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Teleperformance
Issues, context and due diligence plan for 2019

Report date: April 2019

Forecast earnings growth of over 7% in 2019[1], achieved in all language areas and in all activities, a market capitalization of more than 8 billion euros, an objective of EBITA[2] over 13.8% in 2019[3] : the Teleperformance Letter to Shareholders, published in November 2018, expresses total satisfaction regarding the financial situation of the world leader in contact centres.

But what is behind this well-honed communications exercise and these high share prices, what is the real situation for Teleperformance and its employees? Where do they work? Under what conditions?

MAPPING OF WORKER NUMBERS AND LOCATION

Teleperformance is operating in a very competitive market and its position as an outsourced service provider managing customer relations brings it up against some powerful players. Teleperformance is therefore under pressure from well-known international companies, such as telecoms operators (Orange, Bouygues Telecom), but also in other sectors with companies like Apple, Uber or Expedia. **Teleperformance has chosen to locate its activities in countries where human rights are at risk, including fundamental rights of workers. In terms of its current due diligence plan, it appears that the company management has not fully appreciated the risks inherent in its own operational choices** as explained below.

[1] Press release : Annual results 2018, 28 February 2019
[2] EBITA: EBITA means "earnings before interest, taxes and amortization". In other words the profits of the business before the payment of interest, tax, depreciation and amortization.
[3] Press release : Annual results 2018, 28 February 2019.

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Although the company has made a strategic shift by positioning itself in "specialised" activities with higher margins (online interpreting services, visa application management, predictive models and debt recovery) the less profitable activities of customer relations still account for more than 84%[4] of the company's turnover and employ the vast majority of staff.

Teleperformance's sound financial position is largely due to low staff costs because it operates mainly in low-wage countries. Indeed, Teleperformance's payroll was around 65.8%[5] of turnover in 2018.

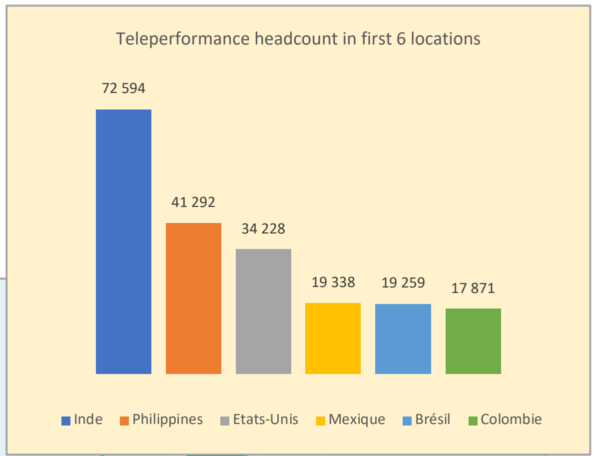
Teleperformance's business growth remains dynamic and is driven by significant organic growth and external growth. In 2018 the Teleperformance group acquired Intelenet, which provides management of customer relations, human resources and outsourced financial management services (more commonly known as BPO services "Business Process Outsourcing"). The company is located in India and was established in 2000 with more than 55,000 employees in 40 centres in eight countries in North and South America, the Middle East, India and the Philippines.

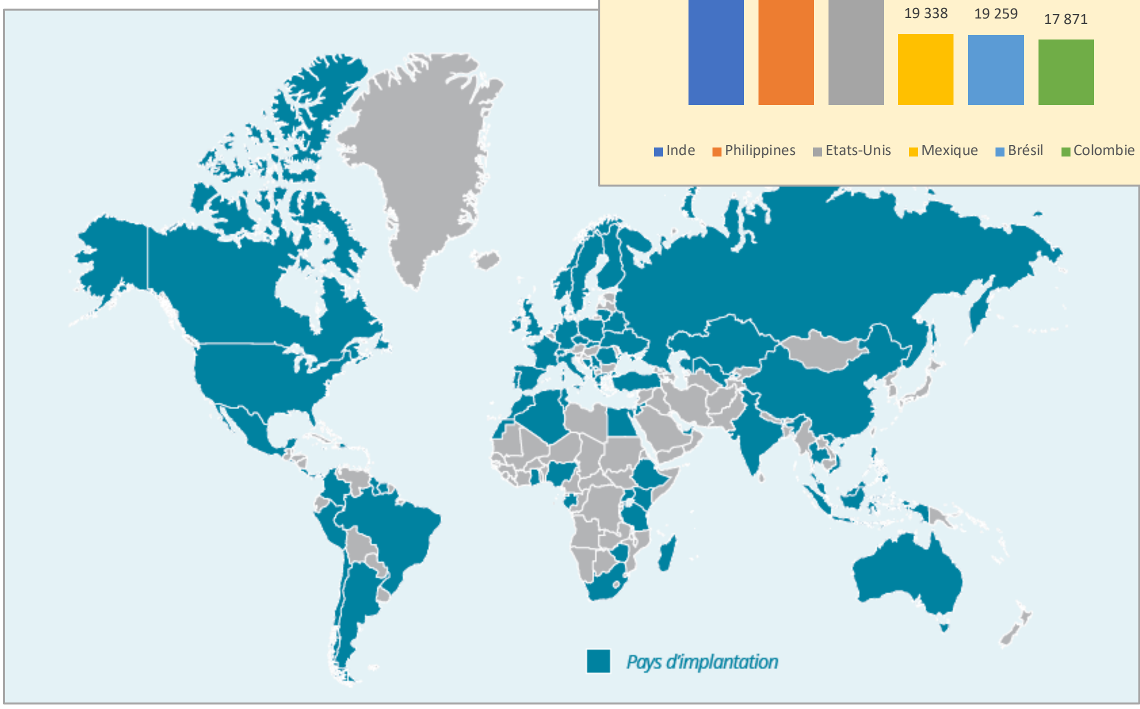
This acquisition demonstrates the strength and geographical reach of Teleperformance; **the workforce is now 300,000 employees in nearly 80 countries[6].** However, two-thirds of the group's employees operate in only six countries: India (72,594), the Philippines (41,292), the United States (34,228), Mexico (19,338), Brazil (19,328) 259) and Colombia (17,871)[7].

There is still significant growth potential in the outsourcing market. Teleperformance estimates that 74% of customer relations are still done in-house[8]. It first provided outsourcing services in the countries in which its clients were established. Now, thanks to the digitized systems of communication and the increase in skills of employees in countries with low labour costs, Teleperformance has chosen to relocate a growing part of its activities to countries where human and workers' rights are not always respected. What are the limits of this strategy? What are the possible consequences for employees and citizens in these countries at risk?

[4] Press release: Annual results 2018, 28 February 2019
[5] Teleperformance: Reference Document, p. 141
[6] Teleperformance: 2018 Reference Document, p.3
[7] Teleperformance: 2018 Reference Document, p.20
[8] Teleperformance: 2018 Reference Document, p.26

First countries of establishment Teleperformance (diagram with workforce) and list of countries of establishment (map)





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Analysis of social responsibility reporting

and the due diligence plan of TELEPERFORMANCE

Under the French Commercial Code, the Teleperformance Group is subject to several legal obligations relating to the transparency of its policies and practices regarding social and environmental responsibility.

According to article L225-102-1, the company must publish annually a **consolidated statement of extra-financial performance**. It must describe in particular how its activities impinge on respect for human rights.

According to article L225-102-4, established pursuant to the law relating to the due diligence of parent companies and companies contracting-out services, Teleperformance must publish its **due diligence** plan, in addition to its extra-financial performance declaration, every year from 2018.

This due diligence plan must include reasonable due diligence measures, **identify risks and prevent serious violations of human rights and fundamental freedoms, protect human health and safety and the environment.**

This plan is to be developed **in association with the company's stakeholders** including those representing the employees within the company and the supply chain, through multi-stakeholder initiatives at a sector or territorial level.

The due diligence plan must include:
1) Risk mapping for identification, analysis and prioritisation;
2) Procedures for regularly assessing the situation of subsidiaries, subcontractors and suppliers with whom the company has an established commercial relationship, with regard to risk mapping;
3) Appropriate action to reduce risks or prevent serious damage;
4) An early warning mechanism and the collection of indicators of potential or actual risks, established in consultation with representative trade unions;

5) A system for monitoring the measures implemented and evaluating their effectiveness to be included in the management report for the 2018 fiscal year (to be published in 2019);

In early March 2019, the Teleperformance Group published its non-financial performance report in its Reference Document for the 2018 financial year. This annual management report is downloadable on its website. Labour, social and environmental information can be found in Chapter 2 of the document (pages 49 to 76). The Due Diligence Plan is at the end of Chapter 1 (pages 45-47).

Teleperformance's Due Diligence Plan refers to its Annual Report where it discussed human rights and international labour rights, including fundamental ILO Conventions. On page 3 the company lists its compliance with the eight fundamental conventions in the 78 countries where it is established (page 52). It has obtained Verego SRS certification at all its locations around the world (page 72). This evaluation system includes, in particular, respect for human rights.

Formal social dialogue in the company is described only for the European area. According to the report there are "regular" meetings between management and workers' representatives "or where they exist with trade union representatives" (page 60).

In its extra-financial reporting Teleperformance cites examples of its own practice to demonstrate that the well-being of its employees, their training and quality of life at work are among its key management concerns.

Teleperformance published in December 2018 the first edition of its due diligence plan, in the form of a 5-page document, which can also be downloaded from the group's website.

This plan was developed by working groups from different departments of the company. At this stage **it has not been the subject of consultation with external stakeholders** contrary to the spirit of the law establishing this obligation.

Any due diligence plan should normally be based on the mapping of identified risks. But this plan clearly announces that said mapping has not yet taken place. We can read "These risks will be documented" (page 2).

In the area of human rights, the text only recalls the group's commitment to respect the fundamental ILO Conventions. Unfortunately, the company is not yet prioritising the actual risks it faces.

The procedures for assessing the situation of subsidiaries, subcontractors and suppliers appear to be based primarily on the analysis of responses to general self-assessment questionnaires. These procedures are not linked to risk analysis since risk mapping has not yet been formalised by the group.

In this context, the company's internal risk prevention and mitigation policies are limited because they rely solely on documents describing the Group's ethical principles and internal audit procedures for compliance with these principles. They do not target responses to specific risks.

And specific risks can long remain unidentified by management **since early warning and reporting systems have yet to be deployed globally**. These risks are more pronounced in countries where whistle-blowers or reporting agents do not benefit from a clear and protective framework.

This first edition of the due diligence plan, which dates from December 2018, indicates that provisions will be made for this purpose, however, none are described. The only reference is to say that it would be similar to the one established to fight against bribery and influence peddling. This system is in any case not yet accessible to external stakeholders, contrary to what is required by the law on the duty of due diligence. Just as there has been no consultation with trade unions on the establishment of this early warning system.

The content of the due diligence plan has up to now been inconsistent.

Improvements in the quality of the plan have been announced for 2019 in the chapter devoted to the monitoring mechanism. For this year, a system of internal reporting and indicators, regular audits, and especially exchanges with stakeholders are planned, in particular for the implementation of corrective and adaptation procedures.

Teleperformance operates mainly in a political and legal environment unfavourable to workers

The risk analysis and possible adverse impact of Teleperformance's economic activity must therefore be carried out in those political environments that are harmful to the general population.

According to a recent report of the International Trade Union Confederation (ITUC)[9], four of the countries with the biggest operations (Colombia, India, Mexico, Philippines) are among the worst countries in the world in terms of labour rights violations.

In addition, all the main countries Teleperformance operates in have limited or very limited freedom of association. In the great majority of them, there is discretionary power for employers to recognize a trade union organization (and consequently to negotiate with it) or local authorities may place direct or indirect obstacles (thresholds, registration procedures, abusive controls, etc.). The same applies to the right to strike (replacement of striking employees, prohibition or criminalisation of the strike, etc.).

In addition to the law applied in these countries, the ITUC denounces many cases of discrimination, intimidation, harassment, physical violence or murder, unjustified individual and collective dismissals, arbitrary decisions and arrests**,** anti-union actions, the criminalisation of trade union action, etc.

Teleperformance needs to be more consistent in its due diligence policy, and must involve trade unions

At present, Teleperformance's due diligence plan analysis with regard to the numerous violations of the fundamental rights and freedoms of workers and populations in the host countries shows that the company's management has not measured the risks or taken the steps necessary to prevent attacks on human rights, as required under French law.

One can also question the genuine will of the company to develop constructive dialogue with the trade unions and NGOs, including in the supply chain, although the latter are not as involved in the procedures required under the law.

This first edition of Teleperformance's due diligence plan is therefore the result of a simple exercise of communicating general principles aimed at formally complying with the publication requirements of French law and in response to the trade union organizations that put strong pressure on the company in the autumn of 2018.

[9] "Report on Freedom: Peace and Democratic Rights", International Trade Union Confederation, 2017

Legal obligations of the company relating to due diligence	**TP's due diligence plan**
Develop the due diligence plan in association **with stakeholders** of the company	Stakeholders were not involved / contacted.
Undertake **risk mapping** related to the company's activities in relation to violations of human rights, fundamental freedoms of individuals, health and safety of persons and environmental standards for subsequent identification, analysis and prioritisation	The lack of mapping makes the due diligence plan inapplicable from the outset.
Procedures for regular **assessment of the situation within** the company and its subsidiaries, subcontractors and suppliers in terms of risk mapping.	The assessment is based on self-declaration by the company's subsidiaries, employee satisfaction surveys and internal audits. There are external audits however, which could usefully be analysed in more detail.
Undertake action to reduce risks and prevent serious injuries.	The company only lists policies and statements.
An early warning mechanism **and collection of indicators** relating to potential or actual risks, **established in consultation with representative trade unions in the company.**	There is no mechanism in place.
A **tracking system** for implementing measures and assessing their effectiveness	There is no follow up currently. Nevertheless, the company indicates that it wishes to develop a monitoring and correction system with stakeholders in the future. Stakeholders are therefore entitled to expect a significant improvement in the plan for 2019.