CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

Teleperformance: Engagement Update

Active Engagement

FEBRUARY 2023

Marketing communication

The topic returns.

Teleperformance, the 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, both individually and collectively. Our first round of actions, and our thoughts from that time are available in our July 2020 case study. As promised, we are back to share our next steps.

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 Article 9 funds or sustainable portfolios
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.

Teleperformance had historically been embraced by the sustainable community, with a reputation for understanding the importance of employee well-being. It receives awards for employee satisfaction,[1] and includes employee well-being as a factor in its executive remuneration.[2]

Background

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 direct employees, offshored workforces, and some outsourced workforces.[3] Companies must also publish a 'vigilance plan'. Teleperformance's 2018 plan, its first, notably failed to include appropriate input from workers and other stakeholders. In April 2019, the UNI Global Union released survey results from the independent consultant Syndex, 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, as anticipated in our 2020 case study. We have shared our concerns, 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 at Board level, which we believe is fully independent, and which is chaired by an independent director with experience in human resource management. We saw signs of a more structured strategy of risk assessment and management of labour and human rights.

Analysis, engagement, analysis -- the golden circle

Governance risks continue. Despite a majority of independent directors on the Board, the roles of CEO and chairman are still combined, while the independent directors are limited in their direct experience in this industry. Might this reduce the directors' ability to pose questions? The two auditors of the company had been in place for 23 and 35 years as of 2022. This was a departure from the EU's mandatory auditor rotation rules, designed to address the problems of familiarity and its potential impact on the independence of auditors. We welcome the company's decision to replace one of the auditors, beginning in 2023.

The company's executive remuneration structure has also been criticized by investors[4] who feel that the financial and non-financial metrics for to the variable remuneration plans and the vesting scale of those plans lack stringency, and believe that shareholders have been unable to voice their opinion on the employment contract of the vice-CEO. While we note that the remuneration policy laudably includes extra-financial factors, we raised concerns on whether the metrics chosen and targets set are sufficient to evaluate the company's non-financial business performance. More specifically, we find the employee management metric included in the bonus payments to be limited to measure the company's human capital strategy.

1 - Home » Great Place to Work France, https://www.greatplacetowork.fr/
2 -The chairman has the second-highest compensation among the CAC 40 group of companies in year 2022. Executive compensation has been a subject of investor dissent.
3 -Contractors or suppliers with which the company maintains an 'established business relationship'.
4 - 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, and 11.98% votes against the approval of the remuneration of the vice-CEO.

We submitted a question on these matters to the latest AGM in 2022. We asked Teleperformance to investigate investor views on whether a more verifiable data point could be used. Specifically, we seek a KPI that can be both measured over time and benchmarked against other companies, such as employee turnover or absenteeism, which we believe would better reflect the company's non-financial performance (more details below). Unfortunately, we did not receive a satisfactory response.

Social risks continue, too. Despite the improvements we have seen, significant shortcomings remain in the mitigation of employee-related risks, as evidenced by a number of new controversies beginning in 2020.

Teleperformance faced complaints from employees in multiple countries over working conditions amid the Covid-19 outbreak. These included alleged failure to meet health guidelines in the Philippines, Colombia, India, Portugal, and other countries, along with other violations of employee rights including retaliation against workers and anti-union practices. Formal complaints[5] were filed by several unions to the National Contact Point (NCP) of the Organization for Economic Co-operation and Development (OECD) in France. One year later, in 2021, the NCP closed the proceeding but issued a set of recommendations[6] that included the strengthening of social dialogue and due diligence in some countries.

This is the context of our ongoing analysis of the developments in the social dialogue, the quality of control mechanisms related to working conditions and the effectiveness of employee retention measures.

For example, trade unions are recognized in 19 of the 88 countries in which Teleperformance has operations, covering 40% of employees, and only 26% of the employees are covered by collective bargaining agreements.[7] 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*. Control mechanisms and other employee-focused assessments appear weak. In our view, there is little public disclosure on whistleblowing mechanism alerts and a lack of clarity on how the company conducts its regular human rights risk assessment as foreseen by the Vigilance plan. We were not reassured by the absence of social responsibility third-party audits via systematic on-site visits at subsidiaries in high-risk areas.

We find the company's use of 'Great-place-to-work'[8] surveys insufficient as the main indicator of employee wellbeing and satisfaction. We find an annual 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, estimated to exceed 90%,[9] reduces the information content of these surveys. While the company does not publish its voluntary turnover rate, in 2021 over three quarters of the workforce (301,673) left the company for reasons other than layoffs and transfers,

5 - French OECD Contact Point calls on Teleperformance to strengthen due diligence to ensure workers' rights & safety are respected - UNI statement - Business & Human Rights Resource Centre (business-humanrights.org), https://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/
6 - French OECD Contact Point calls on Teleperformance to strengthen due diligence to ensure workers' rights & safety are respected - UNI statement - Business & Human Rights Resource Centre (business-humanrights.org), https://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/
7 - Teleperformance Universal Registration Documents, 2021.
8 - Home » Great Place to Work France, https://www.greatplacetowork.fr/
9 - Un rapport met en doute la mesure qu'utilise Teleperformance pour rémunérer ses cadres supérieurs - Factuel l'Agora, https://www.factuel.info/blog/un-rapport-met-en-doute-la-mesure-quutilise-teleperformance-pour-remunerer-ses-cadres-superieurs

which suggests a high number of employees that leave voluntarily. 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. Even if common in this sector, there is a strong dichotomy between such a high turnover and Teleperformance turning towards more expert services committing to deliver high quality client experience. Capacity to retain employees after six months is of particular importance, because in the first six months Teleperformance actually invests considerable resources to train the new employees, but the company has always refused to disclose publicly this KPI so far.

Considering these weaknesses, followed by 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 Article 9 funds and sustainable portfolios.[10]

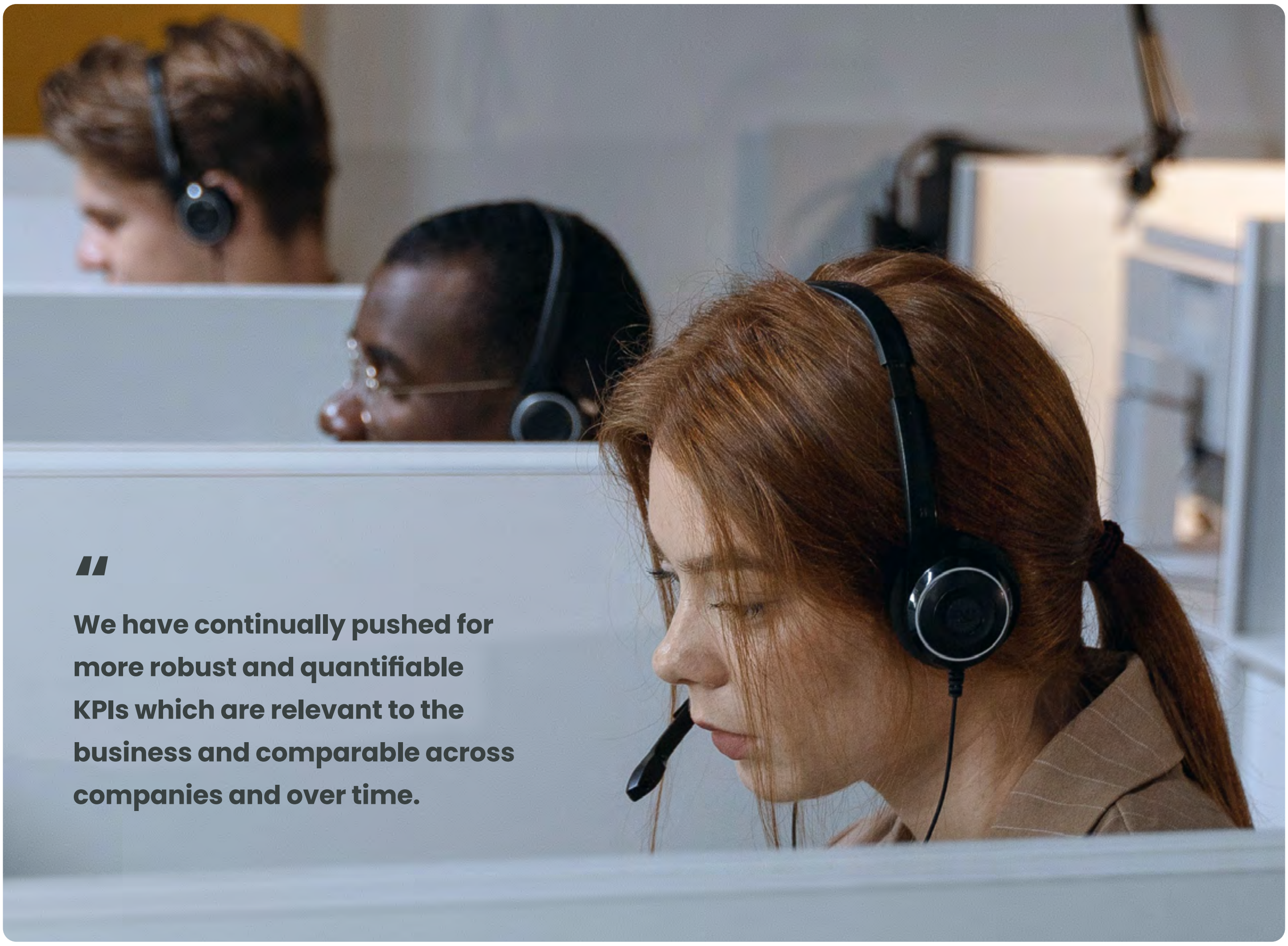
During this process, starting from August 2022, new allegations about poor working conditions in the Colombia operations were published by the business media, including Forbes and Time magazines. In November, the Colombian Ministry of Labour announced that it had opened an investigation into Teleperformance.

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, aimed at strengthening shared commitments to workers' rights to form trade unions and engage in collective bargaining. Always in December, the OECD NCP closed the followup proceeding on TP's management of the Covid-19 epidemic based on it's view that the company's response to the recommendations was adequate. While the level of controversy is still high, we see the recent developments as positive steps towards increased social dialogue: we are now waiting for improvements in working conditions and overall human capital management, including better disclosure.

Next steps?

Throughout this multi-year engagement program, our ESG Analysts and investment teams worked hand-in-hand to understand and evaluate the progress and outlook for the company and its transparency. So far, we perceive the company's progress to be too slow while significant concerns remain. We continue to closely monitor developments at Teleperformance, to engage directly with the company, and to remain active within the collaborative investor group. The group will continue to focus on the progress of social dialogue at the company, notably on the implementation of the new agreement with unions, and on the effectiveness of TP's governance structures overseeing ESG risks. Individually, Candriam will closely monitor the changes and developments within the company's governance structure 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.

10 - Article 9 funds under SFDR are funds that have sustainable investment as their objective.



€143 B	600	25 years
AUM as of 30 June 2022	Experienced and committed professionals	Leading the way in sustainable investing

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