnificent jewel in our hands disintegrating. The authorities tend to regard companies as a means of tax avoidance or reduction rather than a dynamic force in our country. We are in the process of forming alliances with other companies and bodies in order to try to communicate about the need to protect this shareholding model.

Shareholding and governance

Speaker: *The Essilor model can be characterised by two factors: employee shareholding (which allows them to exert power as a result of shares owned); and an organisation which 'networks' and is a very fluid means of communication which encourages employees to involve themselves in the company. Are these two characteristics incompatible? Could one envisage a similar level of commitment without it being based on employee shareholding?*

A. M.: In Valoptec, we are careful to separate the financial and the governance aspect. Of course, employee shareholders keep an eye on the value of their shares, but they invest in the long-term, and so it is the aspect of governance which should be of importance to them from day to day. That said, would it be possible to get the same commitment from employees if there was no employee shareholding structure, and above all if there was no membership of employee shareholders in an association like Valoptec? Other important companies on the Paris stock exchange welcome employee representatives on their board of directors. They are usually trade union representatives and even employee shareholding representatives. However, in general, they do not play a true role in governance. The Valoptec association is really a very strong forum where employees' opinions can be heard.

Speaker: *Can Valoptec's influence in the company also be explained by your personal authority as the person in charge of the supply chain for Europe?*

A. M.: In general, we only mention supply chains when they create problems. When everything is going well, we do not talk about them at all! I think that my personal authority

comes rather from the number of years I have worked for the company and my career background and especially from my character.

Can this model be reproduced?

Speaker: *Despite its undoubted success, I fear that your model cannot really be reproduced elsewhere because it relies on four circumstances which are highly unlikely ever to coincide.*

The first is that what you sell is a perfect good. I have a marvellous memory of the first time I put on a pair of glasses. I was ten years old and I came out of the optician's shop and discovered the street cobbles which I had never seen before, and which I found exquisite. Your company provides only pleasure as opposed to most companies whose products often suffer from negative aspects such as pollution in the car industry, and dubious legal battles about side-effects from certain medicines in the pharmaceutical industry. The second factor in your favour is that your market is huge. Two-thirds of the planet needs you and do not know it yet.

A. M.: All the same, we still have serious competition...

Speaker: *Thirdly, your product is universal because there are short-sighted people and long-sighted people everywhere in the world, but at the same time your company is typically French because it makes profits using mathematics: it was the resolution of a tricky mathematical problem which enabled you to create the Varilux progressive lens.*

Fourthly, your company is rich, and everyone knows that things are easier when there is enough money to go round.

J.-A. T.: I could not agree more on your first point. Our products already bring happiness and will, without a doubt, continue to bring even more because we are working for example on lenses which are capable of easing the pain caused by migraines. There is no doubt that carrying out a 'noble' profession helps to motivate employees. On the other hand, even if our company is 'rich', this is not felt on a daily basis. The culture of the group is characterised by a great amount of humility which is visible in its very careful management of resources.

The qualities of a leader

Speaker: *Xavier Fontanet makes no secret of his Christian convictions and I sense a sort of saintliness in the story of Essilor. Is it possible that this saintliness is a product of the Catholic culture which was probably that of opticians in 1848?*

M. A.: All religions exist in the group. I am a Muslim. However, Xavier Fontanet greatly helped to facilitate the Essilor model, and was also able to personally embody the values of the group personally. His human qualities of respect, humility, and trust associated with very high standards are universally recognised, even outside the group. When we organised a tribute to Xavier Fontanet last April, I asked the CEO of our main Japanese rival if he wanted to take part. He immediately replied 'Yes, for Xavier Fontanet: I'll come because of him.'

'Alternative' companies

Speaker: *You have emphasised the original and even unique character of governance at Essilor, and in a way you are right. The precise system you have described is undoubtedly unique. However, from another point of view, there are many companies which successfully implement systems of employee share-buying plans. Mondragón is a co-operative and the CEO is directly elected by the employees. At Bosch, the shareholders have no say, and the company is co-managed by the executives and the trade union representatives. At Hervé Thermique, a non-quoted company, it is the employees who define their own objectives and vote on the percentage of profits the CEO should be paid. It is a bit of a shame that all these 'alternative' companies work on a 'closed circuit' instead of communicating with each other, and grouping together to deal with the classic capitalist model which is practically the only one which is taught in business school.*

A. M.: When we present our model to other companies, we find out about other models of governance which are very interesting. It would be to our advantage to discuss with others more about this, or to copy certain solutions which have been used by other companies. This is one of the subjects discussed in our commission for the changes in employee shareholding.

Spreading the Essilor culture

Speaker: *How will you manage to maintain your kind of model given the globalisation of your company?*

A. M.: Our website supplies all the information one needs to understand how Valoptec works, but it is not enough. We are very careful about the choice of regional representatives on our board. They really have to be ambassadors of our corporate culture because they are the first connection that the association may have with clients. We are also careful about the choice of local representatives because these are the people who interact with the employees.

Essilor managers also have a very large responsibility concerning the spread of the corporate culture. If the person in charge of a region or a site does not adhere to our values, this may endanger the development of our model, but this does not happen very often. Of course, for the new sites and new regions the financial aspects are of primary importance, but one must not forget to disseminate the corporate culture which is a long, drawn-out process. This is why, both at Essilor and at Valoptec, at every opportunity we try to raise awareness of our governance method so that more and more people know about it. Every time I go to one of our sites around the world, I organise a meeting to discuss these sorts of questions. Recently I went to India and I organised a meeting with the distribution and operations departments. This meeting was an opportunity to bring them together in the same room. We talked a great deal about governance and values and not much about money. Hubert Sagnières also talks about Valoptec when he goes on business trips and every month, he begins each executive board meeting with a slide about the current position regarding employee shareholding and membership of Valoptec. Such support from the Essilor board and general management is essential for us.

Presentation of the speakers:

Aïcha Mokdahi: works for the Essilor group with responsibilities in various divisions. She began her career as a product manager in the optical frames division before specialising in the supply chain. She currently manages Supply Chain Europe and has contributed to important projects about the reconfiguration and optimisation of this function which today has put this department of the group among the best in the optical world. She has been chairman of the Valoptec Association since the end of 2006.

Jean-Arnaud Thai: graduate of the ESSEC business school. He began his career with the HayGroup before working as compensation manager for Carrefour and subsequently director of compensations and benefits at Bureau Veritas. In March 2011, he joined the Essilor group as compensation and benefits director.

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