ODDO BHF CORPORATES & MARKETS

ESG

Sustainability Research ESG

Equity Research - France / Europe

ODDO BHF 2020 Forum: CSR is more than ever on the menu of mid-caps

Publication date 17/01/2020 07:39
Writing date 16/01/2020 18:00

https://www.oddosecurities.com

A record number of companies attended the ESG meetings. The key points are: 1/ the search for companies offering low-carbon solutions to build portfolios aligned with the Paris agreement (opportunities), 2/ the still important role played by turnover in labour-dependent industries (risks); and 3/ growing demands by investors for quality reporting, as they themselves have to report on their SRI strategies.

Record number of ESG meetings and growing interest by investors

Some 63 companies attended ESG meetings at the ODDO BHF forum (one in four companies present). This compares with just 43 in 2019, itself a record year. This sharp increase is explained above all by growing demand from investors: alongside historical SRI investors, who have been active in the field for a long time, fund managers are seeking to fine-tune their analysis of companies' performance in a sustainability perspective. In total, close to 100 meetings were dedicated to companies' CSR performance strategies.

A search for companies offering low-carbon solutions

The vast majority of discussions about the environment addressed energy-climate issues (see our summary table below), with questions about the measurement of carbon footprints, among other things. The climate strategies of **Gecina**, **Icade, Solvay** and **Eurazeo** were outlined and debated. Investors seeking stocks to incorporate in portfolios aligned with the Paris agreement were particularly sensitive to low-carbon solutions, typically in energy with **NEOEN** or **Voltalia**, in construction with **Hoffmann Green** or in transport with **Plastic Omnium**. **GTT** was able to defend before investors its vision of gas as a transition energy in shipping transport.
The other dominant theme was the circular economy, a growth opportunity for groups such as **Tarkett**, **Manitou, Quadient** or **Serge Ferrari**. A supplier of the luxury goods industry such as **PSB Industries** needs to adapt to new customer requirements for plastics.

Turnover and well-being: leading indicators of efficiency

Business services and healthcare companies, for which drudgery in the work place is a key issue, were strongly represented at the forum. For fund managers, the employee turnover rate or the measurement of employee satisfaction are increasingly seen as leading indicators of operational efficiency. **Elis**, **Korian**, **Solocal** and **Orpéa** reported on the deployment of their CSR strategies.
Female representation in management positions was also addressed in many discussions, reflecting how much progress still needs to be made. **Teleperformance** presented its new initiative in this area. Lastly, the employee shareholder is seen as a tool to improve companies' social performance, particularly at **Kaufman & Braud.**

CSR governance: growing reporting requirements

Many companies were questioned about their compliance with the GDPR, a subject that raises financial and extra-financial questions, especially for **Edenred.** New ethical issues are appearing in the media: **Atresmedia** discussed its policy for managing fake news.
Almost all companies were questioned about their CSR strategies, with growing demand for quantified figures and targets, as investors themselves have to provide information about the extra-financial impacts of their funds. Size is no longer an excuse: CSR is more than ever on the menu of mid-caps, fuelled by new consumption trends (**LDC**) or regulations.

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Summary table of ESG subjects addressed

Summary of the principal themes discussed with investors at ESG meetings

Sectors/ companies	E Climate & Energy	E Circular eco. & Biodiversity	S Work & Employment	S Diversity & Attractiveness	G CSR strategy	G Corporate Governance	G Ethics & Supply Chain
Property & Concessions							
Kaufman & Broad*	Low-carbon strategies		Employment		CSR rem.	Shareholder structure	Ageing well
Gecina*	Climate strategy		Well-being Turnover		CSR strategy Green bonds		
Icade*	Climate strategy				CSR strategy CSR rem. CSR gov.	Composition	
Fraport	Carbon footprint		Social dialogue			Controls	
Media							
Atresmedia*	Carbon footprint						Competition Fake News
M6			Restructuring	Proportion of women Retention	CSR reporting	Shareholder structure	Fake News
Ipsos			Turnover		CSR rem.		Supply Chain Data Protect.
Company services							
Edenred*	Carbon footprint		Well-being	Retention			Data Protect. Competition
Solocal*			Restructuring Well-being				Data Protect. Corruption
Tele-Performance*	Carbon footprint		Well-being	Female representation		CSR gov.	Need for vigilance& Data
Elis*			Turnover H&S	Retention	CSR gov.		Corruption
GTT*	Low-carbon solutions Climate strategy				CSR rem.		
ID Logistics			Turnover H&S	Retention		Shareholder structure	
Applus Services	Carbon footprint				CSR gov.		Alerts
Synergie			Employment Training H&S	Female representation			Tax optimisation
Solutions 30	Low-carbon strategies		Training	Female representation		Shareholder structure Controls	
Intertek	Climate strategy	Waste	Turnover	Female representation	Rationale CSR gov.	Composition	Transparency
Spie	Carbon footprint		H&S Training	Female representation		Shareholder structure	Corruption
Finance							
Eurazeo*	Climate strategy				SRI strategy CSR reporting		
ALD	Carbon footprint Low-carbon solutions						
Deutsche Börse				Female representation	CSR rem. CSR reporting		Compliance Data Protect.

Sectors/ companies	E Climate & Energy	E Circular eco. & Biodiversity	S Work & Employment	S Diversity & Attractiveness	G CSR strategy	G Corporate Governance	G Ethics & Supply Chain
Healthcare							
Orpéa*			Well-being Turnover		CSR gov. CSR rem.		Ageing well
Korian*			Turnover H&S	Female representation Training			Ageing well
Eurofins				H&S	CSR reporting	Transparency Controls	Data Protect.
Food							
LDC*					Product strat. CSR gov. CSR rem.		Animal well-being Supply chain Traceability
Vilmorin & Cie		GMO Biodiversity					
Equipment & subcontractors							
Manitou*	Low-carbon solutions	Circular eco.		Proportion of women		Shareholder structure	Product responsibility
Tarkett*		Circular eco.	Employment H&S	Mobility		Shareholder structure	Supply Chain Corruption
Plastic Omnium*	Low-carbon solutions		Training			Succession	
Quadient*		Ecodesign	Turnover	Female representation			Data Protect. Supply Chain
SES Imagotag	Carbon footprint					Composition	Data Protect.
Arcure	Carbon footprint		Turnover		CSR gov.	Composition	Supply Chain Data Protect.
Utilities							
NEOEN*	Low-carbon solutions Adaptation		Social dialogue		Green bonds	Shareholder structure	Supply Chain
Voltalia*	Low-carbon solutions					Shareholder structure	Corruption
Engie	Climate strat. Low-carbon solutions					Composition	Fraud
Veolia	Carbon footprint Climate strat.	Water		Female representation	Rationale		
Chemicals							
Solvay*	Carbon footprint Climate strat. Low-carbon solutions	Recycling		Female representation	Green Bonds CSR strat.		
PSB industries*		Plastics Ecodesign			Rationale		
Interparfums		Circular eco.		Retention	CSR reporting Product strat.	Shareholder structure	Human rights Supply Chain
ID Logistics			Turnover H&S	Retention	Quality	Composition Shareholder structure	
Building materials							
HGCT*	Low-carbon solutions	Circular eco.			CSR gov.		
Serge Ferrari*		Circular eco. Regulation					Supply Chain

**: companies for which we have drawn up a meeting report.*

Property & Holdings

Kaufman & Broad

Kaufman & Broad is obliged to act on environmental subjects because of demanding regulations. The group nonetheless has a voluntary commitment to these subjects. The company is innovative and incorporates CSR issues in an integrated financial and extra-financial vision.

CSR REMUNERATION: the board's remuneration takes into account ESG criteria (through their indicators and GAIA and Vigeo ratings, as well as customer satisfaction) and is calculated over three sliding years. Note that the remuneration of executive board members has not been raised for the past two years, whereas the average remuneration of company employees has risen by 1.5% per year. The CEO's remuneration has not changed in four years. His base pay is unchanged and the total remuneration paid decreased slightly over the period 2017-2018.

LOW-CARBON SOLUTIONS: building homes in wood in acceptable price conditions is a big challenge. K&B wants to demonstrate above all that there are investors interested in these projects, allowing it to be price competitive. The group plans to build Europe's biggest timber frame tower in Bordeaux with the Silva project (50m).

SHAREHOLDER STRUCTURE: all employees are shareholders (15% of the share capital). Some 76% of employees subscribed to the capital increase in November 2019. According to Kaufman & Broad's CEO, this is the best barometer of employees' interest in the company.

COMPOSITION: the supervisory board has an independence ratio of 60% and a high proportion of female members (50%). Among others, Sylvie Charles is the head of SNCF Logistics' freight division and Caroline Puechoultres brings her marketing expertise. Michael Paris and Frédéric Stévenin have stayed on the board despite the sale of their entire stake in K&B. The company says that their knowledge of the group allows them to take decisions more effectively and in full awareness. Sophie Lombard is the CEO of the Parvilla group (private equity fund) and sits on La Poste's supervisory board.

AGEING WELL: in towns with ageing populations who live on the outskirts and are somewhat excluded, K&B is building residences to bring older people together and make them less isolated. Local authorities are very enthusiastic and this activity is growing rapidly. To help provide access to housing, and besides complying with public housing quotas, the group has chosen to build intermediary housing (tax benefits for investors if they rent for ten years at the Pinel rent -20%). The company is promoting this type of programme to local elected representatives. This represents 10% of its production (vs 20% for public housing).

EMPLOYMENT: Kaufman & Broad said that length of employee service should not be an absolute ambition, especially for younger generations. The goal is to allow employees to progress and evolve. Wanting to retain employees at all costs can result in them feeling trapped, which is detrimental for employee relations.

Gecina

Gecina has an ambitious CSR policy, especially for its climate strategy. The company benefits from a framework that also favours its business interests.

CSR STRATEGY: the company is confident about the convergence of its financial interests and its CSR policy. Tenants are prepared to pay more for energy efficient buildings or those with a rich biodiversity (such as green roofs or internal parks). In a central zone such as Paris, a so-called “virtuous” building can generate 15-40% of additional financial gains. The company said it is seeing growing interest among its investors, in addition to its tenants, on ESG subjects. Reverse roadshows have been organised to understand investors’ demands on these subjects.

GREEN BONDS: Gecina finds this concept too restrictive, since green bonds do not commit the whole company. That said, five green credit facilities have been arranged for a total of € 1bn. The cost of this debt is variable depending on the company’s financial and extra-financial ratings, but spread variations due to ESG criteria are fairly low.

CLIMATE STRATEGY: the company is aiming to cut its carbon emissions by 60% in 2030 (vs 2008) and to achieve carbon neutrality by 2050. A review of materials is made systematically. Wood, in particular, is used as much as possible. In a city such as Paris, land represents a large share of costs, giving the group considerable freedom for its investments and facilitating those beneficial to the environment or to the well-being of tenants.

TURNOVER: high turnover has been noted recently, with both voluntary and non-voluntary departures. This is explained by a change in the size of the company, which has undertaken a reorganisation following the acquisition of Eurosic.

ICADE

ICADE shows ambition. A new strategic and company-wide CSR plan has been integrated over the period 2019-2022. The results of the CSR policy implemented since 2007 are positive.

CLIMATE STRATEGY: the group has set precise energy consumption reduction targets. The 2020 target for a 40% reduction in CO_2 emissions appears attainable, as these emissions were cut by 5.8% annually on average between 2011 and 2018. ICADE says it is close to a 1.5°C trajectory. The group increasingly favours green certificates and the development of green energies.

CSR REMUNERATION: members of the executive committee have 10% of their variable remuneration indexed to CSR targets that vary by business area. In their daily activity, 100% of managers and 73% of employees have individual CSR and innovation targets.

CSR STRATEGY: ICADE has taken action ahead of the new RE2020 regulations (which set energy and carbon performance levels for all new buildings) and the E+C- label prefiguring them by certifying its new buildings. The group is deeply involved in discussions about future sector labels, certifications and regulations, in particular about the re-employment of materials. ICADE is also participating in tests of the low-carbon label rewarding averted emissions.

BOARD COMPOSITION: the representation of shareholders on the supervisory board was increased in 2018 by the arrival of a second representative of Crédit Agricole.

CSR GOVERNANCE: from an ESG perspective, an innovation & CSR committee is present on the supervisory board, and the executive committee has drawn up and approved the CSR plan. The CSR department exists at the group level, but each business line has a dedicated team. Internal training sessions are organised to communicate the CSR policy. In 2019, 61% of employees attended these training sessions.

Media

Atresmedia

The company considers that the media sector does not have significant exposure to ESG issues. No concrete environmental plan was presented. We nonetheless noted an effort on the employee relations front.

COMPETITION: in October 2019, Atresmedia and its competitor Mediaset were ordered by the Spanish regulator- the national commission on markets and competition (CNMC) – to pay a fine for past anti-competitive practices with advertisers. The group thinks it is legitimate to use its “dominant” position in the market to negotiate preferential prices and hence lower its costs. This is more a case of strong pricing power, even considering the repercussions on the country’s smallest television channels. Atresmedia has lodged an appeal against the regulator’s decision.

FAKE NEWS: the group is particularly interested in news management. Atresmedia appears to be a key player in Spain in the fight against fake news. An internal department has specifically been created to audit information received prior to publication. Atresmedia monitors advertising offers and their messages internally but uses the Autocontrol association (which the group is a founding member of) for an external control of the legal and ethical aspects. Particular attention is paid to child protection (timing and content of advertising messages).

CARBON FOOTPRINT: environmental commitments seems to be a poor relation in the group’s strategy. The measures cited are: the objective to switch the automotive fleet to electric cars, the construction of a solar-power car park and a campaign to reduce plastic and paper consumption.

Company services

Edenred

Expected to discuss its recent conviction for anti-competitive practices in paper restaurant vouchers in France, Edenred defended itself vigorously, contesting the substance and form of the decision. The group wants to turn the page on paper and focus on the development of digital. By appealing against this decision, however, the company is at risk of keeping some investors attentive to ethical subjects in a high state of alert.

DATA PROTECTION: the company was questioned about its cyber-security policy after being on the receiving end of a massive malware attack in November 2019 that affected most of its IT systems on three continents. As a security measure, the group blocked all of its employees’ work stations. To the best of its knowledge, there were no data leaks. With hindsight, the group is expecting today a modest impact from the attack. The precise losses will be announced later and are likely to run into several million euros.
The growing IT department accounts for 20% of the company’s headcount today and around one-third of its costs (€ 250m of opex and capex out of € 800m).

Edenred has 830,000 corporate clients across the world. With 80% of its volumes digitalised in 2018, the group is reaching the end of its digital transformation. This allows it to enter into relations with the end users of its solutions. Its new preferred contacts are individual clients, not predominantly caterers as in the past. Edenred has a data mine of their daily consumption patterns (food and travel). The group's strategy is to exploit this data to develop complementary services, but it refuses to sell them to third parties. The company has deployed the GDPR in Europe and has committed to deploy it in other countries by 2020, since it ultimately expects this to become a standard.

CARBON FOOTPRINT: the company does not report the carbon intensity of its internal fleet. It encourages executives to switch to hybrid or electric cars (the new headquarters is well equipped for this). Edenred remarked that young managers no longer necessarily want a company car and that it is considering alternative solutions. Questioned about the possibility of encouraging customers to use a cleaner form of mobility, the company said it cannot force its clients down this path, but it is incorporating electric charging stations in its affiliated network.

COMPETITION: fined € 150m by the French competition authority (DNC) for anti-competitive practices between 2002 and 2015 (in association with Sodexo, Natixis and Up). Edenred contests the substance, form and amount of this decision, admitting only to unfortunate semantics in some internal documents. The company is pained by the accusation that it blocked innovation, since it believes that it has everything to gain from the end of paper vouchers (the law has allowed them to be digitalised from 2014).

The company will appeal but thinks it likely that the fine will be upheld (a 2 to 3-year legal process is probable), while hoping that its size will be sharply reduced. The total amount represents six times the net profit of its French subsidiary, one of the group's least profitable units.

TALENTS: Edenred is putting in place elements of "Brand Awareness", a critical issue for a relatively young group in its current form. The company is also adjusting its strategy for attracting talented employees, having made the transition from a services company to a fintech company.

EMPLOYEE WELL-BEING: 62% of its activity consists of repeat sales: more than other companies, it needs to be irreproachable in its employee relations practices. Employee satisfaction questionnaires are sent out every one or two years depending on the country. Edenred is satisfied with its score, especially in Brazil and Mexico.

Solocal

Solocal is experiencing significant employee relations problems after cutting a quarter of its workforce in 2018. The group's actions have logically centred on the HR aspects.

RESTRUCTURING: the 2018 plan affected 1,000 people (vs 4,000 employees in the group at that time). It was extended in July 2019 to 120 people. The plan was generous, according to the company: € 200m for 1,000 people (adjusted according to their length of service). Their salaries were maintained at 95% for one year. To aid their employability, training sessions were paid for, as well as help in seeking employment, reconversion and, in some cases, moving home. The plan was negotiated with many employee representatives.

WELL-BEING: the ratio of personnel taking long-term sick leave is high. This is probably a legacy of the past. To understand it, management has held talks with doctors and the CPAM. Its principal objective is prevention and the development of solutions such as remote working (sick leave is often an immediate reaction to a work overload). Following the redundancy plan, the group has invested in IT and workplace equipment to provide more agreeable working conditions.

PERSONAL DATA: personal data is key issue, with an entire team dedicated to it. They have more than 10m profiles that are eligible and compliant with the GDPR (out of 18m handled).

CORRUPTION: since October 2019, all employees have received the required training for the Sapin Act.

Teleperformance

Teleperformance has been criticised in recent years for its CSR approach, which was accused of not being commensurate with its social footprint (32,000 employees across the world) in a sector with a high level of drudgery. Tangible progress has been made under a strengthened CSR team (need for vigilance, gender equality and carbon footprint). Teleperformance presented its new plan to foster female representation. The lack of transparency on employee satisfaction remains the principal area of attention.

NEED FOR VIGILANCE: after being criticised by Sherpa last year, Teleperformance has reworked its Vigilance Plan to incorporate a mapping of CSR risks, a materiality matrix and a presentation of the mechanism for launching alerts. Questioned after the publication of this plan in September, NGO Sherpa did not respond, which could be viewed as a sign of approval.

CSR GOVERNANCE: the CSR team now has four employees at head office, together with a support network in each country, often from HR. Management said that CSR will be particularly on the agenda when the supervisory board meets given the progress made over the past year.

WELL-BEING AT WORK: work-life balance is the principal focus in 2020. One project, for example, is to give more flexibility to employees' work sessions. Teleperformance still refuses to publish the results of employee satisfaction surveys on the grounds that this is a strategic competitive indicator. The company prefers to disclose the results of the *Great Place to Work* survey.

DATA PROTECTION: the company has invested considerable human resources to comply with the GDPR. Its group risk management unit has been strengthened, with a large-scale test of data security. The IT system is considered satisfactory. Teleperformance is a choice target as it manages data belonging to multinationals.

CARBON FOOTPRINT: Teleperformance recruited an environment engineer in September 2019. Its principal environmental impact is on electricity consumption in countries with a high carbon mix: India, Philippines, US and Mexico. The group has calculated its performance in absolute terms and has been able to see that its footprint per employee has diminished. Teleperformance will not set any formal targets in the near future.

FEMALE REPRESENTATION: the *TP Women* initiative was launched in June 2019. Teleperformance is working on recruitment processes to incorporate diversity factors and identify and eliminate biases. Diversity is still lacking on management committees. A broader executive committee with 24% female members has been created and may serve as an anti-chamber to the executive committee, which still has only one woman out of eight members. A reserve of female talent has been identified among top managers.

Elis

Elis' extra-financial communication is improving. The group operates in a sector exposed to high workforce-rated risks and their management was the subject of many questions by investors.

TURNOVER: extremely high turnover figures (more than 100% in previous years) are due to the nature of employment contracts: most employees are on permanent contracts, but temporary staff are generally on three-month contracts, distorting the ratio. The same employee can leave and rejoin the group several times each year after renewing their contract. On the basis of permanent contracts alone, turnover is low, according to the company. On this point, investors remarked that a consolidation of indicators is probably necessary, as many ESG analysts look at them to asset workforce-related risks within a company. Elis stressed that there is wide geographical disparity given that the drudgery of the service agents activity varies from one region/city to another.

ATTRACTIVENESS: attractiveness depends on the region and the other companies present in employment basins. As such, Elis may adjust wages upwards if necessary. Plant directors have some flexibility over the remuneration of workers. Lastly, it is difficult to give all employees a stake in the company as employees performing manual tasks are less receptive to financial and stockmarket issues. However, the company said that the capital increase reserved to employees in 2019 was very well received by its staff, who subscribed to it in excess of expectations.

HEALTH & SAFETY: several investors expressed a desire for greater detail (in particular by business line) in the way that health & safety information is presented. Elis took good note of this and identified a few possible areas of improvement (better processes, etc.). Accidents are either benign (such as a transport cart rolling over an employee's foot) or potentially very serious. The group has put in place strict procedures, such as cages surrounding presses. For drivers, the most frequent accidents are road accidents or those involving transport carts. To avoid this, Elis gives training on "responsible" eco-driving to its drivers.

CORRUPTION: Elis has created an internal whistleblowing system and refuses to work in some regions that would expose it to a high risk of corruption. The group also works with groups with few risks of corruption. The most frequent risk is employee theft.

CSR GOVERNANCE: a CSR committee is due to be set up on the supervisory board in the short term. Investors noted that there is only one woman on the executive committee. Elis underlined that its supervisory board comprises four women (out of seven members).

GTT

GTT symbolises all the ambivalence surrounding decarbonation: is natural gas an indispensable transition energy or a fossil fuel that should be banned urgently? Pending political decisions and market standards, which the forthcoming taxonomy in Europe may provide, investors still seem reluctant to include a stock such as GTT (which designs membranes for LNG tanks) in portfolios aligned with the Paris agreement.

CSR REMUNERATION: the CEO has variable targets for the development of LNG and H&S performance (which is of little relevance in view of GTT's non-industrial activities). The top 50 managers also have variable targets based on the development of LNG fuel. Free shares are allocated to 20% of employees (50 people, including the executive committee).

LOW-CARBON SOLUTIONS: management outlined its vision of LNG as a fuel contributing to the decarbonation of shipping transport, emitting 25% less CO_2 than heavy fuel oil, no sulphur or fine particles and little nitrogen. GTT is benefiting from the vessel desulphurisation regulation that came into force on 1 January 2020 and is harvesting orders. Vessels have a 20-year lifespan, allowing for a fairly high fleet renewal rate in the perspective of the "zero net emissions" target set by the IMO for 2100.

CLIMATE STRATEGY: GTT's engineers are specialists in liquefied gases. They also work on hydrogen, but large cargo volumes are a major problem for storage. They are also studying ammonia, which has the advantage of having a higher liquefaction point than hydrogen but poses toxicity problems. Electric power does not fall within their field of expertise and cannot be a solution for long distances, which make up the lion's share of the market.

Finance

Eurazeo

The CSR policy is highly formalised, with appropriate indicators and ambitious targets. The group's carbon footprint is an area that Eurazeo intends to work on improving under the next plan.

ESG STRATEGY: a first filter exists before the group acquires a stake in a company, with due diligence performed on 100% of targets. Eurazeo has decided not to invest in companies with handicapping CSR aspects. Recently, for example, the group did not invest in a chemical products storage company that had pollution and leakage risks in its storage systems, in a company responsible for the severe pollution of an American river and in a geo-tracking company present in the controversial segment of deep-sea fishing.

When Eurazeo becomes a reference or majority shareholder in a company, it seeks to improve the governance of CSR issues. It appoints a person (generally internally) or a dedicated team responsible for being the internal driver to address these issues. A specific progress plan is then established, and a CSR committee is set up within the supervisory board. This board meets at least once a year to discuss the progress made. When sticking points arise, Eurazeo emphasises the virtues of savings resulting from the creation of a CSR policy (savings on energy and water consumption, the use of hazardous products, etc.). At the group scale, discussions take place within the supervisory board's CSR committee to evaluate the progress made by portfolio companies. In a case such as CPK, Eurazeo seeks to enhance the nutritional quality of products, while for Moncler the sourcing of down feather has been improved by only using dead animals raised in good conditions, according to the group.

CSR REPORTING: Eurazeo has attempted to identify the most appropriate indicators, in particular tCO2/€m EBITDA (which measures any progress in a growing industry) and "averted impacts" (averted absence, averted fuel, averted energy consumption, etc.).

CLIMATE STRATEGY: although Eurazeo is well aware that an absolute reduction in emissions will be necessary, it can only deal with this problem in relative terms because of its growing portfolios. CO_2 will be a key part of the forthcoming plan. Eurazeo will draw up this new plan by setting major targets internally and using external consultants to increase their precision.

Healthcare

Korian

New appointments to investor relations and the CSR department point to future progress. Nonetheless, Korian is having difficulty consolidating its employee indicators (turnover, absenteeism, etc.), tarnishing the quality of extra-financial analysis.

AGEING WELL: the group said it is working on “positive care”, an approach rooted in the work of Maria Montessori. It is based on the belief that a broad and “positive” approach should be taken to people to foster their capacities and allow then to perform tasks independently, instead of an exclusive focus on sickness and dependence.

TURNOVER: Korian is working on its HR reporting for its next extra-financial performance statement which will be included in the 2019 Universal Registration Document. One of the requirements is to publish consolidated data encompassing its entire scope of business, smoothing out the differences in definitions from one country to the next. The main goal for Korian is to identify the pertinent performance indicators, notably its social indicators (turnover, absenteeism, etc.), and consolidate them across its entire scope. The group says that the task is complicated by the heterogeneous nature of the IT systems and discrepancies in the definitions in each European country where it operates. The next ambition is to demonstrate more granularity by explaining figures in each region: data must be properly understood before targets can be set. Investors remarked here that this would rapidly become a major imperative. In effect, some of their clients are asking them to provide turnover figures for each stock in their portfolios, and they are incapable of doing this at present. An initial update will be provided when the group presents its full-year results on 28 February.

H&S: the group publishes an accidents rate for each country and advises each of its subsidiaries that all definitions of “accidents” should be taken literally in all regions. Digitisation and advice from occupational therapists provide physical relief for staff working on providing care to patients and residents.

FEMALE REPRESENTATION: the group stated that the 82% ratio of female employees is not reflected in top management, but note nevertheless that 45% of the top management team is made up of women. Korian is working on re-balancing this and fostering diversity and inclusion.

TRAINING: Korian, Adecco, Accor and Sodexo signed in March 2019 an agreement to set up a joint Apprenticeship Training Centre (*Centre de Formation par l’Apprentissage* - CFA) for the cooking and catering businesses. The group is developing training programmes to allow employees to improve their professional status: geriatric expertise and diploma and certification training programmes (more than 300 in France). Korian’s target is to ensure that 100% of its employees have received training.

Orpéa

Real efforts have been made in terms of transparency, particularly in social aspects. The recruitment of a CSR director in June 2019 should speed up the rollout of a CSR strategy.

CSR GOVERNANCE: recruitment of a CSR director in June 2019

AGEING WELL: the number of residents and patients in Orpéa facilities has risen from 218,000 in 2017 to 300,000 in 2018 and staff numbers have risen from 54,000 to 60,000. Controls are carried out each quarter by the facility's director, the regional director, the head of QA and the COO. Based on this audit that consists of 400 criteria, a quality action plan has been implemented and it is evaluated and reviewed every month. An annual satisfaction questionnaire is carried out by the residents and their families. The results of the 2019 survey will be published in the 2020 statement on extra-financial performance, as is the case each year.

WELL-BEING AT WORK: employees can consult a general team consisting of 30 psychologists. They are in addition to the "well-being representative" appointed in each facility and the part-time psychologist.

EMPLOYEE TURNOVER: Orpéa endeavours to anticipate and minimise the number of vacancies following very specific schedules in each facility. The absenteeism rate is 8% (vs 9% for the sector) and employee turnover is 20% (vs 21% for the sector). The main issue is the same as at the 2019 Forum - the rate is very low in the provinces but higher in conurbations due to commuting times. To rectify this, Orpéa tries to adjust schedules, find housing solutions, facilitate journeys and also provides crèche facilities for nurses' children.

CSR REMUNERATION: facility directors' bonuses are based on extra-financial criteria and depend on the quality of the managed facility: adherence to quality procedures, care provision, employee turnover, management and cleanliness of the kitchen, meals, welcome, staff management, maintenance of the facility, training, etc. The bonus is only played if 90% of the 400 evaluated criteria are met. Each year, between 25% and 30% of the facility directors are not paid a bonus.

Food

LDC

In 2019, the group hit a milestone in terms of communicating CSR questions and including them in its strategy.

CSR GOVERNANCE: the CSR manager is also the head of communication. He was previously manager of relations with poultry farmers in the upstream arm. He works with two other people on CSR questions.

SUPPLY CHAIN: LDC works with poultry farmers under contract. They are not employees but autonomous and independent heads of companies who invest in their own breeding facilities themselves. The contract states the quantity of poultry provided, the breeding specifications and the price. These farmers work only for LDC "in general". These contracts only last for one year due to volatility in grain prices. Farmer turnover comes to 5% per year. In terms of the welfare of farmers, labels are as important for their poultry as they are for them. For the "farmer nature" programme, the investment in these labels (approx. +20-30% of the investment) is to be made by the farmer and LDC in the form of a loan or subsidy (up to 20% of the investment made by the farmer).

ANIMAL WELFARE: the laying hens are free range - they are outside during the day and return inside at night to avoid predators. This is true of "red label" chickens. For the rest, LDC set up the "farmer nature" programme in which the buildings are lit by natural light coming through the windows and contain roosts, along with straw and stones to simulate an external environment. This programme covers 55% of the French base (i.e. 45% in total, counting the presence in Poland and Hungary). The goal is to have the French base fully converted by 2025. Some 10-15% of the poultry is "certified" in Poland and the buildings are of an older generation.

The farmers do not use growth antibiotics. A certifying body of vets ensures, on a weekly basis, that these rules are followed. At the moment, these rules have not been broken in any of the regions where the group is present.

PRODUCT STRATEGY: LDC has started to develop its plant-based ranges (breaded products, soya-based proteins, cordon bleu, and a whole other range of products, particularly under the Marie brand). For the moment, these products only represent 1-2% of sales because they are in the launch phase. LDC simply wants to keep abreast of the trend and has no plans, even in the long term, to make this its core business. This is, granted, a threat, but only a minor one. The group thinks that humans will always need to consume animal protein and that the nutritional value of substitutes for meat still needs to be proven. In France, while meat consumption in general is falling, demand for poultry is rising by 2-3%. This pace of growth is driven by out-of-home catering, while supermarket retail is down. In any case, the group feels that there is an undeniable decrease in the consumption of animal protein. LDC is also looking to carry out M&A deals in France in delicatessen segments where it is not present, such as salads or fresh pasta.

TRACABILITY: unlike other brands, LDC has, for the past four years, communicated on the list of ingredients unknown to the consumer. They only have natural ingredients, and the meat is 100% French in origin. The Nutri-score can be seen in all Marie products (4% of the group's sales). Its products are rated A, B, or C. All of the national brands (Loué, Le Gaulois and Maître Coq) are working on the Nutri-score.

CSR REMUNERATION: 700 of the company's employees in executive positions have employee health and safety targets set for their performance-related pay, along with the requirement of making progress in these indicators. LDC acknowledges that certain employees are working in very difficult conditions. One of the group's objectives is to disclose the CEO's remuneration as of next year.

Equipment & subcontractors

Manitou

Manitou has incorporated ESG goals in a long-term strategy and has clear strengths in terms of energy savings, the circular economy and product safety.

SHAREHOLDER STRUCTURE: some 64% of the shareholders are members of the founding family. This fosters a long-term vision of the company, which is reflected in the capital allocation. The board said that it is unconcerned by the short-term shifts in the share price. Although none of the family members is a company employee now, several pay regular visits to the various production sites.

LOW-CARBON SOLUTIONS: the group said it is ahead of schedule in the electrification of all of its aerial work platform ranges, given that they initially only committed to those for which there were legal requirements. This therefore facilitates the electrification of the other ranges for which rivals still use internal combustion engines generally. As a result, a move towards electric or hybrid vehicles is nothing more than the logical next step for the group. This also makes for a lower TCO than its rivals since the owner of the vehicle does not have to pay for fuel.

Thanks to the “Reduce” protocol, Manitou has collected data facilitating substantial energy savings for its machines. For example, the engine stops automatically (stop & go system) when the driver leaves the cabin. This makes for energy savings of around 15%, extending the machine's life span by one year.

PRODUCT RESPONSIBILITY: the group has perfected tractor units allowing users not to turn around when getting in and getting out. Most of them, particularly farmers, get in and out of the cabins around twenty times per hour. The need to turn around so often led to significant spinal issues.

CIRCULAR ECONOMY: Manitou has a remanufacturing programme, which favours the use of new or repaired spare parts. This keeps the machine fleet in an optimum state of repair and prolongs its life span. The group’s current target is for this segment to represents 8% of the 2022 sales (vs 2-2.5% today).

FEMALE REPRESENTATION: the group acknowledged that it has room for improvement in this respect but seems to be working seriously on the question. The executive committee welcomed one woman this year. She manages the group's largest division (€ 1.4bn in sales). The group stated that it has great difficulties in recruiting women, even though it visits engineering schools. It has also set up women’s mentoring programmes.

Tarkett

The company seems to have developed a strategy that makes sense and is aware of upcoming difficulties and areas of improvement in the circular economy. Management said that it has worked on its compliance to prevent corruption.

CIRCULAR ECONOMY: a priority in the group’s environmental policy is the implementation of circular economy mechanisms in production and waste management. Tarkett can efficiently recycle vinyl flooring and carpets, which represent 65% of its sales. Parquet and laminated flooring which represent 8% of sales are not recycled as effectively. Tarkett also develops recycling solutions for its sport activities. Recycled materials represent 10% of the materials used in the production process. Management has a target of 30% in 2030.

The difficulty lies in logistics. While the group is developing a partnership with Veolia to retrieve the unused materials when the flooring is laid, retrieving the materials after usage remains complicated. Tarkett has significant recycling capacity but has yet to succeed in collecting enough material for recycling. The company therefore calls on other industries to supply waste (fishing nets for instance).

SUPPLY CHAIN: the group works with local suppliers for coverings notably in Italy for Europe, the US for North America and in CIS countries for these markets). The company carries out checks and audits on these suppliers and maps out the risks.

CORRUPTION: the company was fined in 2017 along with two competitors for creating a lino cartel. This affair was the result of their being a limited number of sales operators, according to the group. To reduce the risk, the group has implemented a training programme that its employees must follow. For the corruption risk, the group stated that it has made progress in rolling out all the controls required by the Sapin Act and that it updated the mapping of specific risks in 2018.

EMPLOYMENT: a plan for automating certain factory tasks has been implemented with a view to cutting costs. This would improve employee safety and put an end to unskilled, low-status tasks. The company said that training has been provided to allow around 100 employees to move towards other activities. The automation programmes are part of the strategic plan with a rollout as of 2019.

SHAREHOLDER STRUCTURE: while the company has expressed the wish to implement an employee shareholding scheme, it says that the rollout would be very complex because it is an international group and different national regulations apply in the various countries. But it has not given up on the possibility.

MOBILITY: the group seems to prefer internal promotions to external hires. This is reflected in the fact that three of the four divisional heads came from within the company.

Plastic Omnium

The transition in the management team was managed successfully. The issues at the Greer site are under control. That said, *CO_2 standards, notably in Europe, prompted the group to issue cautious guidance for 2020. For the longer term, Plastic Omnium sees a fit between hydrogen-powered and battery vehicles.*

SUCCESSION: for the first time, a member of the Burelle family is not at the group's helm. Laurent Burelle (son of founder Pierre Burelle) passed on the role of CEO to Laurent Favre at the start of 2020 and his daughter Félicie Burelle became the managing director in charge of strategy and development. Mr Burelle is still the chairman of the board. Jean-Michel Szcerba, with whom Mr Burelle shared the management of the company, has become advisor to the Chairman. Mr Favre, 48, has worked for 23 years for German automotive suppliers such as ThyssenKrupp, ZF and Benteler (where he was the CEO of the automotive arm).

TRAINING: the group encountered significant operating difficulties in ramping up a factory in South Carolina. Plastic Omnium acknowledges that it was expecting "too much too soon". The problems were as follows: the site was difficult to manage, there were six models to produce but 92,000 listings for bumpers, the just-in-time delivery model and the sequencing. To improve the situation, Plastic Omnium has insisted on employee training and changed the factory's management.

LOW-CARBON SOLUTIONS: even if SUVs now represent 40% of sales with the group expecting 44% in 2022, electric vehicles should account for 12% of the backlog in 2022. A significant portion of these orders should come from HBPO (which Plastic Omnium took over in July 2018) which has a position in electric vehicles (e.g. the Front End Module Tesla or Volkswagen's BEV platform). Electric vehicles require a modular approach, a segment where HBPO is "extremely" well-placed.

For hydrogen-powered vehicles, the goal is to establish a presence throughout the value chain with varying degrees of maturity. Plastic Omnium is focusing on a fit between battery-powered and hydrogen-powered vehicles, given that the latter are expected to be useful for heavier vehicles. The group already has a good position in tanks (the first certified tank). Thanks to the acquisition of Swiss Hydrogen, the group also works on managing fluids in fuel cells. The idea is to gain better control over storage and apply its expertise to battery-powered vehicles. Some € 200m were invested in 2018-2020.

Quadient

The company has efficient extra-financial communication: the main fields are covered and a concrete approach to bringing about improvements has been formally established.

ECODESIGN: Quadient operates very far upstream in design and looks at how machines can be reused in the production of new generations (parts are reused, so they need to be designed to last).

FEMALE REPRESENTATION: 31% of employees are women and almost the same percentage can be found in management roles (27%). Quadient knows that it is lagging behind in terms of diversity, but this can be explained by the traditionally strong presence of engineers in the industry. The group has introduced policies and working groups to encourage the employment of women and is expecting positive developments on this subject rapidly.

DATA PROTECTION: in each region where the group operates (North America, France/Benelux, Germany/Switzerland/Italy, UK/Ireland and additional operations) and also in the central offices, there are contacts overseeing data protection. Upstream, in the department working on developing software solutions, data protection is already present because it is a prerequisite in the call to tender process.

SUPPLY CHAIN: Quadient has three factories in Europe and the rest of the assembly tasks are outsourced to southeast Asia. The company handles product design and therefore has control over the parts list. It guarantees the quality of the components by asking subcontractors for commitments. The group enjoys some proximity with its suppliers thanks to its offices in Hong Kong where engineers are working the environmental aspects and CSR managers can audit them in person.

EMPLOYEE TURNOVER: employee turnover is quite low, but it might increase since the company is shifting towards a more competitive sector. Quadient is aware of the importance of attracting and retaining employee talent.

Utilities

NEOEN

NEOEN's exposure to the energy transition via its 100% renewable energy model goes hand-in-hand with an ambitious CSR model which is making inroads. The quality of the management team is also undeniably a strength.

SHAREHOLDER STRUCTURE: management owns 3% of the capital. NEOEN intends to issue stock options or free shares in all the countries where it operates, but this does not mean that it intends to become a cooperative. The group is aiming to work more closely with its production sites and does not want Paris to be the only place where decisions are made. The group is centralising the monitoring of its production assets so that any defect can be remedied as soon as possible and the maintenance and repair service of the selected manufacturer or provider can be brought in quickly.

ADAPTATION: despite its significant presence in Australia, NEOEN has not been impacted by the bushfires - its sites are 300 km to 400 km west of the affected areas.

GREEN BONDS: NEOEN chose Vigeo certification when issuing its green bonds.

LOW-CARBON SOLUTIONS: renewable energies are among the most competitive energy sources (below grid parity in at least half of the world's countries). As an illustration, in calls to tender, the auction price of solar energy comes to $ 20/MWh in Mexico (vs $ 40-100/MWh for the coal, gas, fuel and nuclear mix) and around € 50/MWh in France, comparable to the average wholesale price of thermal and nuclear energy. The group is expecting renewable energy prices to continue falling with, in contrast, an increase in conventional energy prices. While the structural issue of the intermittent nature of the energy source remains, the current average weight of renewables (around 25-30% of the production mix) is still manageable. However, in areas with greater weighing, such as in the state of South Australia where renewable energy represents over 50% of the volumes produced, the group already offers battery storage solutions, along with the service launch of resilient production units. The group is also looking into how to cater for the needs of energy-intensive customers (e.g. Google, SNCF etc.). The economic balance of these solutions has already been demonstrated by the group's developments in Australia. However, in terms of longer-term storage (e.g. storage by day for release during the night), the economic balance has not yet been reached, but the group is keeping an eye on technological changes so that it can always offer the appropriate solution.

MANAGEMENT-EMPLOYEE RELATIONS: NEOEN has a lean set-up with only 210 employees in total. Management-employee relations differ from one country to the next. Most of the employees are in France, where employee protection is high. There are 30 nationalities spread across 14 countries. Women make up 33% of the workforce, which is relatively high for the industry. The age pyramid is balanced (some workers have already retired). NEOEN intends to score well in terms of the gender pay gap.

SUPPLY CHAIN: the group favours lithium-ion technology for its batteries. It acknowledges the issue of the depletion of lithium sources, but sees this as more of a question for the longer term. It mainly uses windfarms with gearboxes which do not use magnets or rare earth (vs the direct-drive windfarms supplied by Enercon). For solar power, crystalline panels are used (95% of the supply) which do not contain rare earth, in contrast to thin-layer panels. However, there is no particular pressure on these materials for the moment. The group is not concerned about this question and feels it is following a dynamic approach in this respect.

Voltalia

The diversification of activities around renewables and the EBRD's acquisition of a stake in the group's capital following the recent capital increase underpin our positive view of the stock from an ESG perspective. The group is also constantly improving its actions on social issues.

LOW-CARBON SOLUTIONS: in 2020, the group will have a production mix of 77% wind, 19% solar (vs 4% in 2016, the most robust growth in the mix), 1% storage, 0.5% biomass and 1.5% hydro. Over this period, Voltalia will maintain a significant focus on Brazil, which accounts for 69% of the group's installed capacity (vs 84% in 2016), 19% in Europe and 12% in Africa (vs 0% in 2016 due to the recent commissioning of projects). Voltalia remains fundamentally convinced that RE (renewable energy) is the cheapest energy (below grid parity), but concedes that the problem of intermittency will have to be solved through changes in consumption habits and maximum exploitation of the potential of digital.

Hydrogen is not efficient according to the group. Using this energy vector is too expensive and there is no prospect of lowering costs for use in energy storage to smooth the energy mix. Thus, in storage technologies, the most reliable system today is the pumped energy transfer station (153 GW of installed power worldwide today). Although storage is a very minor activity in Voltalia's portfolio, the group is currently building the largest battery storage complex in France through the Mana Storage project, located in French Guiana, not far from the Savane des Pères project currently under construction within the Toco storage complex. The project consists of two new battery storage units with a total installed capacity of 10 MW and a total useful capacity of 11.3 MWh, one unit for "frequency regulation" of 4-5 MW and a second unit of 5-7 MW for "daily arbitrage" (i.e., storage at one time of day for release at another time).

SHAREHOLDER STRUCTURE: the Mulliez family is the majority shareholder, but several other entities have acquired stakes that warrant mention from the ESG standpoint: Proparco, which depends on the French Development Agency, and the EBRD (European Bank for Reconstruction and Development). These two entities have high environmental and social standards and would not have entered the ownership structure had Voltalia failed to meet these standards. An employee shareholding plan was launched in September 2019, and targets 70% of employees (it is still difficult to incorporate Brazil and Portugal into it).

CORRUPTION: Voltalia is exposed to risks of corruption, especially in emerging countries (extensive foothold in Brazil). The group maps corruption risks before setting up operations and has a whistleblowing system managed by an external service provider for the last two years. The group also provides training in business ethics. The group should communicate the proportion of employees that has received training in this domain as of next year.

Chemicals

Solvay

Solvay has set itself ambitious targets in terms of environmental responsibility but sees itself first and foremost as an industrial chemicals player with an intractable environmental impact, whose initiatives are subject to the acceptance of the market and its clients.

CLIMATE STRATEGY: in 2018, the company announced a CO_2 reduction target of 1Mt by 2025 (vs 12.3 Mt in 2017). This target is a reduction in absolute value terms, destined to remain unchanged irrespective of developments in the market and the company's growth.

CARBON FOOTPRINT: the company has developed an internal tool: *Sustainability Portfolio Management* (SPM) to evaluate the impact of its portfolio of projects. At present, 50% of the portfolio is considered as having a positive impact on the environment.

LOW-CARBON SOLUTIONS: Solvay has signalled its heavy dependence on market requirements in terms of environmental responsibility. For example, on the oil & gas market, its clients are moving towards solutions with more negative impacts on the environment in order to reduce costs, preventing the company from developing more responsible and higher-end products, at the risk of experiencing financial difficulties. In contrast, Apple has demanded production based on 100% renewable energy, resulting in Solvay using 50% renewables for the production of specialty chemicals.

Solvay will be part of the European battery conglomerate set up by France and Germany. The group is already exposed to electric batteries, but this represents just c.1% of sales. The company does not yet know to what extent it will be a stakeholder, but anticipates this sector as an element of growth.

GREEN BONDS: there is a shift in investor behaviour regarding ESG issues, but this remains within the short-term context, and less that of a long-term environmental strategy. Solvay has opened up a € 2bn credit line at BNPP linked to the meeting of the emission-reduction target.

RECYCLING: their recycling capacity depends on the materials produced but remains impossible for some plastics with existing technologies. Solvay says it has begun to review its strategy on this subject, in particular with the Helen McArthur Foundation.

FEMALE REPRESENTATION: the company operates in a very male-dominated industry. Women make up 37.5% of its board. The company underscored that this percentage is very high for the industry.

PSB Industries

The company's management took part in the debate on the anti-waste law. It regrets that the law only provides for the end of the use of plastic in France in 2040 without exploring recycling solutions as may be the case for aluminium or glass. The 'raison d'être' of this plastic packaging producer, whose main client is the cosmetics industry (2/3 of sales), is under threat. The cosmetics industry must reinvent itself in the light of climate and biodiversity issues. The sector heavyweights (L'Oréal, Estée Lauder, Coty, Dior, YSL, etc.) have the necessary financial wherewithal. Will they support their suppliers in this strategic shift, in a responsible procurement approach?

PLASTICS: management points out the current radical stance adopted by consumers, who demonise plastics indiscriminately without seeking constructive solutions by advocating only a ban in favour of alternative solutions not available to date and potentially more harmful (some bio-materials are not recyclable). The calls for tender to which the company responds also always include a lot of plastic. The company has equipped itself with an environmental impact calculation software that enables it to propose product upgrades in order to reduce the environmental impact by offering, for example, recycled materials, thinner walls or the use of regional production (versus Asia). Due to the disorganisation of the recycling industry to date, PSB Industries deplores a lack of raw materials: only 2% of products are made of recycled plastic. The company has undertaken to increase this to 6%. The company is also working to limit the number of materials used in order to facilitate recycling, which is practically impossible today.

ECO-DESIGN: 7 FTEs are dedicated to eco-design. The company's clients want PSB to step up its offer, with a clear acceleration over the last year... but at the same time they are negotiating cost reductions. PSB is working on innovations in refillable mascara, for example, but also by testing 30 new materials and in approving recycled materials. The group sorts 70% of its production waste and reports continued progress in this area. Management underscores that the major challenge is to cover the costs involved in this necessary development of the industry...

RAISON d'ETRE: according to PSB: "as long as there are people, there will be makeup"

Building materials

Hoffmann Green Cement Technologies

The chairman of the management board and co-founder Julien Blanchard has presented investors with the ramp-up of its low-carbon cement-based solution. Hoffman Green Cement, which recently completed its IPO, is a stock to be followed for investors seeking a financial (the stock has made gains since the IPO) and non-financial impact (high potential for emission aversion in an industry which remains highly carbon intensive). The context is favourable for the continuation of their industrial development: RE2020 regulation, E+C- (energy-positive and low-carbon buildings) label, rise in the price of CO_2 in Europe, call for tenders for the "carbon neutral" Olympic Games in Paris 2024, etc.

LOW-CARBON SOLUTIONS: clinker-free cement (obtained by alkaline activation and raw material mix) has a carbon footprint of 188 $kgCO_2/t$ (including activator production), four times less than conventional (Portland) cement. Hoffmann will soon publish the environmental and health declaration forms that attest to the calculation of the carbon footprint. Cement can be used for all applications (civil engineering, major structures, bridges, wind turbine foundations), apart from submarine. Per m^2 built, the carbon footprint is equivalent to that of wood, at a cost that is apparently lower. The raw material mix is currently composed of blast furnace slag (co-product of steel), clay (co-product of aggregate washing) and gypsum. Hoffmann Green aims to expand the number of co-products used to manufacture its cements and research is notably underway on a solution to recycle biomass ashes.

CIRCULAR ECONOMY: Hoffmann's 4.0 cement plant (without kiln or chimney) in Vendée is operational, with a current capacity of 50,000 t. The IPO aims to finance two new sites, in the Vendée and in the Paris region, each worth € 22m. Their manufacturing process does not generate any industrial waste.

CSR GOVERNANCE: A CSR manager has been recruited. 10 priority actions have been targeted, through 3 axes: responsible producer, responsible partner and responsible employer.

Serge Ferrari

Serge Ferrari has developed an ambitious strategy with fixed objectives and action plans. CSR is an integral part of the company's strategy. The group is particularly attentive to the management of manufacturing scrap and end-of-life products.

CIRCULAR ECONOMY: Serge Ferrari is N°1 in the field of technical composite membranes with the design, manufacture and distribution of flexible composite materials. The implementation of existing recycling technology, which will be used until 2018 on an industrial scale, is being adapted for local and more geographically distributed uses, which will greatly reduce transport flows. In the meantime the flexible membranes are stored. Applying the solution will give rise to a circular pattern since all the other links in the value chain are integrated.

The flexible membranes are installed for 30 years but are easy to dismantle, giving customers the possibility of re-using them. Their environmental footprint is reduced thanks to the low weight of the materials, which significantly reduces the consumption of raw materials

SUPPLY CHAIN: All stakeholders are considered to be "motivating forces" by the company and are integrated into its strategy. A CSR assessment of suppliers is carried out by Ecovadis.

REGULATIONS: The impact of the European REACH regulation has resulted in a limited loss of competitiveness for Serge Ferrari. The company participates in changes in the regulatory environment through its participation in the sector's professional associations.

- **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

- **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

- **Our stock market recommendations**

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Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).
Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(422)	45%	42%	13%
Liquidity providers coverage	(85)	53%	40%	7%
Research service coverage	(30)	70%	30%	0%
Investment banking services	(21)	81%	19%	0%

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