

SNCF Réseau

ISIN CODE: XS0096412548

Overall score 49/100

Sector: Transport & Logistics

Companies in sector panel: 29

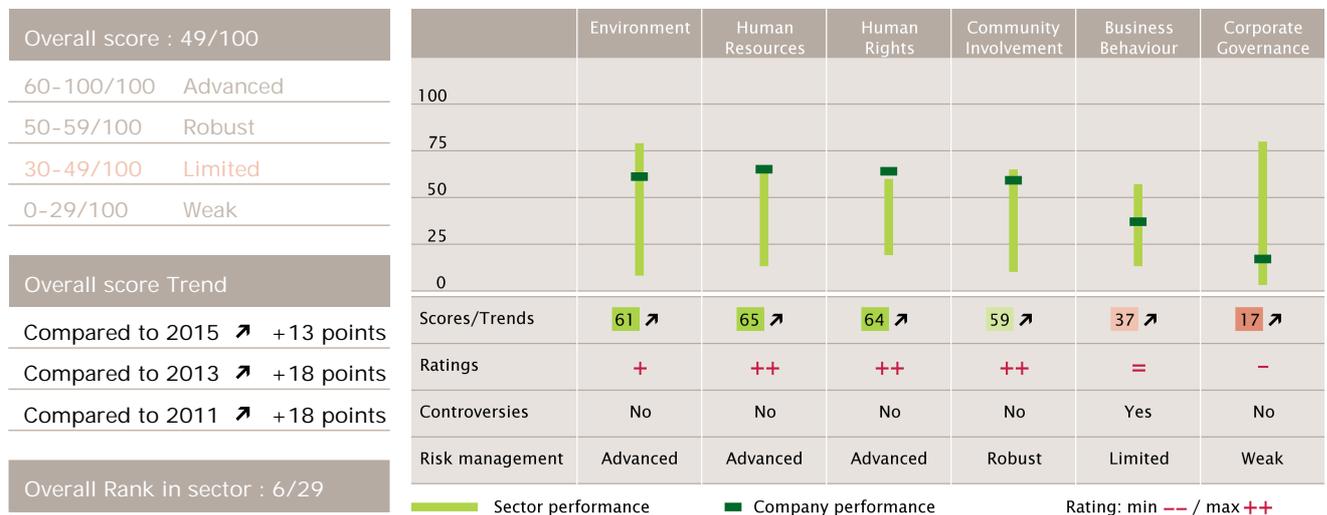
Information rate: 72% (Sector average: 66%)
Company cooperation level: Proactive *

General information

SNCF Réseau is the operator of the French railway system and is responsible for the management and maintenance of the railway network. Following August 4, 2014 law in France that is related to the reform of the French railway system, SNCF Réseau was created on January 2015 by the merger of the former Réseau Ferré de France (RFF), SNCF's infrastructure division (SNCF Infra) and the Traffic Control Direction (DCF).

Main Economic Segment**	Turnover 2015
Railway	100 %

Overall CSR performance & trends



- SNCF Réseau's overall approach to managing its CSR performance is considered to be almost robust (49/100), having significantly improved when compared to the previous review (September 2015).
- The Company's approach to addressing its three ESG impacts is heterogeneous. A robust performance is displayed regarding the Environment and Social pillars, which appear to be the main drivers of SNCF Réseau's performance, while a weak performance is registered for the Governance pillar.
- In September 2015, SNCF Réseau was charged with involuntary homicide and injuries after a SNCF train derailed. The Company is remediative regarding this case.

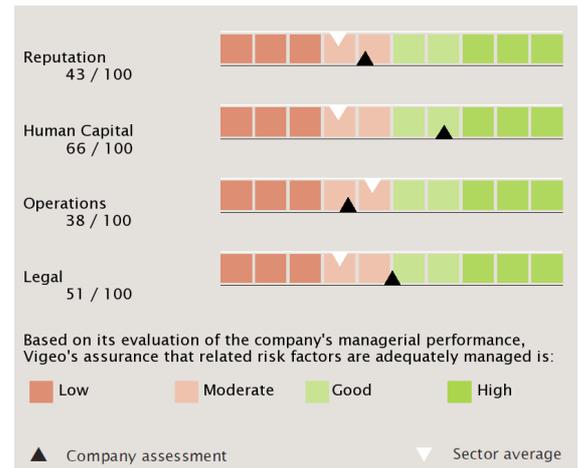
Company inclusion in Vigeo Indices*** : NO

* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Management of Risks and Opportunities

Weight of the Sustainability drivers	Weaknesses		Strengths	
	3	<ul style="list-style-type: none"> ■ Social standards in the supply chain ■ Board of Directors 	<ul style="list-style-type: none"> ■ Corruption ■ Health and safety 	<ul style="list-style-type: none"> ■ Fundamental labour rights
2	<ul style="list-style-type: none"> ■ Anti-competitive practices ■ Environmental standards in the supply chain ■ Executive Remuneration ■ Audit & Internal Controls 	<ul style="list-style-type: none"> ■ Logistics safety / Passengers safety ■ Responsible Lobbying 	<ul style="list-style-type: none"> ■ Customer relations ■ Working hours ■ Local pollution 	<ul style="list-style-type: none"> ■ Social Dialogue ■ Non-discrimination and diversity ■ Career management ■ Remuneration ■ Social and economic development ■ Environmental strategy
1			<ul style="list-style-type: none"> ■ General interest causes 	<ul style="list-style-type: none"> ■ Accidental Pollution
	Weak 0 to 29 points	Limited 30 to 49 points	Robust 50 to 59 points	Advanced 60 to 100 points

- Following the **reorganisation** of the railway sector by law in 2014, RFF, along with other structures previously managed by SNCF, were merged to create SNCF Réseau, several question marks were raised regarding how the new structure will manage to maintain efficiency of operations without drastically impacting the security of employment for many of its new staff members. The evolution of positions and structure at SNCF Réseau appears to have been accompanied by the signature of an agreement that includes the Company's commitments towards the employment of the workforce, securing employees' career paths and skills development, and consulting employee representatives during the transition period due to the restructuring. In addition, the Company has seemingly implemented measures to reduce the impact of reorganisations including significant financial compensation, internal mobility programmes across all the railway sector components and re-training in order to adapt some of the employees to any potential new duties they are not used to perform. Given this approach, Vigeo's assurance in the Company's ability to ensure a smooth transition to a more efficient organisation as expected by the reform, with no major protest movements or discontent from social partners is high.



- The French railway network is one of the oldest (created in 1827), and the longest (more than 30,000 km) in the world. This particular display generates additional challenges and increases the exposure of SNCF Réseau to the risk of ageing infrastructure and its impact on the **energy efficiency** of its operations. With targets to reduce GHG emissions and energy consumption by 20% by 2025, significant investments aimed at optimising both facilities and fleet, and partnerships to switch to alternative energy sources, SNCF Réseau appears to be in capacity to mitigate the climate change operational risks associated with its operation of a relatively ageing and long network.

* We consider legal security as an element of a company's tangible or intangible assets. We define legal risk as the potential impact - negative or positive - on these assets, considering the management of CSR issues possibly involving the company's legal responsibility. Under no circumstances should our opinion be construed as a due diligence or an assurance in the meaning of regulations such as, for instance, the Sarbanes-Oxley Act in the USA or the Loi de Sécurité Financière in France

CSR performance per domain

■ Sector performance
■ Company performance
Rating: min -- / max ++



Key issues

Companies in the Transport and Logistics sector are expected to define a solid and comprehensive **Environmental strategy** given the major impacts their operations and processes have on the environment. Indeed, this sector is responsible for approximately 25% of the total CO2 emissions increasing pressure on such companies to offer low environmental impact services. Thus, **Minimising the environmental impacts from energy use** is identified as a key issue.

Company performance

In the Environment domain, and in a significant improvement when compared to Vigeo's past rating, SNCF Réseau's performance is advanced in absolute terms. The main elements accounting for the score increase remain the more exhaustive approach to management of climate change issues through more reliance on renewable energy and facilities and fleet optimisation programmes throughout the Company's operations. In addition, SNCF Réseau appears to have developed comprehensive measures to preventing local pollution such as low nuisance equipment and programmes to reduce local pollution, and to cooperate with stakeholders involved through regular dialogue processes.



Key issues

The Transport and Logistics sector is driven by restructuring changes which can have critical impacts on human resources aspects and thus placing **Reorganisations** as a major issue for such companies. **Labour relations** are of particular importance as well, as the processes of technological change, deregulation, and privatisation have reduced the unionized workforce. Also, workers' **Health and Safety** represents another key issue given the nature of the activities of the sector that exposes workers to health and safety problems such as accidents, exposure to toxic substances, and repetitive movements.

Company performance

Having significantly improved when compared to the previous review, SNCF Réseau displays an advanced performance in absolute terms. The main elements accounting for the improvement are the evolution of the collective agreement framework to include all relevant topics, including CSR issues, the introduction of significant financial compensation and internal mobility schemes for employees impacted by reorganisations and the addition of risk assessment as a measure to reduce frequency of accidents in the workplace.



Key issues

Ensuring the respect of **Fundamental labour rights** is crucial for the Transport and Logistics sector, and companies are expected to set policies and install solid social dialogue platforms in place especially when their operations are beyond the country of origin. **Non-discrimination** is another key challenge as such jobs have, historically, been male-dominated and face shortages related to ageing workforce as well as difficulty of the integration of persons with disabilities.

Company performance

In the Human Rights domain, SNCF Réseau's absolute performance has increased since Vigeo's last review, shifting from limited to advanced. Different measures aimed at informing employees on trade union activities appear to have been deployed, while the Company seems to have set up at significant measures to prevent discrimination such as disciplinary procedures and affirmative action programmes. An increase in the share of women in the management has also been witnessed over the period under review.

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Key issues

Given the growing importance of infrastructure as a backbone of the global economy, railway infrastructure operators can actively contribute to the development of the regions hosting their operations through **Social and economic development** endeavours. In this sense, these companies are expected to increase and ease mobility through development of infrastructure.

Company performance

Having significantly improved when compared with Vigeo's past rating, SNCF Réseau's performance in the Community Involvement domain is almost advanced in absolute terms. SNCF Réseau, along with 5 other actors in the railway sector, launched an initiative called "Railponsible", aimed at developing sustainability practices and promoting them along the whole value chain of the sector. In addition, actions to improve social integration, actions to promote the creation and development of local businesses and stakeholders dialogue procedure appear to be in place throughout SNCF Réseau's operations. Finally, in 2015, EUR 500,000 were given by SNCF Réseau to the SNCF Foundation, covering 800 projects. In addition, 246 resources were allocated to pro-bono in 2015.



Key issues

The prevention of corruption and **Social factors in the supply chain** are considered among the main issues for the Transport and Logistics sector in terms of business behaviour. Indeed, such companies often interact with other large companies or public authorities, highlighting the business integrity challenge while outsourcing might result in cost efficiency at the expense of violating basic human and labour rights at the supply chain level.

Company performance

With a significant improvement since Vigeo's previous rating and in line with the sector average, SNCF Réseau's performance in the Business Behaviour domain is limited in absolute terms. Improvements were mainly made in the Company's management of responsible customer relations as SNCF Réseau appears to have developed a commercial offer in which penalties and compensation means are expected in case of service delivery issues and put in place a dedicated structure. The company has also issued a formalised commitment to prevent anti-competitive practices co-signed with all the actors of the railway sector in France, accounting for a relative increase of score in this regard. Reversely, SNCF Réseau lacks overall transparency on measures put in place to prevent anti-competitive practices and ensure transparency on lobbying practices and was charged for involuntary homicide and injuries after a SNCF train derailed, an allegation on which the Company's reaction is described as remediative.



Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo's framework has been adapted to capture the level of integration of CSR topics at Board-level, supplementing traditional signals on efficient governance practices. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics (CGV1.1). The audit and internal controls system is examined regarding the efficiency and reach of its risk management (CGV2.1). Shareholders are expected to have fair voting rights and access to all relevant information on material CSR issues (CGV3.1). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

Company performance

SNCF Réseau's absolute performance in the Corporate Governance domain is weak. The roles of Chairman and CEO are combined and there is no senior independent director. In addition, public information regarding training provided to board members and the regularity of their meetings is insufficient. The Audit Committee role is limited and does not appear to cover the oversight of the work of external auditors. Besides, the CSR issues do not appear to be covered by the internal controls system. Finally, executive remuneration is disclosed but on a collective rather than on an individual basis and not by category or hierarchical level.