

Teleperformance SE

Active Engagement



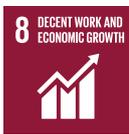
JULY 2020

Marketing communication



The topic.

Teleperformance is a global leader in digitally integrated business services, including call centers or web platforms, with employees in 80 countries. As a service business, it is people-driven, growing to 330,000 employees and €5 billion in revenues over 40 years¹. Headquartered in France, its largest operations are in EMEA, India, the Philippines, the United States, Mexico, Colombia and Brazil.



Employee-intensive companies face specific oversight risks when doing business in countries which show a lack of respect for basic human rights. Teleperformance has its greatest numbers of employees in nations where the labor force suffers from sub-par working conditions and lack protection for basic fundamental human rights. Half of its employees are concentrated in four nations – India, the Philippines, Mexico, and Columbia – which have ‘no guarantee’ of fundamental labor rights.



As a service business, the quality of the employee is central to the quality of the product. Roughly 80% of Teleperformance’s revenues are derived from its basic call center services, with payroll costs of roughly 65% of revenues. That makes compensation a big determinant of profit margins, but also means that quality of human capital management is an important business risk for maintaining long-term growth. Any investor should want predictability of this business input, and transparency on these risks.

The story thus far

Teleperformance has been historically appreciated by major extra-financial rating agencies and the SRI community in general. Its reputation benefits from several elements, chiefly its recognized agility to develop new solutions for increasingly demanding customers. Importantly, and very early on, Teleperformance put forward the well-being of its employees as the key to its success. Awards and rankings granted by independent entities in recognition of employee workplace satisfaction are actually taken into account in the Executive Officers’ remuneration scheme. And there have been awards – in China, the Philippines, India, Brazil, Mexico, and elsewhere.

But this doesn’t mean Teleperformance has been spared from controversy. A number of unions have targeted Teleperformance in recent years, especially since 2019, for its treatment of workers. Many of these controversies involve the French *Duty of Vigilance* law, introduced in 2017 and applicable to the global activities and workforces of the largest French companies. The law requires employers to monitor the respect for human rights and environmental risks not only in their direct activities, but also those of contractors or suppliers with whom the company maintains an “established business relationship”. Teleperformance faces demands by the UNI Global Union trade organization, and by French human rights organization SHERPA, to strengthen the company’s implementation of this law.

The new 2017 French *Duty of Vigilance* law actually requires companies to publish a so-called vigilance plan detailing how they identify and prevent these risks, or face fines ranging up to €30 million. The 2018 initial document was insufficiently prepared and notably missed proper inclusion of input from workers and other relevant stakeholders. From that moment on, the (media) calls from the trade unions followed one upon another, stimulating reactions from Teleperformance. While the group published a new and improved vigilance plan in September 2019, the six months prior to that saw an escalation in the protest, putting the group’s reputation at risk.

1 - <https://teleperformance.com/en-us/who-we-are/about-us>, accessed 15 June, 2020

In April 2019, a survey of Teleperformance's employee practices, commissioned from consulting cooperative Syndex by the UNI Global Union, actually concluded Teleperformance did not conform with the human rights provisions of the *Duty of Vigilance* law. One month later, during the group's AGM, unions demonstrated outside its headquarters calling for improved labor practices. Other accusations, including insufficient protections for employee rights, obstacles to freedom of association, alleged wage theft, and extreme invasion of privacy have in part tarnished the image of the group, though Teleperformance had been an active member of the UN global compact since 2011, and regularly claimed its full compliance with these principles.

In September 2019, when Teleperformance released its second vigilance plan, UNI Global Union entered into dialogue with the group with the aim of agreeing on a mechanism to address labor rights risks in the company's global operations. To date, these discussions have failed to reach a positive conclusion. The work of UNI Global Union to promote working conditions is laudable, all the more so in countries such as India, Columbia, or the Philippines where protection of union rights is a true battle². As unions become global, this new type of union faces new challenges in the battle to represent workers: they involve countries with different cultures, different activities far from the industries that became the cradle of the 20th century's modern trade unionism (in the present case, services). At the same time, they face a crisis of representation. Both unions and companies must adapt to this paradigm change.

Throughout, Candriam's stewardship functions have been monitoring the unfolding of the controversy very carefully, including calls with Teleperformance's representatives and continuous contacts with unions.

While in our view the first Teleperformance vigilance plan was too light, things have incontestably improved.

It appears that pressure by the UNI Global Union for workers has contributed to Teleperformance's move towards a more structured strategy of labor/human risks assessment and management. Still not perfect, but we appreciate the positive dynamic and the fact they ask for third party to validate their approach and reporting. The most recent annual report³ reflects true improvement; with, for instance, living wage surveys across most of their operations.⁴ Yet still today, only 20% of Teleperformance's 330,000 workers are covered by collective bargaining agreements. The recent Covid-19-specific instance introduced at the French National Contact Point (NCP) for the implementation of the OECD Guidelines for Multinational Enterprises and targeting Teleperformance shows that the debate is not over⁵. Several voices have been raised across Europe too, about pandemic working conditions.

A key concern of ours, and others, has been that the vigilance plan should be more concrete, more informative, more transparent, in its description of salient risks per country and offer a complete review of associated actions plans, as required under the French law. Monitoring of performance and related reporting remain also key.

Next steps?

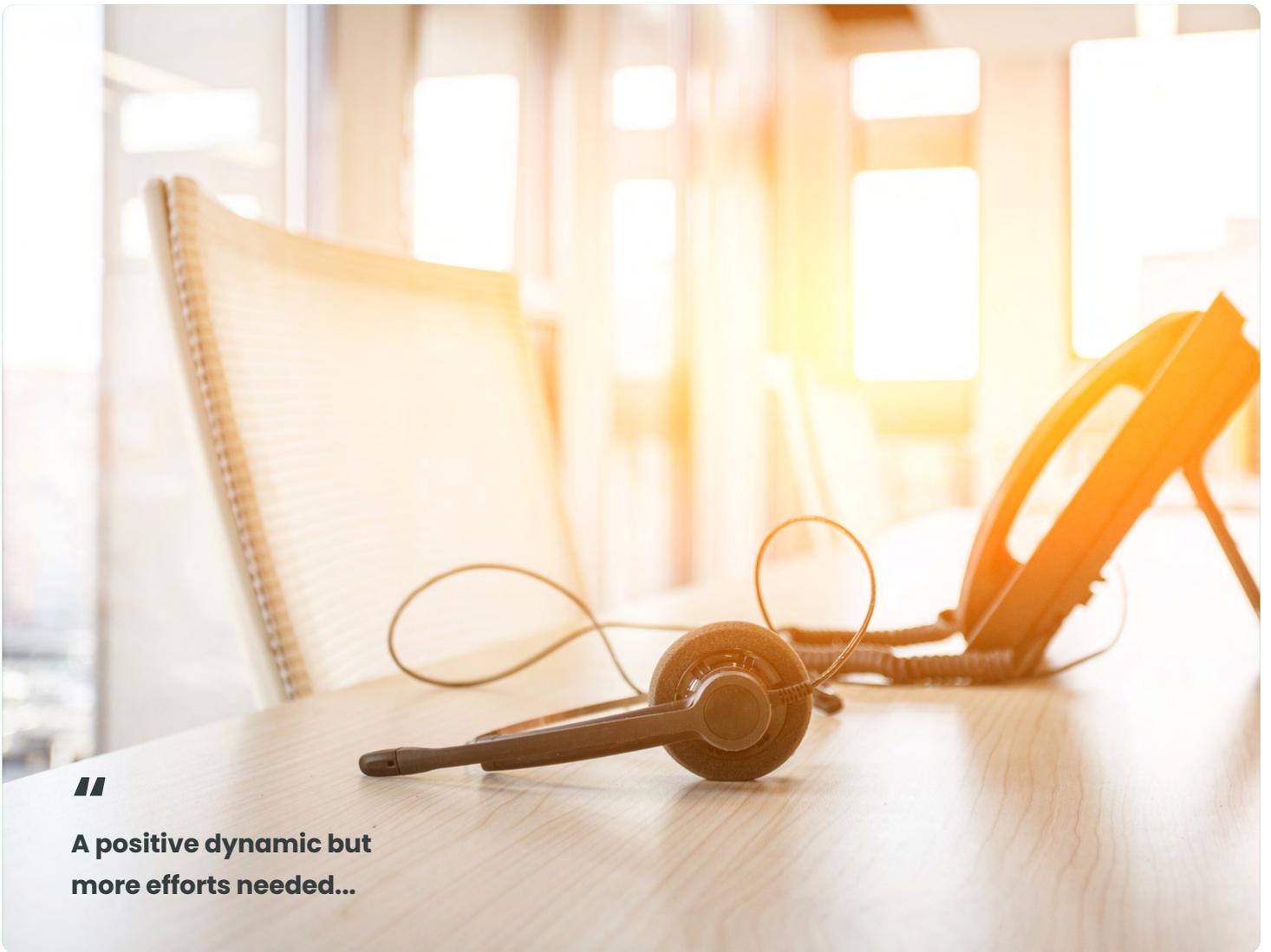
As mentioned, Candriam has been in dialogues with senior management and will continue to do so, individually and collaboratively. The recent inclusion of the company's shares in the CAC 40 index can be expected to increase investor scrutiny of ESG practices at the company. Employees are the core asset of Teleperformance but investors must ensure the group walks the talk. At Candriam, we believe this is the path to maximizing shareholder financial value. In the past, Teleperformance has been able to take up challenges and combat its weaknesses to turn them into competitive strengths. Candriam will keep a close eye on the company's ability to rise to this new challenge. As a responsible investor, we have clarified our expectations with the company, will continue to voice them, and to call for a constructive approach for solving conflicts with unions. We believe that our current shareholder status allows us not only to be heard by the company, but also to have a positive impact in working towards better practices. If our assessment of the situation were to change, we would consider escalation measures.

2 - International Trade Union Confederation, June 2019. Global Rights Index, <https://www.ituc-csi.org/ituc-global-rights-index-2019>

3 - Teleperformance, https://teleperformance.com/media/5470158/Teleperformance_Integrated_Report_2019_EN.pdf

4 - Specifically, 36 countries but 94% of employees. page 25, 'Integrated Report' (annual report 2019)

5 - [http://mneguidelines.oecd.org/database/searchresults/?q=\(NCP:\(France\)\)%20AND%20\(Year:\(2020\)\)](http://mneguidelines.oecd.org/database/searchresults/?q=(NCP:(France))%20AND%20(Year:(2020))), and [linkedin.com/company/teleperformance-germany](https://www.linkedin.com/company/teleperformance-germany)



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**A positive dynamic but
more efforts needed...**



€130 B

AUM as of
31 December 2019



550+

Experienced and
committed professionals



20 years

Leading the way in
sustainable investing

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