

Vigeo methodology and key features

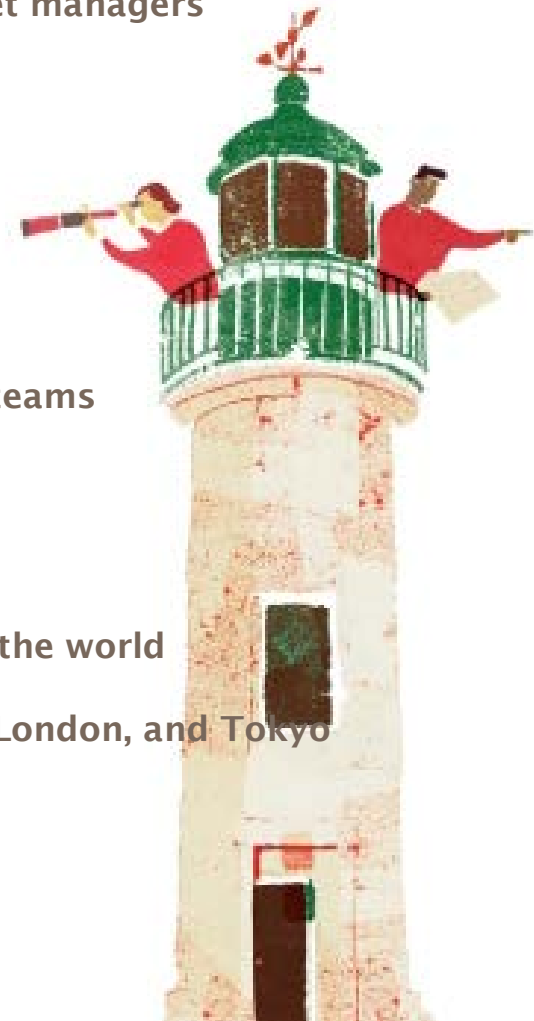
Paris, May 2012





Supporting investors and asset managers
In their investment decisions

- ❑ Founded in 2002 by Nicole Notat
- ❑ 55 ESG experts, 10 nationalities
- ❑ 2000 publicly traded issuers covered by our teams
- ❑ Certified Quality Standard CSRR-QS 2.1
- ❑ A Code of Ethics
- ❑ The trust of 150 clients and partners around the world
- ❑ Offices in Paris, Brussels, Milan, Casablanca, London, and Tokyo





Shareholders and Board of Directors

3.

More than 50 shareholders:

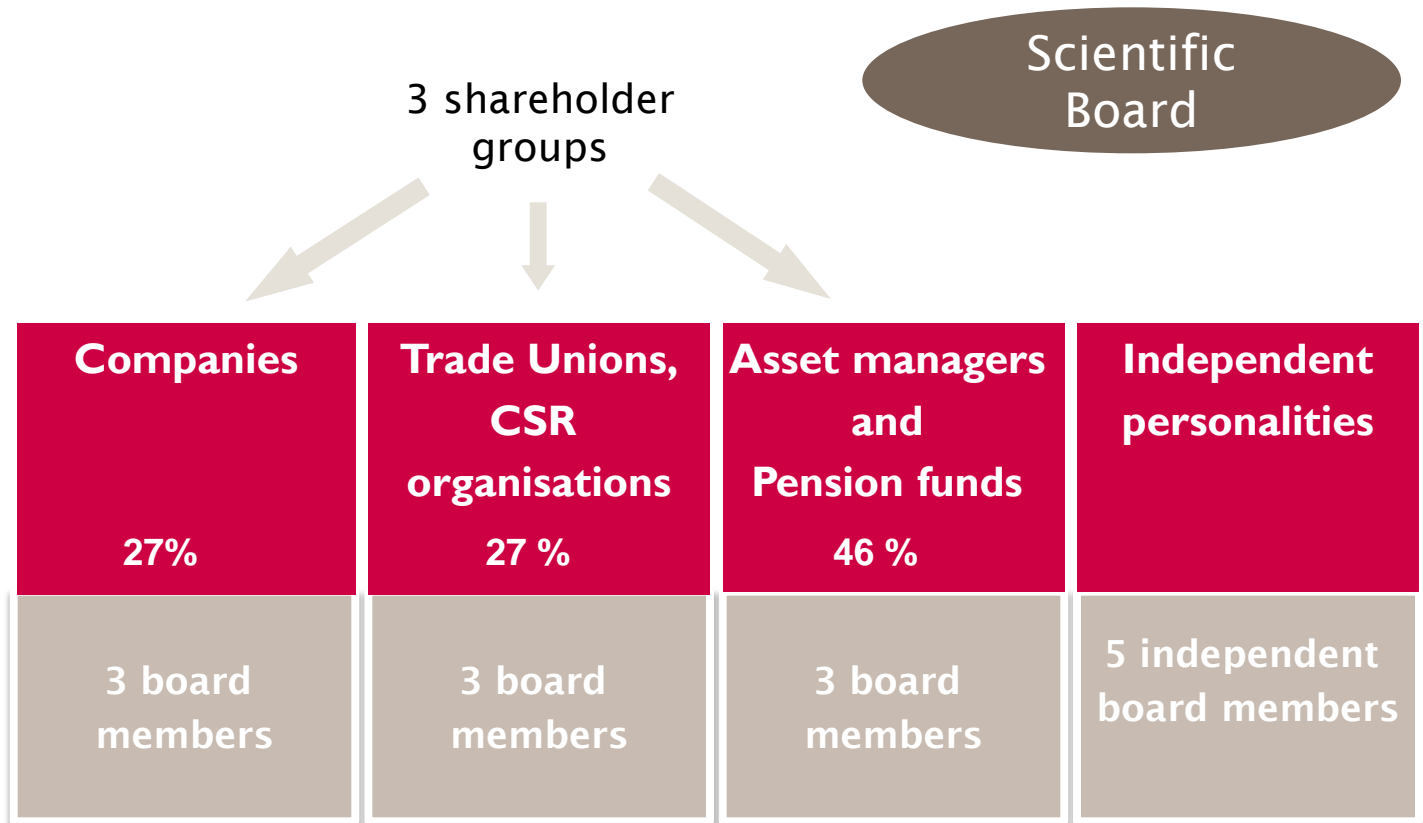
- 7 trade unions and CSR organisations

- CC.OO (Spain)
- CFDT (France)
- CISL (Italy)
- CSC (Belgium)
- UGTE (Spain)
- UGTP (Portugal)

- Forum Ethibel (Belgium)
- Avanzi (Italy)

- 11 financial operators

- 37 European companies



No company can own more than 2% of the capital, on average, each own 0.85%.



-Forming Our Opinions



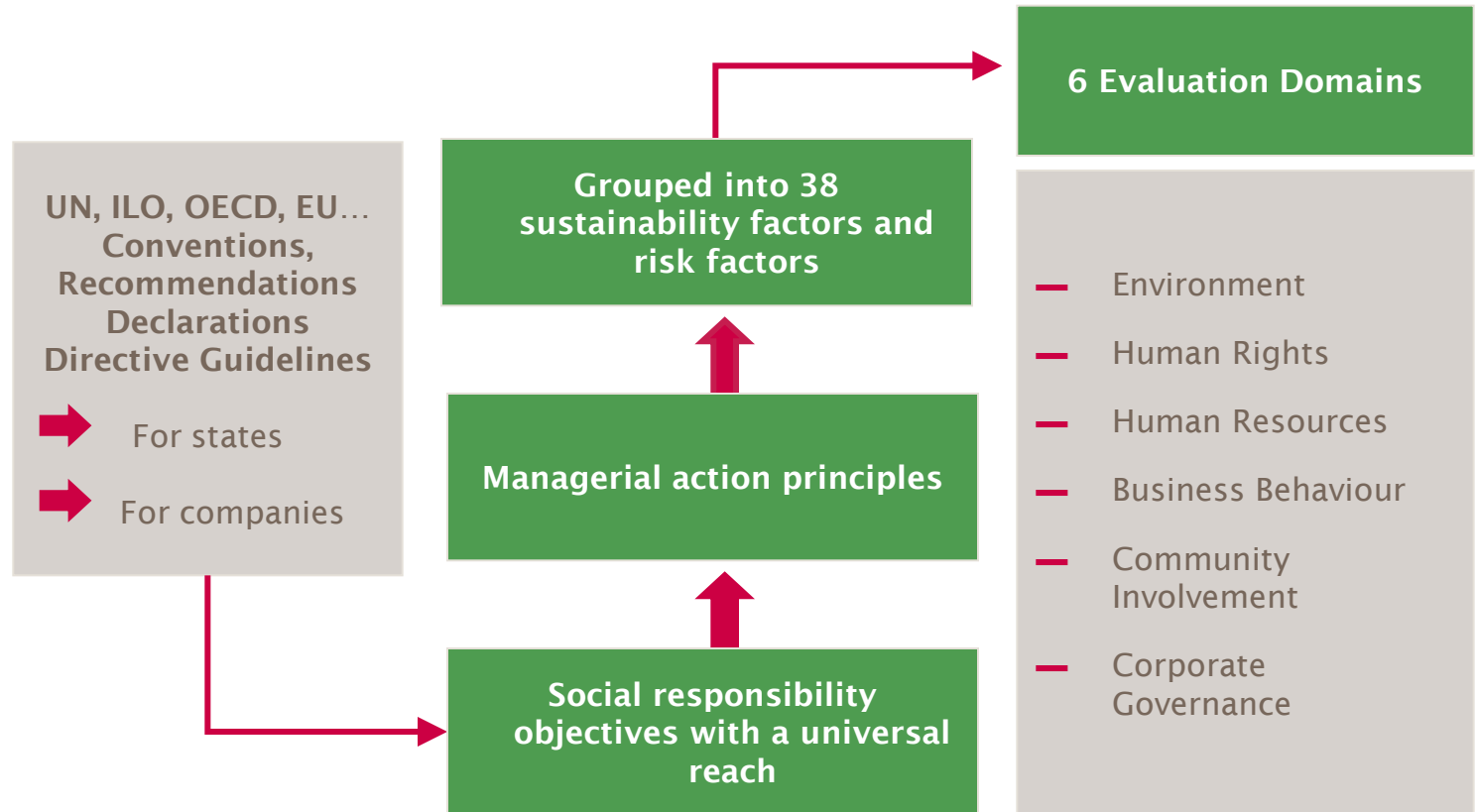
Based on What? Our frame of reference

5.

Methodology

- Based on what?
- What information are we looking for?
- Analysis process

More than 250 action principles under review, based on public international standards, allowing us to precisely question companies' governance and managerial systems on the degree to which they have integrated universally opposable social responsibility objectives.





What Information Are We Looking For?

6.

Methodology

- What do we rate?
- What information are we looking for?
- Analysis process

We analyse managerial systems according to **3 "items"**,
Broken down into **9 analysis angles**.

3 items

Relevance of policies

- Visibility
- Content
- Ownership

Coherence of implementation

- Means
- Coverage
- Diffusion

Efficiency of results

- Indicators
- Stakeholders Feedback
- Company Responsiveness



Steps in the Analysis Process

7.

GENERIC ANALYSIS REFERENTIAL

Based on universally opposable standards and guidelines (UN, ILO, OECD, Global Pact...)

6 domains

38 criteria

SECTORIAL ANALYSIS

Analysing the materiality of CSR issues

Contextualising and weighting criteria

INFORMATION COLLECTION

Collecting and pre-treating public information from companies and stakeholders

Additional collection through a targeted questionnaire

MANAGERIAL ANALYSIS

Analysis of managerial systems

- Leadership
- Implementation
- Results

PERFORMANCE MEASUREMENT

- Scores and ratings
- CSR report by issuer
- Sector studies
- Alerts





Corporate Social responsibility in the Specialised Retail Sector



Corporate Social responsibility in the Specialised Retail Sector

9.

Last review finalised in March 2011

The Specialised Retail sector consists of 18 companies, composed of 7 sub-sectors

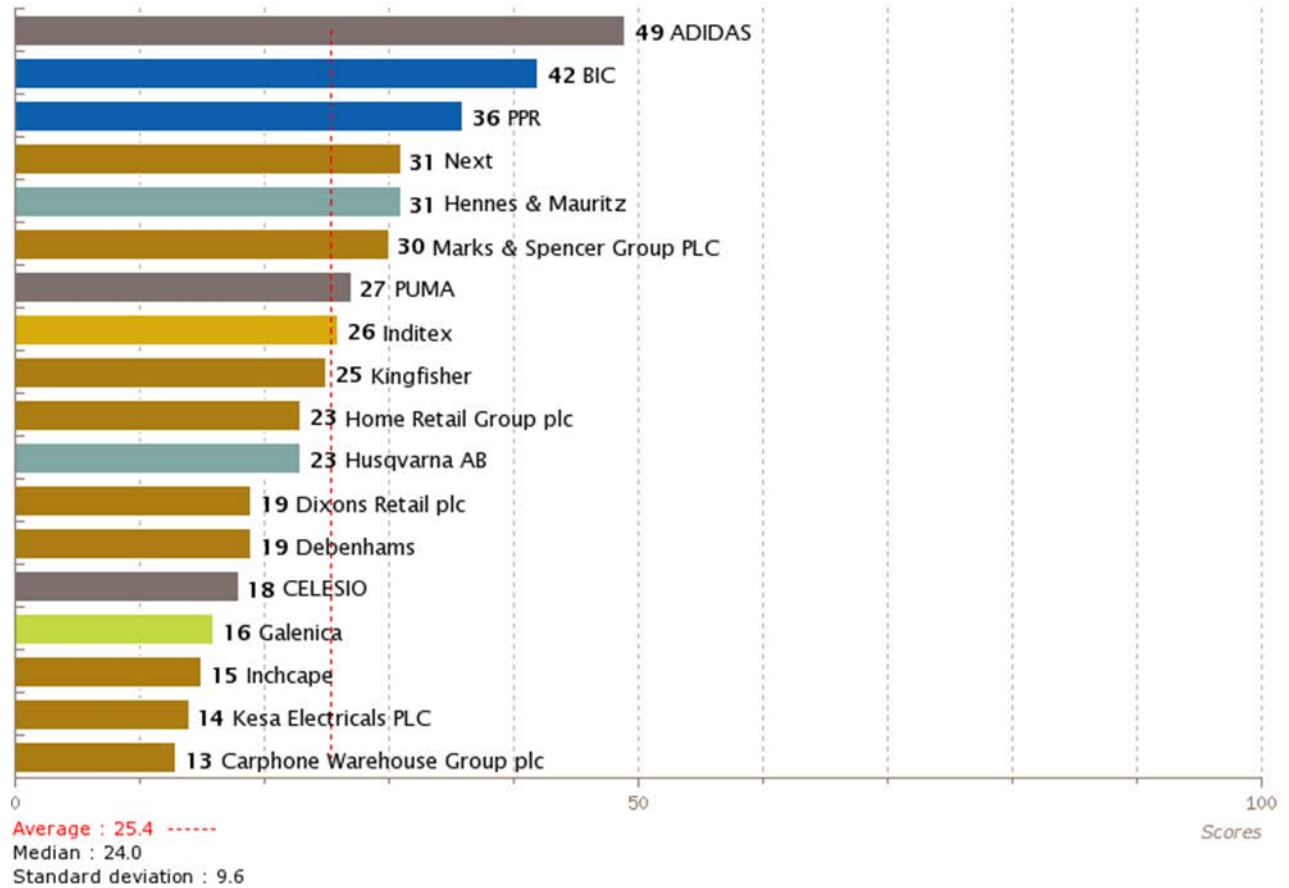
- 1. Apparel & footwear: Puma, Next, Inditex, Hennes & Mauritz, adidas
- 2. Multi-line: PPR, Marks & Spencer, and Debenhams
- 3. Home improvement and Do It Yourself (DIY): Kingfisher, Home Retail Group, and Husqvarna
- 4. Electrical appliances: Dixons Retail, Kesa Electricals, The Carphone Warehouse Group
- 5. Automotive: Inchcape
- 6. Pharmacy: Celesio, Galenica
- 7. Stationery: BIC



Overall performances Human resources

10.

Domain under analysis : Human Resources





Promotion of social dialogue

Policy

- Two companies have signed a cooperation with UNI on fundamental labour rights (Inditex, H&M), six other formally commit to promote social dialogue,

Programs

- Collective bargaining deals mainly with working conditions: remuneration, health and safety, working hours
- Limited information is provided on collective bargaining in sensitive countries (like China)

Results

- No conflicts have been observed in the 18 months before March 2011.
- Apart UK companies, companies state that a majority of the employees are covered by collective bargaining



Serious area of concern: most companies do not report on how they deal with restructurings

Policy: three companies commit to minimise the number of layoffs and redundancies (adidas, Kingfisher, PPR)

Programs: 14 companies do not disclose any information on how they handle restructurings. Only BIC and adidas have implemented comprehensive programs ((temporary) reduction of labour time internal mobility, re-training, outplacement)

Results: only one company (Kesa) provides vary partial information on the outcome of these programs (layoffs, voluntary redundancies, internal redeployment)

Of note: the sector came out as one of the poorest performers in Vigeo's study on restructuring (September 2011)



Human resources: training and development 13.

Policy: most companies have issued a more or less formalised commitment. In nine companies the HRS directors is member of the executive committee, in only two line managers are evaluated in terms of their HRS performance,

Programs

- Most companies organise annual functioning or performance reviews
- In 10 companies training is skills oriented, in seven it is competencies (future) oriented,
- Only company (adidas) recorded increasing investments in training

Results: only six companies disclose employee turnover rate. Only in Kingfisher this rate is decreasing



Policy: (almost) all companies have a more or less formal, but quite general H&S policy. Only five companies indicate the prevention of occupational diseases as a key priority. Overall there is a clear assignment of responsibilities (H&S committee).

Programs

- Prevention of physical health risk is well elaborated.
- An area of concern is that a majority (13) of the companies do not address stress prevention. The remaining companies adopt a reactive approach. There is hardly any reporting identification of stress sources, the involvement of employees or changes to the working environment.

Results

- Eight companies report on labour accidents rates. They have been stable or have decreased.
- Only four companies disclose absenteeism rates



Policy: six companies have issued a formal commitment to respect working hours

Programs

- Five companies report on how they compensate atypical working hours,
- Nine companies report on their initiatives to promote work-life balance. Most of them report on voluntary (?) flex-time schemes. Only two (adidas and Carphone Warehouse) ask for the opinion of the employees

Results: only one company (PPR) provides quantitative data on overtime



Human Rights: freedom of association and collective bargaining

16.

Policy: nine companies formally commit to uphold key labour rights. Two companies (H&M and Inditex) have signed a framework agreement with UNI. Only four explicitly mention the protection of employee/TU representatives.

Programs

- Seven companies report to have systems in place to monitor the respect of labour rights. They mainly refer to internal audits and whistleblowing systems.
- Seven companies report on how they guarantee that employees are informed on their labour rights (information, training, allowing trade unions to assume their role)

Results: no violations of labour rights have been observed,



Policy: all companies have issued a more or less non-discrimination policy.

Programs: almost all companies have implemented measures to prevent discrimination. Seven companies have elaborated affirmative actions programs.

Results

- Nine companies disclose the share of women in management positions (varying from 13% to 66%), four the share of disabled persons (0,4% to 2%) in the workforce and six the share of senior employees (5% to 32%).
- No controversies were observed in the period under review.



This subject has been analysed for 15 (out of the 18) companies. The sector show a strong awareness of social issues in the supply chain.

Policy

- 11 companies have issued a formal commitment.
- Most of these companies address the key challenges (union rights, forced labour, child labour, non-discrimination, health and safety);
- There is a clear assignment of responsibilities,

Programs

- 10 companies have implemented comprehensive means to assure the respect of social and labour rights (contractual clauses, questionnaires, training, supplier support).



Business behaviour: integration of social criteria in the supply chain

19.

- All, but one, companies carry out regular supplier audits. In eight companies they are carried out by external auditors.
- Nine companies report on corrective measures in case of shortcomings.

Results

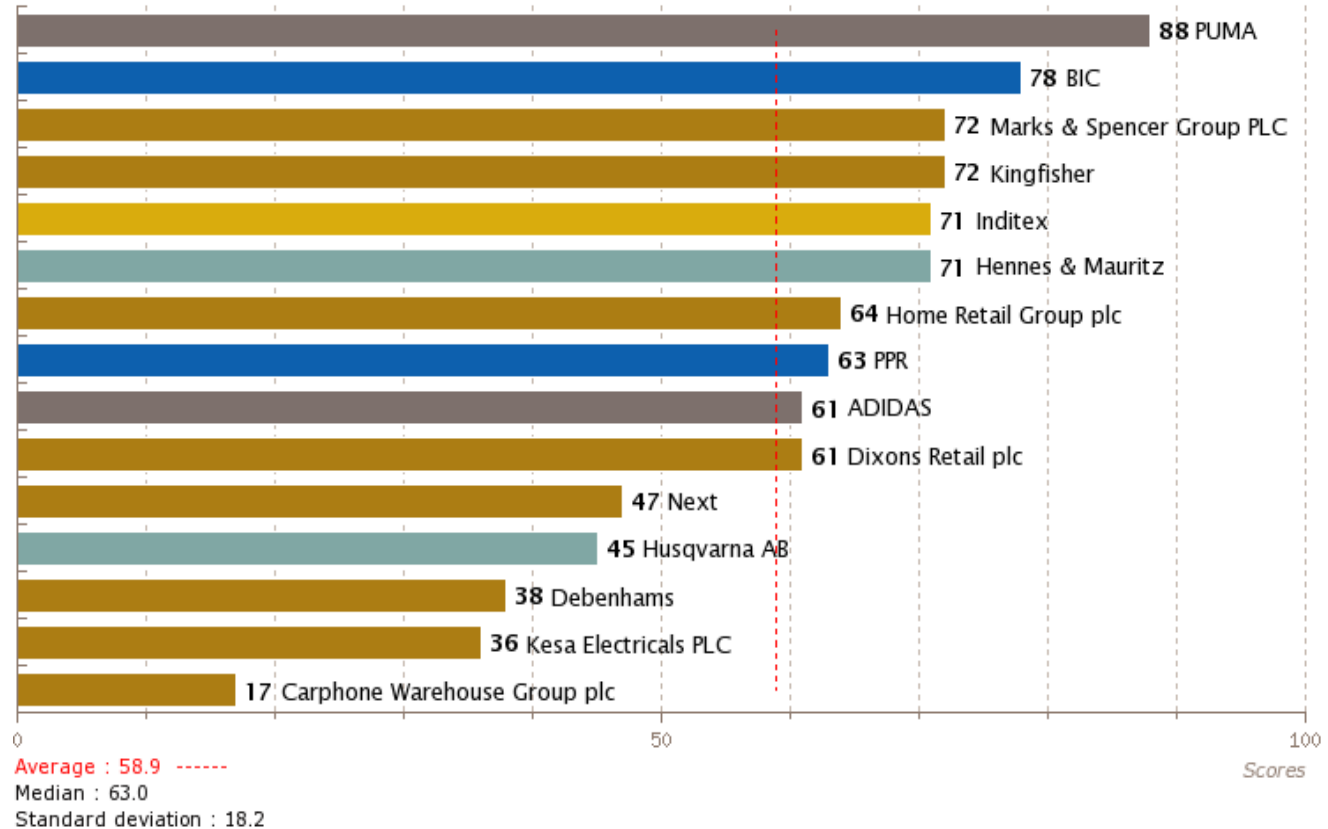
Six companies have faced allegations. In the case of adidas, H&M and Inditex they were recurrent



Integration of social factors in the supply chain

20.

Integration of social factors in the supply chain (Weight: 3)
Criterion C&S2.4





Case study: Inditex and corporate social responsibility



Compared to the sector

Inditex performs well for

- Social dialogue, third after H&M and adidas, thanks to the cooperation agreement with UNI and the high coverage of employees by collective agreements
- Labour rights, where it is the best performer, thanks to the agreement with UNI and the joint monitoring of the application of ILO conventions
- Integration of social factors in the supply chain, where it the fifth performer, thanks to its formal and comprehensive supplier policy, the extensive means for the effective implementation of the policy (contractual clauses, supplier questionnaires, training) and the audits by external auditors



Inditex performs poorly for

- Restructuring, where it discloses no information
- Health and safety, where only a few measures to protect physical health and stress prevention have been elaborated and due to the lack of information on accident frequency and absenteeism
- Non-discrimination, due to the limited number of programs to promote diversity and the absence of information on the share of women in management; disabled employees and senior employees in the workforce

Inditex performs average (but far from convincing) for

- Training and development
- Working hours



Inditex performs average (but far from convincing) for

- Training and development, as the HRS director is not a member of the executive committee, training is more skills than competencies oriented and as no data on investment in trainings and employee turnover are disclosed. On the positive side, employees benefit from annual performance reviews.
- Working hours, where apart from the commitment to respect legally defined or contractually agreed working hours and the possibility of flexible working, hardly any information is disclosed.