CANDRIAM

Teleperformance: Engagement Update

Active engagement

FEBRUARY 2023

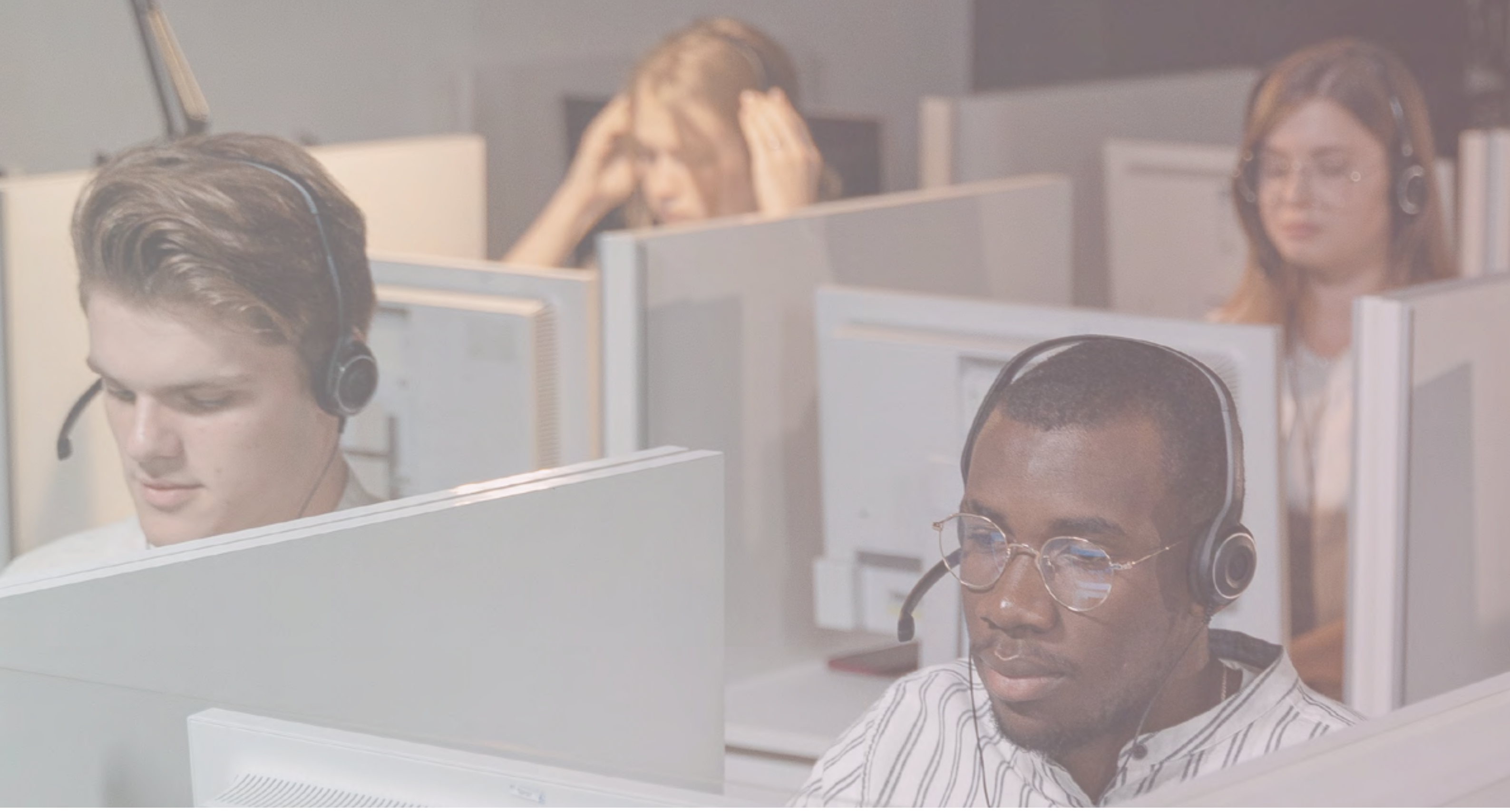
Marketing communication

The topic returns

Background

Teleperformance is a global digitally-integrated services and customer call centre business, has both won workforce awards and generated workforce controversy. In service businesses, the quality of the employee is central to the quality of the product. It is also a main expense. At Teleperformance, we identified a risk, and we engaged with the company and external stakeholders such as global unions, both individually and collectively.

Teleperformance		Candriam
	2019	Candriam begins direct dialogue
OECD NCP complaint	**April 2020**	**2020/2021** Various exchanges with company to improves governance and workers working conditions
	June 2020	Candriam joins collaborate engagement group
	July 2020	**Engagement ongoing Improvement noted**
CSR committee created	**Jan 2021**	
French Contact Point of OECD issues 6 recommendations	**July 2021**	Improvement, but slow. The level of controversies remains high An investor group including Candriam submits written questions for the annual general meeting
AGM	**April 2022**	Answers did not meet our expectations
	Sept 2022	Candriam reviews ESG assessment and **Teleperformance becomes ineligible for portfolios with sustainable objectives**
Columbian controversy	**Nov 2022**	
Agreement with UNI Global Conclusion of OECD NCP follow-up proceeding	**Dec 2022**	
	Feb 2023	**Engagement ongoing**



The story thus far

how we reacted

Background

Based in France, Teleperformance has significant operations in many countries which lack of basic human rights protections for employees. A new *Duty of Vigilance* law came into effect in France in 2017, requiring companies based in France to report on their *global* workforces, including some outsourced workforces.[1] Companies must also publish a 'vigilance plan'. In April 2019, the UNI Global Union released independent survey results from an independent consultant concluding that Teleperformance fell short of the new law. In September 2019, Teleperformance published an improved vigilance plan. Our engagement efforts began in 2019 following the Vigilance plan.

We have indeed continued to engage with Teleperformance, both directly and in collaboration with other investors. We shared our concerns with the company, and shared examples of good practices. We have aided in the increased disclosure of human capital. Following our actions, the company has set up a CSR (Corporate Social Responsibility) committee, and by 2020 we felt that some progress was being made, with more necessary. There have been other signs of more structured management of labour and human rights since then.

1. Contractors or suppliers with which the company maintains an 'established business relationship'.

Analysis, engagement, analysis -- the golden circle

Governance risks continue. The roles of CEO and chairman are still combined. The two auditors of the company have been in place for 24 and 36 years as of 2023. This departs from the EU's mandatory auditor rotation rules, questioning the independence of auditors.

The company's executive remuneration structure has also been criticized by many investors.[2] While we note that the remuneration policy laudably includes extra-financial factors, we question the use of a qualitative 'Great-place-to-work'[3] survey to determine compensation. Specifically, we seek a Key Performance Indicator(KPI) that can be both measured over time and benchmarked against other companies, such as employee turnover or absenteeism. We submitted a question on these matters to the latest Annual General Meeting (AGM) in 2022. Unfortunately, we did not receive a satisfactory response.

Social risks continue, too. Despite the improvements we have seen, significant shortcomings remain. New formal employee complaints[4] and other controversies arose, beginning in 2020 during the Covid outbreak. Throughout all these events, we continued to analyse working conditions and employee retention.

There has been only modest improvement in two years. While some countries will have different cultures or legal frameworks in which unions are not the norm, we find that the company has not given sufficient account of initiatives to foster social dialogue, *especially in the high-risk countries* with limited local protections for workers. There is little public disclosure on whistleblowing mechanisms, little clarity on how the company conducts its human rights assessment required by the Vigilance plan laws, and no on-site third-party audits in high-risk countries.

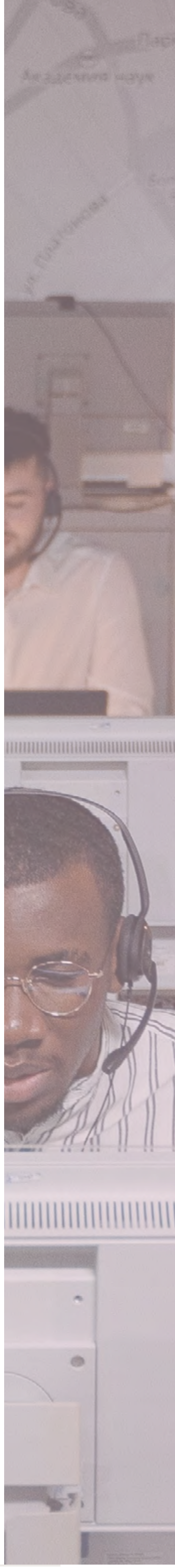
We find a *qualitative* survey insufficiently informative or transparent in an employee-intensive business. We have continually pushed for more robust and quantifiable KPIs which are relevant to the business and comparable across companies and over time.

The significant annual employee turnover makes these surveys even less meaningful. While the company does not publish its complete voluntary turnover rate, in 2021, over three quarters of the workforce (301,673) left the company for "reasons other than layoffs and transfers".[5] A high voluntary turnover rate raises questions on the effectiveness of the measures that a company puts in place to retain employees and ensure good working conditions. We would also like more information on employees leaving during the first six months, when Teleperformance actually invests considerable resources to train the new employees, but the company has always refused to disclose publicly this KPI so far.

Employee turnover is normally high in this industry, but as mentioned the workforce is a major cost directly related to the quality of the service provided. On a fundamental level, a services company aiming to provide increasingly expert services needs an increasingly high-quality workforce.

In other words, a clear case in which fundamental financial analysis and ESG analysis are fully intertwined.

2. *At 2022 AGM, 14.44% votes against the approval remuneration* report *for the Chairman and CEO and 9.26% votes against the approval of the remuneration* policy *for the Chairman and CEO.*
3. *www.greatplacetowork.fr*
4. *www.business-humanrights.org/de/neuste-meldungen/french-oecd-contact-point-calls-on-teleperformance-to-strengthen-due-diligence-to-ensure-workers-rights-safety-are-respected/*
5. *Teleperformance Universal Registration Documents, 2021.*



Update

Given these weaknesses and the insufficient answers to our concerns at the April 2022 AGM, we performed a thorough review and update of our ESG analysis and in September, *we removed Teleperformance from our ESG-eligible universe for portfolios which have sustainability as an objective.*[6]

During this process, starting from August 2022, new allegations about poor working conditions in the Colombia operations were published by the business media, including Forbes and Time magazines. In November, the Colombian Ministry of Labour announced that it had opened an investigation into Teleperformance.

Following the announcement by the Colombian government, in December 2022 Teleperformance signed an agreement with UNI Global Union, a global union federation for the services sectors. Also in December, the OECD investigation of Teleperformance's management of the Covid-19 epidemic was formally closed, because the OECD determined that Teleperformance had responded adequately to the OECD recommendations. While significant controversy remains, we see these recent developments as positive steps. Now, we are waiting to see tangible improvements in human capital management, including *better disclosure*.

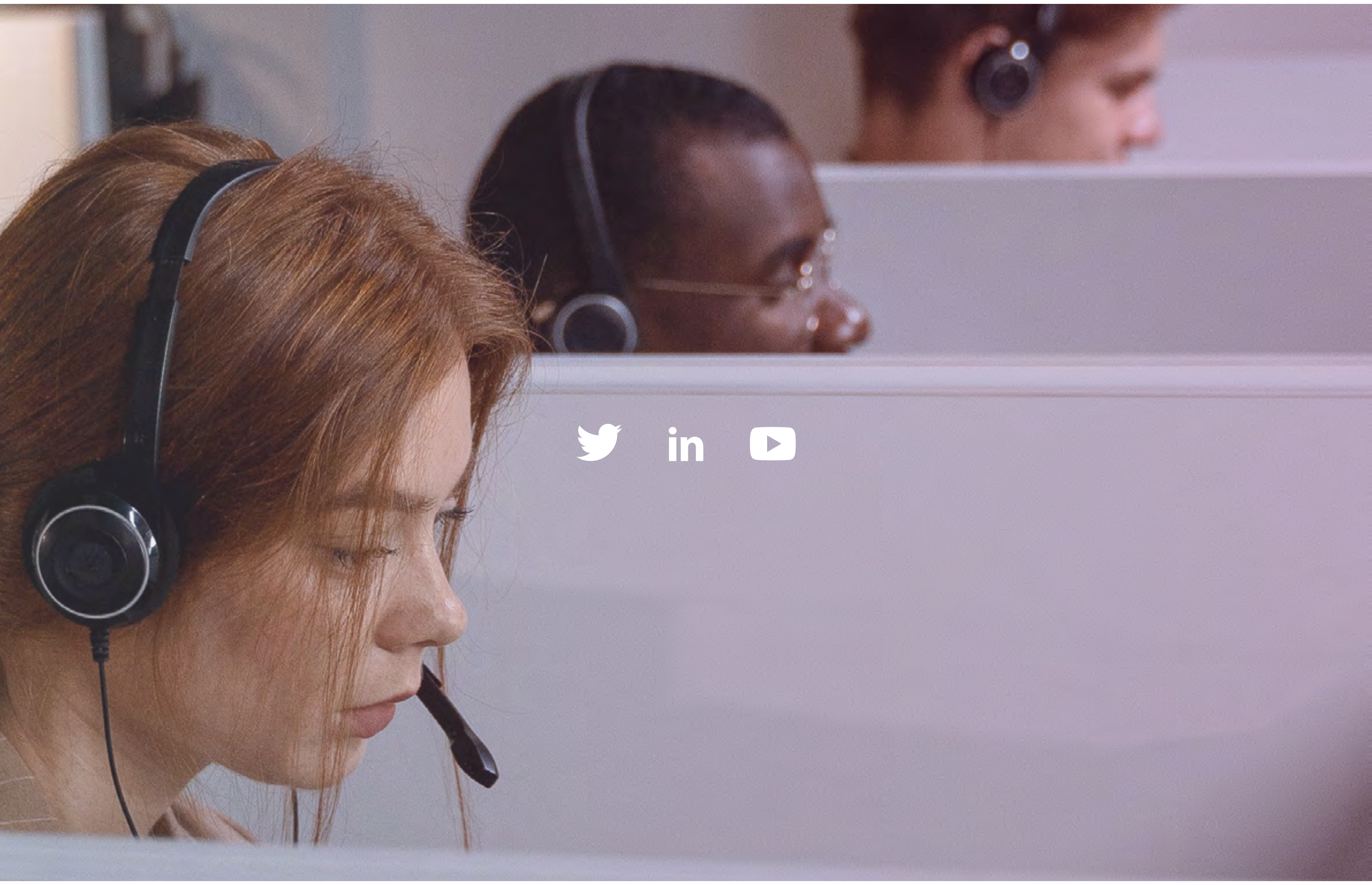
Next steps?

Active engagement continues

Throughout this multi-year engagement program, our ESG Analysts and investment teams worked hand-in-hand. So far, we perceive the company's progress to be too slow and significant concerns remain. We continue to closely monitor Teleperformance, to engage directly with the company, and to remain active within the collaborative investor group.. Candriam will closely monitor the changes and developments and any remaining concerns will be targeted through our vote at the upcoming general meetings as our active ownership requires. Based on the outcomes, our ESG opinion will be adapted if needed.

> ***We have continually pushed for more robust and quantifiable KPIs which are relevant to the business and comparable across companies and over time.***

*6. In particular, **Article 9 funds** under SFDR, which are funds that have **sustainable investment as their objective.***



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