SOCIETE GENERALE
Cross Asset Research

Equity Research

Europe
Sector Review
30 July 2009

SRI angle

Restructuring and job cuts

Restructuring and job cuts – In the name of EBIT, not love

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In partnership with Vigeo

Charlotte Bancilhon

Our preferred stocks	
Accor	Renault
BMW	RWE
Carrefour	Saint-Gobain
Colruyt	Sanofi-Aventis
France Telecom	Schneider Electric
Iberdrola	Solarworld
Inditex	StatoilHydro
Indra Sistemas	TF1
Lafarge	TNT
LWMH	Total
Marks & Spencer	Vallourec
Nestlé	Xstrata
Novartis	

Our least preferred stocks	
Altran	Philips
Bilfinger Berger	Safran
Carphone Warehouse	Telekom Austria
Clariant	Swatch
Compass	ThyssenKrupp
Deutsche Post	
Fiat	
Gemalto	
GKN	
Havas	
Heineken	
Invensys	
Kesa Electricals	
Logica	

Source: SG Equity Research

Investment case

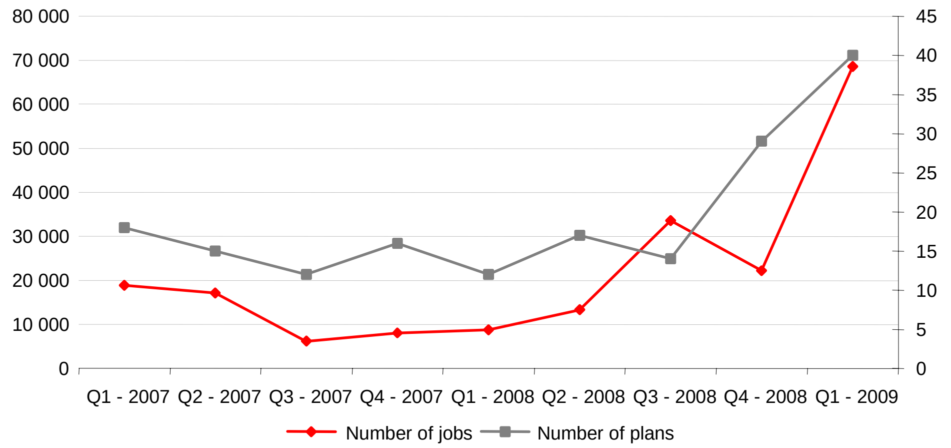
Restructuring, including layoffs, is a theme inevitably and increasingly facing investors in varying degrees of intensity. However, **it is usually seen from either a purely financial perspective or a purely social perspective.** In this report **we intend to show that the two perspectives must be combined for this issue to be of benefit to both investors and employees**.

60% of companies officially engaged in restructuring

In our previous SG report *Restructuring and job cuts: better light a candle than curse darkness* (October 2007), we analysed the stock market performance of companies which announced layoffs between January 2004 and July 2007, and we detected a related increased investment risk. One of the key findings of our analysis was that sound corporate governance and good relations with stakeholders generally facilitate the restructuring process.

For the purpose of this report, we have built up a new coverage universe of 206 European companies, covered both by SG Equity Research financial analysts and Vigeo's analysts (Vigeo is Europe's leading supplier of extra-financial analysis for asset managers and owners).[1] Looking at all of the 206 companies in our universe, we found that 146 distinct social plans were announced by 126 companies over the course of the last 27 months (from January 2007 to March 2009) – which means 60%+ of our universe!

Restructuring: the crisis catalyst



Source: SG Equity Research, ERM

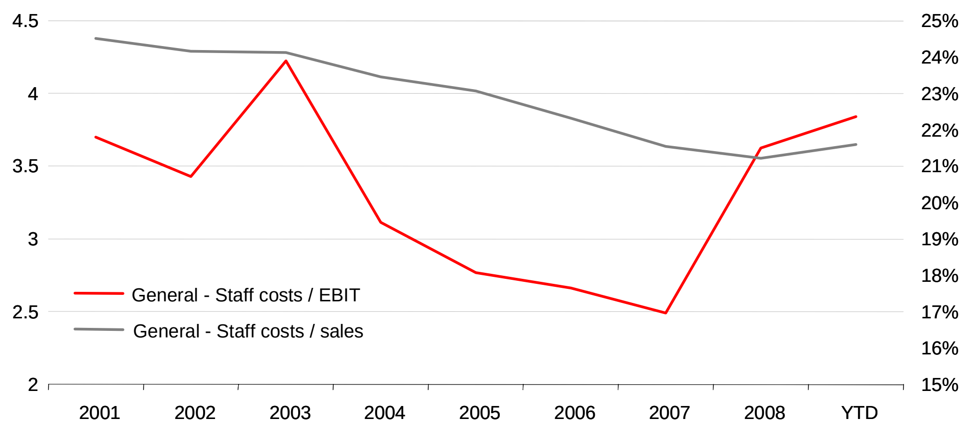
Restructuring is triggered by the evolution of EBIT vs. staff costs!!!

We have found that restructuring is triggered mainly by the evolution of EBIT compared to staff costs. EBIT is the ultimate compass for both managers and investors. It should also be the key indicator for employees, as staff costs are less variable at any moment than EBIT. We have developed a ratio based upon EBIT forecasts and last known annual staff costs, which we believe gives an excellent advanced indicator of the level of constraint that is going to weigh both on employees and the strategic choices of companies. We also note with some surprise

[1] We eliminated companies for which we were unable to obtain essential social and financial information such as staff costs. Finally, so as to avoid disproportionate interference from the financial crisis, we decided to withdraw banks, insurance companies and financial services from our universe.

that the non-operative staff costs to sales ratio is usually preferred by many players around the table – media at the forefront, but also investors – to the detriment of the solid, predictable and operative nature of EBIT.

Staff costs to sales and EBIT: general view

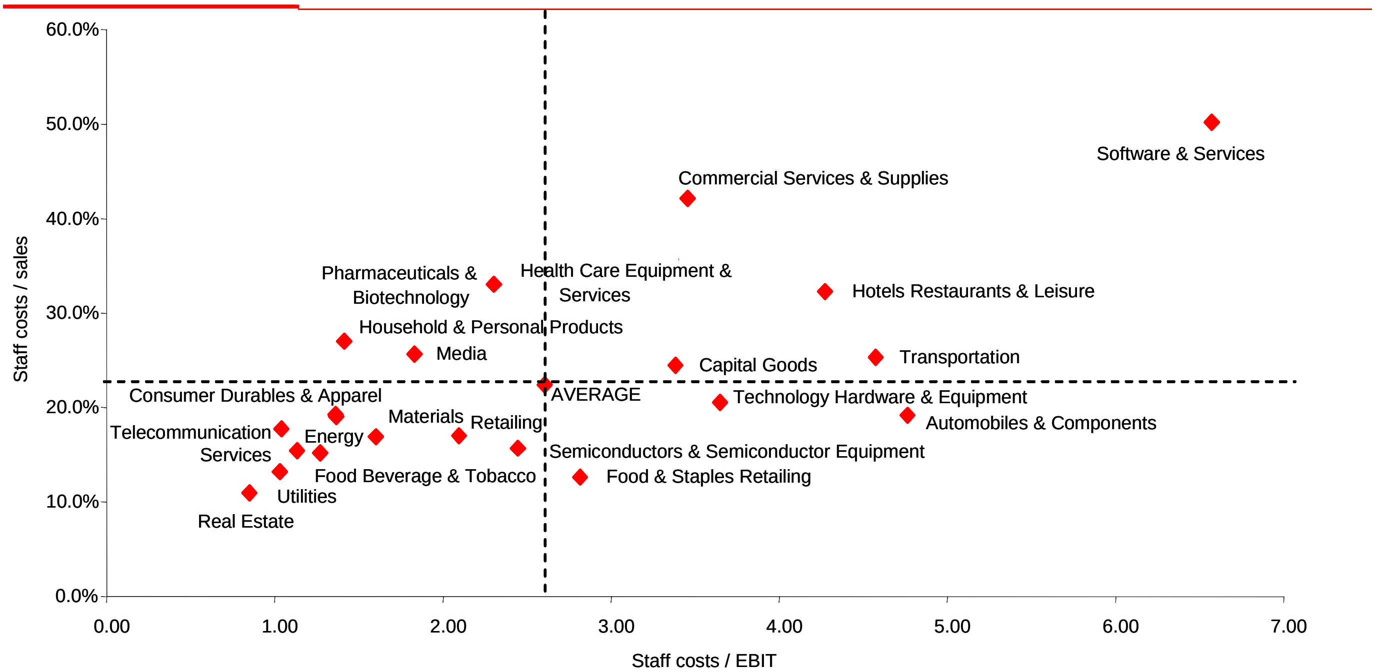


Source: SG Equity Research, companies, Worldscope – Median for the whole universe

The sector perspective: risky business!

If we calculate average staff costs to sales and EBIT ratios, the sector comparison will clearly differentiate some sectors from others – to the clear detriment of some.

Staff costs to sales and EBIT: sector view



Source: SG Equity Research

Gross AND net restructuring risk!!!

Combining this approach and Vigeo's assessment of the quality of management regarding restructuring (see below) has enabled us not only to measure gross restructuring risk, but also net restructuring risk based on an EBIT/staff costs multiple relative to restructuring scoring on a sector basis.

We think it is time to adopt a risk management approach and adjust the restructuring risk - measured by the level of staff costs to EBIT - by the quality of management observed in the restructuring area.

Net Restructuring Risk =

Risk (Staff costs / EBIT) / Restructuring skills (qualitative score)

As we have seen, **this ratio is operational and volatile as is economic reality**. Furthermore, a staff cost / EBIT ratio is not just a measure of the likelihood of restructuring: it is much more than that! **It gives management the apparently easy possibility to generate additional EBIT by monitoring staff numbers and costs, as well as telling us a great deal about the money a company can spare to ease and facilitate restructuring**. When the ratio is too high, one can be sure that severance packages accompanying the layoffs will be much restricted, and the observation is likely valid for all other measures regarding training and future wages.

Managing restructuring responsibly

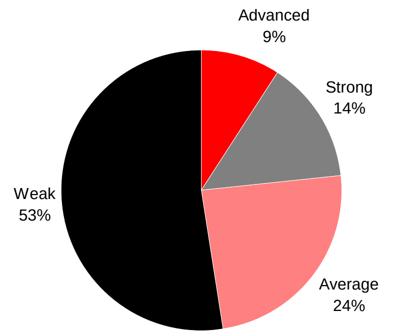
For the purposes of this report, SG has worked in partnership with **Vigeo** to provide an overview of collective restructuring in Europe and of companies' efforts to "responsibly" manage the process. Vigeo's research found that European companies demonstrate weak overall performance in terms of responsibly managing restructuring activities with few companies going beyond legal compliance and handling the issue in a reactive/crisis management rather than pro-active manner.

Legal requirements for collective dismissals

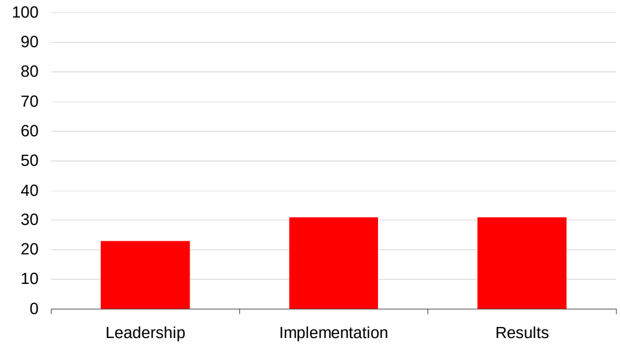
Vigeo has analysed the legal requirements for collective dismissals across Europe and the US, making reference to the differences that exist among countries with regard to negotiation, the role of employee representatives, and the role of the state. Among their key observations are:

- **Strong role of the state (France, Italy, Netherlands, Spain)**
- **Strong role of negotiation (Germany, Sweden)**
- **Market driven restructuring (UK, US).**

Overall distribution of European companies by level of performance – responsible restructuring



Average score (/100) by management dimension



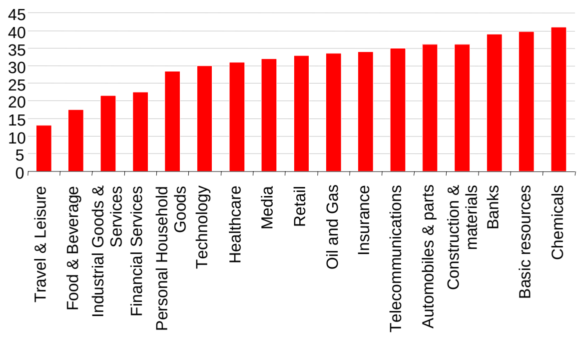
Source: Vigeo

EU companies are reactive rather than pro-active

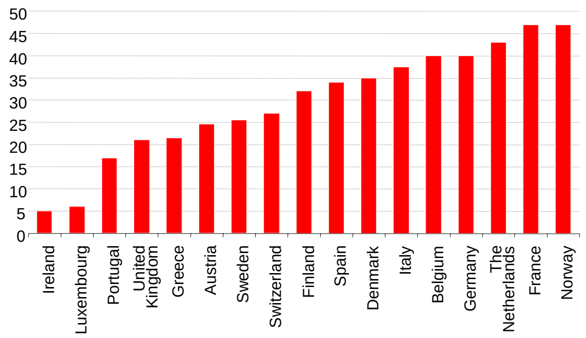
Based on a sample of 286 European companies across 17 sectors which have engaged in restructuring in the period under review, Vigeo found that companies overall demonstrate poor performance in terms of responsibly managing restructuring, only partially achieving their responsibility objectives in this field:

- **Companies fail to anticipate restructuring and framework policies for management are rare**. While companies are constantly engaging in restructuring processes, it is still largely handled as a crisis management issue.
- **Companies fail to go beyond legal requirements for restructuring**, with efforts largely focused on the restructuring process rather than the results (i.e. key performance indicators on the number of redundant employees that have found new employment).
- **National origin has a higher impact than sector** on company performance.

Average restructuring score by sector



Companies with 10k+ employees: average restructuring score by country of origin



Source: Vigeo

- **There is a link between a company's ability to manage responsibly its restructuring and its ability to foster strong labour relations,** as well as to support careers and skills development.
- **A company that benefits from a constructive social dialogue is more likely to succeed** in the consultation and negotiation with employee representatives and prevent layoffs.

- **A company that ensures the employability of workers, promotes professional mobility, and matches employment needs and skills requirements is more likely to be able to anticipate employment trends**, and achieve reemployment of workers made redundant.

Best practice examples of responsible restructuring by management dimension

Overall	Leadership	Implementation	Results
PSA Peugeot-Citroen	Outokumpu, Rhodia	Deutsche Postbank, PSA Peugeot-Citroen	Danisco, Novo Nordisk

Source: Vigeo

Two baskets of stocks for a pro-active investment strategy on restructuring

In this report we propose a very simple way to cross restructuring perspectives with financial perspectives. We have selected two baskets of companies on a dual SRI-financial basis:

- Our **preferred stocks**:

– Low net restructuring risk (SG Equity Research analysis of risk staff costs/EBIT and Vigeo's qualitative score for responsibly managed restructuring)

– Positive financial outlook by our financial analysts (Buy or Hold recommendation by SG Equity Research analysts).

- Our **least preferred** stocks

– High net restructuring risk

– Sell or Hold ratings by SG Equity Research analysts.

Investors will see that the two approaches are complementary, as a **low social risk (net of management) implies a structurally good EBIT margin** (compared to staff costs) but not necessarily a present opportunity to buy or to sell, depending on the immediate momentum.

Restructuring – two baskets of stocks selected on a restructuring and financial perspective

Restructuring-Financial - Our preferred stocks		Restructuring-financial - Our least preferred stocks	
Accor	Renault	Altran	Philips
BMW	RWE	Bilfinger Berger	Safran
Carrefour	Saint-Gobain	Carphone Warehouse	Telekom Austria
Colruyt	Sanofi-Aventis	Clariant	Swatch
France Telecom	Schneider Electric	Compass	ThyssenKrupp
Iberdrola	Solarworld	Deutsche Post	
Inditex	StatoilHydro	Fiat	
Indra Sistemas	TF1	Gemalto	
Lafarge	TNT	GKN	
LVMH	Total	Havas	
Marks & Spencer	Vallourec	Heineken	
Nestle	Xstrata	Invensys	
Novartis		Kesa Electricals	
		Logica	

Source: SG Equity Research

Sector by sector overview and risk analysis

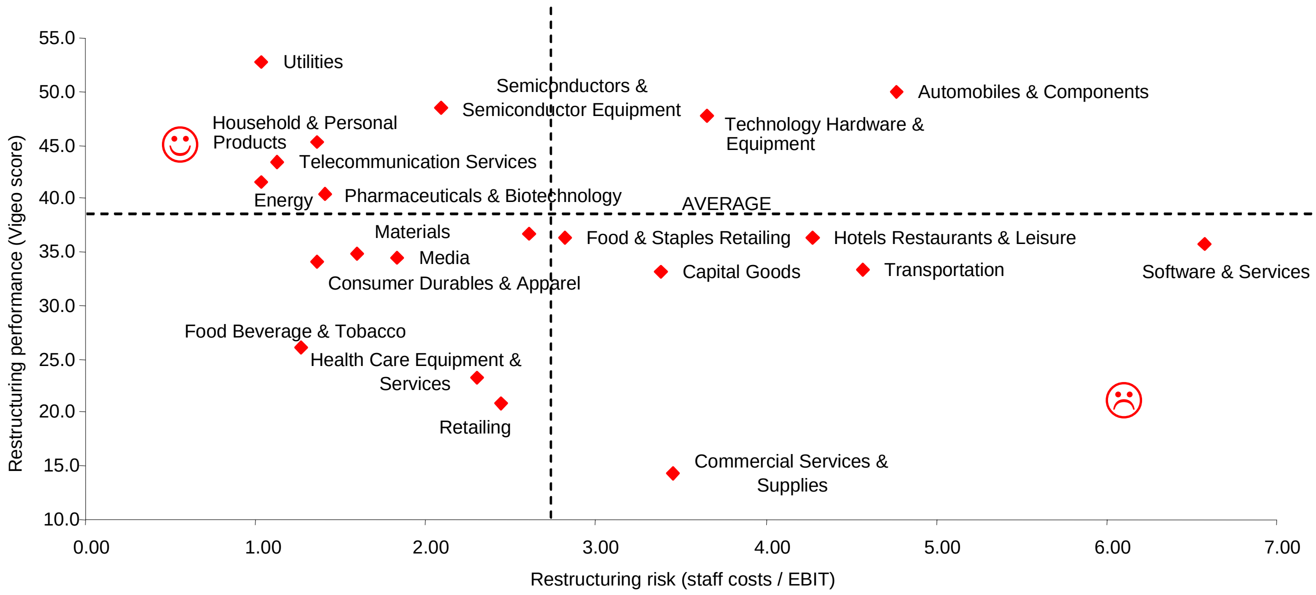
In this report, we provide our positions on companies from a restructuring and financial perspective across 21 sectors:

Sector coverage – Restructuring and financial perspective

Aerospace	Materials
Auto	Metals & Mining
Capital goods (General)	Media
Capital goods (Other)	Retail
Consumer, Durables & Apparel	Renewables
Energy	Software
Food & Beverage	Technology
Food Staples	Telecoms
Healthcare & Pharma	Transport
Hotels & Leisure	Utilities
Household & Personal Goods	

Source: SG Equity Research, Vigeo

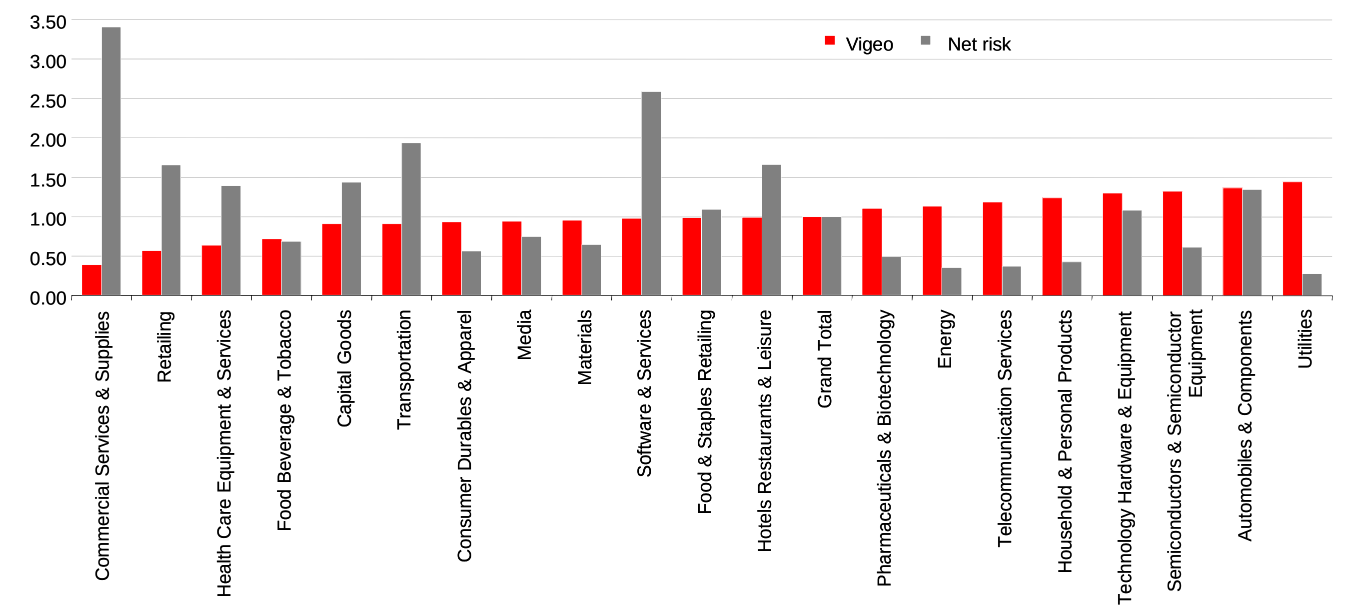
Net restructuring risk: a sectoral view over 2001-2008



Source: SG Equity Research (

The chart below synthesises the previous matrix.

Net restructuring risk: synthetic overview

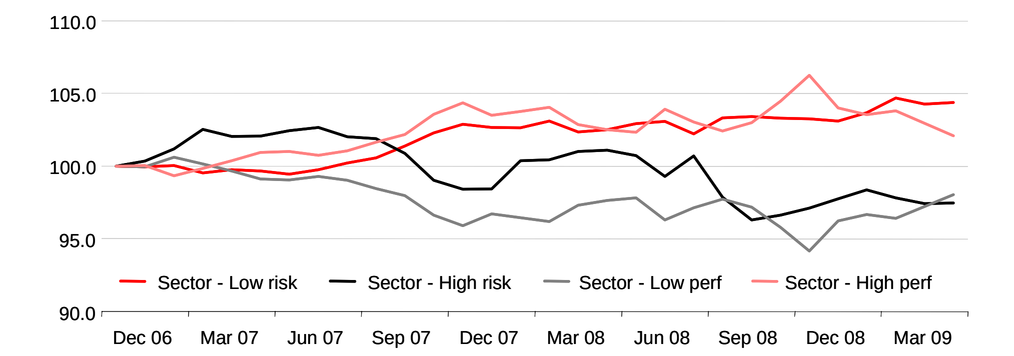


Source: SG Equity Research

Social performance and risk positively linked to financial performance!

Over the last two years, an investment in companies with either good restructuring skills or a low restructuring risk would have outperformed the general sample used for this report.

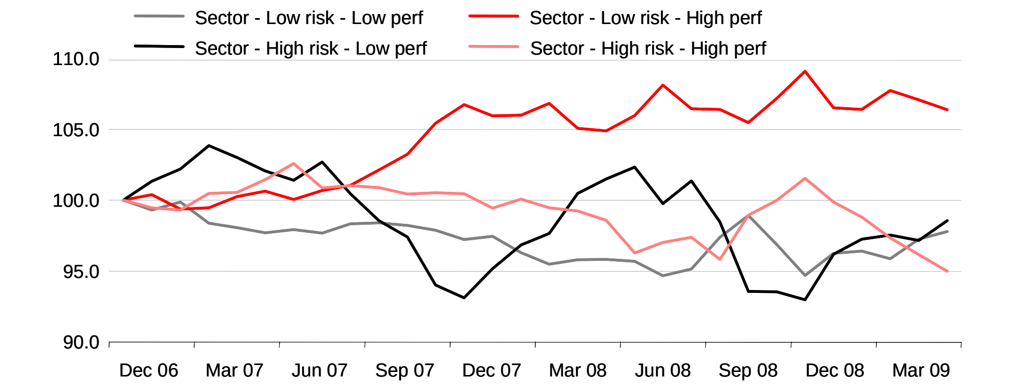
Backtest 2007-2009 : restructuring risk and skills (performance)



Source: SG Equity Research, Vigeo

We further refined this analysis to try to assess if blending the sector restructuring risk with the sector restructuring performance (skills) could deliver an even better performance (see chart below). A positive link is again observed, especially for the low risk–high skills basket. This strongly outperformed the general sample by +5.5%, a very encouraging sign for companies, long-term investors and employees!

Detailed back-test: 2007-2009 YTD



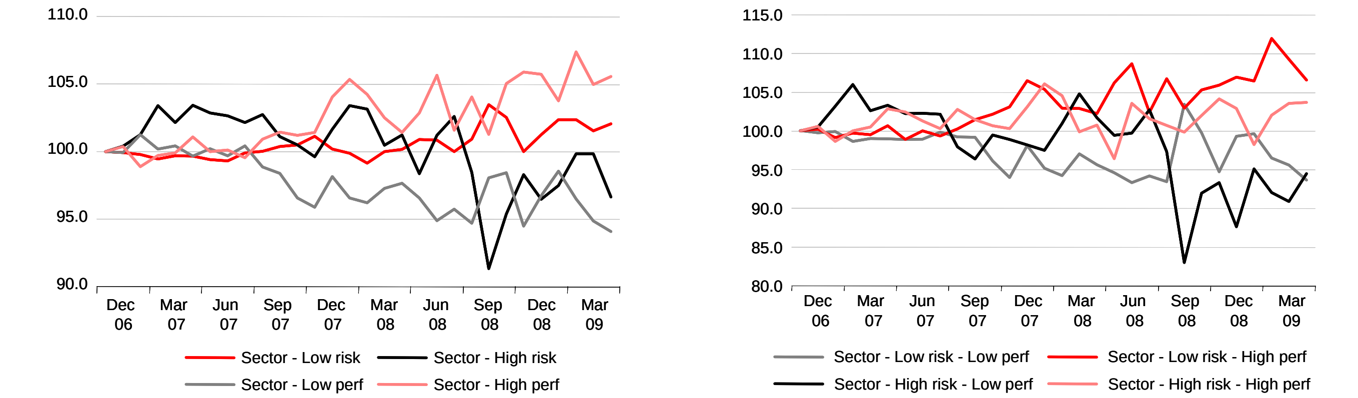
Source: SG Equity Research

By contrast, the high restructuring risk–low skills basket strongly underperformed, inversely mirroring the "good" basket's performance.

We note that the high restructuring risk–high restructuring skills basket (in pink) is slightly below the average and declines rapidly at the end of the period. This tends to demonstrate that the level of risk outweighs the quality of restructuring skills at the end of the process. The same observation can be made for high restructuring risk–low restructuring skills basket, which on the whole tends to underperform, despite a peak in Q4 2008.

Using the median and not the average as to calculate the performance of our different baskets, we observe the same results over the period:

Median performance of stocks by level of net risk



Source: SG Equity Research

This analysis leads to the following financial conclusions: **restructuring skills play a role with regards to financial performance, but restructuring risk, at least during the period of our back test, tends to play the dominant role, as it provides consistent results** (see page 38).

Nonetheless, **a very encouraging trend for long-term investors is that a basket including stocks with the best social performance in terms of restructuring AND a low restructuring risk profile tends to deliver a superior financial performance, outperforming all the baskets.**

Restructuring as a mainstream investment theme

Already a theme before the current crisis!

Restructuring, including layoffs, is a theme inevitably encountered by investors, in varying degrees of intensity. During the economic upturn from January 2004 to July 2007, nearly half of large cap companies either implemented substantial layoffs or phased job cuts. Corporate restructuring with a downsizing component has become a recurring process as European companies strive to adapt to changes in their business environment.

Better to light a candle than curse darkness

In our previous report *Restructuring and job cuts: better light a candle than curse darkness* (October 2007), we analysed the stock market performance of companies which announced layoffs between January 2004 and July 2007, and we detected a related increased investment risk. Companies which resort to significant layoffs generally share:

- Stock market profiles with below-average stability;
- A drift in share price performance on average; and
- More recovery stories looking at stock market valuations on a case-by-case basis.

One of the key findings of our analysis was that sound corporate governance and good relations with stakeholders generally facilitate the restructuring process.

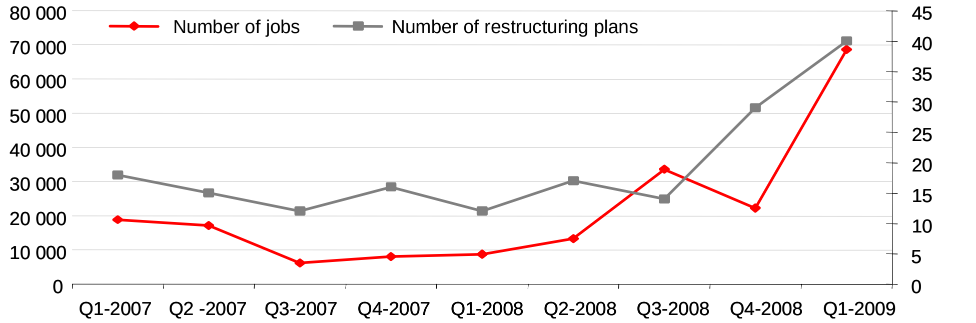
Economic crisis catalyst will mean increased restructuring and negative impacts for many companies

For the purpose of this report, we have built up a new coverage universe of 206 European companies, covered both by SG Equity Research financial analysts and Vigeo's analysts. We eliminated companies for which we were unable to obtain essential social and financial information such as staff costs. Finally, so as to avoid disproportionate interference from the financial crisis, we decided to withdraw banks, insurance companies and financial services from our universe.

60% of companies officially engaged in restructuring

Looking at all of the 206 companies in our universe, we eventually discovered that 146 distinct social plans were announced by 126 companies over the course of the last 27 months (from Jan. 2007 to March 2009) – which means 60%+ of our universe!

Restructuring: the crisis catalyst



Source: SG Equity Research, ERM

Investors need to be more cautious than ever

Recent events have confirmed a central premise of our 2007 restructuring report. The economy has entered a vicious circle and effectively we are seeing a drop in demand, declining profits and restructuring. Since then, SG's Global Economic central scenario has turned around to become relatively positive: "the global economy has clearly moved through an inflection point and most economies should 'exit' recession in the third quarter of this year; the inflection point in growth is likely to occur at the same time as an inflection point in prices" (cf. SG *Global Economic Outlook,* 7 July 2009).

However, our economists point out that "While most recessions in advanced economies over the last several decades have lasted slightly more than one year on average, recessions accompanied by banking crises and housing and equity busts have tended to last at least twice as long. Adding to the uncertainty on the outlook is the fact that many central banks have to remove extraordinary monetary policy settings on which beleaguered financial sectors may have become dependent. Fiscal stimulus will also need to be reversed, and public debt positions squared at some time over the forecast horizon" (cf. SG *Global Economic Outlook,* 7 July 2009). Given this overriding caveat and ongoing announcements of new or additional job cuts, we think investors should:

- **Be extremely cautious about economic growth and social risks for companies**
- **Adopt an active thematic approach to benefit from opportunities** linked to the current stressed situation, investing in companies best positioned to face restructuring and avoiding companies with a high level of risk.

What has changed since our last report

In our previous report we already showed that due to the frequency of restructuring announcements - 119 out of 200 large cap companies made announcements in that area over a four-year period – the ability of companies to develop and elaborate strategic views post-layoff was critical, notably with regard to financial performance. We also showed, as Vigeo does in this report, that companies "make ones' bed and lie in it", namely that corporate governance and the quality of restructuring went hand-in-hand and that one could serve as a good proxy for the other. This latter finding was closely linked to how investors should address the restructuring theme – restructuring is usually an economic necessity or a constraint, but in many cases, it can be the sub-optimal solution – hiding a company's lack of foresight and strategic view(s) before and after the layoffs.

Restructuring is triggered by the evolution of EBIT vs. staff costs!!!

We have supplemented the analysis in our last report with one major new element, which is seemingly obvious but rarely taken into account *vis-à-vis* analysing restructuring. We have found that restructuring is triggered mainly by the evolution of EBIT compared to staff costs. We see EBIT as the ultimate compass for both managers and investors. It should also be the key indicator for employees, as staff costs are less variable at any moment than EBIT. We have developed a ratio based upon EBIT forecasts and last known annual staff costs, which we believe is an excellent advanced indicator of the level of constraint that is going to weigh both on employees and the strategic choices of companies. We also note with some surprise that the non-operative staff costs to sales ratio is usually preferred by many players around the table – media at the forefront, but also investors – to the detriment of the solid, predictable and operative nature of EBIT.

Gross AND net restructuring risk!!!

In addition to this innovation, thanks to Vigeo's assessment of the quality of management regarding restructuring, we have been able not only to measure gross restructuring risk but also net restructuring risk based upon an EBIT/staff costs multiple relative to restructuring scoring on a sector basis.

Two baskets of stocks for a pro-active investment strategy on restructuring

Our preferred stocks on the restructuring theme are based on the following criteria:

- Low net restructuring risk (SG Equity Research analysis of risk staff costs/EBIT and Vigeo's qualitative score for responsibly managed restructuring)
- Positive financial outlook by our financial analysts (Buy or Hold recommendation by SG Equity Research analysts).

Conversely, we determined our **least preferred stocks** from companies with a high net restructuring risk with a Sell or Hold recommendation.

Investors will see that the two approaches are complementary, as low social risk (net of management) implies a structurally good EBIT margin (compared to staff costs) but not necessarily a present opportunity to buy or to sell, depending on the immediate momentum.

Basket 1: our preferred Restructuring-financial stocks

Two criteria

- **Median net restructuring risk below the sector average**
- **SG Equity Research Buy or Hold rated stocks**

Basket 1: Restructuring-financial performance – Our preferred stocks

	Sector	Median - staff costs / EBIT (corrected)	Median Staff/sales - staff costs/sales	Vigeo score	Net Risk (sector)	SG Target price	SG Currency	SG Reco
Accor	Hotels Restaurants & Leisure	3.4	36%	56.0	-0.28	37	EUR	Buy
BMW	Automobiles	1.9	16%	56.2	-0.45	35	EUR	Buy
Carrefour	Food & Staples Retailing	2.3	10%	57.3	-0.28	38	EUR	Buy
Colruyt	Food & Staples Retailing	1.7	12%	49.0	-0.36	182	EUR	Buy
France Telecom	Diversified Telecomm. Services	0.9	18%	64.4	-0.28	23	EUR	Buy
Iberdrola	Electric Utilities	0.4	8%	67.5	-0.49	6.1	EUR	Hold
Inditex	Specialty Retail	0.9	15%	28.0	-0.54	42	EUR	Buy
Indra Sistemas SA	IT Services	2.9	33%	59.5	-0.58	14	EUR	Hold
Lafarge	Construction Materials	1.2	18%	52.3	-0.32	60	EUR	Buy
LVMH	Textiles, Apparel & Luxury Goods	0.9	17%	40.0	-0.24	70	EUR	Buy
Marks & Spencer	Multi-Line Retail	1.4	13%	28.5	-0.37	4.45	GBP	Buy
Nestlé	Food Products	1.2	15%	28.7	-0.07	42	CHF	Buy
Novartis AG	Pharmaceuticals	1.3	27%	41.8	-0.07	57	CHF	Buy
Renault	Automobiles	4.4	14%	80.6	-0.24	23	EUR	Hold
RWE	Multi-Utilities & Unregulated Power	0.8	13%	62.0	-0.17	68	EUR	Buy
Saint-Gobain	Building Products	2.5	21%	59.0	-0.37	34	EUR	Buy
Sanofi-Aventis	Pharmaceuticals	0.7	24%	73.6	-0.54	49	EUR	Buy
Schneider Electric	Electrical Equipment	2.4	31%	53.3	-0.35	60	EUR	Buy
SolarWorld	Renewable energies	0.4	11%	57.0	-1.16	25	EUR	Buy
StatoilHydro	Oil & Gas	0.1		49.7	-1.02	130	NOK	Hold
TF1	Media	1.1	13%	68.0	-0.51	11.2	EUR	Buy
TNT Post Group	Air Freight & Logistics	3.7	35%	61.7	-0.36	15	EUR	Hold
Total	Oil & Gas	0.4		59.0	-0.61	47	EUR	Buy
Vallourec	Machinery	1.3	20%	48.3	-0.57	75	EUR	Hold
Xstrata	Metals & Mining	0.4	11%	37.3	-0.60	10	GBP	Buy

Source: SG Equity Research (Vigeo – for Vigeo score only)

Basket 2: Our least preferred Restructuring-financial stocks

Two criteria

- Median net restructuring risk above the sector average
- SG Equity Research Sell or Hold rated stocks

Basket 2: Restructuring-financial performance – Our least preferred stocks

	Sector	Median - staff costs / EBIT (corrected)	Median Staff/sales - staff costs/sales	Vigeo score	Net Risk (sector)	SG TP	SG Currency	SG Reco
Altran Technologies	IT Services	11.7	69%	18.5	0.54	2.2	EUR	Hold
Bilfinger Berger	Construction & Engineering	13.9	27%	20.5	0.82	24	EUR	Sell
Carphone Warehouse	Specialty Retail	2.8	12%	6.5	0.56	1.43	GBP	Sell
Clariant	Chemicals	3.4	23%	23.7	0.50	5.4	CHF	Sell
Compass Group	Hotels Restaurants & Leisure	8.5	52%	27.7	0.42	3.6	GBP	Hold
Deutsche Post AG	Air Freight & Logistics	5.0	33%	29.8	0.09	9	EUR	Hold
Fiat	Automobiles	8.3	14%	42.2	0.31	8.0	EUR	Hold
Gemalto	Semiconductors & Semi. Equipment	3.6	30%	41.3	0.30	18	EUR	Sell
GKN	Industrial Conglomerates	7.3	32%	16.0	0.65	0.84	GBP	Hold
Havas	Media	5.7	62%	21.0	0.71	2.1	EUR	Hold
Heineken	Beverages	1.3	18%	18.3	0.18	28	EUR	Hold
Invensys	Electrical Equipment	4.8	32%	24.0	0.29	1.8	GBP	Sell
Kesa Electricals	Specialty Retail	4.0	18%	6.0	0.75	1.15	GBP	Hold
Logica	IT Services	14.7	61%	35.7	0.35	0.67	GBP	Hold
Philips	Industrial Conglomerates	6.5	23%	26.0	0.39	12.5	EUR	Hold
Safran	Aerospace & Defence	4.0	23%	24.0	0.22	6	EUR	Sell
Telekom Austria	Diversified Telecomm.Services	1.4	16%	35.6	0.19	11	EUR	Hold
The Swatch Group	Textiles, Apparel & Luxury Goods	1.8	30%	24.0	0.28	110	CHF	Sell
ThyssenKrupp	Metals & Mining	4.7	23%	17.0	0.78	20	EUR	Hold

Source: SG Equity Research (Vigeo – for Vigeo score only)

Charlotte Bancilhon
Analyst at Vigeo

Legal framework for collective dismissals: EU and North America

EU law sets common ground among European countries for company requirements in the case of collective dismissals. Under the EU Directive on Collective Dismissals (Directive 98/59/EC):

- company management "shall begin consultations with the worker representatives in good time with a view to reaching an agreement"
- the consultation "shall, at least, cover ways and means of avoiding collective redundancies or reducing the number of workers affected, and of mitigating the consequences."

The directive on European Works Councils (Directive 94/45/CE) stipulates that in the event of a restructuring, the European Works Council shall be informed.

Hence, in all European countries, companies are required to inform and consult employee representatives in the event of restructuring and consider alternatives to dismissal. However, many differences exist among countries regarding room for negotiation, the role of employee representatives and the role of the state.

Legal framework for collective dismissals

	France	Italy	Spain	Netherlands	Germany	Sweden	UK	USA
State involvement	High	High	High	High	Some	Low	Low	Low
Administrative authorisation required	No	No	Yes	No	No	Yes	No	No
Information	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consultation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Significance of negotiation	Weak	Strong	Strong	Strong	Strong	Strong	Weak	Weak
Social plan required	Yes	Yes	Yes	Yes	Yes	No	No	No
Duration	Long	Long	Long	Long	Long	Long	Short	Short
Criteria for selection of employees made redundant	Strict	-	Not strict	-	Strict	Very strict	Not strict	No
Legal right to compensation	Yes	Yes	Yes	No	No (but in collective agreement)	No	Yes	No

Source: MIRE, ARITAKE-WILD, Vigeo

France, the Netherlands, Spain and Italy – Strong role of state

In Spain and Italy, a comprehensive legal framework surrounding restructurings encourages the negotiation of an agreement between company management and employee representatives. Indeed, a negotiated agreement is needed in Spain to obtain the administrative authorisation allowing company management to go forward with the restructuring. In the case that no agreement is concluded, the Labour Administration can choose to refuse the redundancy plan.

In Italy, a social plan negotiated with unions is necessary to avoid the intervention of labour authorities which would further delay the restructuring process. If no agreement is reached within 45 days, the Labour Administration will intervene. Only when an agreement with the union is reached or after all the procedural requirements have been exhausted, can the employer put into effect the planned redundancies. Unions can therefore effectively suspend the redundancy process until the procedure is completed.

In France, the legal framework does not encourage negotiations; the focal issue for companies is the respect of legal procedures surrounding the restructuring process. French law on collective dismissals is very detailed with strict procedures regarding the process for informing and consulting the works council. A social plan is required by law and becomes key in case of litigation. If a company breaks procedural rules, employees can obtain an emergency ruling that suspends the whole process. In addition, the Labour Administration can issue "a statement of neglect", forcing companies to improve their social plan. Restructuring plans are frequently contested.

In the Netherlands, like in Spain, companies need administrative approval to proceed with collective layoffs. The Labour Administration will not treat any request to collective layoffs before consultation with trade unions has taken place. The Netherlands is characterised by a consensus driven model and processes of consultation are generally able to influence the nature of the decisions on restructuring and their consequences for employees. If the works council and the management do not agree, the restructuring process is postponed for one month, during which the works council can appeal.

Sweden and Germany – Strong role of negotiation

Sweden is characterised by a long tradition of regulation through collective agreements, and negotiation plays a strong role in the outcomes of restructurings. The criteria for selecting employees made redundant are based on the employee's length of service in the company, also known as the "last-in-first-out" rule. This can only be changed by a collective agreement, giving labour unions considerable leeway.

The role of the state in regulating collective dismissal procedures is small and only in rare cases are redundancies not accepted by Labour Courts. However Labour Administration plays an active role in finding solutions for retraining and redeploying workers.

Germany's legal framework on restructurings defines procedures not outcomes. A social compensation plan must be negotiated between company management and the works council and give individual workers rights that are enforceable in court. There is no legal right to compensation nor to outplacement services but this is often present in the social plan.

UK and US – Market-driven restructuring

The UK model is characterised by a low level of state involvement in the restructuring process and weak power of employee representatives in influencing company management decisions. The employer has considerable leeway in deciding the selection criteria for the employees made redundant, but these should be objective and non-discrimination is a key issue. In practice, the consultation is more focused on selection criteria than on mitigating job loss. Redundancy pay is legally required but the minimum redundancy pay is among the lowest in the EU 15.

In the US, no legislation requires employers to inform, consult, or negotiate with employees over restructuring, aside from stipulations of the WARN Act. The WARN Act, or Plant Closure Act, requires companies with 100 or more employees to provide 60 days' notice in advance of a plant closure or mass redundancies. There is no legislation providing for works council type bodies. Collective agreements can address issues of job security but average collective bargaining coverage is low (15%). As in the UK, non-discrimination in the selection of employees dismissed is a focal point for US companies.

Managing restructuring responsibly: EU companies are more reactive than proactive

Based on a sample of 286 European companies across 17 sectors who have engaged in restructuring during the period under review, Vigeo found that companies overall demonstrate a weak performance in terms of the responsible management of restructurings, only partially achieving their social responsibility objectives in this field. The results of the study show that:-

- **Many companies fail to anticipate restructurings, and framework policies for managing restructurings are rare**. While companies constantly engage in restructuring processes, restructuring is still handled as a crisis management issue.
- **A large majority of companies primarily seek to respect legal obligations in terms of restructuring and efforts mostly relate to the restructuring process and not to the results**. Overall, companies fail to go beyond legal compliance and monitor key performance indicators linked to the restructuring's results (e.g. the number of employees made redundant that have found new employment).
- **National origin tends to homogenise companies' behaviour while belonging to a specific sector has a relatively low influence on how a company manages restructuring**.

Vigeo found a link between a company's ability to responsibly manage restructuring and its ability to foster strong labour relations, as well as to support career and skills development. It found that a company which benefits from a constructive social dialogue environment is more likely to succeed in the consultation and negotiation with employee representatives and prevent layoffs. In addition, a company that ensures the employability of workers, promotes professional mobility, and matches employment needs and skills requirements is more likely to be able to anticipate employment trends, and achieve internal and external re-employment of workers made redundant.

What is a responsible restructuring according to Vigeo?

International standards on restructuring

The responsible management of restructuring is enshrined in internationally recognised standards and is therefore part of a company's responsibility objectives.

Notably, in the case of collective dismissals, international labour law requires companies:

- To inform and consult, in due time, employee representatives on restructurings and provide information on "the reasons for the proposed job terminations, the number and categories of workers likely to be affected and the period over which the terminations are intended to be carried out," and consultation concerning "measures to be taken to avert or to minimise the terminations and measures to mitigate the adverse effects of any terminations on the workers concerned, such as help with finding alternative employment"
  – ILO, Convention 158, Termination of employment, OECD guidelines for Multinational Enterprises
- To implement practical measures to prevent and limit redundancies, such as "restriction of hiring, spreading the workforce reduction over a certain period of time to permit natural attrition of the workforce, internal transfers, training and retraining, voluntary early retirement with appropriate income protection, restriction of overtime and reduction of normal hours of work"
  – ILO, R166 Termination of Employment Recommendation

- To implement measures that promote the reemployment of workers, such as “the placement of the workers affected in suitable alternative employment as soon as possible, with training or retraining where appropriate.”

– ILO, R166 Termination of Employment Recommendation

How does Vigeo measure responsible restructuring?

Vigeo does not provide an opinion on the strategic relevance of a management’s decision to restructure.

However, Vigeo assesses the company's ability to prevent layoffs and propose appropriate collective and individual solutions, in collaboration with employee representatives. More precisely, companies have three responsibility goals:

- To inform and consult employee representatives before / during the restructuring process
- To put in place practical measures to prevent and limit redundancies (notably financial resources, processes and reporting)
- To implement measures to mitigate the negative effects of redundancies on employees, notably reemployment measures

Vigeo’s evaluation model

Vigeo’s evaluation model measures a company’s ability to achieve its social responsibility goals, on three dimensions:

Vigeo model for measuring responsible restructuring

Dimension	Definition	Angle
LEADERSHIP	Relevance of policies designed by the company	Content – Commitment to prevent and limit redundancies Ownership – Commitment to involve employee representatives before / during the restructuring process
IMPLEMENTATION	Significance of measures and processes implemented	Means and Resources – Significance of measures implemented to limit the impacts of restructuring Coverage – Proportion of concerned employees covered
RESULTS	Results achieved	Results - Success in managing restructurings through anticipation and cooperation with employee representatives, and avoiding involuntary layoffs

Source: Vigeo

The final score of a company on the criterion “responsible management of restructuring” is an average of the scores of the three dimensions (leadership, implementation and results). The assessment is based on publicly available information (disclosed by the company or its stakeholders, or obtained by Vigeo through specific questions addressed to the company and its stakeholders).

Top performing company in the management of restructurings

PSA Peugeot Citroën

After launching a restructuring plan in January 2007, involving up to 8,000 job cuts, PSA announced another wave of restructuring in November 2008, aimed at cutting between 2,700 and 3,500 jobs in France.

PSA shows a highly visible and relevant commitment to inform and consult with employee representatives on the evolutions of employment in the Global Framework Agreement on corporate social responsibility (CSR) it signed with international union federations, as well as local union federations. In France, the group signed an agreement with labour representatives on HR Planning and Development (Accord GPEC), which aims to anticipate employment shifts and evolution and defines procedures to systematically consult the European Works Council before local Works Councils when a large scale restructuring plan is announced.

Restructuring plans are based on voluntary departures, supported by financial compensation and internal and external mobility programmes, as well as by assistance in setting up new businesses.

Measures have been implemented to protect temporary workers. Indeed, in its Charter on Temporary Work, PSA stipulates that it will assist temporary workers in finding new employment in case of significant collective dismissals (resume writing, competency mapping, job interview preparation).

Results of restructuring measures were presented to the European Works Council at the end of 2007. For example, in 2006, a total of 6,312 voluntary departures were registered, including 4,185 who left for a professional or personal project; of these 92% have a job contract with a new employer.

Source: Vigeo

Overall performance of European companies is weak

Research scope

The sample comprises 286 companies within Vigeo's universe (DJSToxx 600) which have been involved in restructuring during the period under review:

Scope

	Number of companies	Nb of countries represented	Number of industry sectors
Vigeo universe	592	18	18
Sample under review	286	18	17

Source: Vigeo

Overall performance

With an average score of only 31/100, European companies only partially achieve their objectives to manage their restructuring processes responsibly.

Responsible management of restructuring – European companies

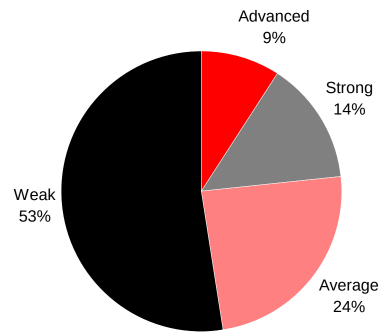
Average score	31/100
Maximum score	88/100
Minimum score	0/100
Standard deviation	24/100

Source: Vigeo

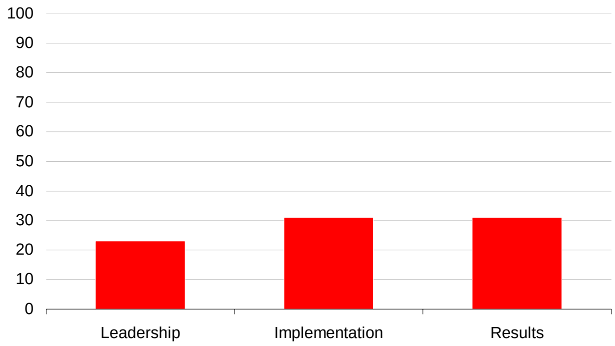
However, performance results point to wide discrepancies between companies, as shown by the high standard deviation. Indeed, although some companies demonstrate a high level of awareness on limiting the adverse impacts of restructuring and promoting reemployment, others fail to provide relevant commitments and provide no insurance that risks related to the management of restructuring are adequately handled.

More than half of the European companies under review show a low performance in terms of responsible management and, as a result, might be exposed to serious legal, operational, reputation and human capital risks.

Overall distribution of European companies by level of performance – responsible restructuring



Average score (/100) by management dimension



Source: Vigeo

Average scores in terms of leadership commitments, implementation measures and performance results are homogeneous and low.

▪ **Leadership:** visible and relevant commitments to inform and consult employee representatives on restructuring in due time are rare, as well as the signing of collective agreements on this matter.

▪ **Implementation:** details of restructuring plans are not often disclosed, or measures to support affected employees are only partially consistent and/or limited in their coverage.

▪ **Results:** companies tend to adopt a compliance approach and align their performance with local legislations. However allegations concerning breaches of legal obligations remain rare.

Weak leadership commitments show that companies fail to anticipate restructurings

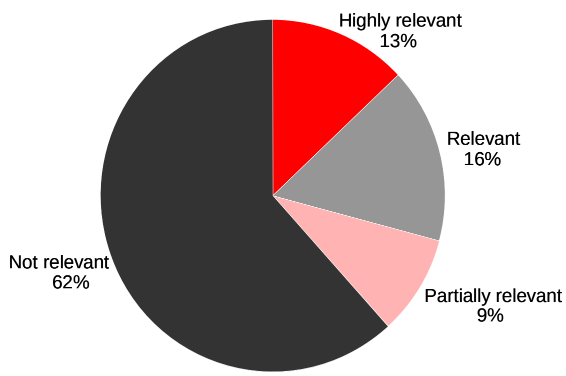
The evaluation of leadership commitments is based on two elements:

▪ The relevance of the company's commitment to limit layoffs, through anticipating and planning restructurings

▪ The company's commitment to involving employee representatives, notably through information, consultation and negotiation.

For detailed scales, see appendix 3.

Companies' "leadership commitments" in terms of responsible management of restructuring



Source: Vigeo

A large majority of European companies do not publicly commit to managing restructuring, through anticipation and the consultation of employee representatives, or to preventing layoffs, and propose appropriate collective and individual solutions in a context of restructuring. Anticipatory group-wide commitments are lacking overall.

While companies constantly engage in restructuring processes, restructuring is still handled as a crisis management activity. Overall, companies fail to draw up framework policies aimed at anticipating changes in employment, even though restructuring has become a permanent trend.

Best practices in leadership commitments

Company cases	
Rhodia	Rhodia signed a Global Corporate Social Responsibility Agreement with ICEM – International Federation of Chemical, Energy, Mine and General Workers' Unions – which details Rhodia's engagements in the event of a restructuring. According to this agreement, the company's European Works Council is allowed to monitor the restructuring plans. An agreement was signed with five French labour organisations regarding the Group's recovery plan, creating a Strategic Dialogue Body where unions are informed and can express their opinions about the organisational changes and Rhodia's new strategic vision.
Outokumpu OYJ	Global and local guidelines have been drawn up for the implementation of codetermination negotiations, which covers layoffs. The guidelines stress the importance of complying with local laws and practices, but also emphasize the need to deal with difficult issues as openly as possible and without undue delay, while maintaining respect for the employees

Source: Vigeo

Most companies do not implement significant measures

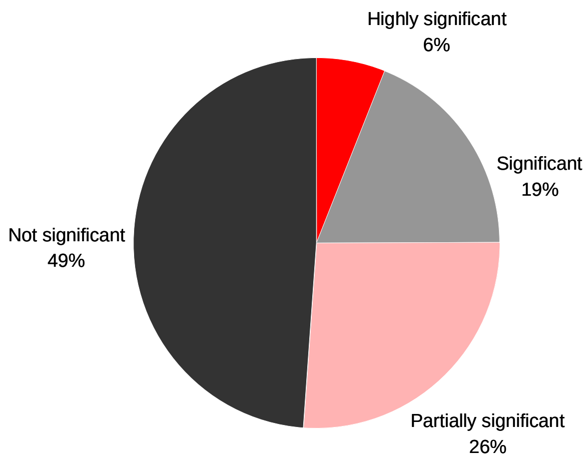
Measures implemented to minimise job loss are also limited.

The evaluation of the implementation of measures is based on two elements:

- The significance of measures taken to reduce the impacts of restructurings. Basic measures fail to keep redundant workers in employment (early retirement, financial compensation), while extensive measures minimise job loss (internal mobility, retraining, outplacement, support for business creation)
- The proportion of employees benefiting from these measures, including subcontractors.

For detailed scales, see appendix 3.

Companies' "implementation measures" in terms of responsible management of restructuring



Source: Vigeo

Half the companies under review either fail to disclose or set up measures to mitigate layoffs. However, one quarter of companies implement measures to minimise job loss and support the reemployment of redundant workers.

Best practices in implementation processes

Company cases	
Deutsche Postbank	Following the integration of BHW, staff requirements were reduced by around 1,200 jobs for 2006 and 2007. The measures implemented by the company to limit the impacts of restructuring included significant financial compensation, changes to working hours, an internal mobility programme, outplacement services, and re-training. Key points include the waiver of dismissals for operational reasons in the BHW companies in the period up to December 31, 2008. The agreement on headcount reductions includes the promotion of internal mobility, early retirement, severance pays, alternative working time models, retraining and outplacement. These measures are allocated to all employees affected by the restructurings.
PSA Peugeot Citroen	Measures have been implemented to protect temporary workers affected by restructuring. In its Charter on Temporary Work, PSA stipulates that it will assist temporary workers in finding new employment in case of significant collective dismissals (resume writing, competency mapping, job interview preparation).

Source: Vigeo

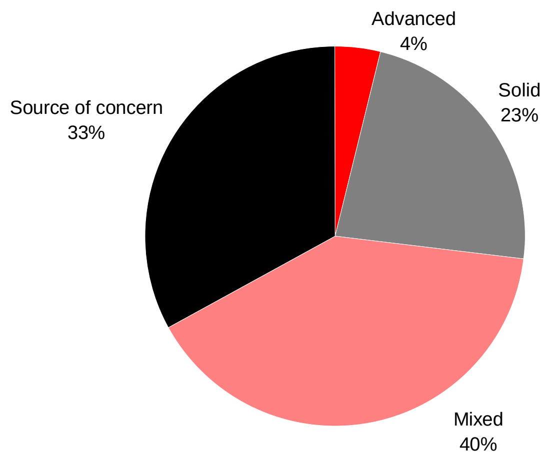
In terms of results, few companies go beyond legal compliance

The evaluation of results is based on:

- The success of companies in managing restructurings, in terms of anticipation and in collaboration with employee representatives, and avoiding involuntary layoffs. Efforts to monitor the situation of employees affected by restructuring are taken into account.

For detailed scales, see appendix 3.

Companies' results in terms of responsible management of restructuring



Source: Vigeo

Approximately 70% of companies either fail to provide information on the results of their restructurings or adopt a legal compliance approach. This underlines that a large majority of companies primarily seek to respect their legal obligations in terms of restructurings, which mostly concern the process of the restructuring and not the results. Overall, companies fail to go beyond legal compliance and monitor key performance indicators (e.g. the number of redundant employees that have found new employment).

Best practices in results

Company cases	
Danisco	Danisco tracks indicators to monitor the results of its policies. For example, around 35 out of the 39 redundant employees in Mexico have found new jobs. Around half of them are working in private or public companies and the other half have established their own businesses and are using the skills they obtained working for Danisco, for instance within welding and electricity work.
Novo Nordisk	In terms of results, the company has managed restructurings through anticipation, in agreement with employee representatives, and set up a system to monitor the situation of employees affected by the restructurings: out of the 180 redundant positions, 130 employees moved to new positions. Of the remaining 49 employees, some have started their own company

Source: Vigeo

Examples of controversies

Company cases	
Valeo	The French court of appeal in Toulouse ordered Valeo to pay €15m in damages and interest to 950 former employees, of which €4.5m was already paid to 260 former employees of its car-cabling plant in Labastide Saint-Pierre. The court ruled that the company did not respect its obligation to redeploy staff following the closure of the plant in 2003.
Arcelor Mittal	In May 2006, in South Africa, the National Union of Metalworkers of South Africa (Numsa), criticised Mittal for forcing union workers "to take retrenchment packages" and being "re-employed with either less wages or no basic working conditions benefits".
Michelin	In 2004, a case for violation of the OECD Guidelines for Multinationals was brought against Michelin in Mexico. The allegations concerned the closure of two Uniroyal plants without prior notice or consultation with the workers. Trade unionists alleged that one of the closed plants was re-opened under a new name with the same production, structures and owners and that the other plant never closed and has continued to produce the same tyres. The dismissed workers were refused re-employment by Uniroyal. Michelin on the other hand asserts that the two plants were closed in accordance with Mexican law and that workers received adequate severance payments. Also, according to the company, one of the plants was acquired by a Michelin vendor and the other plant was reopened under a new labour contract. The latter plant produces more complex tyres than in the previous Uniroyal plant requiring a more educated workforce. Details of this case, although complex, show that Michelin failed to guarantee employment to the workers made redundant at the two Uniroyal plants, and to adequately invest in staff training to support employee mobility and redeployment.
Stora Enso	Since 2007 Stora Enso has experienced a number of structural changes that had a direct impact on the group's employees. A total of 675 people were affected by major mill closures. Decisions on further restructuring, mainly in Finland and Sweden, announced in October 2007 have affected about 1,700 employees. As part of these restructurings, the ICEM Paper Sector Chairman denounced the company's "lack of will" to engage fairly with the company's workers and their representatives. The company had been criticised by trade unions for having broken an agreement to sell two paper machines at a closed French mill (Corbehem) to a French start-up company and a workers' association supported by the French government. The start-up could have ensured 280 of the mill's 500 jobs. Demonstrations were held in Paris and Brussels and trade unions began industrial action that blocked production by the company's third machine at Corbehem. According to ICEM, Stora Enso "has discarded meaningful relations with its workforce and their workers' representatives in order to impose job sackings in both Finland and France"

Source: Vigeo

A company's leadership commitment does not guarantee adequate risk management. Despite issuing a formalised commitment to anticipate and mitigate layoffs, companies may still face allegations.

Examples of allegations despite formal commitments

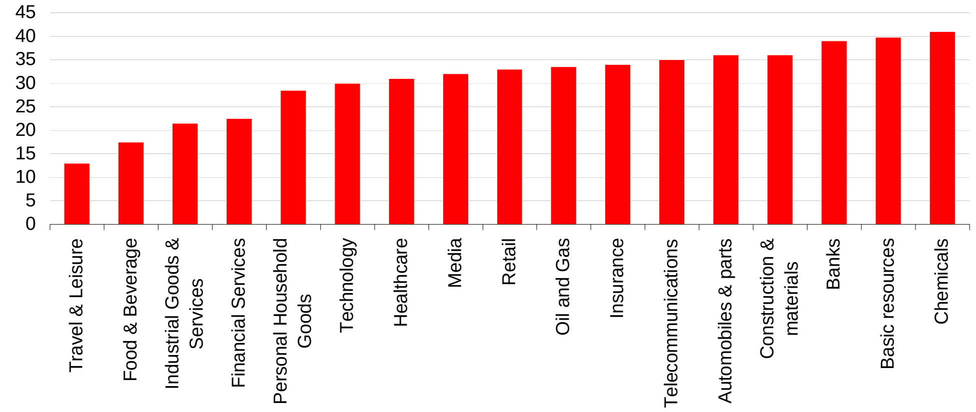
Companies cases	
PPR	Although PPR was committed to redeploying all employees concerned by Fnac Service's restructuring, it was condemned by the Bobigny tribunal which ruled that the company had failed to carry out its obligations.
Imerys	In 2006, Imerys announced that it would make 800 workers redundant in the UK. Despite a commitment to minimise the number of lay-offs, to announce planned divestments or closures as early as possible in the decision-making process, and to negotiate with employee representative bodies on restructurings, Imerys faces allegations with regards to the way it manages restructurings: according to the union, the company refused to negotiate adequate redundancy packages. In September 2006, at an ICEM meeting (International Federation of Chemical, Energy, Mine and General Workers' Unions), representatives of three labour unions pointed to the company's adverse labour relations, as well as to its practice of forced redundancies.

Source: Vigeo

Belonging to a sector has a moderate influence on performance…

With a standard deviation of 8, differences between sectors are overall limited.

Average score by sector



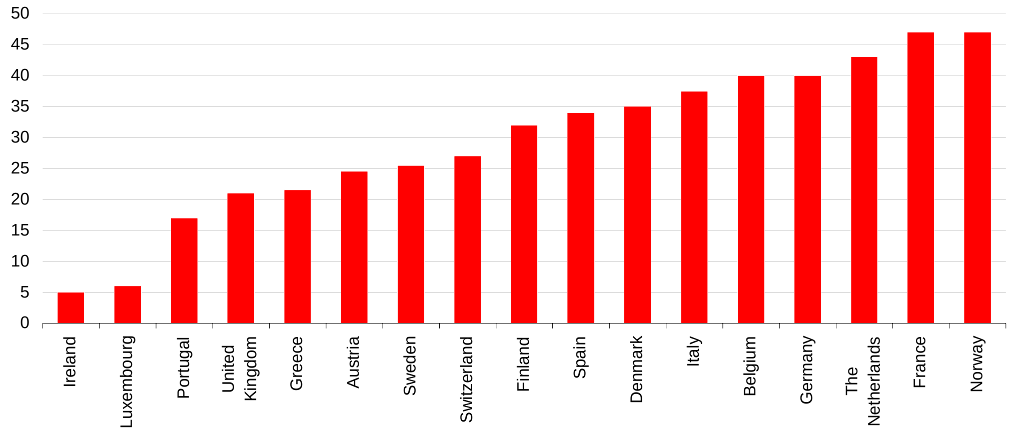
Source: Vigeo

Sectors that perform above the average are characterised by a strong presence of labour unions (Automobiles, Chemicals), the historical role of the state (Telecom, Oil & gas), and/or a highly qualified workforce (Banks and Insurance). Sectors with weak performances are characterised by a low presence of labour unions and sub-par working conditions (Travel & Leisure, Food & Beverage).

… but country of origin can be a differentiating factor

National origin has a higher impact on companies' performance in responsibly managing restructuring. Company performance per country of origin remains relatively heterogeneous.

Companies > 10,000 employees – Average score by country of origin



Source: Vigeo

When looking at standard deviation within each country of origin, we note that national origin tends to homogenise company behaviour. Indeed, the standard deviation of scores within countries under review is lower than within the whole sample, meaning company performance is more homogeneous within each country.

The sample of Norwegian companies is marked by a predominance of high-performing sectors, including Basic Materials and Oil & Gas.

French and German companies (larger than 10,000 employees) display strong performances compared to other European countries, thanks to some companies with particularly high scores. Within collective dismissals procedures, national laws encourage the signature of an agreement between social partners in Germany, while in France companies must draw up a Social Plan with a view to mitigating layoffs.

Although Sweden has a proactive model for restructuring management, in which negotiation lays at the heart of decision-making, Swedish companies do not perform as highly as expected. This is because Swedish companies often do not formalise objectives in terms of labour relations and employment shifts and often fail to communicate on measures implemented.

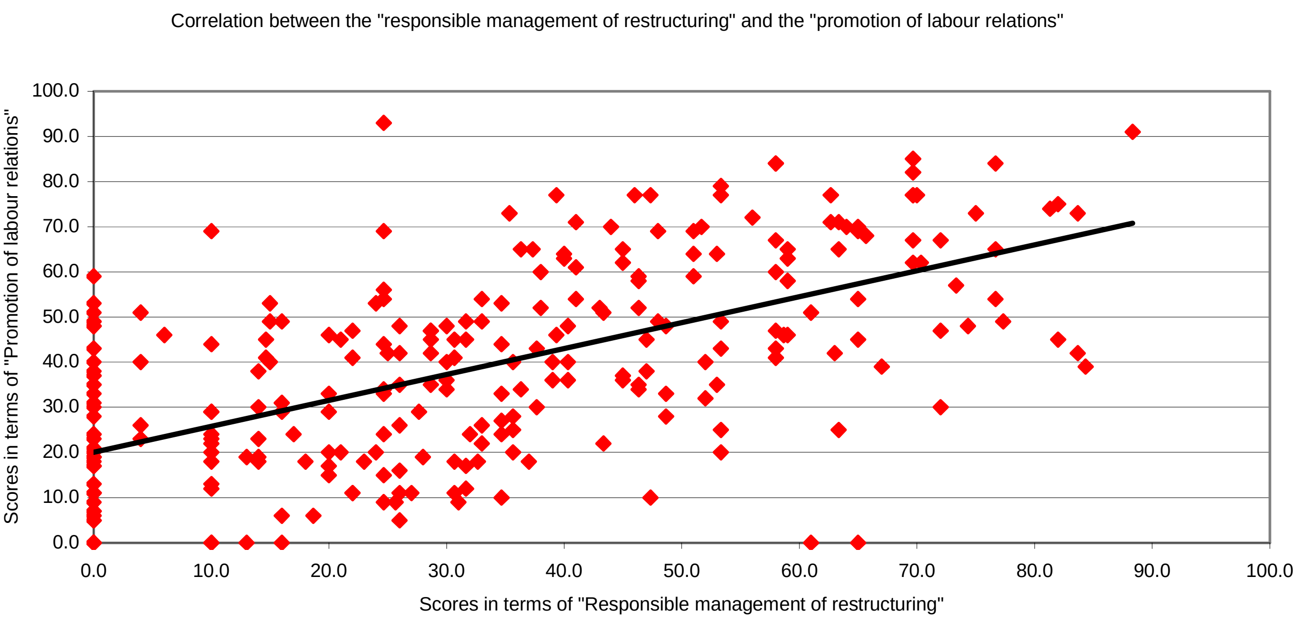
In the UK, the main obligations are providing severance pay, while employee representatives have very little power to negotiate. UK companies overall display a weak performance.

Social dialogue, career management and training are key performance drivers

We found a link between a company's ability to responsibly manage its restructuring and to foster strong labour relations, as well as to support career and skills development.

Key success factors include sound social dialogue...

Correlation between the "responsible management of restructuring" and the "promotion of labour relations" indicators



Source: Vigeo

We found a correlation of 0.6 between our scores related to the "Promotion of social dialogue" and our scores on the "Responsible management of restructuring."
A company that benefits from a constructive social dialogue environment is more likely to succeed in the consultation and negotiation with employee representatives and prevent layoffs.

The Software & IT sector case - Weak social dialogue and poor management of restructurings

This sector is characterised by the individual nature of social dialogue, and a low proportion of unionised employees: the high qualification of employees who, so far, have benefited from relatively good working conditions (notably in terms of wages) tends to limit the recourse to labour union-based bargaining practices.

According to union sources, several companies in the sector have a hostile attitude towards social dialogue (e.g. Alten, Sage, Logica).

Corporate performance points to a lack of transparency on the management of restructuring:

- None of the companies in the sector has formalised any visible commitment to managing restructuring responsibly.

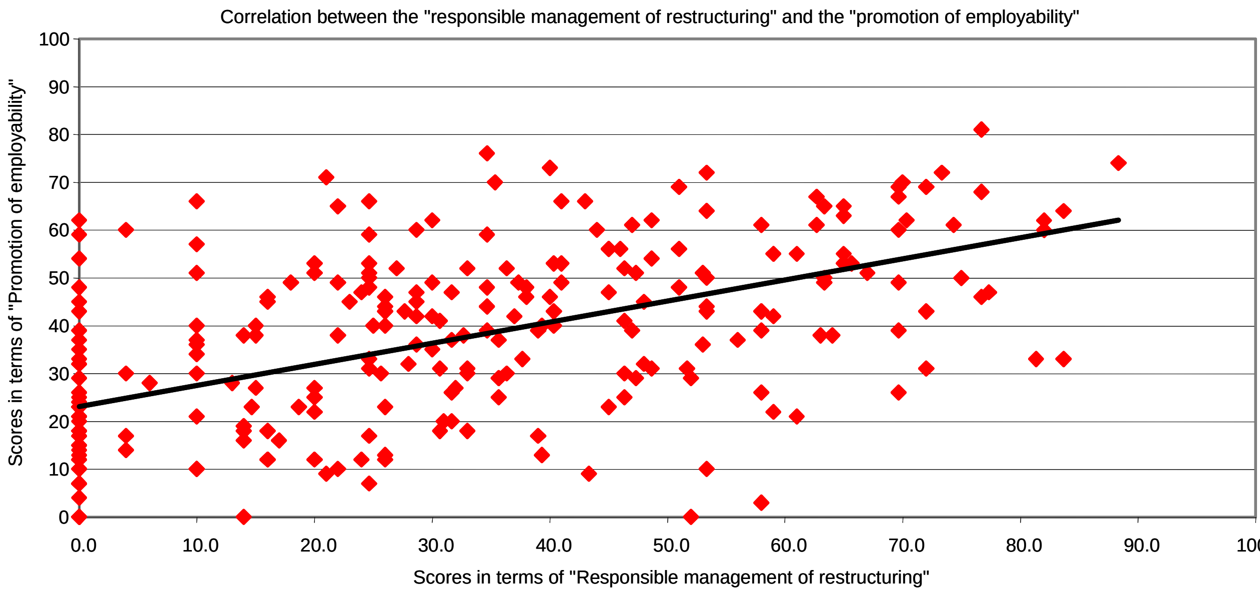
- Staff between two client assignments ("intercontracts") are frequently subjected to psychological pressure aimed at accelerating voluntary departures.

The Automobile sector case - Developed social dialogue and positive management of restructurings

The auto sector is characterised by a traditionally strong role of trade unions, as demonstrated by the impressive number of Global Framework Agreements (GFA) signed with international union federations by companies in our panel (30%). Thanks to the significant presence of labour unions, 40% of sector companies have signed an agreement on the responsible management of restructurings, including commitments to dispense with forced redundancies and ensure job security (e.g. Daimler, Volkswagen).

… and strong career and skills management

Correlation between indicators "responsible management of restructuring" and "promotion of employability"



Source: Vigeo

A correlation of 0.6 exists between the two criteria “responsible management of restructuring” and “promotion of career development and employability.”

A company that ensures the employability of workers, promotes professional mobility, and matches employment needs and skills requirements is more likely to be able to anticipate employment trends and to achieve internal and external reemployment of workers made redundant.

The Telecom sector case - Investment in training and positive restructuring management

While the sector has been undergoing extensive transformation leading to organisational changes, evidence shows that telecom companies are increasingly investing in skills and training. Training hours and budget per employee increased between 2005 and 2007 and companies offer training to 65% of their employees, on average. The Telecom sector also performs well in the management of restructurings; three companies have signed overarching agreements with employee representatives, which commit them to managing restructuring in a responsible manner.

Career management and training

Company cases	
Thales	Acknowledging the correlation between restructuring and promotion of employability, Thales signed an agreement on the anticipation of changes in employment needs in which it commits to anticipating restructuring and to developing training and re-training programmes, as well as develop tools to foster internal and external mobility.
Arcelor Mittal	As part of the closure of ArcelorMittal’s site in Gandrange, French Unions denounced the company’s low investments in the site, particularly in terms of training for newly hired staff, which resulted in lower productivity and quality and also caused damage to steel melts.

Source: Vigeo

Restructuring: it's time to think differently

Restructuring is usually seen from either a purely financial perspective or a purely social perspective. In the first case, it will be seen as a necessary process so as to adapt the company to a new economic perspective, as a defensive or an offensive move. In the second case, companies are presumed to be structurally stable and wealthy enough to face this new context, with a limited need to restructure. If restructuring is needed, then implementing best practices in terms of social dialogue with stakeholders and the allocation of financial resources to minimise impacts will be key. In this report **we intend to show that the two perspectives must be combined for this issue to be of benefit to both investors and employees**.

Financial AND social issues must be taken into account

Some companies are seen as particularly strong "performers" with regards to their HR policies, in particular on their restructuring policies. They seem to have developed all the relevant tools (social dialogue, part-time work, training, partnerships to re-industrialise sites, internal mobility, long-term planning of HR needs, severance packages etc.). Conversely, some companies with decent track records regarding restructuring may present a risk for both investors and employees. If restructuring is frequent in their past, it might very well be that the company is unable to prevent changes in a timely manner and always waits to the "last minute", knowing that they have the know-how to restructure as many times as needed. Even for long-term investors taking a social view, it might be a weakness to invest in companies hit by frequent restructuring, with potential side effects including restructuring costs, lack of focus on innovation and products, and an institutional dimension of poor relationships with stakeholders.

Given the range of factors at play, we believe it is time for all investors to look at restructuring as a frequent process affecting - from time to time - most companies. We believe they need to analyse it in terms of the quality of management and opportunity proxy provided that both key aspects – financial and social – are taken into account. This is why **we propose for the first time to introduce an objective measure of restructuring risk net of restructuring skills**, of which restructuring is certainly amongst the most critical for any company.

Time to think about profitability and EBIT

Our focus on financial indicators is not a surprise for those who have already read us through our *SRI Navigator* and *Back to Basics* reports. Our "Copernican" view is that EBIT is the key metric to keep in mind as long as business sustainability and stakeholders' interests are at stake. The rationale behind this is simple: businesses are not developed to simply sell more products and services but to achieve a sustainable level of profitability. If this level tends to decrease or to vary too much, especially versus what the competition delivers, the whole business is jeopardised, as are the benefits for the other stakeholders.

In the case of restructuring, we believe that EBIT variations and levels, relative and absolute, will definitely be the first risk for both employees and investors. This is so for a very simple reason: investors do not earn money from sales but from operating income to start with, whereas employees are at risk as soon as their wages and salaries – usually a permanent cost for the company for a given period of time – tend to become too important versus the residual money that is the company's operating profit. If so, there is a very likely risk that the management will tend to adjust staff costs to operating profit in line with long-term trends. Moreover, it is quite clear that while a certain quantity of staff costs are needed to generate a certain level of EBIT, any reduction of staff costs will mechanically deliver additional EBIT proportionally to the staff costs / EBIT ratio. That will be critical for companies and investors, and conversely for employees.

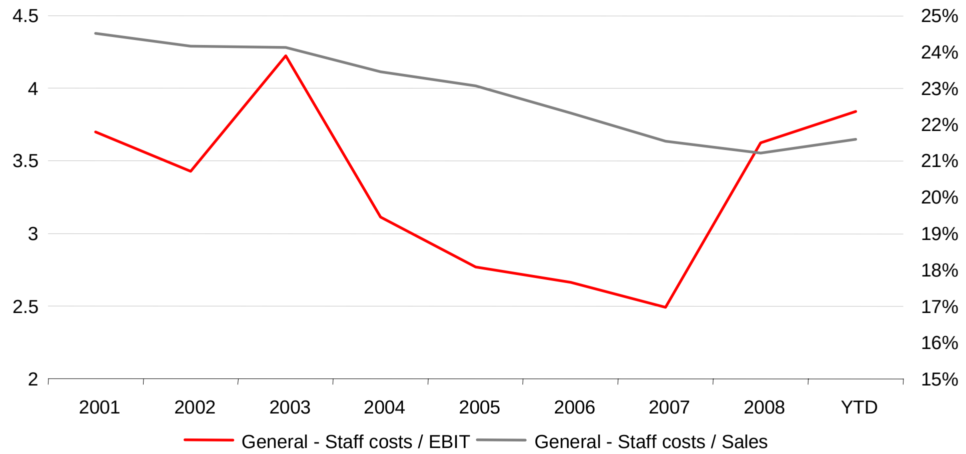
In that vein, **considering EBIT as the key metric against which stakeholder costs are measured – instead of sales for instance – is quite obvious**, as

- sales will be more stable than EBIT and will not help detect any real deterioration of the economic viability of the company, and
- the effect on modulating staff costs as a way to stabilize operating profit - the multiplier effect - will not be understood.

The chart below clearly demonstrates that:

- Severe economic crises like in 2003 or 2008 do not strongly affect the proportion of staff costs to sales
- EBIT is under pressure, with a strong variation.

Staff costs to Sales & EBIT: general view



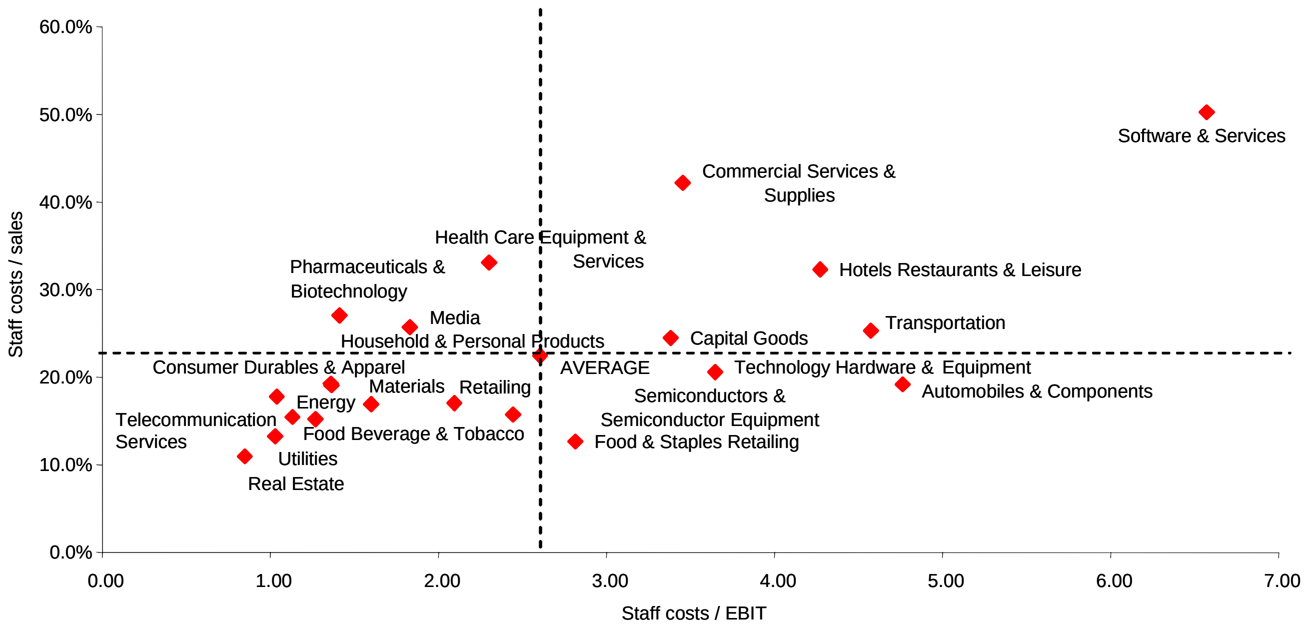
Source: SG Equity Research, companies, Worldscope – Median for the whole universe

The chart is based upon our sample of 250 European companies observed, for the most part, since 2001. The universe is at the cross-roads of three screening processes, companies covered both by SG Equity Research and by Vigeo, our partner for the purpose of this report, with a third screening on transparency of staff costs. Unfortunately, staff costs is not an accounting item that listed companies are legally required to report on, whereas we believe that it may very well be the most needed one, or at least the most operational.

The sector perspective: some sectors at greater risk!

If we now calculate average multiples for staff costs and sales to EBIT, the sector comparison will clearly differentiate some sectors from others.

Staff costs to Sales and EBIT ratios: sector view



Source: SG Equity Research

In the above chart, one must not be mistaken: the most important standpoint to bear in mind is the staff costs / EBIT level for assessing the restructuring risk. Any time this ratio is higher than 1, it means a reduction of €1 of reduction in staff costs will generate more than €1 of additional EBIT! If the average ratio of our sample is at 2.7x, it means that reducing staff costs by €1 will increase profitability by €2.7. Then all sectors on the right side of the chart have a very important multiple. During a growth period, monitoring staff costs strictly can already help improve strongly the operating margins. But with an economic slowdown coming ahead, this "social gearing" ratio may have devastating effects. It will come in two steps: first, the sales figures will deteriorate, mechanically reducing EBIT and then increasing strongly the staff costs to EBIT ratio. When the ratio is deteriorated because of vanishing sales, reducing structural costs will be unavoidable to restore margins, and the staff will be in the first line to the degree that the ratio of staff costs / EBIT is particularly high.

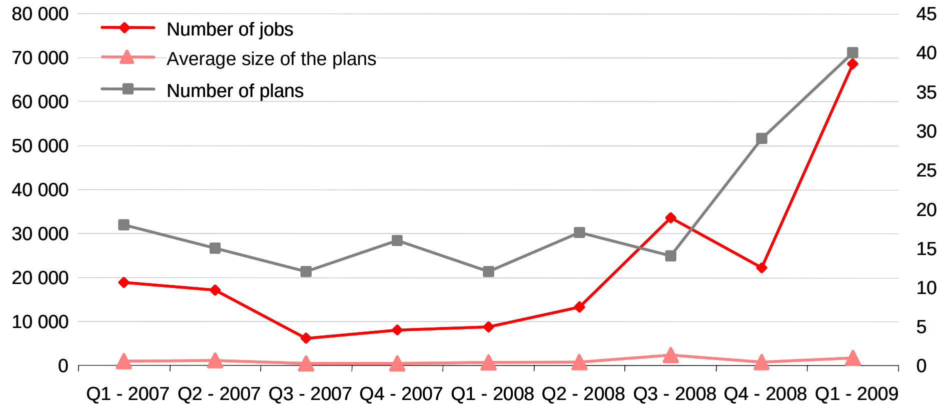
Why sales to staff costs is not a useful ratio!

We do not believe that a sale to staff costs ratio is useful. This is because, firstly, management pilots the company with the profitability compass, and, secondly because growing or decreasing sales do not tell us anything about staff cost variations, even without considering the need to reduce or to accelerate those staff costs. From an accounting perspective, staff costs are below the top line – i.e. sales – so sales and staff costs are not linked, whereas EBIT, as the residual value between sales and cost of goods sold broadly speaking – including staff costs – is genuinely linked to staff costs. Any variation in staff costs may therefore modify EBIT level, while inversely any variation in EBIT due to other causes can put pressure on staff costs.

Staff costs to EBIT is correlated to layoffs and restructuring plans

The following chart is based upon an employment database built upon newspaper announcements of restructuring plans. It is the same database that was used in our previous report on restructuring. We have concentrated exclusively on plans announced by companies in our sample coverage universe.

Evolution of restructuring plans from January 2007



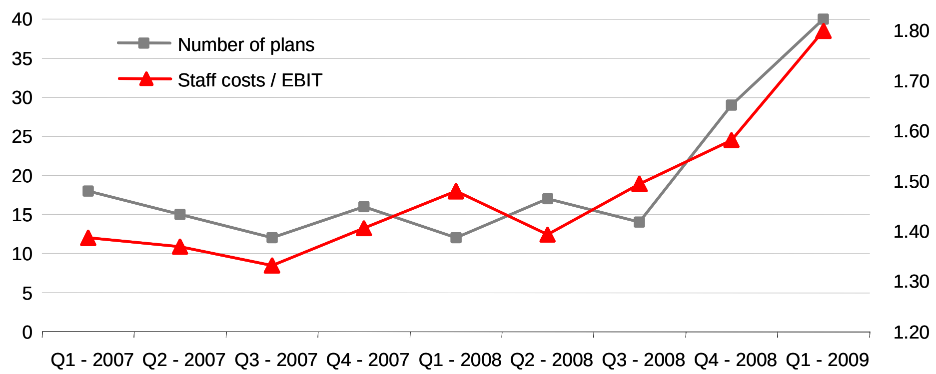
Source: SG Equity Research, European Restructuring Monitor

Rather unsurprisingly, the number of announcements of restructuring plans started to multiply by Q3/2008, with equivalent consequences in terms of employment, even though the average size of layoff plans did not really change. This tells us that:

a) restructuring – as seen before Q3/2008 is now part of the normal life of companies, and

b) the brutal deterioration and the amplitude of restructuring plans is much more linked to operating profit perspectives than anything else, as seen in the following chart.

Restructuring plans and staff costs / EBIT - parallel evolution



Source: SG Equity Research, Datastream/IBES for EBIT forward estimates – coverage: common universe SG-Vigeo, sample median, elimination of non significant data (negative EBIT)

Interestingly, the parallelism over the last nine quarters is quite perfect, with no time gap. This also probably means that companies tend to announce very early their intention to implement restructuring programs, knowing that discussions after the announcement and effective implementation do not take place before a minimum of four to six months .

Predicting restructuring via forward estimates for EBIT

A consequence of the chart above is that as soon as investors and employees can rely on forward estimates for EBIT - knowing that staff costs in the short term tend to be a historical constant - they can predict the likelihood of a restructuring plan as well as its amplitude. With an EBIT margin forecast reduced from 10 to 5% and a staff costs / EBIT ratio at 4x, a company that wished to restore its margins only via staff cost reductions would have to cut staff costs by 12.5% (with 12.5% of staff costs cut generating an additional 4xEBIT, then 50%). Conversely, if a restructuring plan announced by a company was too high compared to the long-term Staff costs/EBIT ratio, it could either mean that the company is preparing itself for an increasingly deteriorating economic situation, or that it tends to generate non-sustainable profits through short term cost cutting.

Introducing a risk management approach to restructuring

Our conviction is that with restructuring being part of the permanent industrial landscape, **companies that are the most prepared and adapted to face restructuring in a proper and responsible manner will recover better, with limited damages to their internal and external reputation as well as to employees' motivation and commitment**.

Restructuring risk net of restructuring skills

In that perspective, **we can probably talk about a restructuring risk net of restructuring skill if we try to assess the quality of policies and measures developed by a company to mitigate risks**. We note that as seen above, the risk of restructuring is not the same across sectors or companies within the same sector. Some companies have established themselves as best practice "benchmark" leaders with the quality of their restructuring track record, but they might very well have become accustomed to such events due to their high level of staff costs / EBIT ratio. Does this kind of track record indicate a pro-active company or should it be regarded as a necessity due to the frequent restructurings? We opt for the second choice. **In absolute terms it is better to have companies adopting best practices to prevent and face restructuring, but their performance in that field should be adjusted to the level of risk they have to face while restructuring**: better to have not implemented any measures if the business model is sound and highly profitable than having a good track record but a high likelihood of restructuring, with associated costs and side-effects.

In other words, **we think it is time to adopt a risk management approach and to adjust the restructuring risk - measured by the level of staff cost to EBIT - by the quality of management observed in the restructuring area**.

Net Restructuring Risk =

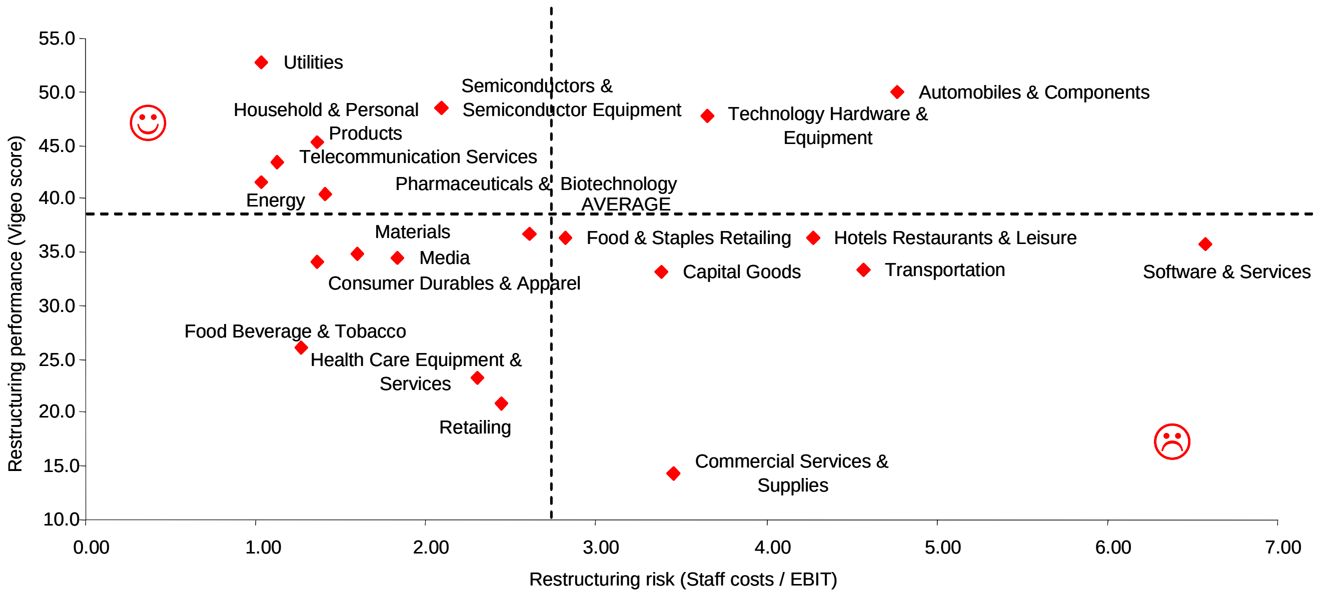
Risk (Staff costs / EBIT) / Restructuring skills (qualitative score)

As we have seen, **this ratio is operational and volatile as is economic reality**. Furthermore, a staff costs / EBIT ratio is not just a measure of the likelihood of restructuring: it is much more than that! **It gives management the apparently easy possibility to generate additional EBIT thanks to monitoring staff numbers and costs - as well as telling us a lot about the money a company can spare to ease and facilitate restructuring**. When the ratio is too high, one can be sure that severance packages accompanying the layoffs will be much restricted, and the observation is likely valid for all other measures regarding training and future wages.

A view on risk changes the sector perspectives

Clearly, introducing a view on risk changes the perspective on sectors. Initially, some sectors, like Automobiles, Technology (including semiconductors), Utilities or Pharma, are often seen as the best "performing" sectors regarding the management of restructuring. However, with a risk perspective in mind, the social performance for the Auto and Tech sectors, for instance, is put into question. To some extent, when staff costs outweigh EBIT by a factor of 4.5, it becomes obvious that the sector will permanently have to adapt its workforce to industrial changes. For employees, a high social performance score is not at all a guarantee of a better future but rather the hope that they will not be let go without a minimum of consideration, financial or otherwise. And for long-term oriented investors, the doubt may be raised about the sustainability of their investment in high-risk sectors. The good social performance score might not be that expected proxy of outstanding quality of sustainable management.

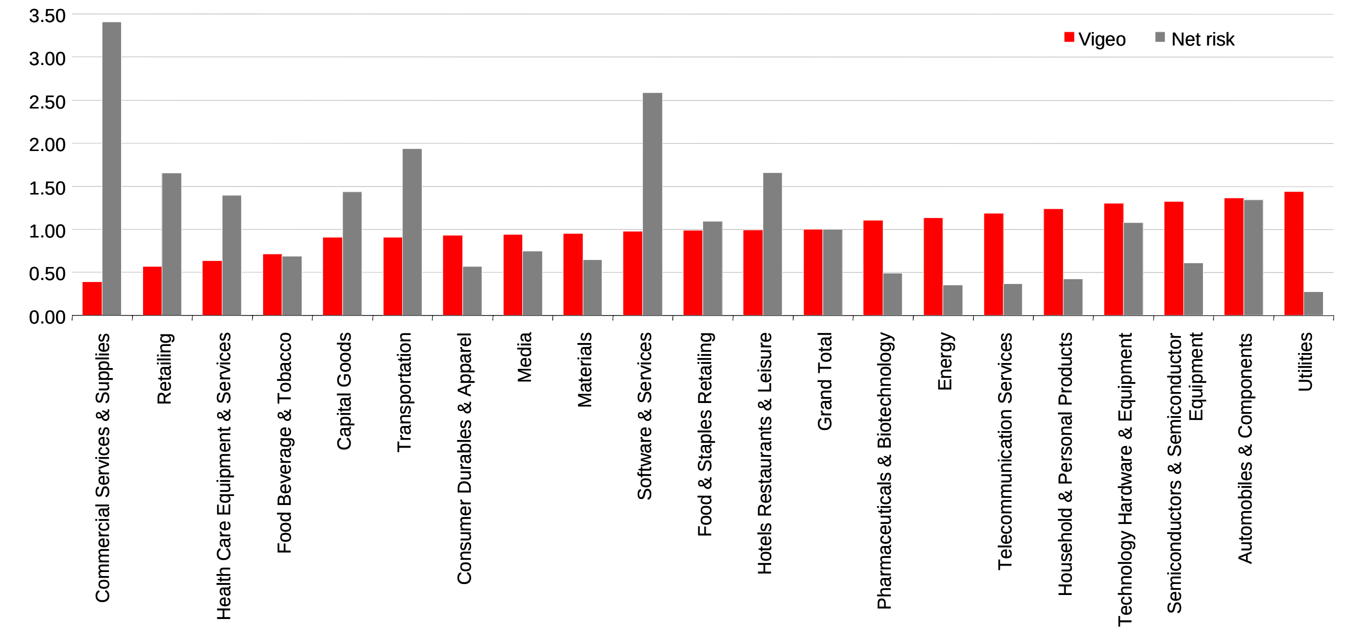
Net restructuring risk: a sectoral view over 2001-2008



Source: SG Equity Research

The chart below synthesises the previous matrix. When adjusted, the average performance of the Auto sector, for instance, comes out below the sample average, dropping from 50/100 to roughly 10/100. The Food and Beverage and Media sectors then clearly outperform the Auto sector. Utilities and Energy retain strong places, along with Telecom Services and Personal Household Goods. Capital Goods, already highlighted, presents a net restructuring risk very close to the level achieved by the Auto sector.

Net restructuring risk: synthetic overview

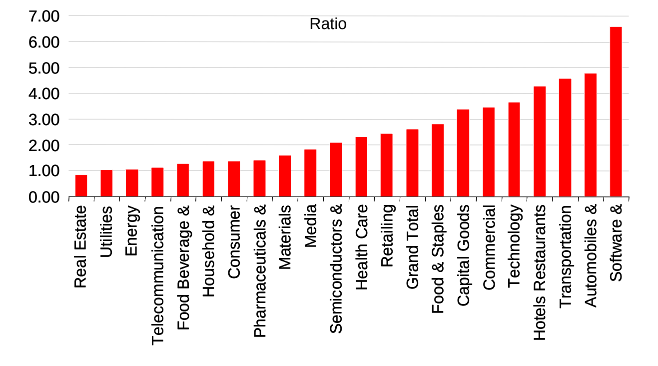


Source: SG Equity Research, Vigeo

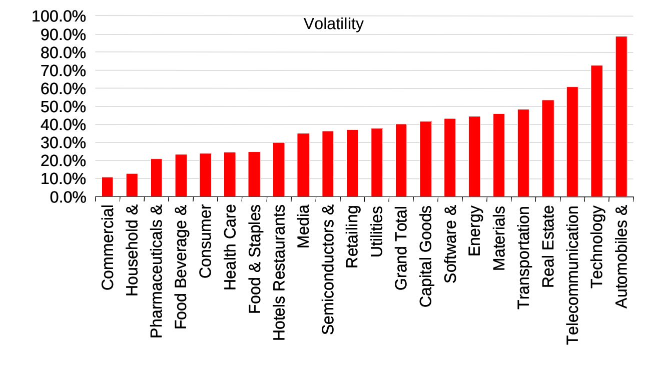
Social risks: it could be much worse….

In the previous charts we have introduced restructuring risks as measured by the ratio of staff costs to EBIT. Yet, the reading could even be seen as much worse if, instead of assessing the current level of this ratio, we looked at the **volatility of this ratio** (see chart below):

Staff costs / EBIT ratio: absolute level



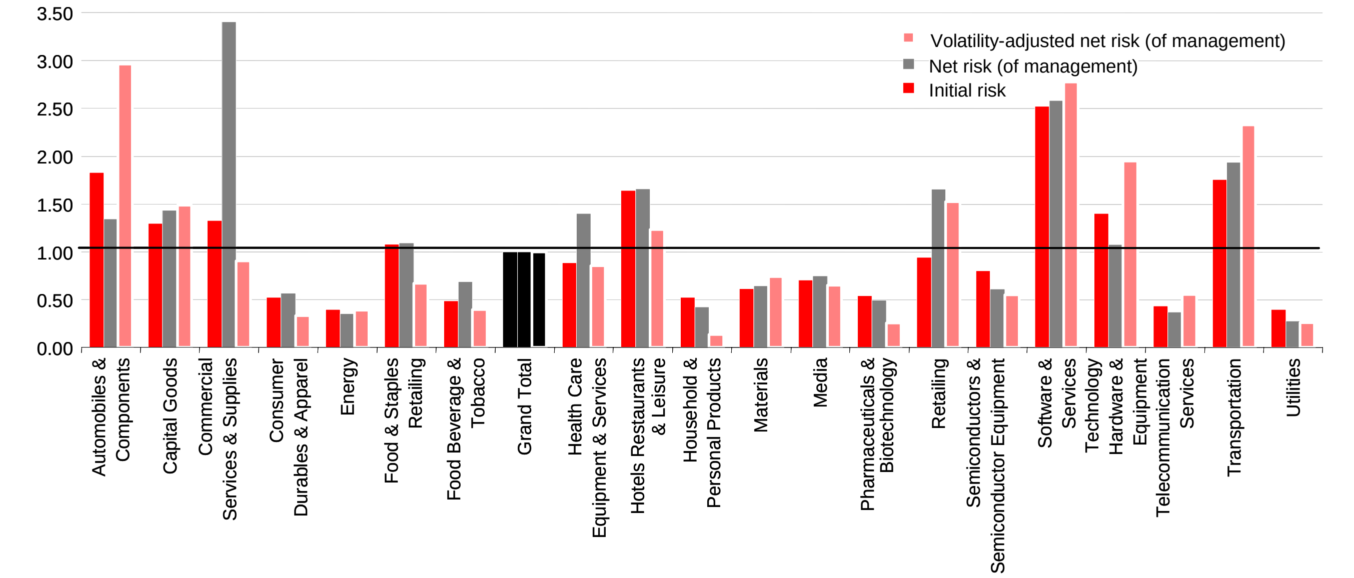
Staff costs / EBIT ratio: volatility



Source: SG Equity Research

To be more explicit, it is already a risk to have a significant staff costs / EBIT ratio, but **if this ratio itself experiences great variations from its median position, the risk to some extent becomes exponential**. Hence, for instance, a net restructuring risk for the Auto sector falling from an initial 1.36x, i.e. above the sample average, to a net restructuring risk at only 0.75x, and at 0.34x after taking in account the high volatility of the staff costs / EBIT ratio.

Adjusting and mitigating risk over 2001-2008 (initial risk, mitigated risk, volatility-adjusted mitigated risk)

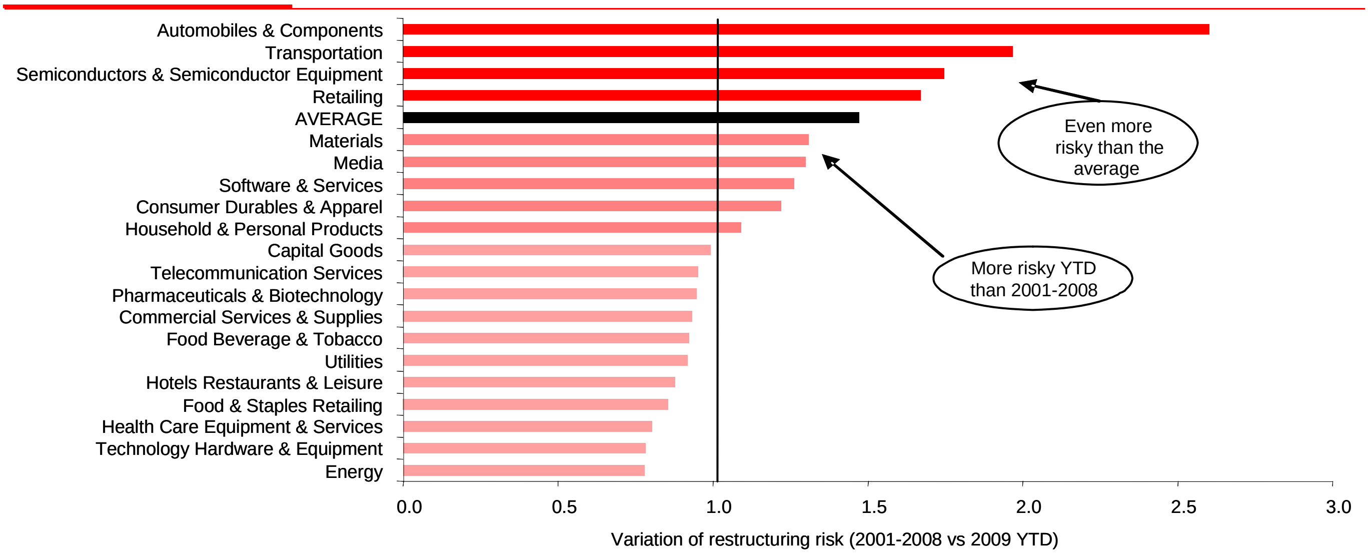


Source: SG Research, companies, Vigeo

Social risks: still worse for industrial sectors in 2009

Another advantage of net restructuring risk is that investors can quickly assess the variation of performance in an updated economic context. Using forward EBIT 2009 (SGe) applied to staff costs for the end of 2008, we re-calculated YTD (year-to-date) restructuring risks (see chart below). Clearly the situation is much worse than what was observed over 2001-2008. Centring the YTD performance versus the historic performance, it appears that **the current risk is 1.5x higher than it was for the last 8 years**, the worst level of risk still being for the Auto sector - 2.5x higher than the historic average. Yet, even though the result may be counter-intuitive, **around half of the sectors present a less risky social profile in 2009 YTD than over the whole 2001-2008 period**. In other words, restructuring is less likely, unless the management of some companies wished to practice some short-term window dressing from a purely financial standpoint.

Net restructuring risk: 2001-2008 vs. 2009 YTD



Source: SG Equity Research, with SG estimated for EBIT 2009 at June 05/06/09

Does restructuring strongly affect the number of employees?

Looking at our universe, we have calculated that **over the period starting on 1 January 2007, there have been public and reported announcements of layoffs and restructuring, totalling around 196,000 employees**.

Sector details about restructuring plans since 1 January 2007

Sector	Social / restructuring plans	Employees affected by restructuring	Average restructuring plan size
Aerospace	5	10,630	2,126
Auto	12	27,464	2,289
Capital Goods	11	22,683	2,062
Capital Goods - Others	7	7,433	1,062
Chemicals	8	4,343	543
Consumer Durables	4	840	210
Energy	7	8,912	1,273
Food & beverage	17	4,472	263
food staples	4	1,670	418
Health & Pharma	13	8,754	673
Household Personal Goods	3	2,172	724
Materials	4	5,593	1,398
Media	2	2,727	1,364
Metals & Mining	9	39,365	4,374
Personal Household goods	1	275	275
Retailing	2	1,480	740
Software	3	4,820	1,607
Technology	12	13,334	1,111
Telecoms	9	13,549	1,505
Transport	7	9,540	1,363
Utilities	3	1,934	645
Grand total	**143**	**191,990**	**1,343**

Source: SG Equity Research, European Restructuring Monitor

Those numbers must be compared with the total number of 13.6 million employees counted for the same coverage and period.

Number of employees in the report's coverage

Sectors	Number of employees reported
Automobile & Components	1,239,478
Capital Goods	2,137,716
Commercial Services & Supplies	144,579
Consumer Durables & Apparel	216,275
Energy	457,251
Food & Staples Retailing	1,715,934
Food Beverage & Tobacco	756,243
Health Care Equipment & Services	47,521
Hotels Restaurants & Leisure	1,044,099
Household & Personal Products	168,571
Materials	1,176,199
Media	159,920
Pharmaceuticals & Biotechnology	548,673
Retailing	488,040
Semiconductors & Semiconductor Equipment	5,142
Software & Services	189,720
Technology Hardware & Equipment	172,628
Telecommunication Services	1,140,979
Transportation	1,032,909
Utilities	820,001
Grand total	**13,661,878**

Source: SG Equity Research, Worldscope / Datastream, 31/12/2006

Managing restructuring risk adds to financial performance!

For the purpose of this report we have calculated the financial performances of different baskets that we have back-tested from 31/12/06 up to 31/05/09.

We have calculated sector-relative performances of all stocks in our sample (vs DJ Stoxx 600 super sectors), and then calculated an arithmetic average performance for all our baskets, not taking into account the market cap factor.

So, as to present consistent results, **we have also normalised the performances of all our baskets versus the average performance of our sample**s.

Basic principle of our portfolios

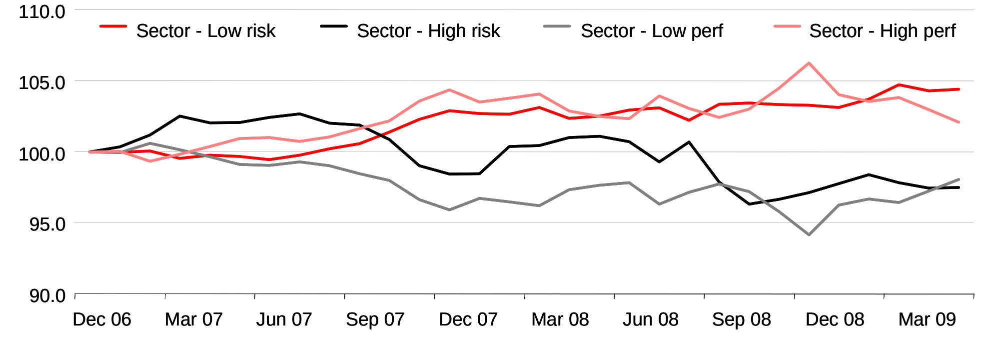
For each sector we have ranked the company according to their position versus the sector average on social performance. We have applied the same process versus the average social risk, so at the end we can assign the company a specific position in the social risk-performance matrix, and calculate four net restructuring risk baskets, as well as four central baskets:

- Low restructuring risk basket
- High restructuring risk basket
- Low restructuring skills basket
- High restructuring skills basket
- Low restructuring risk–low restructuring skills basket
- Low restructuring risk–high restructuring skills basket
- High restructuring risk–low restructuring skills basket
- High restructuring risk–high restructuring skills basket.

Restructuring skills and risk positively linked to financial performance!

The conclusions at first sight are positive for investors. **Over the last two years, investing in companies with either a good restructuring skill or a low restructuring risk could outperform the general sample used for this report**.

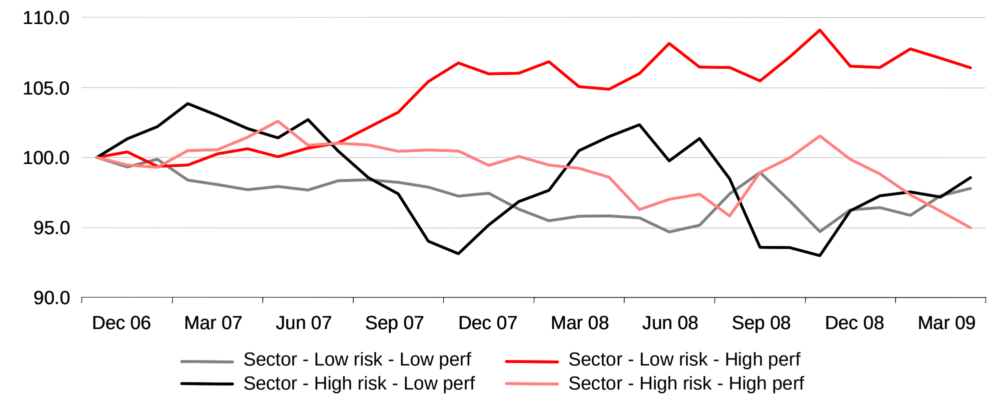
Back-test 2007-2009: restructuring risk and skills (performance)



Source: SG Equity Research, Vigeo

We have then carried our research further to try to assess if mixing up the sector restructuring risk with the sector restructuring skill could deliver an even better performance (see chart below). A positive link is again observed, especially for the low risk–high skill basket, strongly outperforming the general sample by +5.5%, a very encouraging sign for companies, long-term investors and employees!

Detailed back-test: 2007-2009



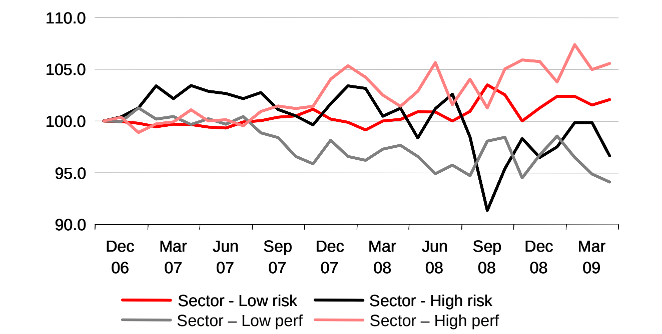
Source: SG Equity Research

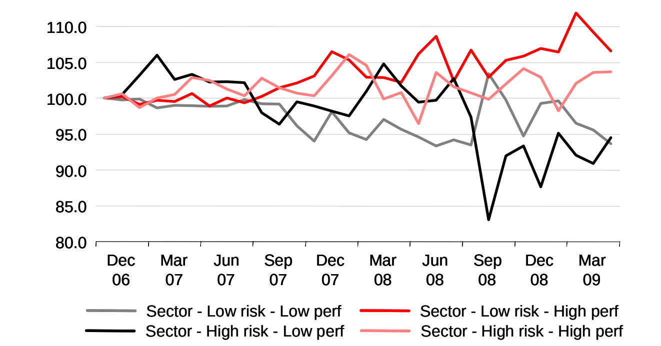
Clearly also, the high risk–low skill basket is strongly underperforming, as "expected", mirroring the "good" basket's performance.

Yet, the high-risk–high skill basket (in pink) is slightly-below the average, declining rapidly at the end of the period, which tends to demonstrate that the level of risk outweighs at the end the quality of restructuring skills (performance). The same observation can be made for the last basket, stocks with high risk and low skills, which eventually , despite a peak in Q4-2008, tends to underperform.

Using the median and not the average as to calculate the performance of our different baskets, we observe the same results over the period:

Median performance of companies by level of net risk





Source: SG Equity Research

Our financial conclusions then are the following: **restructuring skills plays a role with regards to financial performance, but restructuring risk – at least during the period of our back-test – tends to play the dominant role, as it follows a consistent set of results.**

But lastly, the **very encouraging sign for long-term investors is that a basket including companies with the best social performance in terms of restructuring AND a low restructuring risk profile tends to deliver a superior financial performance, the best of all our baskets!**

Companies with High Restructuring Risk – High Restructuring Skill (Performance)

Group	Value	Value	2008 - staff costs / ebit (corrected)	YTD - staff costs / ebit (corrected)	Median - staff costs / ebit (corrected)	2008 - staff costs/sales	YTD staff costs/sales	Median Staff/sales staff costs/sales	Vigeo	Vigeo/risk
Daimler	Automobiles & Comp.	Automobiles	5.6		6.2	16%	18%	17%	64.6	10.4
Volkswagen (Pref.)	Automobiles & Comp.	Automobiles	2.5	6.3	4.9	14%	16%	15%	61.7	12.7
Alstom	Capital Goods	Electrical Equipment	3.1	2.6	5.6	23%	21%	22%	36.7	6.5
BAE Systems	Capital Goods	Aerospace & Defence	2.4	2.0	4.6	22%	20%	29%	42.3	9.1
EADS	Capital Goods	Aerospace & Defence	3.6	5.7	4.8	22%	22%	22%	54.3	11.4
Hochtief	Capital Goods	Construction & Engineering	10.5	11.2	11.1	17%	18%	16%	44.3	4.0
MAN AG	Capital Goods	Ind.Conglomerates	1.9	4.0	4.7	19%	22%	23%	36.5	7.8
Nexans	Capital Goods	Electrical Equipment	2.3	4.8	4.9	20%	21%	19%	44.7	9.2
Siemens	Capital Goods	Industrial Conglomerates	8.5	4.0	8.9	33%	33%	33%	35.7	4.0
SKF	Capital Goods	Machinery	2.4	4.6	3.8	29%	30%	37%	34.0	9.0
Thales	Capital Goods	Aerospace & Defence	5.2	4.8	5.1	36%	34%	36%	62.2	12.1
Vinci	Capital Goods	Constr. & Engineering	2.4	2.4	4.0	25%	25%	26%	55.0	13.7
Bureau Veritas	Comm. Serv. & Supplies	Comm. Serv. & Supplies	3.5	3.1	3.5	51%	45%	51%	24.0	6.8
PPR	Cons. Durables & Apparel	Textiles, Apparel & Luxury Goods	2.1	2.0	2.1	14%	14%	14%	51.0	24.7
SEB	Cons.r Durables & Apparel	Household Durables	2.0	2.7	2.7	17%	18%	20%	54.7	20.3
Metro	Food & Staples Retailing	Food & Staples Retailing	3.2	3.5	3.5	10%	10%	11%	48.7	14.1
Fresenius SE	Health Care Equipment & Services	Health Care Providers & Services	2.4	2.0	2.5	35%	30%	33%	24.5	9.6
Club Med	Hotels Rest. & Leisure	Hotels Rest. & Leisure	31.2		13.1	22%	22%	20%	73.5	5.6
Sodexo	Hotels Rest. & Leisure	Hotels Rest. & Leisure	8.9	8.5	10.3	45%	41%	47%	43.0	4.2
Beiersdorf	Household & Personal Products	Personal Products	1.3	1.7	1.5	15%	16%	18%	57.3	37.0
Henkel	Household & Personal Products	Household Products	1.7	2.2	2.0	17%	17%	19%	64.8	32.9
AKZO NOBEL NV	Materials	Chemicals	2.1	3.0	2.6	20%	22%	24%	49.0	19.2
Ciba Holding	Materials	Chemicals	3.4	3.2	3.0	22%	22%	25%	42.2	14.0
CRH	Materials	Construction Materials	2.2	2.6	2.1	19%	20%	19%	38.0	18.3
Linde AG	Materials	Chemicals	1.9	1.6	3.0	19%	20%	25%	37.3	12.4
Rhodia	Materials	Chemicals	3.6		3.6	18%	22%	23%	68.0	18.8
Lagardère	Media	Media	2.6	3.0	3.3	20%	21%	20%	37.6	11.4
BAYER AG	Pharma & Biotech	Pharmaceuticals	2.1	2.0	2.4	23%	23%	23%	53.3	22.2
DSG International	Retailing	Specialty Retail	4.1	13.7	3.3	9%	10%	14%	24.9	7.6
Home Retail Group	Retailing	Multi-Line Retail	1.9	2.6	2.5	13%	13%	14%	22.0	8.8
Kingfisher	Retailing	Specialty Retail	3.0	2.8	3.0	14%	13%	18%	30.9	10.3
Capgemini	Software & Services	IT Services	8.4	12.4	12.7	56%	57%	58%	45.7	3.6
Steria	Software & Services	IT Services	7.5	9.5	9.3	56%	60%	53%	37.7	4.1
Alcatel-Lucent	Technology Hardware & Equipment	Communications Equipment	11.3		11.4	31%	34%	31%	48.0	4.2
BT Group	Telecom Services	Diversified Tel. Services	1.6	1.8	1.8	22%	22%	22%	61.0	34.1
Deutsche Telekom	Telecom Services	Diversified Tel. Services	1.6	1.7	2.0	23%	23%	25%	61.4	31.5
Air France-KLM	Transportation	Transportation - Airlines	5.0		9.7	29%	27%	30%	71.7	7.4
Deutsche Lufthansa	Transportation	Transportation - Airlines	4.2	12.7	8.4	21%	24%	24%	49.0	5.8
Iberia	Transportation	Transportation - Airlines		14.7	10.4	23%	24%	26%	41.5	4.0
EDF	Utilities	Electric Utilities	1.2	1.0	1.2	15%	15%	19%	65.5	52.7
GDF Suez	Utilities	Electric Utilities	1.3	1.3	1.4	13%	13%	15%	55.0	40.6
Suez	Utilities	Multi-Utilities & Unregulated Power	1.3	1.2	2.0	15%	14%	19%	67.5	33.5
Suez Environnement	Utilities	Water Utilities	3.0	3.7	3.0	26%	26%	26%	65.0	21.5
Veolia Env.	Utilities	Multi-Utilities & Unregulated Power	4.3	4.3	4.3	28%	26%	30%	65.5	15.2

Source: SG Equity Research, Vigeo

Companies with High Restructuring Risk – Low Restructuring Skills

Group	Value	Value	2008 - staff costs / EBIT (corrected)	YTD - staff costs / EBIT (corrected)	Median - staff costs / EBIT (corrected)	2008 - staff costs/sales	YTD - staff costs/sales	Median Staff/sales - staff costs/sales	Vigeo	Vigeo/risk
Faurecia	Automobiles & Components	Auto Components			7.8	19%	24%	19%	47.3	6.0
Fiat	Automobiles & Components	Automobiles	7.9	39.1	8.3	43%	51%	14%	42.2	5.1
Valeo	Automobiles & Components	Auto Components		169.1	6.9	24%	34%	25%	41.2	6.0
Bilfinger Berger	Capital Goods	Construction & Engineering	8.9	15.1	13.9	28%	30%	27%	20.5	1.5
Eiffage	Capital Goods	Construction & Engineering	2.8	2.9	5.1	23%	23%	25%	29.3	5.7
Finmeccanica	Capital Goods	Aerospace & Defence	3.3	2.7	4.1	26%	22%	27%	21.5	5.2
GKN	Capital Goods	Industrial Conglomerates	5.5	8.4	7.3	26%	23%	32%	16.0	2.2
IMI Plc	Capital Goods	Industrial Conglomerates	1.9	2.8	3.6	26%	29%	37%	8.0	2.2
Invensys	Capital Goods	Electrical Equipment	2.3	4.1	4.8	35%	32%	32%	24.0	5.0
Philips	Capital Goods	Industrial Conglomerates	6.5	11.3	6.5	23%	26%	23%	26.0	4.0
Safran	Capital Goods	Aerospace & Defence	4.8	5.4	4.0	30%	30%	23%	24.0	6.0
Teleperformance	Commercial Services & Supplies	Commercial Services & Supplies	7.0	6.9	7.0	70%	65%	65%	2.3	0.3
The Swatch Group	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	1.4	1.8	1.8	30%	30%	30%	24.0	13.2
Ahold	Food & Staples Retailing	Food & Staples Retailing	2.8	2.5	3.7	13%	12%	13%	22.0	5.9
J Sainsbury	Food & Staples Retailing	Food & Staples Retailing	2.9	2.5	3.5	9%	8%	13%	33.5	9.6
Wm Morrison	Food & Staples Retailing	Food & Staples Retailing	2.5	2.2	3.1	12%	10%	17%	14.0	4.5
Carlsberg	Food Beverage & Tobacco	Beverages	0.3	0.3	1.9	4%	4%	19%	15.7	8.3
Heineken	Food Beverage & Tobacco	Beverages	1.3	1.1	1.3	17%	15%	18%	18.3	13.7
Compass Group	Hotels Restaurants & Leisure	Hotels Restaurants & Leisure	8.5	6.5	8.5	49%	41%	52%	27.7	3.3
Essilor	Household & Personal Products	Household Products	2.0	1.8	2.0	33%	30%	33%	37.3	18.8
Clariant	Materials	Chemicals	3.4	8.6	3.4	22%	27%	23%	23.7	6.9
ThyssenKrupp	Materials	Metals & Mining	2.9		4.7	19%	23%	23%	17.0	3.6
Aegis Group plc	Media	Media	4.1	4.9	4.1	50%	47%	49%	21.0	5.1
Havas	Media	Media	5.2	5.8	5.7	62%	62%	62%	21.0	3.7
Carphone Warehouse	Retailing	Specialty Retail	1.7	4.0	2.8	10%	34%	12%	6.5	2.3
Kesa Electricals	Retailing	Specialty Retail	5.1	9.5	4.0	16%	14%	18%	6.0	1.5
Gemalto	Semiconductors & Semiconductor Equipment	Semiconductors & Semiconductor Equipment	4.0	3.7	3.6	30%	30%	30%	41.3	11.5
Altran Technologies	Software & Services	IT Services	8.9	11.7	11.7	68%	72%	69%	18.5	1.6
Atos Origin	Software & Services	IT Services	30.5	25.1	10.4	55%	58%	55%	33.5	3.2
Logica	Software & Services	IT Services	22.6	14.9	14.7	54%	57%	61%	35.7	2.4
Bouygues	Telecommunication Services	Wireless Telecommunication Services	2.9	3.7	3.1	20%	20%	20%	37.5	12.1
Telekom Austria	Telecommunication Services	Diversified Telecommunication Services	10.4	1.7	1.4	28%	29%	16%	35.6	24.8
Deutsche Post AG	Transportation	Air Freight & Logistics		22.6	5.0	32%	34%	33%	29.8	5.9

Source: SG Equity Research, Vigeo

Sector review and European stocks

Methodology for calculating net restructuring risk

To remain consistent with a sector best-in-class approach, we propose adjusting the quality of management scorings provided by Vigeo and SG's staff cost to EBIT ratio in the following manner:

- Calculate the ratio 'company score / risk' versus the respective sector average
- Calculate the proportion of the two delta ratios ((staff costs / EBIT)$_{company}$ / (staff costs / EBIT)$_{sector}$ and (restructuring skill)$_{company}$ / (restructuring skill)$_{sector}$).
- Take the LOG of the ratio, which allows to benefit from the characteristics of the logarithm function.

– If the Risk delta ratio is higher than the Management delta ratio, then the net risk is positive, above 1, and the LOG will be >0, indicating a **sector net risk higher than the average**

– Conversely, if the Management delta score is higher than the Risk delta score, then the **net risk is lower than the sector average (<0)**

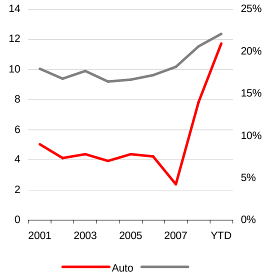
– If YTD risk is higher than Median risk over the period, then **YTD net risk is higher than Median net risk**, whether it is below or above the sector average

Auto: high risk, low EBIT margins, good restructuring skills

We have characterised the sector's restructuring challenges as follows:

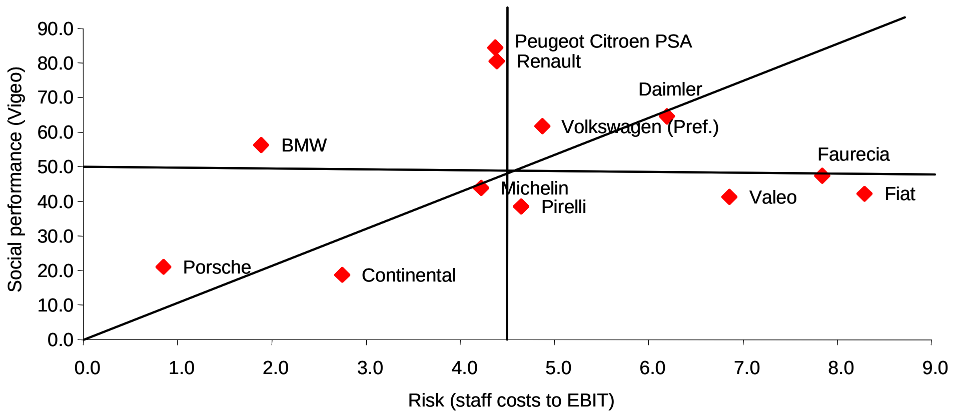
- High risk of restructuring
- Low EBIT margins driving to high cyclicality and unmanageably high fixed costs
- A generally good quality of management with regards to restructuring issues, as the sector has a history of frequent downsizing.

Staff costs / EBIT vs. staff costs / sales



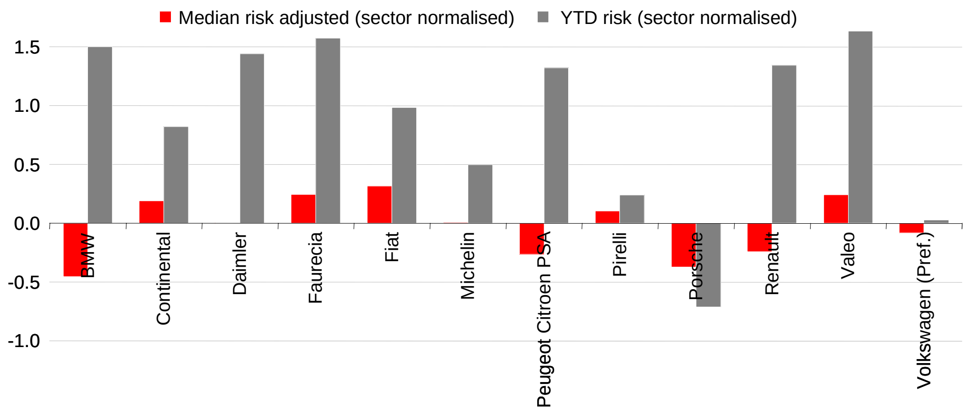
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD); Daimler included Chrysler until 2007

Net restructuring risk: 2001-2008 vs. YTD



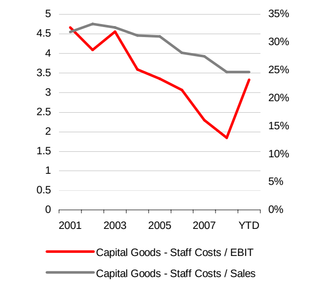
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Capital Goods (General): medium risk, frequent small restructuring plans

We have characterised the sector’s restructuring challenges as follows:

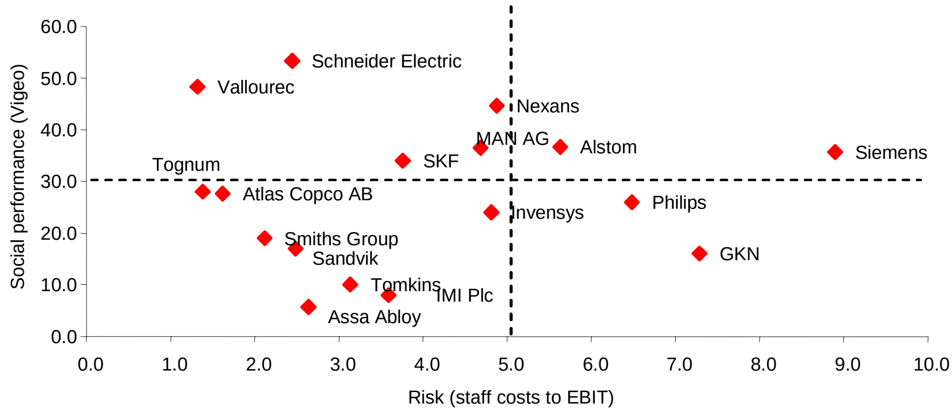
- Medium risk of restructuring, thanks to fairly stable EBIT margins
- Frequent “small” restructuring plans, with some currently ongoing among the engineers and especially the mechanical engineers, and frequent use of short-time working agreements
- Philips, GKN, Sandvik and SKF much are more risky now than during the whole 2001-2008 period.

Staff costs / EBIT vs. staff costs / sales



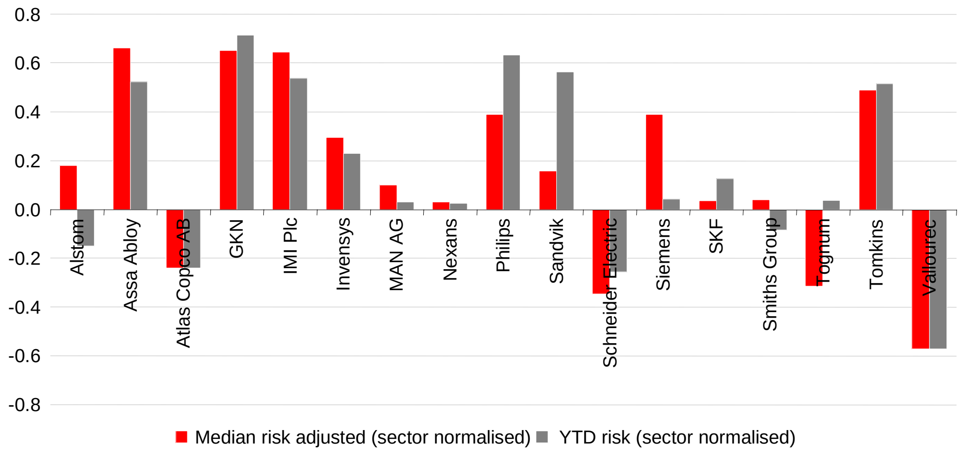
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



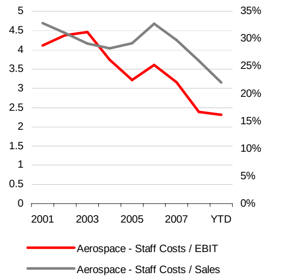
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Capital Goods (Aerospace): huge differences across the sector, fragile EBIT

We have characterised the sector's restructuring challenges as follows:

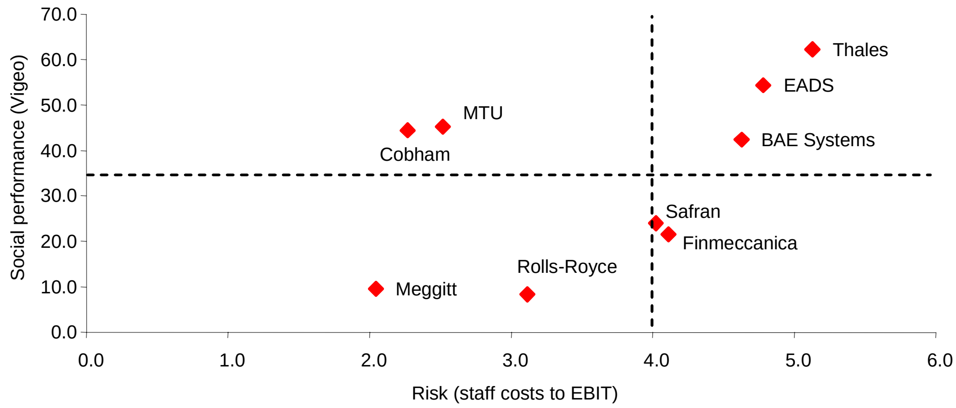
- Very differentiated quality of management regarding restructuring
- EBIT fragile across the sector
- EADS adopted a proactive restructuring stance that limited its net risk at the end
- YTD situation not worse than during the slowdown that began earlier in the cycle.

Staff costs / EBIT vs. staff costs / sales



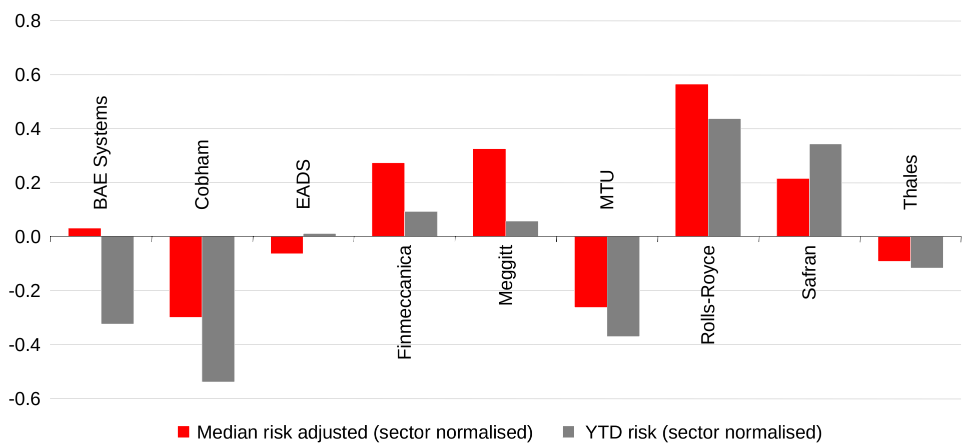
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



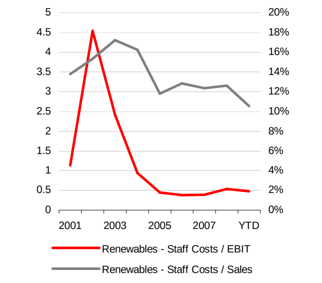
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Capital Goods (Renewables): relatively good social picture

We have characterised the sector's restructuring challenges as follows:

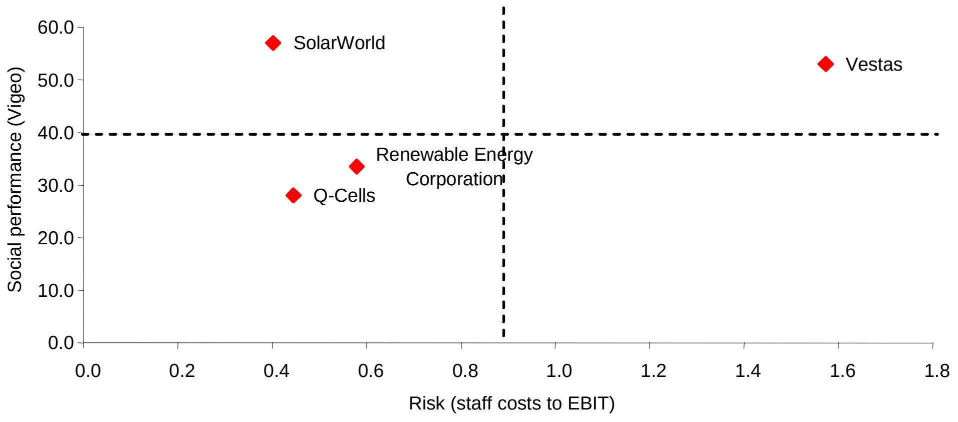
- Compared to other Capital Goods companies, the social situation is far better within this ever fast-growing sector
- Solarworld takes the lead regarding both level of risk and quality of management regarding restructuring.

Staff costs / EBIT vs. staff costs / sales



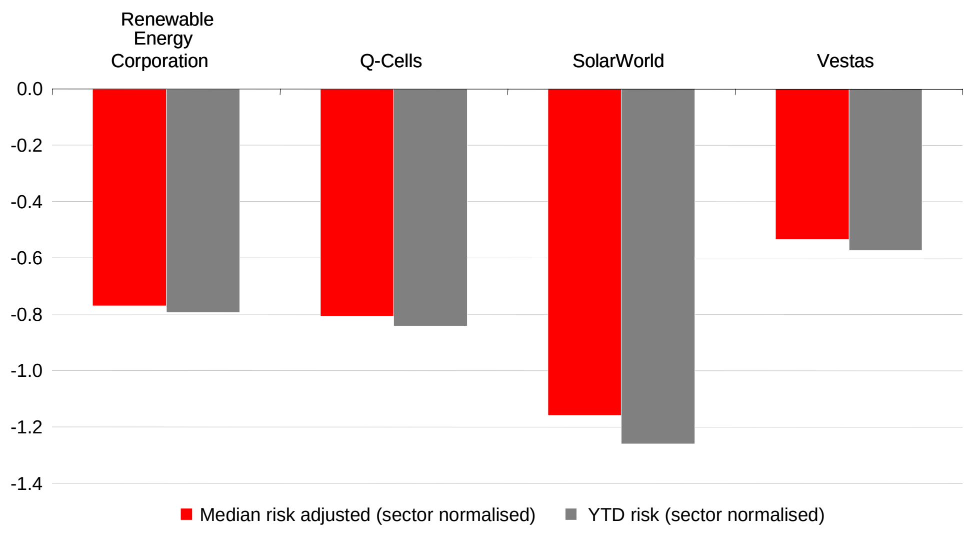
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD) (

Net restructuring risk: 2001-2008 vs. YTD



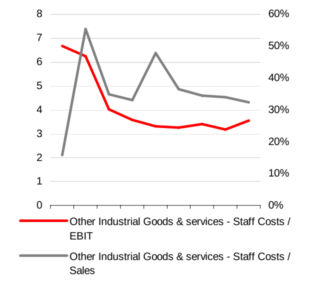
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Capital Goods (Others): low quality restructuring management, national operators at risk

We have characterised the sector's restructuring challenges as follows:

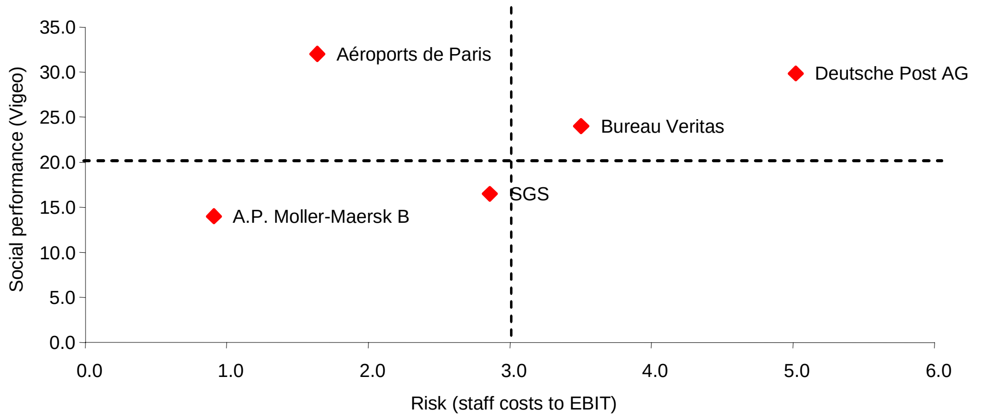
- Relatively weak quality of restructuring management, with significant risk for some companies (Deutsche Post)
- National operators are more at risk than infrastructure companies
- YTD, no significant changes in terms of net risk, except for Deutsche Post.

Staff costs / EBIT vs. staff costs / sales



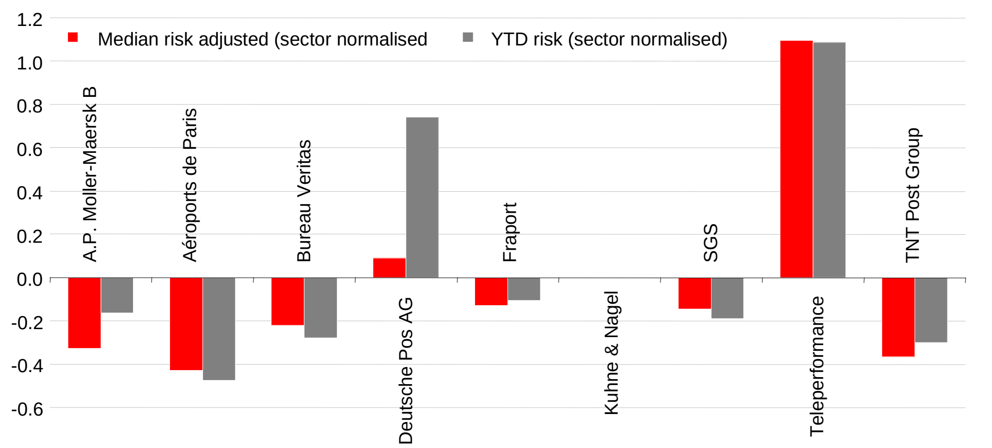
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



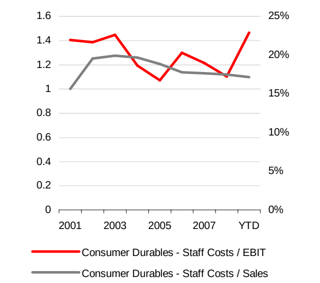
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Consumer Durables & Apparels: low risk sector, high EBIT margins, good management of restructuring

We have characterised the sector's restructuring challenges as follows:

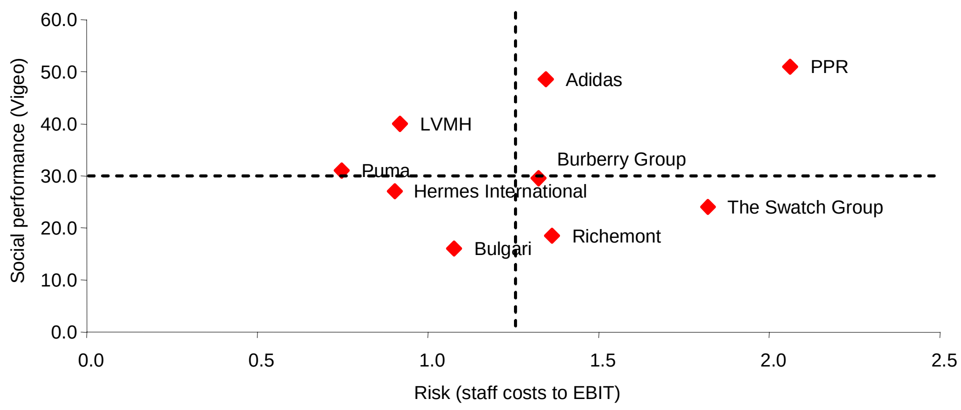
- Low risk in terms of the sector regarding restructuring
- High level of EBIT margin
- Very good quality of management in dealing with restructuring, especially for sporting goods manufacturers, more affected by supply chain issues and ESG in general
- Bulgari's level of risk YTD is much higher than its 2001-08 median due to a strongly declining EBIT.

Staff costs / EBIT vs. staff costs / sales



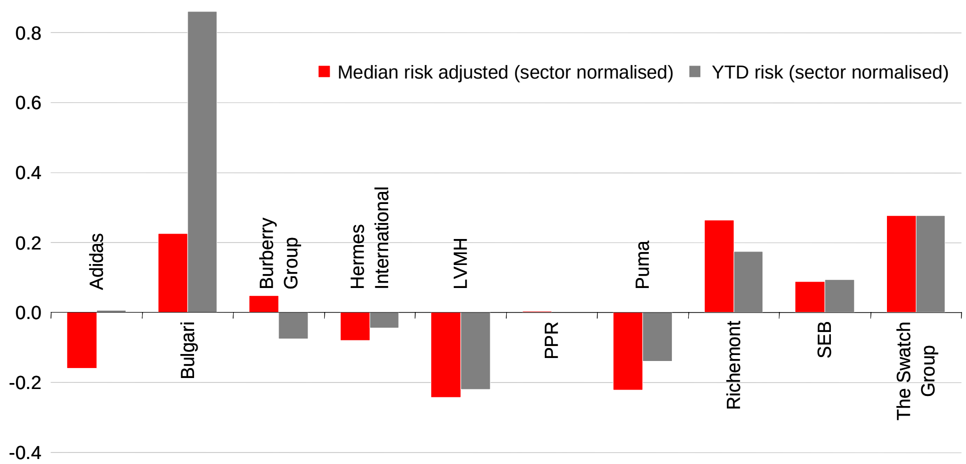
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



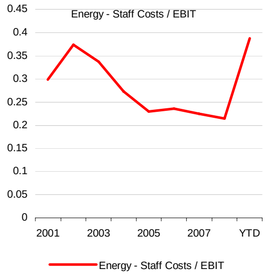
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Energy: well-sheltered against restructuring risk, differentiated quality of management of restructuring

We have characterised the sector's restructuring challenges as follows:

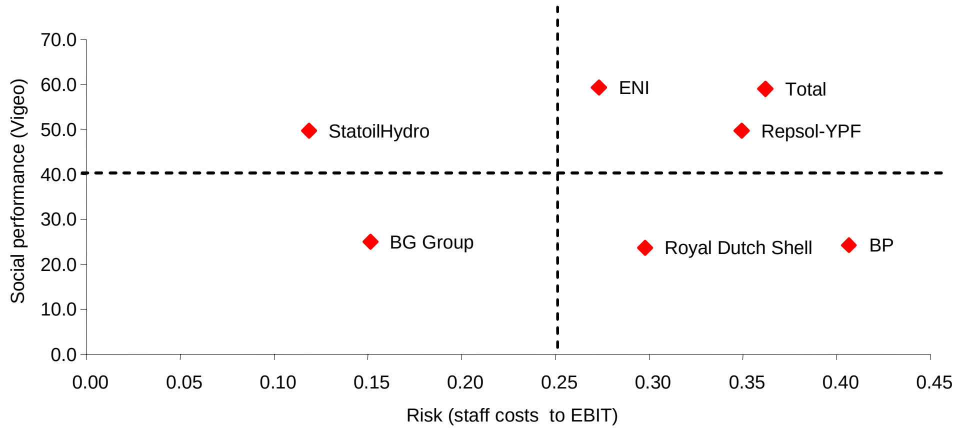
- Sheltered against most restructuring risks thanks to high and stable levels of profitability in general
- YTD risk higher than during the whole cycle under review due to the fall in the oil price and the decrease in margins
- Differentiation in staff costs to EBIT ratio also explained by presence of chemical businesses
- Differentiated quality of management regarding restructuring in two sub-categories: UK groups vs. "Latin groups"

Staff costs / EBIT vs. staff costs / sales



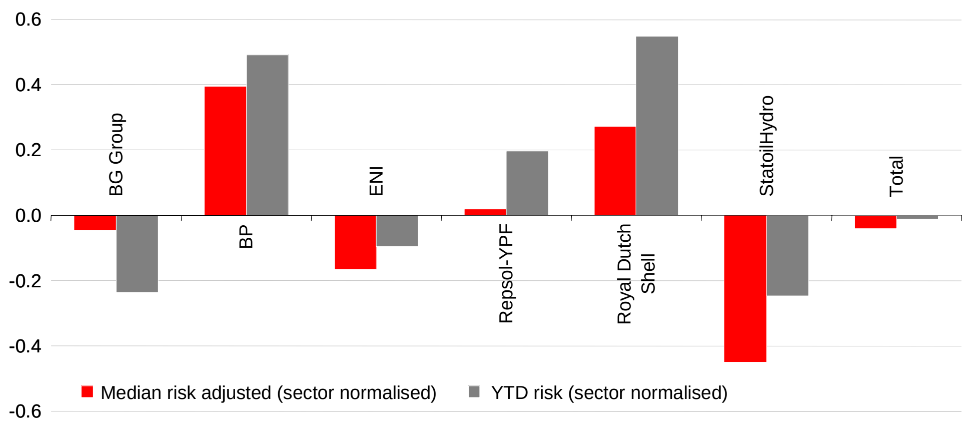
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



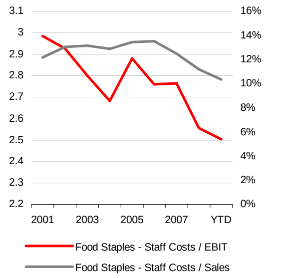
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Food Staples: low-to-medium risk sector

We have characterised the sector's restructuring challenges as follows:

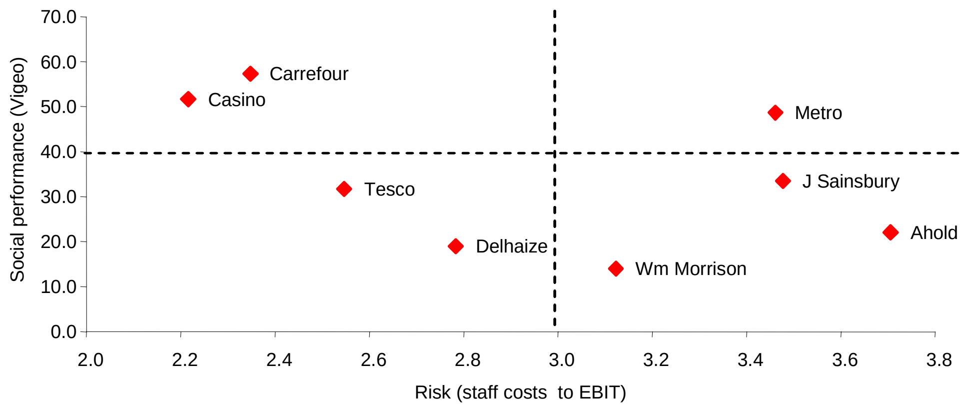
- Stable and medium-low level of restructuring risk thanks to a stable EBIT margin. The current economic slowdown does not affect the big picture
- Carrefour, Casino and Colruyt are best positioned in our view.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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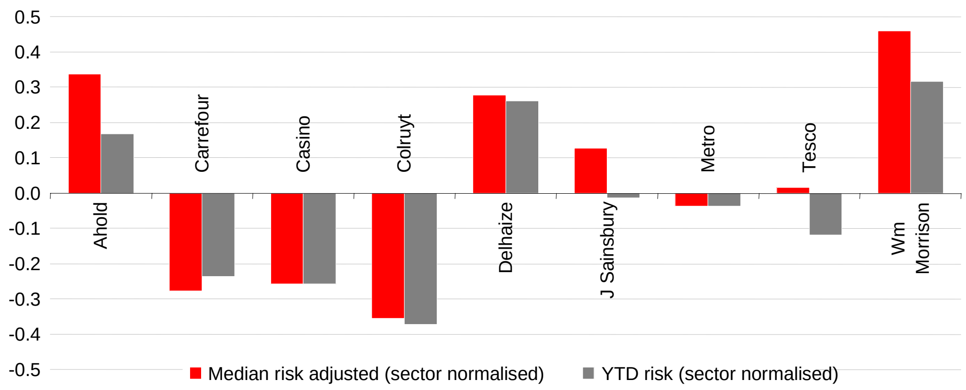
Net restructuring risk: 2001-2008 vs. YTD



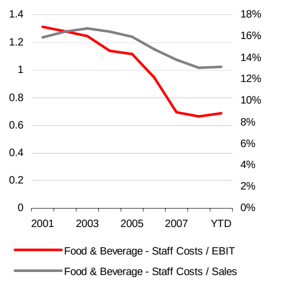
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Food & Beverage: low to medium risk sector

We have characterised the sector's restructuring challenges as follows:

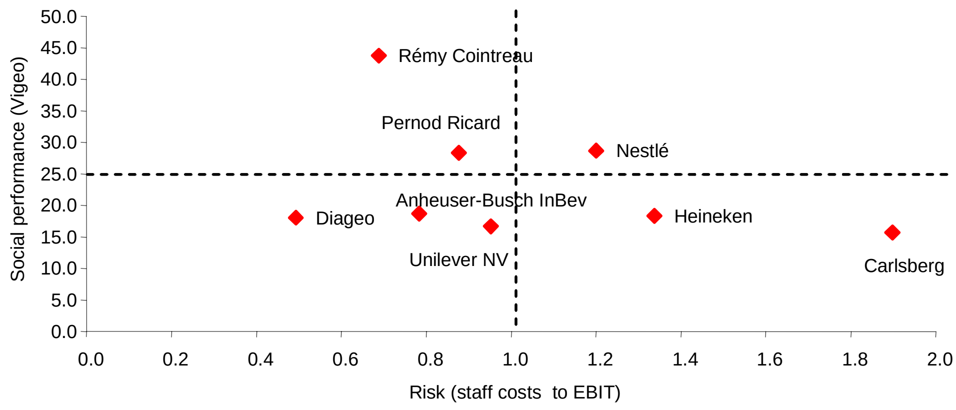
- Low-to-medium risk of restructuring thanks to a decent and stable level of EBIT
- Most of the restructuring was undertaken in previous years, mainly from 2001-2007 (e.g. Unilever)
- The current economic situation has not increased the level of restructuring risk.

Staff costs / EBIT vs. staff costs / sales



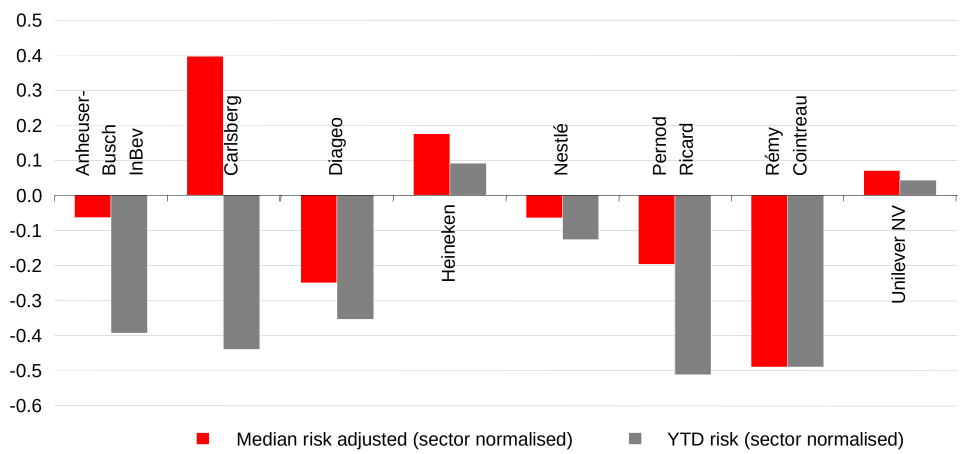
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



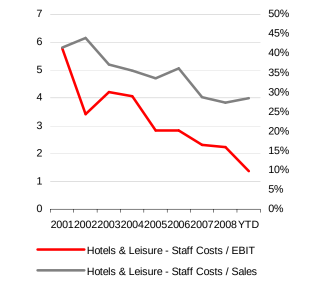
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Hotels & Leisure: staff is key but huge discrepancies across the sector

We have characterised the sector's restructuring challenges as follows:

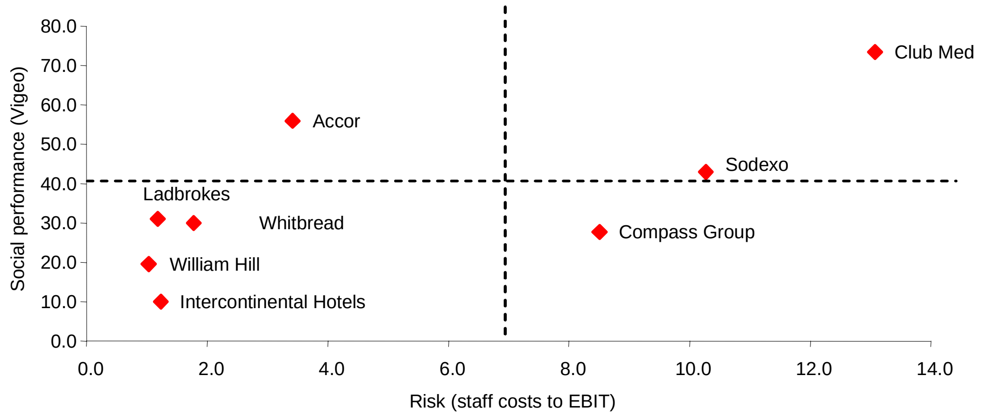
- This sector relies strongly on staff – number of employees, adequacy of skills and costs – to achieve sustainable performance. Huge discrepancies exist within the sector due to different segments (luxury, upscale, midscale, economy)
- YTD risk not significantly higher than during the whole cycle under review
- Some excellent examples of performance regarding quality of management of restructuring.

Staff costs / EBIT vs. staff costs / sales



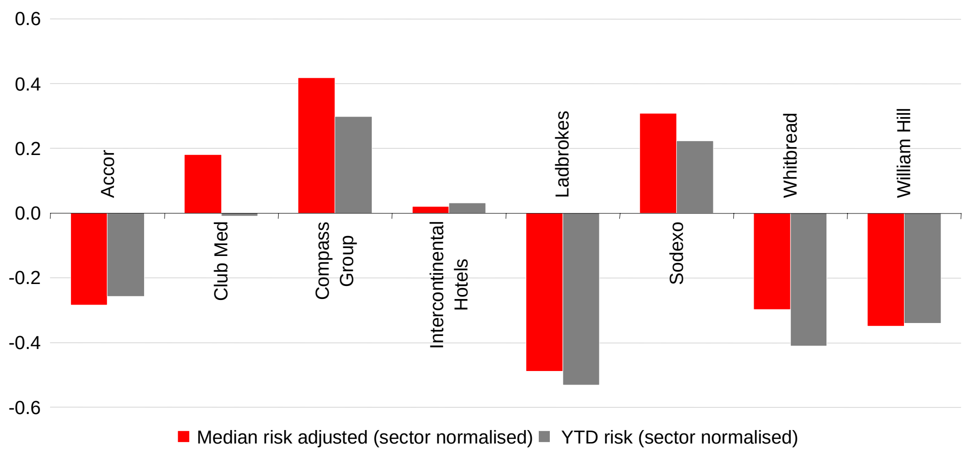
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



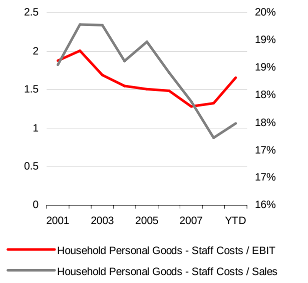
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Household personal goods: low-to-medium risk

We have characterised the sector's restructuring challenges as follows:

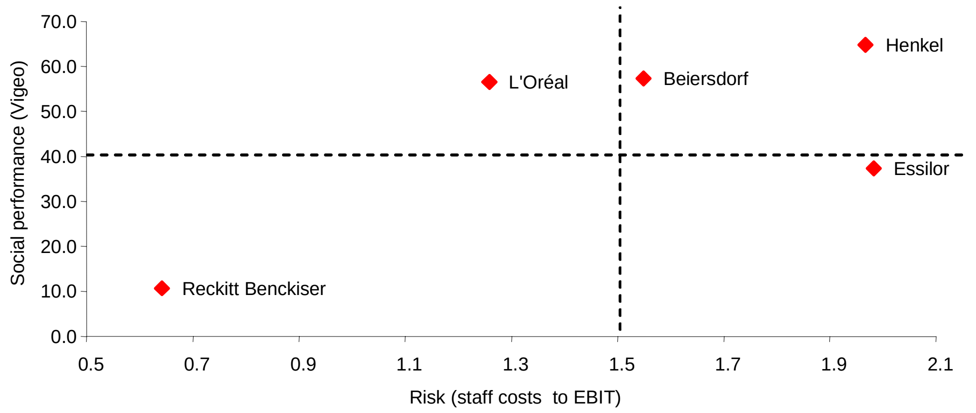
- Low-to-medium risk of restructuring
- Good quality of management regarding restructuring
- Essilor's staff costs to EBIT ratio compared to peers (appearing on the far right of the chart below) is largely explained by its specific business.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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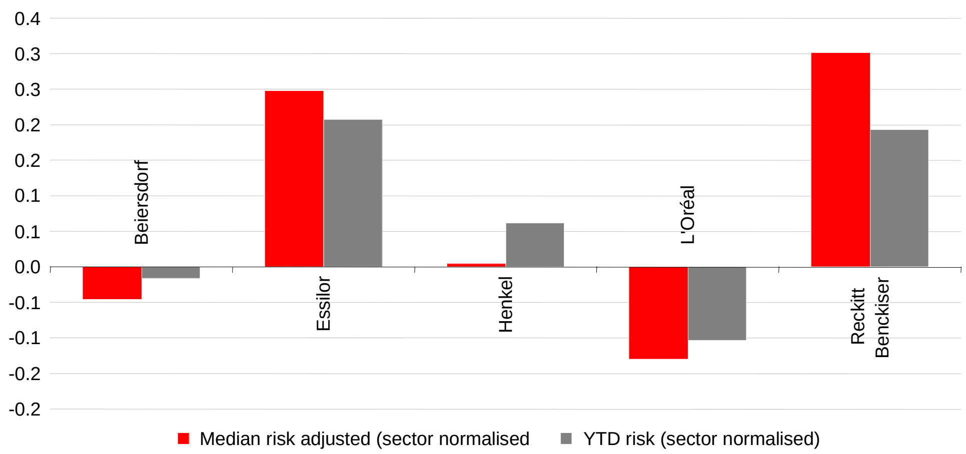
Net restructuring risk: 2001-2008 vs. YTD



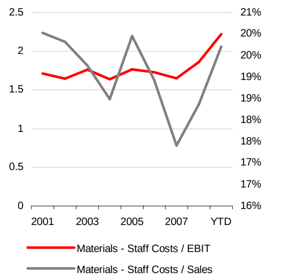
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Materials: middle of the pack

We have characterised the sector's restructuring challenges as follows:

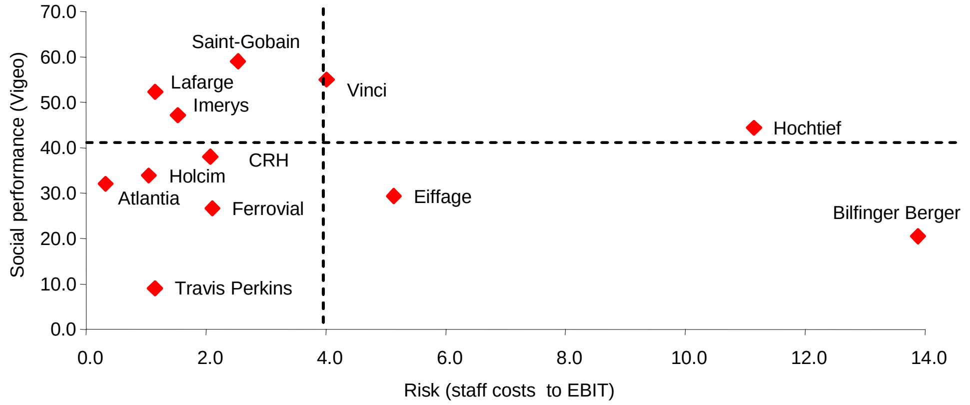
- Sector in the average of the sample
- The current economic situation does not strongly modify the restructuring risk picture
- Two companies with significantly higher risk (Hochtief and Bilfinger Berger), due to a low level of EBIT margin.

Staff costs / EBIT vs. staff costs / sales



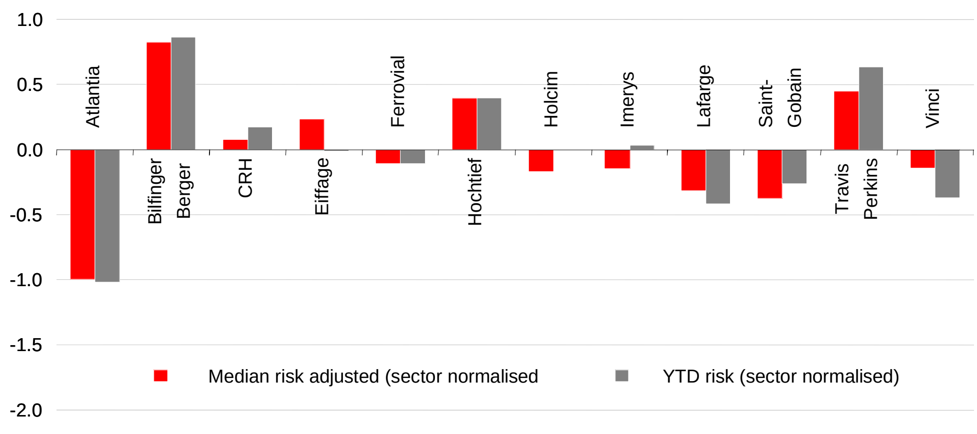
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



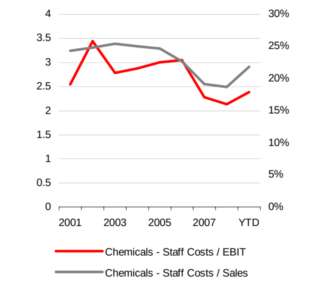
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Chemicals: medium restructuring risk but deteriorating risk profile with the slowdown

We have characterised the sector's restructuring profile as follows:

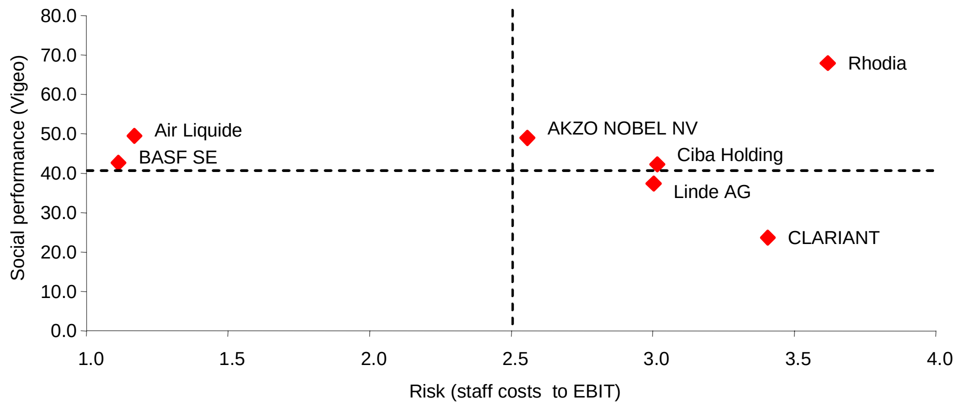
- Medium restructuring risk
- Current economic situation has significantly deteriorated the level of risk
- Air Liquide seem quite well immunised, over the long term as well as in the short term
- BASF, while appearing in the far left of the chart below, has recently increased its risk by absorbing Ciba. Job cuts have just been announced.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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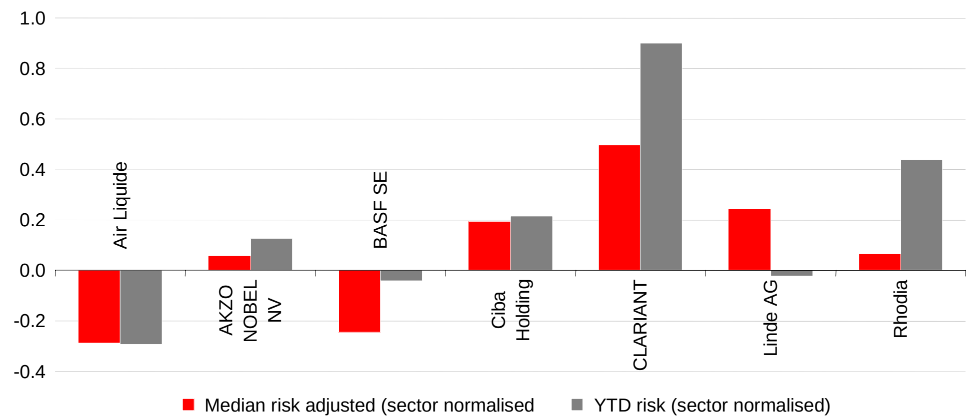
Net restructuring risk: 2001-2008 vs. YTD



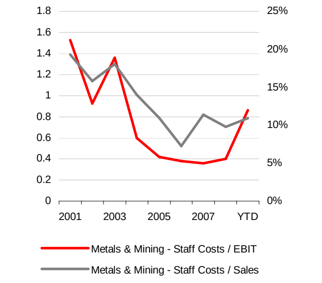
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Metals & Mining: low risk but deteriorating risk profile with the slowdown

We have characterised the sector's restructuring profile as follows:

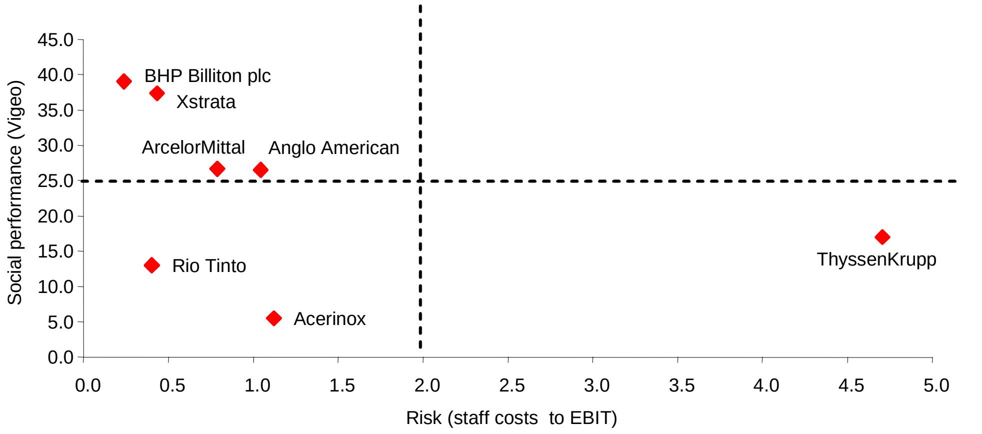
- Absolute level of restructuring risk quite low, but significant deterioration with the current economic slowdown
- ArcelorMittal, Acerinow, RioTinto and ThyssenKrupp are the first concerned.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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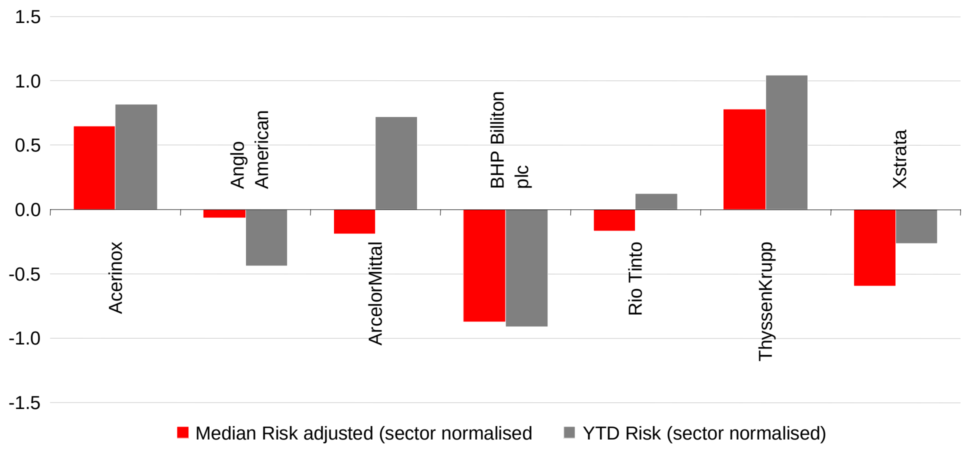
Net restructuring risk: 2001-2008 vs. YTD



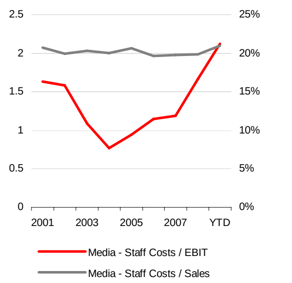
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Media: low risk except for diversified groups

We have characterised the sector's restructuring profile as follows:

- A generally low level of risk, except for groups with significant other activities
- Volatile restructuring risk, but no real change despite the current economic slowdown
- Larger groups have an advantage.

Staff costs / EBIT vs. staff costs / sales



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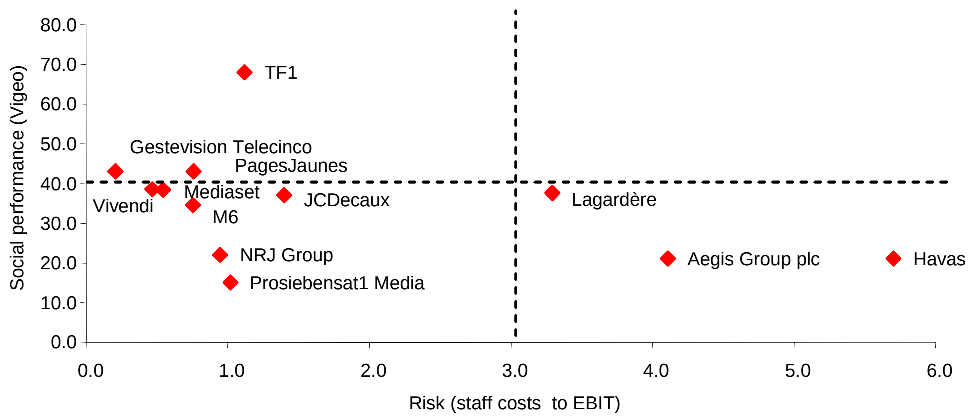
Restructuring skills vs. restructuring risk



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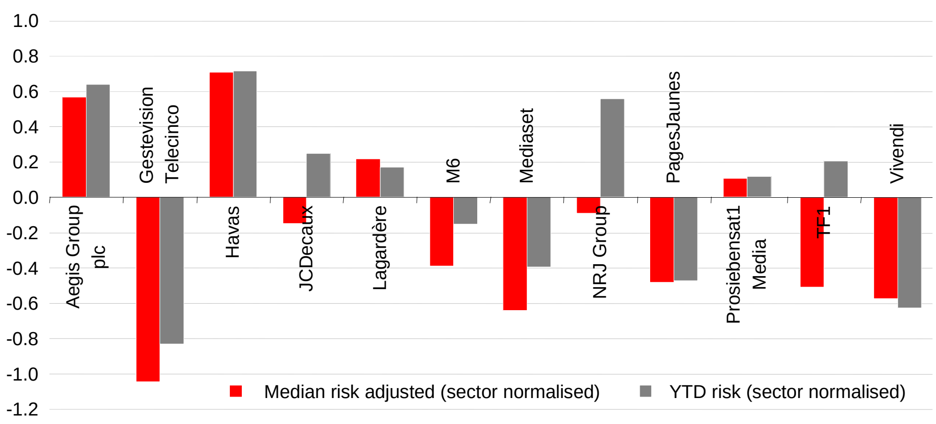
Net restructuring risk: 2001-2008 vs. YTD



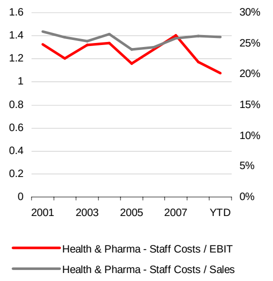
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Health & Pharma: high levels of profitability mean low risk

We have characterised the sector's restructuring profile as follows:

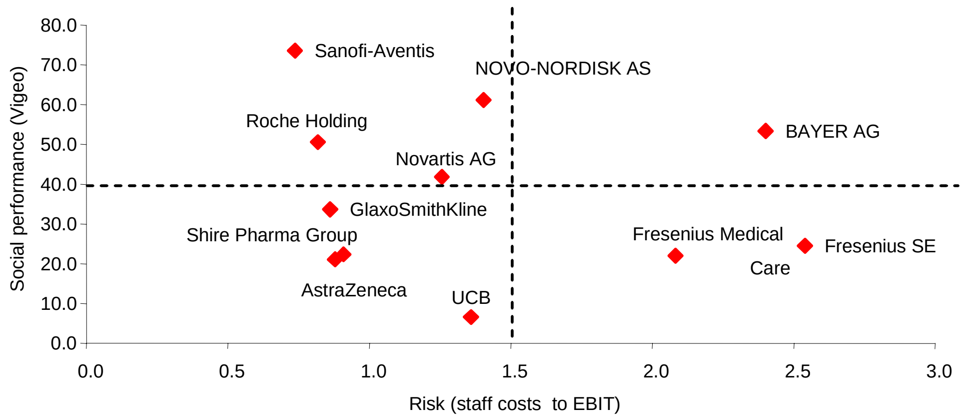
- The current high level of profitability means a low level of restructuring risk, except for certain specific entities or activities. Nevertheless, the expiry of patents in the coming years and a shift in pharma business models towards volume strategies could increase the level of restructuring risk
- Novo-Nordisk is likely to be the best positioned
- Roche recently increased its restructuring risk by acquiring Genentech.

Staff costs / EBIT vs. staff costs / sales



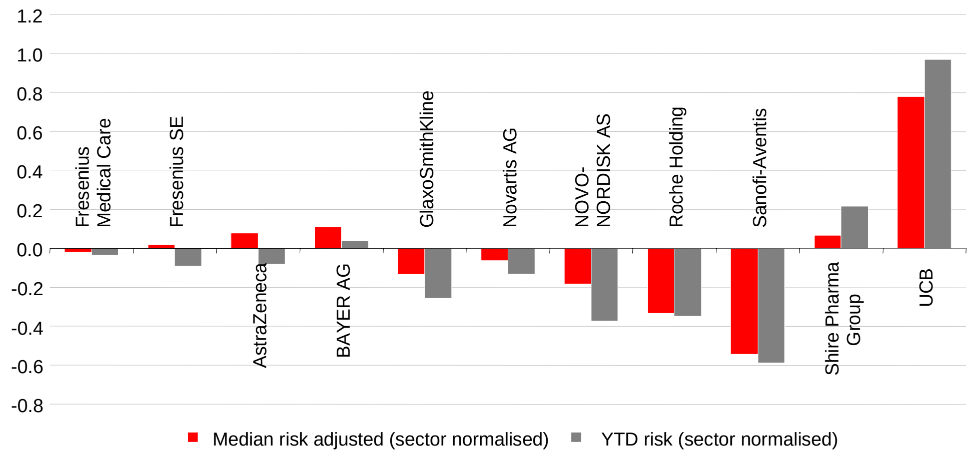
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



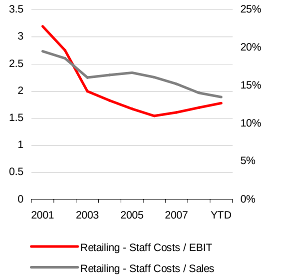
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Retailing: high restructuring risk

We have characterised the sector's restructuring profile as follows:

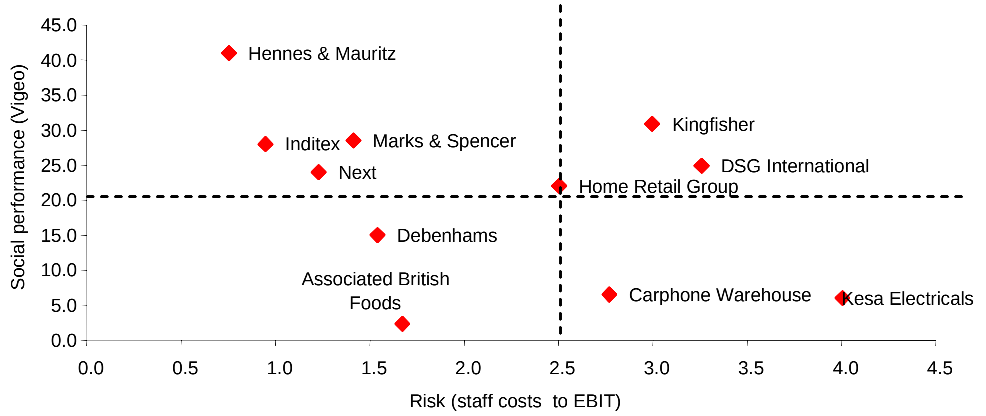
- High restructuring risk, but the recent economic slowdown has not substantially affected the long-term picture
- Strong impact of the country of localisation
- Kesa Electricals and Carphone Warehouse are the worst positioned. Their risk exposure is nevertheless partly mitigated by the higher service level they need to offer, compared with clothing.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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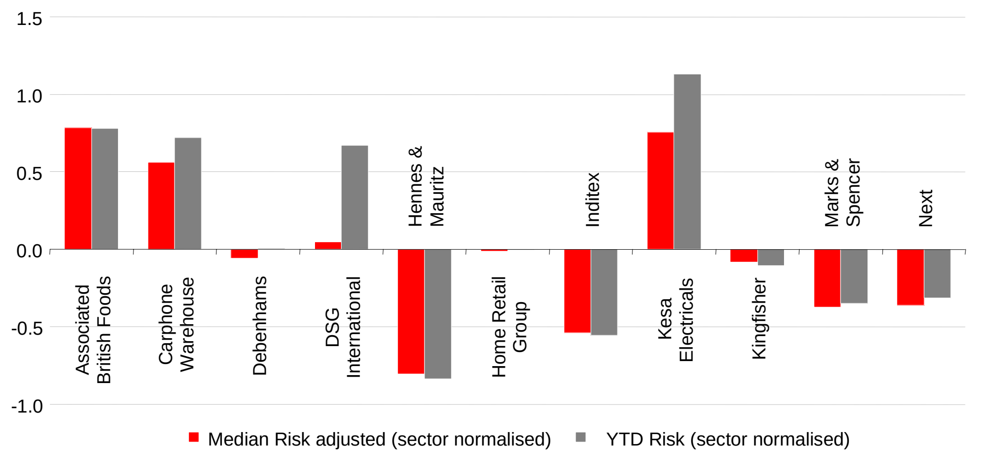
Net restructuring risk: 2001-2008 vs. YTD



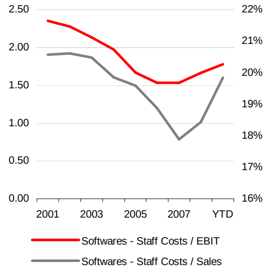
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Software: most dependent sector

We have characterised the sector's restructuring profile as follows:

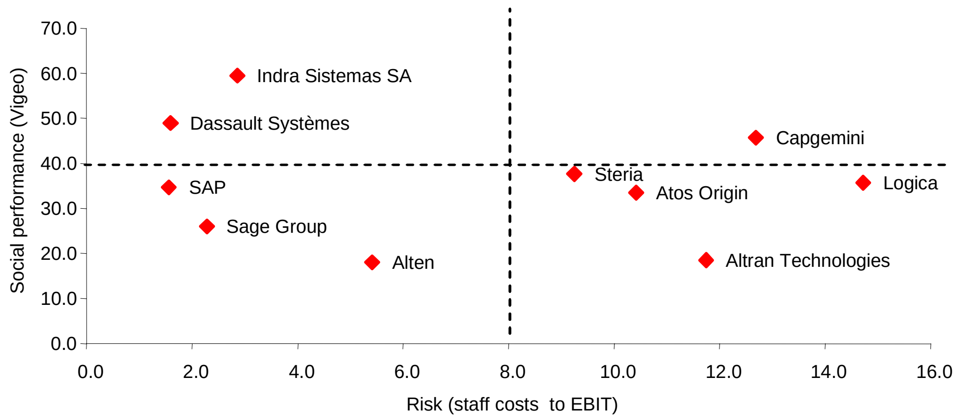
- Likely the sector of the sample that is most exposed to the restructuring thematic, with staff costs outweighing EBIT by an average factor of 8x
- Dassault Systèmes, Indra and SAP have the best-adjusted risk profiles.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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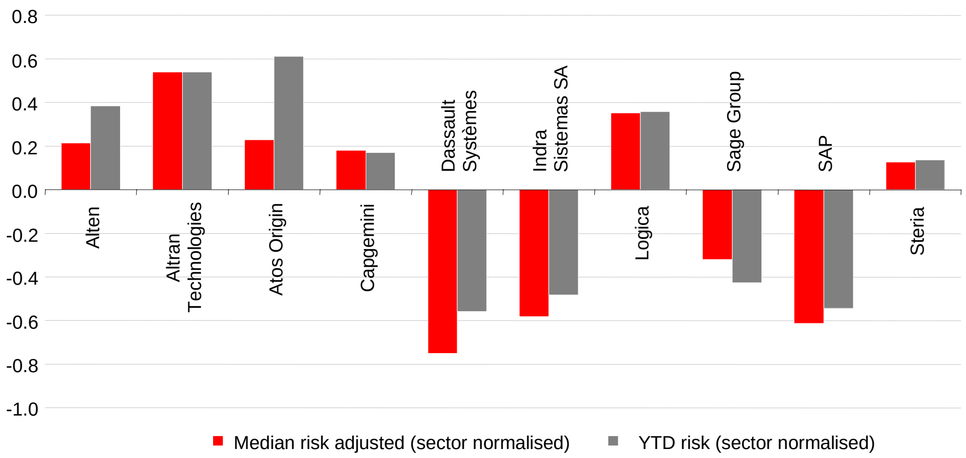
Net restructuring risk: 2001-2008 vs. YTD



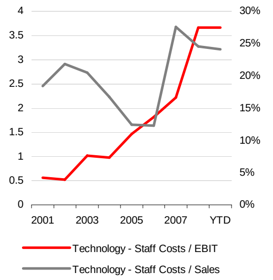
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Technology: medium risk with deteriorating profile with the current slowdown

We have characterised the sector's restructuring profile as follows:

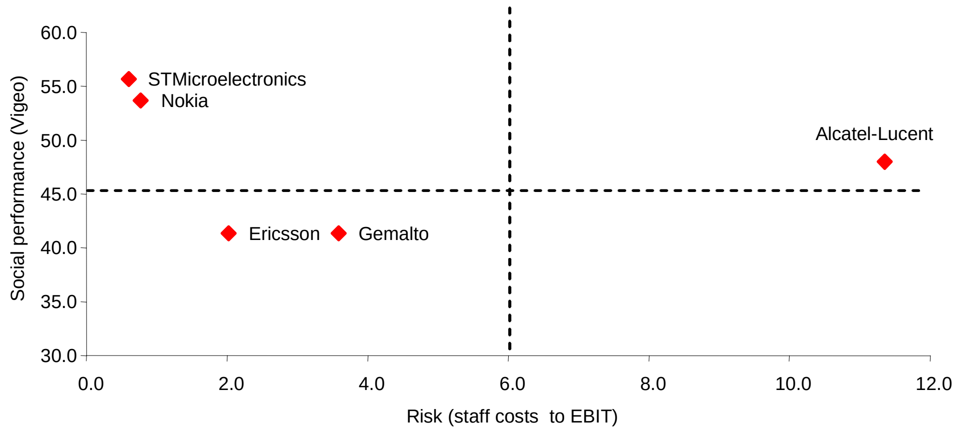
- Sector with a medium risk of restructuring. Staff costs have probably already been reduced in recent years both by restructuring and off-shoring.
- Current economic slowdown is strongly pushing up the initial level of risk
- Alcatel-Lucent is still in a precarious situation.

Staff costs / EBIT vs. staff costs / sales



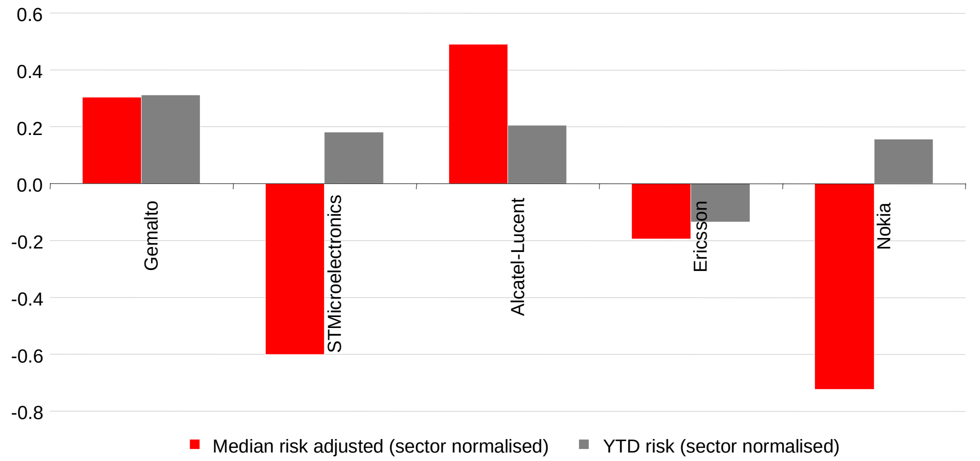
Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



Source: SG Equity Research, Vigeo, Companies => Restructuring Performance: defined as Vigeo score on restructuring ([0;100] scale) & Restructuring Risk defined as Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD)

Net restructuring risk: 2001-2008 vs. YTD



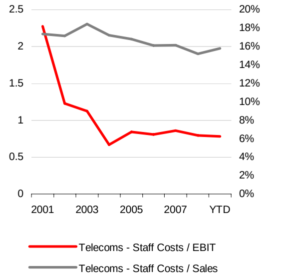
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Telecoms: limited restructuring risk

We have characterised the sector's restructuring profile as follows:

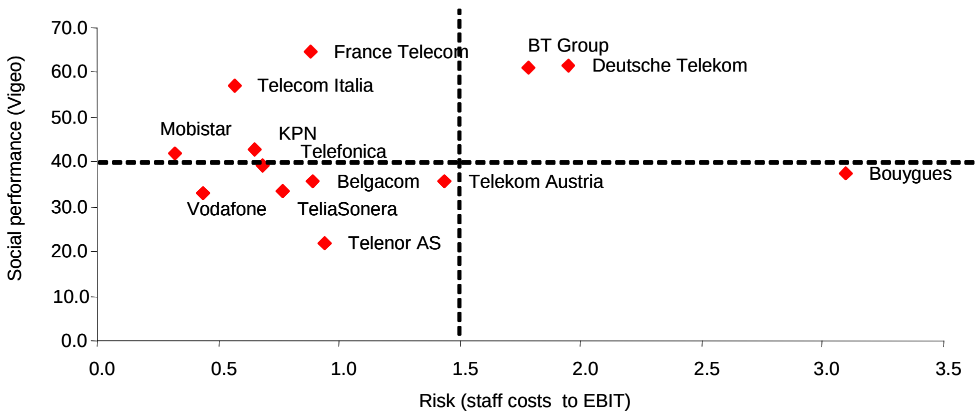
- Limited restructuring risk as costs and employee numbers have already been strongly reduced over the last 10 years, which might partially explain the high level of quality achieved in managing restructuring by historical operators
- Teliasonera, Telenor and Vodafone appear to be the best positioned.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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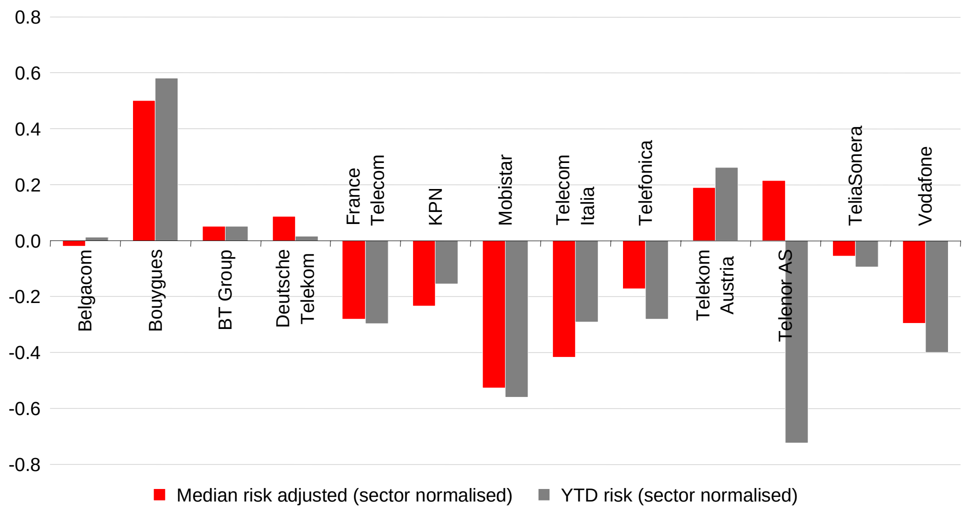
Net restructuring risk: 2001-2008 vs. YTD



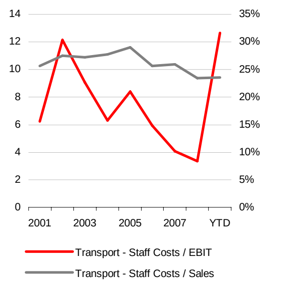
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Transport: highly cyclical and currently suffering, EBIT under pressure

We have characterised the sector's restructuring profile as follows:

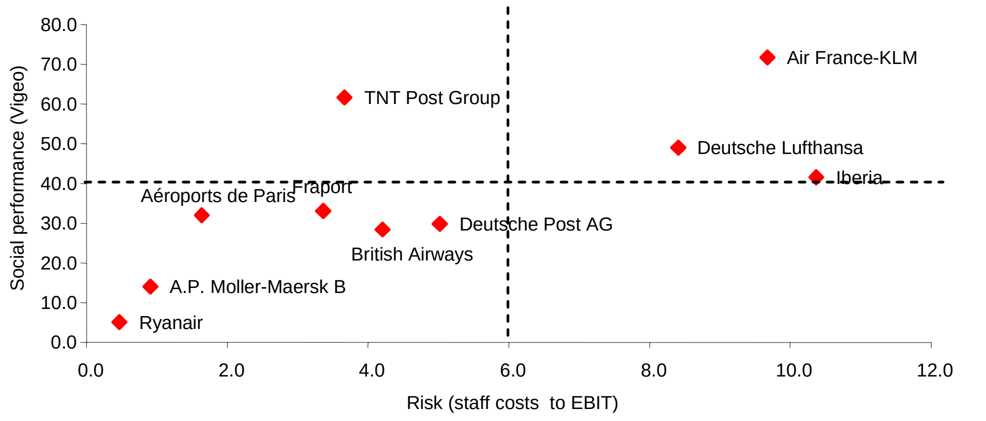
- The sector is highly cyclical with EBIT margin under pressure, especially from staff costs and fuel costs, notwithstanding regulations
- Current level of risk is much higher than in the average cycle
- Ryanair is still structurally the least affected, despite the poor score regarding managing restructuring.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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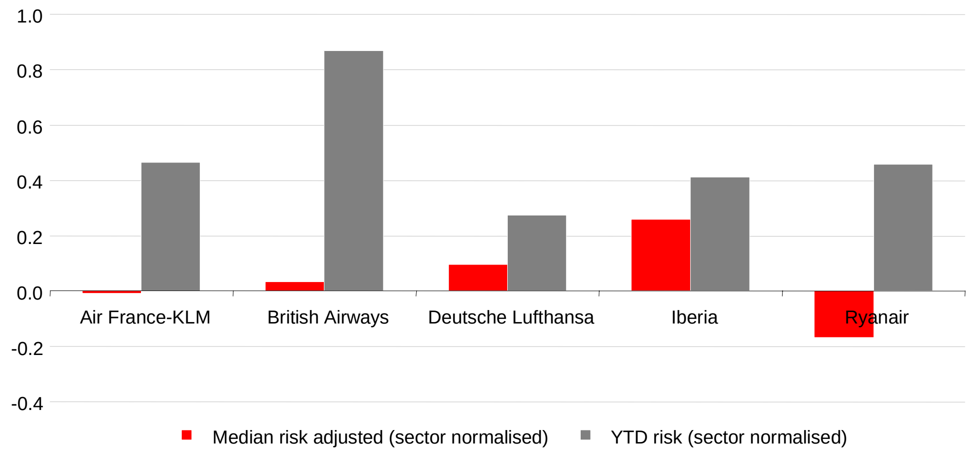
Net restructuring risk: 2001-2008 vs. YTD



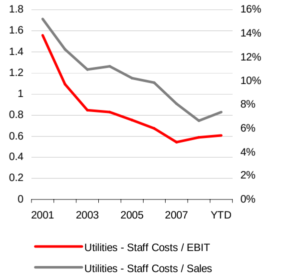
Source: SG Equity Research, Vigeo, Companies => Restructuring Performance normalised vs. Sector Performance, divided by Restructuring Risk normalised vs. Sector Risk; and average company Social Risk calculated over 2001-2008 vs. YTD Social Risk

Utilities: limited staff costs and risk

We have characterised the sector's restructuring profile as follows:

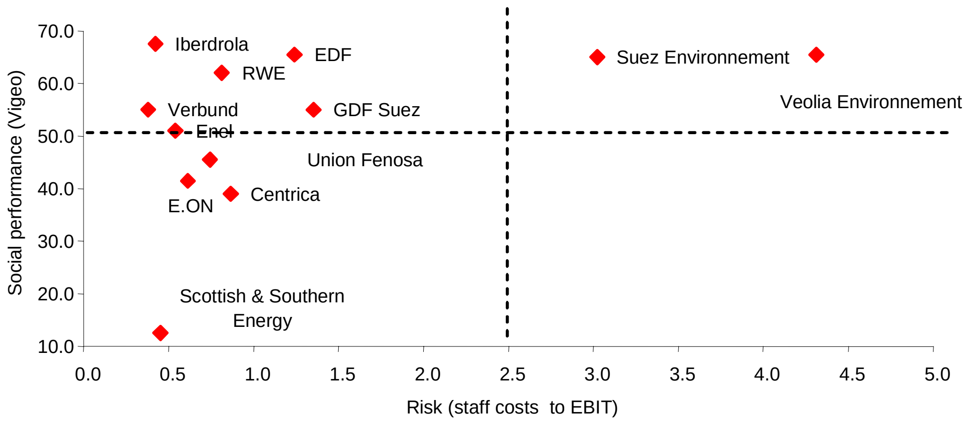
- Industrial groups with limited staff costs, except for multi-utilities companies like Suez Environnement and Veolia Environnement
- The current level of restructuring risk does not differ much from the normalised level
- Verbund and Iberdrola are the best positioned in our view.

Staff costs / EBIT vs. staff costs / sales



Source: SG Equity Research, => Staff costs / EBIT (EBIT multiple: historical data for 2001-2008 and SG estimates for 2009 YTD): left axis; and Staff Costs / Sales (%:historical data for 2001-2008 and SG estimates for 2009 YTD), right axis

Restructuring skills vs. restructuring risk



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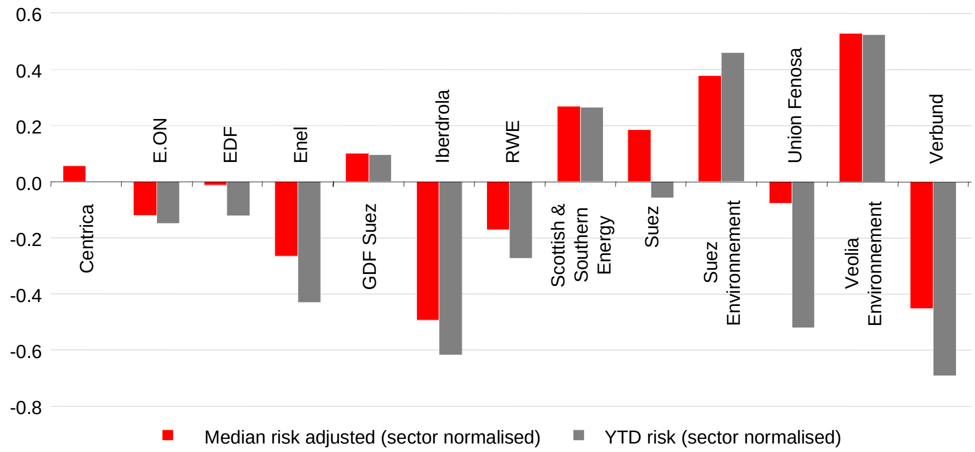
Net restructuring risk: 2001-2008 vs. YTD



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Appendix 1 - Our European coverage universe

Companies with Restructuring Low Risk – High Skills

Group	Value	Value	2008 - staff costs / EBIT (corrected)	YTD - staff costs / EBIT (corrected)	Median - staff costs / EBIT (corrected)	2008 - staff costs/sales	YTD - staff costs/sales	Median Staff/sales - staff costs/sales	Vigeo	Vigeo/risk
Accor	Hotels Restaurants & Leisure	Hotels Restaurants & Leisure	3.0	3.6	3.4	36%	38%	36%	56.0	16.4
Adidas	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	1.2	2.0	1.3	12%	12%	12%	48.5	36.0
Air Liquide	Materials	Chemicals	1.1	1.2	1.2	17%	17%	18%	49.5	42.3
BMW	Automobiles & Components	Automobiles	7.9		1.9	13%	14%	16%	56.2	29.8
Carrefour	Food & Staples Retailing	Food & Staples Retailing	2.6	2.6	2.3	10%	10%	10%	57.3	24.4
Casino	Food & Staples Retailing	Food & Staples Retailing	2.2	2.2	2.2	10%	10%	10%	51.7	23.3
Saint-Gobain	Capital Goods	Building Products	2.3	3.3	2.5	19%	20%	21%	59.0	23.3
Cobham	Capital Goods	Aerospace & Defence	1.7	1.3	2.3	28%	21%	38%	44.4	19.6
Colruyt	Food & Staples Retailing	Food & Staples Retailing	1.7	1.6	1.7	12%	11%	12%	49.0	29.2
Dassault Systèmes	Software & Services	Software	2.3	2.5	1.6	46%	48%	43%	49.0	30.7
Vivendi	Media	Media	0.5	0.5	0.5	11%	10%	11%	38.3	70.5
ENI	Energy	Oil & Gas	0.2	0.3	0.3				59.3	217.2
France Telecom	Telecommunication Services	Diversified Telecommunicatio n Services	0.8	0.9	0.9	16%	16%	18%	64.4	73.3
Hennes & Mauritz	Retailing	Specialty Retail	0.7	0.7	0.8	16%	14%	16%	41.0	54.4
Iberdrola	Utilities	Electric Utilities	0.3	0.3	0.4	6%	6%	8%	67.5	159.4
Imerys	Materials	Construction Materials	1.6	2.3	1.5	18%	20%	20%	47.2	30.8
L'Oréal	Household & Personal Products	Personal Products	1.3	1.3	1.3	20%	19%	19%	56.5	44.9
Lafarge	Materials	Construction Materials	0.7	0.9	1.2	14%	15%	18%	52.3	45.3
LVMH	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	0.8	1.0	0.9	17%	16%	17%	40.0	43.6
M6	Media	Media	1.2	1.3	0.8	16%	17%	15%	34.5	45.8
Marks & Spencer	Retailing	Multi-Line Retail	1.1	1.5	1.4	13%	13%	13%	28.5	20.2
Mediaset	Media	Media	0.5	0.8	0.5	12%	14%	12%	38.5	82.5
Nestlé	Food Beverage & Tobacco	Food Products	1.1	1.0	1.2	15%	15%	15%	28.7	23.9
Next	Retailing	Specialty Retail	1.2	1.4	1.2	20%	20%	19%	24.0	19.5
Nokia	Technology Hardware & Equipment	Communications Equipment	1.4	5.9	0.8	14%	17%	11%	53.7	69.2
Verbund	Utilities	Electric Utilities	0.2	0.2	0.4	6%	7%	7%	55.0	144.9
Pernod Ricard	Food Beverage & Tobacco	Beverages	0.5	0.4	0.9	12%	11%	13%	28.3	32.3

Source: SG Equity Research , Vigeo

Companies with Restructuring Low Risk – High Skills (Cont'd)

Group	Value	Value	2008 - staff costs / EBIT (corrected)	YTD - staff costs / EBIT (corrected)	Median - staff costs / EBIT (corrected)	2008 - staff costs/sales	YTD - staff costs/sales	Median Staff/sales - staff costs/sales	Vigeo	Vigeo/risk
Peugeot Citroen PSA	Automobiles & Components	Automobiles	226.3		4.4	23%	19%	15%	84.4	19.3
Rémy Cointreau	Food Beverage & Tobacco	Beverages	0.7	0.7	0.7	13%	14%	13%	43.8	63.5
Renault	Automobiles & Components	Automobiles	25.6		4.4	15%	16%	14%	80.6	18.4
Repsol-YPF	Energy	Oil & Gas	0.4	0.5	0.3				49.7	142.2
RWE	Utilities	Multi-Utilities & Unregulated Power	0.6	0.6	0.8	9%	10%	13%	62.0	76.3
Schneider Electric	Capital Goods	Electrical Equipment	1.8	3.0	2.4	27%	31%	31%	53.3	21.8
SGS	Commercial Services & Supplies	Commercial Services & Supplies	2.9	2.6	2.9	48%	44%	48%	16.5	5.8
STMicroelectronics	Semiconductors & Semiconductor Equipment	Semiconductors & Semiconductor Equipment			0.6	5%	6%	4%	55.7	92.4
Telecom Italia	Telecommunication Services	Diversified Telecommunicatio n Services	0.8	0.8	0.6	14%	15%	14%	57.0	100.3
Xstrata	Materials	Metals & Mining	0.3	0.9	0.4	8%	10%	11%	37.3	86.3
TF1	Media	Media	2.5		1.1	17%	19%	13%	68.0	60.7
Total	Energy	Oil & Gas	0.2	0.4	0.4				59.0	163.0
Vallourec	Capital Goods	Machinery	0.6	1.3	1.3	13%	20%	20%	48.3	36.6
BHP Billiton plc	Materials	Metals & Mining	0.2	0.2	0.2	7%	8%	8%	39.0	162.9
Indra Sistemas SA	Software & Services	IT Services	3.6	3.6	2.9	41%	39%	33%	59.5	20.8
TNT Post Group	Transportation	Air Freight & Logistics	3.7	4.3	3.7	32%	35%	35%	61.7	16.8
SolarWorld	Capital Goods	Renewable energies	0.3	0.3	0.4	10%	9%	11%	57.0	141.8
Inditex	Retailing	Specialty Retail	0.9	0.9	0.9	16%	14%	15%	28.0	29.5
JCDecaux	Media	Media	1.4	3.5	1.4	20%	22%	21%	37.0	26.5
StatoilHydro	Energy	Oil & Gas	0.1	0.2	0.1				49.7	418.1
PagesJaunes	Media	Media	0.7	0.8	0.8	30%	31%	30%	43.0	56.7
Gestevision Telecinco	Media	Media	0.1	0.3	0.2	6%	8%	8%	43.0	208.5
Cintra	Capital Goods	Construction & Engineering	0.2	0.2	0.3	10%	9%	12%	42.0	152.4
Vestas	Capital Goods	Renewable energies	1.4	1.4	1.6	15%	15%	15%	53.0	33.7
MTU	Capital Goods	Aerospace & Defence	1.5	2.0	2.5	18%	19%	22%	45.2	18.0
Renewable Energy Corporation	Capital Goods	Electrical Equipment	0.6	0.5	0.6	18%	13%	16%	33.5	57.9
Novartis AG	Pharmaceuticals & Biotechnology	Pharmaceuticals	1.2	1.1	1.3	26%	26%	27%	41.8	33.2
Novo-Nordisk AS	Pharmaceuticals & Biotechnology	Pharmaceuticals	1.1	0.9	1.4	30%	26%	31%	61.1	43.5
Roche Holding	Pharmaceuticals & Biotechnology	Pharmaceuticals	0.8	0.8	0.8	24%	22%	22%	50.5	61.7
Sanofi-Aventis	Pharmaceuticals & Biotechnology	Pharmaceuticals	0.8	0.7	0.7	24%	23%	24%	73.6	99.8

Source: SG Equity Research , Vigeo

Companies with Restructuring Low Risk – Low Skills

Group	Value	Value	2008 - staff costs / EBIT (corrected)	YTD - staff costs / EBIT (corrected)	Median - staff costs / EBIT (corrected)	2008 - staff costs/sales	YTD - staff costs/sales	Median Staff/sales - staff costs/sales	Vigeo	Vigeo/risk
Continental	Automobiles & Components	Auto Components		11.7	2.7	23%	26%	23%	18.7	6.8
Michelin	Automobiles & Components	Auto Components	5.5	13.2	4.2	28%	30%	31%	43.9	10.4
Pirelli	Automobiles & Components	Auto Components	27.2	6.3	4.6	24%	27%	23%	38.5	8.3
Porsche	Automobiles & Components	Automobiles	0.2	0.4	0.9	18%	20%	18%	21.0	24.7
Assa Abloy	Capital Goods	Machinery	1.8	1.9	2.6	28%	28%	39%	5.7	2.1
Atlantia	Capital Goods	Construction & Engineering	0.3	0.3	0.3	16%	16%	17%	32.0	97.8
Atlas Copco AB	Capital Goods	Machinery	1.0	1.6	1.6	19%	23%	26%	27.7	17.1
Ferrovial	Capital Goods	Construction & Engineering	2.3	2.1	2.1	26%	25%	23%	26.7	12.6
Meggitt	Capital Goods	Aerospace & Defence	1.1	1.1	2.0	27%	27%	44%	9.5	4.6
Q-Cells	Capital Goods	Renewable energies	0.5	0.4	0.4	7%	6%	8%	28.0	63.0
Rolls-Royce	Capital Goods	Aerospace & Defence	2.1	2.3	3.1	21%	19%	33%	8.3	2.7
Sandvik	Capital Goods	Machinery	1.7	6.3	2.5	25%	28%	32%	17.0	6.8
Smiths Group	Capital Goods	Industrial Conglomerates	1.7	1.6	2.1	29%	25%	38%	19.0	9.0
Tognum	Capital Goods	Machinery	1.4	3.1	1.4	17%	20%	17%	28.0	20.3
Tomkins	Capital Goods	Industrial Conglomerates	1.6	3.3	3.1	12%	15%	28%	10.0	3.2
Bulgari	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	1.7	4.7	1.1	18%	19%	16%	16.0	14.9
Burberry Group	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	0.9	1.0	1.3	19%	16%	25%	29.6	22.3
Hermes International	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	1.0	1.0	0.9	24%	22%	24%	27.0	29.9
Puma	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	0.9	0.9	0.7	12%	12%	11%	31.0	41.5
Richemont	Consumer Durables & Apparel	Textiles, Apparel & Luxury Goods	1.0	1.1	1.4	21%	20%	23%	18.5	13.6
BG Group	Energy	Oil & Gas	0.1	0.1	0.2				25.0	165.0
BP	Energy	Oil & Gas	0.2	0.5	0.4				24.3	59.9
Royal Dutch Shell	Energy	Oil & Gas	0.2	0.6	0.3				23.7	79.5
Delhaize	Food & Staples Retailing	Food & Staples Retailing	2.9	2.7	2.8	14%	13%	13%	19.0	6.8
Tesco	Food & Staples Retailing	Food & Staples Retailing	1.9	1.9	2.5	11%	10%	14%	31.7	12.4
Anheuser-Busch InBev	Food Beverage & Tobacco	Beverages	0.6	0.4	0.8	16%	9%	16%	18.7	23.8
Diageo	Food Beverage & Tobacco	Beverages	0.4	0.4	0.5	12%	11%	14%	18.0	36.5
Unilever NV	Food Beverage & Tobacco	Food Products	0.9	0.9	1.0	13%	13%	14%	16.7	17.5
Fresenius Medical Care	Health Care Equipment & Services	Health Care Equipment & Supplies	2.1	2.0	2.1	33%	32%	33%	22.0	10.6
Intercontinental Hotels	Hotels Restaurants & Leisure	Hotels Restaurants & Leisure	0.8	1.3	1.2	24%	30%	27%	10.0	8.1
Ladbrokes	Hotels Restaurants & Leisure	Hotels Restaurants & Leisure	0.8	1.1	1.2	22%	23%	22%	31.0	26.2
Whitbread	Hotels Restaurants & Leisure	Hotels Restaurants & Leisure	1.5	1.4	1.8	29%	26%	32%	30.0	16.9
William Hill	Hotels Restaurants & Leisure	Hotels Restaurants & Leisure	0.9	1.0	1.0	26%	27%	30%	19.5	19.0
Reckitt Benckiser	Household & Personal Products	Household Products	0.6	0.5	0.6	13%	12%	13%	10.7	16.6
Acerinox	Materials	Metals & Mining	6.8	1.7	1.1	7%	7%	7%	5.5	4.9

Source: SG Equity Research, Vigeo

Companies with Restructuring Low Risk – Low Skills (Cont'd)+

Group	Value	Value	2008 - staff costs / EBIT (corrected)	YTD - staff costs / EBIT (corrected)	Median - staff costs / EBIT (corrected)	2008 - staff costs/sales	YTD - staff costs/sales	Median Staff/sales - staff costs/sales	Vigeo	Vigeo/risk
Anglo American	Materials	Metals & Mining	0.3	0.4	1.0	10%	11%	20%	26.5	25.4
ArcelorMittal	Materials	Metals & Mining	0.7	6.5	0.8	11%	19%	11%	26.7	33.8
Holcim	Materials	Construction Materials	1.4	1.5	1.1	18%	19%	18%	33.8	32.2
Rio Tinto	Materials	Metals & Mining	0.4	0.8	0.4	15%	21%	14%	13.0	32.2
Travis Perkins	Materials	Construction Materials	1.4	1.8	1.2	12%	12%	12%	9.0	7.8
NRJ Group	Media	Media	6.0	4.2	0.9	33%	32%	28%	22.0	23.2
Prosiebensat1 Media	Media	Media	1.7	1.0	1.0	15%	16%	11%	15.0	14.7
AstraZeneca	Pharmaceuticals & Biotechnology	Pharmaceuticals	0.8	0.6	0.9	22%	22%	24%	21.0	23.9
GlaxoSmithKline	Pharmaceuticals & Biotechnology	Pharmaceuticals	0.7	0.7	0.9	24%	22%	30%	33.6	39.0
Shire Pharma Group	Pharmaceuticals & Biotechnology	Pharmaceuticals	1.2	1.3	0.9	32%	33%	21%	22.3	24.6
UCB	Pharmaceuticals & Biotechnology	Pharmaceuticals	2.0	2.1	1.4	28%	29%	23%	6.5	4.8
Associated British Foods	Retailing	Multi-Line Retail	1.7	1.7	1.7	14%	11%	15%	2.3	1.4
Debenhams	Retailing	Multi-Line Retail	1.8	1.8	1.5	17%	17%	17%	15.0	9.7
Alten	Software & Services	IT Services	5.4	8.0	5.4	62%	57%	66%	18.0	3.3
Sage Group	Software & Services	Software	2.0	1.8	2.3	41%	37%	58%	26.0	11.4
SAP	Software & Services	Software	1.6	1.8	1.6	41%	44%	41%	34.7	22.3
Ericsson	Technology Hardware & Equipment	Communications Equipment	3.4	2.3	2.0	25%	24%	28%	41.3	20.4
Belgacom	Telecommunication Services	Diversified Tel. Services	1.0	1.0	0.9	19%	19%	18%	35.9	40.2
KPN	Telecommunication Services	Diversified Telecommunication Services	0.9	0.8	0.6	15%	16%	14%	42.8	65.9
Mobistar	Telecommunication Services	Wireless Telecommunication Services	0.3	0.3	0.3	9%	9%	9%	42.0	129.3
Telefonica	Telecommunication Services	Diversified Telecommunication Services	0.5	0.5	0.7	12%	12%	15%	39.2	57.1
Telenor AS	Telecommunication Services	Diversified Tel. Services	0.1	0.1	0.9	1%	1%	17%	22.0	23.4
TeliaSonera	Telecommunication Services	Diversified Tel. Services	0.8	0.7	0.8	14%	13%	15%	33.4	43.6
Vodafone	Telecommunication Services	Wireless Tel. Services	0.4	0.3	0.4	8%	7%	10%	32.9	75.6
A.P. Moller-Maersk B	Transportation	Transportation Infrastructure	0.6	1.3	0.9	11%	12%	12%	14.0	15.4
Aéroports de Paris	Transportation	Transportation Infrastructure	1.4	1.5	1.6	27%	28%	30%	32.0	19.5
British Airways	Transportation	Transportation - Airlines	2.5		4.2	25%	24%	27%	28.3	6.7
Fraport	Transportation	Transportation Infrastructure	2.4	3.6	3.4	42%	44%	47%	33.0	9.8
Kuhne & Nagel	Transportation	Air Freight & Logistics	4.9	6.5	4.6	17%	20%	15%	0.0	0.0
Ryanair	Transportation	Transportation - Airlines	0.5	2.0	0.5	11%	10%	11%	5.0	10.7
Centrica	Utilities	Gas Utilities	0.7	0.8	0.9	6%	7%	9%	39.0	45.0
E.ON	Utilities	Electric Utilities	0.5	0.6	0.6	6%	7%	9%	41.5	67.5
Enel	Utilities	Electric Utilities	0.4	0.4	0.5	7%	7%	8%	51.0	94.3
Scottish & Southern Energy	Utilities	Electric Utilities	0.5	0.4	0.5	3%	3%	4%	12.5	27.6
Union Fenosa	Utilities	Electric Utilities	0.3	0.3	0.7	7%	6%	11%	45.5	61.1

Source: SG Equity Research, Vigeo

Appendix 2 – Vigeo: Europe's leading supplier of extra-financial analysis

Vigeo

Vigeo is a leading European Corporate Social Responsibility (CSR) rating agency. It assesses the environmental, social and governance (ESG) performance of companies and organisations and measures companies' most exposed management of extra-financial risks. It has two business departments:

▪ a Socially Responsible Investment (SRI) Department, providing extra-financial analysis for Asset Managers and Institutional Investors.

▪ a Corporate Social Responsibility Audit Department, providing CSR Audits for companies and organisations.

Vigeo employs a team of 87 highly skilled professionals with 14 nationalities, based in offices in Paris, Brussels, Milan and Casablanca.

The company is owned by:

– Asset managers and pension funds (45%)

– Trade unions, persons and entities (28%)

– Companies (27%).

Vigeo produces in-depth research on 1,400 companies worldwide included in the DJ Stoxx 1800 index (Equitics research model) and 300 bond issuers (countries, supranationals, local authorities, and non-listed companies).

It operates two families of SRI indices that are regularly quoted among the leading references:

– The ASPI (Advanced Sustainable Performance Index): Eurozone index

– The ESI (Ethibel Sustainability Indices): European and Global indices.

Vigeo research methodology (Equitics)

Vigeo's research methodology is based on internationally recognised standards from the UN, ILO, UNEP, OECD, Global Compact and the European Union.

ESG corporate performances are assessed according to 37 generic criteria grouped into six domains of analysis covering:

– The continued improvement of **human resources** management;

– The respect and promotion of fundamental **human rights**;

– **Business behaviour**: respect of clients, suppliers and subcontractors, prevention of corruption and anti-competitive practices;

– The respect of **corporate governance** standards

– **Environmental protection**

– **Community involvement.**

Vigeo's analysis depends on multi-source data collection from companies, their stakeholders and the media.

Appendix 3 – Vigeo's management of restructuring evaluation model, detailed scales

Leadership commitment evaluation scale

What is the company's commitment to minimising the impacts of layoffs during a restructuring?

Not relevant	No visible commitment to manage restructurings responsibly.
Partially relevant	Commitment to minimising the number of lay-offs.
	E.g : commitment to limit involuntary lay-offs
Relevant	Commitment to minimising the number of lay-offs by anticipating and planning restructurings.
	E.g : commitment to implement re-training measures allowing to anticipate employment changes
Highly relevant	Commitment to minimising the number of lay-offs by anticipating and planning restructurings, and by maximising the number of employees who find new employment

Source: Vigeo

What is the company's commitment to involving employee representatives in the management of restructurings?

Not relevant	No visible commitment to inform and consult employee representatives on restructurings.
Partially relevant	Commitment to informing and consulting employee representatives on restructurings.
Relevant	Commitment to negotiating with employee representatives on restructurings.
Highly relevant	Collective agreement on restructurings signed with employee representatives.

Source: Vigeo

Implementation processes evaluation scale

What means are allocated to prevent and manage restructurings?

Not significant	Absence of tangible means to limit the impacts of restructuring
Partially significant	Allocation of basic means to limit the impacts of restructuring: Measures to support affected employees rely mainly on early retirement solutions, significant financial compensation and some extra measures but which only partially mitigate the negative impact of restructuring.
Significant	Allocation of significant means to limit the impacts of restructuring: Measures to support affected employees comprise solutions aimed at minimising job losses: internal mobility, outplacement, re-training, etc.
Highly significant	Allocation of extensive means to limit the impacts of restructuring: comprehensive measures to support affected employees: changes in working hours, internal mobility, outplacement, re-training, individualised follow-up of employees, support for business creation, etc.

Source: Vigeo

What proportion of affected employees is covered by these means?

Not significant	Absence of tangible means to limit the impacts of restructuring. A high proportion of affected employees is not covered by the solutions proposed by the company.
Partially significant	These means are allocated to a minority of the company's employees affected by the restructuring. The solutions proposed are limited to one site / company of the group while a wider scope is concerned.
Significant	These means are allocated to all company's employees affected by the restructurings.
Highly significant	These means are allocated to all employees affected by the restructurings, and measures have been implemented to protect temporary workers and/or subcontractors.

Source: Vigeo

Results evaluation scale

What are the results of the restructuring?

Source of concern	Absence of information, allegation, conviction of misconduct.
Mixed results	The company has managed restructurings in line with basic requirements.
Solid results	The company has managed restructurings through anticipation and cooperation with employee representatives, or the company has managed to avoid involuntary lay offs.
Advanced results	The company has managed restructurings through anticipation, in agreement with employee representatives, and set up a system to monitor the situation of employees affected by the restructurings.

Source: Vigeo

IMPORTANT DISCLOSURES

Accor	SG acted as financial advisor to Accor and Colony Capital on the valuation
Accor	SG acted as advisor to Accor in its transaction with the Orbis group
Accor	SG acted as joint manager in Accor's senior bond issue (7.642%04/02/2014).
Air France-KLM	SG acted as joint bookrunner in the issue of senior unsecured bonds convertible into new shares and/or exchangeable for existing shares of Air France KLM (OCEANE)
AKZO NOBEL NV	SG acted as joint bookrunner in the Akzo Nobel's senior bond issue.
Alstom	SG is a lender to Alstom Group.
Alten	SGSP is managing a liquidity contract including production of research on behalf of Alten
Altran Technologies	SG acted as Joint Bookrunner in Altran's capital raising
Altran Technologies	SG has participated to a 150 M euro refinancing agreement between a banking pool and Altran Technologies
American Water Works	SG acted as co-manager in the secondary offering of American Water Works shares by RWE and in the capital increase of American Water Works.
Anheuser-Busch InBev	SG acted as one of the Mandated Lead Arranger in the acquisition financing of Inbev's bid for Anheuser-Busch.
ArcelorMittal	SG acted as joint bookrunner for the equity and convertible bond offerings of ArcelorMittal.
ArcelorMittal	SG acted as joint lead manager and joint bookrunner in the issue of unsecured bonds convertible into new shares and/or exchangeable for existing shares of ArcelorMittal (OCEANE)
Atlantia	SG makes a market in Atlantia warrants
Atos Origin	SG acted as financial advisor to Centaurus and Pardus which, acting as concert parties, hold between 15% and 20% of Atos Origin
BG Group	SG acted as Joint Bookrunner in the BG Group's senior bond issue (3.375% 15/07/13).
BG Group	SG acted as Mandated Lead Arranger and Bookrunner in the acquisition financing of BG Group's tentative bid for Origin Energy
BHP Billiton plc	SG acted as advisor to Rio Tinto in its defense against the proposed takeover bid by BHP Billiton
BT Group	SG acted as joint bookrunner in the BT Group's senior bond issue (6.125% 11/07/14 EUR).
Bureau Veritas	SG acted as joint bookrunner in the disposal of Bureau Veritas' shares by Wendel through an Accelerated Bookbuilding
Capgemini	SG acted as co-lead manager of Capgemini's capital raising
Carlsberg	SG acted as joint bookrunner in the Carlsbergi's senior bond issue (6% 28/05/14 - 7.25 28/11/16 GBP).
Carrefour	SGSP is managing a liquidity contract on behalf of Carrefour
Carrefour	SG is a long-standing banker of Carrefour as well as the Halley Family
Carrefour	SG acted as Joint bookrunner in the Carrefour's senior bond issue (6.625% 02/12/2013 EUR).
Carrefour	SG acted as Joint Lead Manager in the Carrefour's senior bond issue (TAP - 4.375% 11/06/2003 EUR).
Casino	SG acted as financial advisor to Galeries Lafayette in its negociation with Casino on Monoprix
Delhaize	SG is acting as financial adviser in its public tender offer on the minority shareholders of AB Vassilopoulos
Deutsche Lufthansa	SG acted as joint bookrunner in the Lufthansa's senior bond issue (6.75% 24/03/2014 EUR).
Deutsche Post AG	SG acted as Co-Lead Manager of Deutsche Postbank rights issue
Deutsche Postbank	SG acted as Co-Lead Manager of Deutsche Postbank rights issue
Deutsche Postbank	SG acted as Joint bookrunner in the Deutsche postbank's covered bond issue (3.125% 10/07/14 EUR).
Deutsche Telekom	SG acted as co-manager in Deutsche Telekom's high grade senior bond issue.
EDF	SG acted as co lead manager in the EDF bond issue to retail customers (4.5% - 2014).
EDF	SG acted as joint-lead manager and joint-bookrunner of EDF Energies Nouvelles capital increase
EDF	SG acted as Mandated Lead Arranger and Bookrunner of the acquisition facilities set up by EDF for the acquisition of British Energy
EDF Energies Nouvelles	SG acted as joint-lead manager and joint-bookrunner of EDF Energies Nouvelles capital increase
Eiffage	SG acted as advisor to Veolia Environnement/Dalkia in the disposal of Clemessy and Crystal to Eiffage
Enel	SG makes a market in Enel warrants
Enel	SG acted as senior co-lead manager of Enel right issue
Enel	SG acted as financial advisor to Enel for its participation in the Cernavoda nuclear plant project in Romania
ENI	SG makes a market in Eni warrants
Faurecia	SG was acting as global coordinator, lead manager and bookrunner of the rights issue of Faurecia
Fiat	SG makes a market in Fiat warrants
Finmeccanica	SG makes a market in Finmeccanica warrants
Finmeccanica	SG acted as co-manager in Finmeccanica's rights issue.
Finmeccanica	SG is acting as co-manager in the Finmeccanica's senior unsecured HG bond issue.
Fresenius Medical Care	SG acted as co-manager in Fresenius SE Mandatory Exchangeable bonds into shares of Fresenius Medical Care
Fresenius SE	SG acted as co-manager in Fresenius SE's capital increase
Fresenius SE	SG acted as Joint-lead manager in Fresenius 's subordinated bond issue .
Fresenius SE	SG acted as co-manager in Fresenius SE Mandatory Exchangeable bonds into shares of Fresenius Medical Care
GDF Suez	SG acted as advisor to GDF in its merger with Suez
GDF Suez	SG acted as exclusive advisor to GDF Suez in its bid for the privatisation of Izgaz
GDF Suez	SG acted as joint solicitation agent for a consent solicitation on nine Suez bonds
GDF Suez	SG acted as joint bookrunner in the GDF SUEZ's senior bond issue (TAP 6.25% 24/01/2014 EUR & TAP 6.875% 24/01/2019 EUR).
Gemalto	SGSP is managing a liquidity contract on behalf of Gemalto
Kingfisher	SG acted as Mandated Lead Arranger and Bookrunner of the acquisition facilities set up by Groupe Adeo SA for the acquisition of Castorama Italia Spa
Lafarge	SG acted as joint bookrunner of the rights issue of Lafarge
Lafarge	SG acted as joint bookrunner in the Lafarge senior bond issue (7.625% 24/11/16 EUR).
Lafarge	SG acted as joint bookrunner in the Lafarge's senior bond issue (7.625% 27/05/14 EUR).
Lafarge	SG acted as mandated lead arranger and bookrunner for the partial refinancing by Lafarge of the acquisition of Orascom
Linde AG	SG acted as Joint Lead Manager in the Linde AG's senior bond issue (6.75% 08/12/2015 EUR).
LVMH	SG acted as joint bookrunner in the LVMH's senior bond issue. (4.3275% 12/05/14 EUR)
MAN AG	SG acted as joint bookrunner in the MAN AG's senior bond issue (5.375% 20/05/13 EUR & 7.25% 20/05/16 EUR).
MAN AG	SG is acting as Mandated Lead Arranger of the acquisition facilities set up by MAN for the acquisition of Brazil-based Volkswagen Truck & Bus
Mediaset	SG makes a market in Mediaset warrants
Metro	SG acted as joint bookrunner in the Metro's senior bond issue.
Michelin	SG acted as joint bookrunner in the MICHELIN's senior bond issue (8.625 24/04/14 EUR).
Michelin	SG acted as Agent of the repurchase of subordinated notes redeemable in cash due 3 Decembre 2033.
Nexans	SG acted as co-lead manager in the issue of unsecured bonds convertible into new shares and/or exchangeable for existing shares of Nexans (OCEANE)
Nokia	SG acted as co-Manager of in NOKIA 's senior unsecured bond issue.
Pernod Ricard	SG acted as financing adviser to Pernod Ricard for the disposal of Lubuski Gin

Pernod Ricard	SG acted as a joint bookrunner in the Pernod Ricard senior bond issue (7% 15/01/15 EUR).
Pernod Ricard	SG was a prospective syndicate member in the contemplated capital increase of Pernod Ricard
Pernod Ricard	SG is acting as Mandated Lead-Arranger and Bookrunner for the financing of the acquisition by Pernod Ricard of Vin & Sprit Group
Pernod Ricard	SG acted as financial advisor to Pernod Ricard in providing the Board of Directors with a fairness opinion on the acquisition of Vin & Sprit
Peugeot Citroen PSA	SG was acting as global coordinator, lead manager and bookrunner of the rights issue of Faurecia
Peugeot Citroen PSA	SG acted as global coordinator and joint book runner in the issue of unsecured bonds convertible into new shares and/or exchangeable for existing shares of PSA Peugeot (OCEANE).
PPR	SG acted as joint bookrunner in the PPR's senior bond issue (8.625% 03/04/14 EUR).
Rhodia	SG holds between 5% and 10% of Rhodia as a result of its trading activites
Rhodia	SG holds a 50% stake in Orbeo, a joint-venture active in emissons markets equally owned by Rhodia
Rio Tinto	SG was co-bookrunner in Rio Tinto's rights issue
Rio Tinto	SG acted as joint bookrunner in the Rio Tinto's senior bond issue (144A HG).
Rio Tinto	SG acted as advisor to Rio Tinto in its defense against the proposed takeover bid by BHP Billiton
RWE	SG is one of the Mandated Lead Arranger in the acquisition financing of RWE's bid for Essent
Saint-Gobain	SG acted as Senior Co-Lead Manager of Saint-Gobain's right issue
Saint-Gobain	SG acted as joint bookrunner in the Saint-Gobain's senior bond issue (6% 20/05/13 EUR).
Saint-Gobain	SG acted as joint bookrunner in the Saint-Gobain's senior bond issue (8.25% 28/07/2014 EUR).
Sandvik	SG acted as joint bookrunner in the Sandvik's senior bond issue (6.875% 25/02/2014 EUR).
Sanofi-Aventis	SG acted as joint bookrunner in the SANOFI-AVENTIS' senior bond issue (3.5% 17/05/13 EUR & 4.5% 18/05/16 EUR).
Schneider Electric	SG acted as sole manager in the Schneider Electric's senior bonds issue.
Schneider Electric	SG acted as joint bookrunner in the Schneider Electric's senior bond issue (6.75% 16/07/2013 EUR).
SES	SG acted as Joint bookrunner in the SES Global's senior bond issue.
StatoilHydro	SG acted as joint bookrunner in the StathoilHydro's senior bond issue (4.375% 11/03/2015 EUR & 5.625% 11/03/2021 EUR).
Steria	SGSP is managing a liquidity contract on behalf of Steria
Suez Environnement	SG might be participating in a forthcoming bond offering by Suez Environnement
Suez Environnement	SG acted as joint bookrunner in the Suez Environnement's senior bond issue (6.25% 08/04/19 EUR).
Telecom Italia	SG makes a market in Telecom Italia warrants
Telecom Italia	SG is acting as advisor to Telecom Italia to evaluate various strategic options
Telecom Italia	SG is acting as Joint Mandated Lead-Arranger and Bookrunner in the acquisition financing of Alice from Telecom Italia by Iliad
Telefonica	SG acted as joint bookrunner in the Telefonica's senior bond issue (5.496% 01/04/16 EUR).
Telefonica	SG acted as joint bookrunner in the Telefonicai's senior bond issue (5.496% 01/04/2016 EUR).
Thales	SG acted as joint bookrunner in the Thales' senior bond issue (4.375% 02/04/13 EUR).
Union Fenosa	SG acted as Bookrunner and Mandated Lead Arranger in the acquisition financing of Union Fenosa by Gas Natural
Vallourec	SG is acting as financial advisor to Vallourec for the acquisition of three tubular businesses from Grant Predico
Veolia Environnement	SG is acting as financial advisor to CDC for the merger of Transdev with Veolia Transport.
Veolia Environnement	SG acted as joint bookrunner in the VEOLIA Environnement's senior bond issue.
Veolia Environnement	SG acted as advisor to Veolia Environnement/Dalkia in the disposal of Clemessy and Crystal to Eiffage
Vivendi	SGSP is managing a liquidity contract on behalf of Vivendi.
Vivendi	SG acted as co-manager on Vivendi's Senior Unsecured debt offering in US dollars.
Vivendi	SG acted as joint bookrunner in the Vivendi's senior bond issue (7.75% 23/01/2014).
Vivendi	SG acted as sole manager in the Vivendi's senior bond issue (TAP 4.5% 03/10/2013 EUR).
Vivendi	SG acted as Bookrunner and Mandated Lead Arranger in the acquisition financing of Neuf Cegetel by Vivendi

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