



**PRENTISS
SMITH & CO**

Sustainable Investment Report for:

Alcon

Geneva, Switzerland
Ticker: Alcon US Equity
Website: www.alcon.com
Last Updated: 06-29-2023

I. Exclusionary Screening

Does Alcon appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- BICS - Oil, Gas & Coal Industries¹
- BICS - Precious Metals Mining¹
- CDP/CAI Carbon Majors Database²

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Defense & Retail Gun Sales

- BICS - Defense Primes¹
- SIPRI Arms Industry Database⁵
- NRA Industry Allies/Gun Retailers⁶

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Plastics Production

- Top 100 Plastic Polymer Producers³

Private Prisons

- BICS - Security Services¹

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers¹
- Cruelty Free Investing Worst Companies for Animals⁴

Pornography, Gambling & Tobacco

- BICS - Casinos¹
- BICS - Tobacco¹
- BICS - Pornography¹

¹ BICS = [Bloomberg Industry Classification Systems](#)

² [CDP/CAI Carbon Majors](#)

³ [Minderoo Foundation Top 100 Plastic Polymer Producers](#)

⁴ [Cruelty Free Investing 10 Worst Companies for Animals](#)

⁵ SIPRI = [Stockholm International Peace Research Institute](#)

⁶ NRA = [National Rifle Association Top 10 Industry Allies](#)

⁷ Prentiss Smith & Company Internal Research

II. Further Research

What else has our research process told us about how Alcon conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

Alcon is an eye care company headquartered in Geneva, Switzerland but originated in Fort Worth, Texas. Alcon focuses on both surgical and vision care. The company is well known for many of its eye care products, including contact lenses, contact solution, and eye drops, as well as surgical technologies that assist with treating various vision problems such as cataracts and glaucoma. Alcon is very philanthropically involved, particularly in trying to bring eye care access to people in developing parts of the world who cannot afford it. The company also has near-gender parity in its workforce, conducts annual pay equity analyses based on Swiss law, and reports strong ethnic diversity in its US workforce. Alcon has received wide commendation for these diversity and equity metrics, as well as its high rates of employee satisfaction.

While Alcon has a goal of being carbon neutral for Scope 1 & 2 emissions by 2030, the company does not report to CDP and does not have Scope 3 targets or net zero goals. Alcon has also simply suspended new investments and clinical trial enrollment in Russia, while keeping the rest of its business operating there despite Russia's invasion of Ukraine. As a medical company, Alcon can plausibly claim charitable reasons for this decision, although the broader Russia divestment and sanctions movement does not make such allowances.

Products & Services

Background

- *Brief description of products/services:*
Alcon is in the eye care industry with products for surgical and vision care. It calls itself “the largest eye care device company in the world.”¹

¹ <https://www.alcon.com/about-us#history>

- *Founding date:*
Founded in 1945 in Fort Worth, TX.²
- *Key historical changes to company structure (e.g. M&A):*
Alcon was acquired by Nestle in 1977 and then was sold in 2010 to Novartis.³ In 2019, Alcon became an independent publicly traded company after spinning off from Novartis.⁴
- *Key historical changes to products:*
In 1953 they created the “droptainer” eye drop dispensing bottle that was the standard in eyecare for years. In 1989 they launched their first soft contact lens for periodic replacement and have improved on their various contact technologies for different types of vision, health problems, and wearers in the present day.⁵

Product Detail

- *Current products/services detail, including social/environmental benefits:*
Known for several consumer products, such as Focus Dailies one day disposable contacts, Opti-Free lens cleaning solution, and Systane eye drops. Alcon also has developed several technologies that assist visual displays and efficiency for eye surgeries.⁶
- *Significant recent developments or new plans for products/services (in the context of industry developments if applicable):*
In 2022 Alcon acquired Ivantis to expand their surgical portfolio by using their Hydrus Microstent to help with minimally invasive glaucoma surgery. Alcon also introduced the Fidelis Virtual Reality Ophthalmic Surgical Simulator, which is a VR tool used for cataract surgery training.⁷

Landscape

- *Company size:*
24,000+ employees⁸

² <https://www.alcon.com/about-us#history>

³ <https://dallasinnovates.com/the-alcon-family-tree-how-one-companys-roots-led-to-a-dfw-life-science-legacy/#:~:text=The%20Alcon%20journey.in%202010%20for%20%2428.3%20billion.>

⁴ <https://www.alcon.com/about-us#history>

⁵ <https://www.alcon.com/about-us#history>

⁶ <https://www.alcon.com/about-us#history>

⁷ <https://www.alcon.com/about-us#history>

⁸ <https://www.linkedin.com/company/alcon/>

- *Business segments and revenue:*
Alcon 2022 Revenue was \$8.7 billion.⁹ Alcon is in the ophthalmic surgical and vision care segments.¹⁰
- *Industry position/market share:*
Eyecare industry in surgical and vision care. Alcon makes up 20.2% of the market in the contact lens manufacturing industry.¹¹

Impact

- *Detail on additional social/environmental impacts of products:*
Nothing significant was found.

Environment

Goals & Disclosure

- Environmental Commitments
 - *CDP reporting and score:*
Alcon has not responded to a CDP survey.¹²
 - *Emissions target(s)? 1.5-degree SBTi target?*
Alcon has the goal to have carbon neutral Scope 1 & 2 emissions by 2030.¹³
 - *Scope 3 targets?*
None found.
 - *Water/waste/deforestation goals?*
Alcon has the goal by 2030 to divert 100% of non-hazardous waste generated at manufacturing sites and distribution centers from landfills.¹⁴
- Environmental Disclosures and Progress
 - *Emissions:*
Total Scope 1 and 2 GHG emissions 2021 = 309,083 MT CO₂e, almost 20,000 less than 2020.¹⁵

⁹<https://investor.alcon.com/news-and-events/press-releases/news-details/2023/Alcon-Reports-Fourth-Quarter-and-Full-Year-2022-Results/default.aspx>

¹⁰<https://investor.alcon.com/news-and-events/press-releases/news-details/2023/Alcon-Reports-Fourth-Quarter-and-Full-Year-2022-Results/default.aspx>

¹¹<https://www.ibisworld.com/us/company/alcon-inc/9116/>

¹²<https://www.cdp.net/en/responses/21350>

¹³https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 7

¹⁴https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 7

¹⁵https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 30

- *Water:*
Total water withdrawal from all areas ML 2021 = 4864 ML, a 2% increase from the 2019 baseline, although year over year water intensity decreased by 10%.¹⁶
- *Waste, including use of recyclable materials:*
In 2021, 76% of operational waste was recycled.¹⁷ Alcon has the goal by 2030 to divert 100% of non-hazardous waste generated at manufacturing sites and distribution centers from landfills.¹⁸ Three manufacturing sites are zero waste to landfill certified by GreenCircle.¹⁹ Total waste generated in 2021 = 51,782 MT, of which 28,154 MT were hazardous waste.²⁰
- *Deforestation:*
Nothing found.

Product & Supply Chain Impacts

- *Further environmental benefits to using products:*
N/A.
- *Significant environmental commitments in supply chain:*
In 2021 Alcon started working with EcoVadis to track their suppliers' ESG performance to help track implications for climate change and product cost so they can engage with suppliers to reduce energy consumption and emissions.²¹
- *Do products help customers reduce emissions? By how much?*
Nothing was found.
- *Intermediate scope 3 milestones and targets:*
None were found.
- *Significant environmental fines, remediation or controversy:*
Nothing significant was found.

Operational Initiatives

- *Are scope 1 and 2 commitments 1.5-aligned?*
Alcon has not disclosed that they are committed to be 1.5 aligned.
- *Intermediate scope 1/2 initiatives, milestones and targets:*
Alcon has the goal to be carbon neutral across global operations for scope 1 and 2 by 2030.

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¹⁶ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 31

¹⁷ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 6

¹⁸ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 7

¹⁹ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 22

²⁰ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 28

²¹ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 72

²² https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 30

- *Specific initiatives that could help achieve scope 1/2 targets, or lower emissions if no targets:*
In 2021, Alcon “completed 41 energy-saving projects, including solar array and LED light installations, air handling unit replacements and autoclave cycle reductions. These projects resulted in an estimated energy savings of approximately 42,700 gigajoules (GJ) and avoided approximately 8,400 MT of CO₂e”²³
- *Other specific, internal initiatives in service of water conservation, waste management, etc:*
Alcon focused on water reuse and recycling in 2021, for example “17 water-saving projects at our sites, including a cooling tower optimization, reduced irrigation in landscaping and the installation of a rainwater reuse system. These projects collectively saved approximately 134 megaliters of water. One project at our contact lens manufacturing facility in Batam, Indonesia, involved substituting the use of city water for gardening and toilet flushing with reverse osmosis and ultra-filtration reject water from water treatment systems. As a result of this project, we expect to save approximately 2.1 megaliters (ML) of water annually at the site.”²⁴

Management Integrity and Ethics

Leadership & Diversity

- *Brief profile of CEO and any other notable leaders:*
David Endicott, CEO, joined the Alcon Division under the Novartis group as President, Commercial and Innovation and Chief Operating Officer. Before the Alcon Division, he was President of Hospira Infusion Systems, a Pfizer company. Prior to joining Hospira, he served as an officer and executive committee member of Allergan, Inc., where he spent more than 25 years of his career in leadership roles across Europe, Asia, Latin America, and the U.S.²⁵
- Leadership Composition
 - *Executive Committee:*
7 people, 6 men and 1 woman, races are not disclosed.²⁶
 - *Board:*
11 people, 7 men and 4 women. One self-disclosed Asian-American and other races are not disclosed.²⁷
- Employee/Management Composition and Pay Equity

²³ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 30

²⁴ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 31

²⁵ https://investor.alcon.com/governance/executive-committee/default.aspx?_ga=2.102261889.1661873364.1687288955-1730240075.1687288955

²⁶ <https://investor.alcon.com/governance/executive-committee/default.aspx>

²⁷ <https://investor.alcon.com/governance/board-of-directors/default.aspx>

- *Employees:*
47% of US workforce was ethnically diverse in 2021. Globally, 48% of the workforce are female.²⁸
- *Management:*
32% of the US manager/supervisor roles are held by ethnically diverse people. Globally, 34% of the manager/supervisor roles are held by females in 2021.²⁹
- *Pay equity:*
Alcon says they “conduct recurring pay equity analyses across gender, race and ethnicity and other diversity factors to identify potential disparities and make appropriate adjustments to ensure pay equity. We also conduct training and provide resources for leaders to advance their understanding of pay equity practices.”³⁰
- *Does the company have any supplier diversity programs?*
Yes, Alcon has a supplier diversity program that focuses on small and diverse suppliers. In 2021 Alcon spent \$300 million with diverse suppliers including minority, veteran, women, LGBTQ, and small business owned enterprises.³¹

Human & Labor Rights

- *Are clear policies in place on forced labor and supply chain monitoring?*
Yes. Alcon requires compliance to a third party code of conduct and it aligns with Alcon’s own personal code of business conduct. Alcon also does yearly business reviews with critical suppliers.³²
- *What % of the supply chain is covered?*
100% coverage is disclosed from 2019-2021.³³
- *Supply chain enforcement mechanisms:*
The required annual business reviews for critical suppliers are one enforcement mechanism. Another is their “track and trace” program complying with global regulations that monitor end to end traceability through manufacturing and distribution. Also using Unique Device Identifiers on medical device packaging to help with product tracing.³⁴
- *Employee safety metrics:*
0 Employee Fatalities 2019-2021
0 High consequence work related injuries and illnesses 2019-2021

²⁸ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 38

²⁹ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 38

³⁰ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 37

³¹ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 46

³² https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 45

³³ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 46

³⁴ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 45

139 Recordable work related injuries and illnesses in 2021³⁵

- *Labor relations disputes or successful agreements:*

Nothing significant was found.

- *Employee satisfaction metrics:*

In 2021, Alcon had a voluntary turnover rate of 7.8%³⁶ They also are a certified “Great Place to Work”³⁷ and “Top Employers”³⁸ in several countries.

- *Programs requiring diverse hiring practices, professional training in underserved communities, or other equity-focused initiatives:*

In the US Alcon uses interview panels to minimize unconscious biases in leadership development programs. Alcon has 11 employee resource groups and special interest groups including Alcon Chinese Association, African Ancestry Cultivating Excellence, and Latin Employees at Alcon Driving Success to name a few.³⁹

Political & Charitable Activity

- *Does the company have a policy not to spend anything on lobbying or political contributions?*

Yes, Alcon does not allow the use of their funds to be spent on personal political contributions and only participates in the political process through trained associates trained by law and tracking different government regulations.⁴⁰

- *Federal lobbying expenditures and political donations:*

Alcon spent \$240,000 in total lobbying expenditures in 2022.⁴¹

- *Is lobbying data voluntarily disclosed, including state and local contributions, trade association memberships, and PACs?*

Nothing recent was found.

- *How much is spent annually on charitable contributions?*

Through the Alcon Foundation and Alcon Cares they have gifted more than \$15 million in 2021 in donations, and product/equipment donations.⁴²

- *How much volunteer time do employees give annually?*

In 2021 Alcon employees volunteered a total of 10,875 hours around the world.⁴³

³⁵ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 53

³⁶ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 33

³⁷ https://www.greatplacetowork.com/?utm_source=google&utm_medium=paid&utm_campaign=2021.01.recogniti on.ga.cpa&utm_term=recognition&utm_content=search-ad&utm_audience=prospect

³⁸ <https://www.top-employers.com/en-US/certified-top-employers-search/?text=alcon&page=1>

³⁹ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 38

⁴⁰ <https://www.alcon.com/sites/g/files/rbvwei496/files/2019-04/Code-of-Business-Conduct-v2.pdf>

⁴¹ <https://www.opensecrets.org/federal-lobbying/clients/hired-firms?cycle=2022&id=D000023229>

⁴² https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 11

⁴³ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 14

- *Major charitable or volunteer projects with meaningful long-term impact:*
Alcon has several philanthropic initiatives, including their Orbis partnership which used their flying eye hospital to train more than 680 eye care professionals in 75 countries who performed 3.6 million eyecare screenings and 38,000 surgeries in African and Asian countries in 2021. There is also the Alcon's Children's Vision program, which provides low-income families with eye exams for elementary school students to help ensure academic success.⁴⁴

Legal

- *Outstanding legal disputes with significant reputational and/or financial stakes (including shareholder lawsuits):*
Nothing outstanding was found.
- *Significant fines paid or in dispute:*
 - In Feb. 2023 Alcon agreed to pay J&J vision \$199 million to resolve intellectual property disputes for cataract surgery lasers.⁴⁵ Also paid \$75 million to J&J in 2020 related to alleged patent infringement⁴⁶
 - In 2020, Novartis and two subsidiaries (one being Alcon) had to pay \$345 million with the DOJ and the SEC for Foreign Corrupt Practices Act violations in Greece, Vietnam, and South Korea. This was for allegedly violating anti-bribery and books and records provisions.⁴⁷ Such settlements are common for companies that serve the medical industry.
- *Current or recent headline controversies involving the company or its management:*
None found.

⁴⁴ https://www.alcon.com/sites/g/files/rbvwei496/files/2022-09/2022-Alcon-Report-0901_v2_WEB.pdf pg 11-14

⁴⁵ <https://www.fiercebiotech.com/medtech/alcon-reaches-199m-settlement-jj-vision-over-cataract-surgery-lasers>

⁴⁶ <https://www.fiercebiotech.com/medtech/alcon-reaches-199m-settlement-jj-vision-over-cataract-surgery-lasers>

⁴⁷ <https://www.jdsupra.com/legalnews/novartis-and-alcon-s-345-million-fcpa-79767/>

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