Employee owners participation in Saint-Gobain
1. Short presentation of Saint-Gobain

2. The Group Saving Plan
   ─ History
   ─ The model used in France
   ─ The challenges of internationalization

3. Conclusions
Saint-Gobain, among the top 100 industrial groups worldwide

- Headquarters in Paris
- Present in 64 countries
- 191,500 employees
- Leader of ‘Habitat’

4 sectors of activity
- Construction Products
- Innovative Materials
- Building Distribution
- Packaging

2009
- Net sales: 37,8 Bil €
- Recurring net income: 0,6 Bil €
- Cash flow from operations: 2,2 Bil €
- Capital expenditure: 1,2 Bil €
A strong French and European basis

191,500 employees as of mid-2010

- France: 25%
- Western Europe (ex France): 34%
- Central and Eastern Europe: 9%
- North America: 10%
- Latin America: 9%
- Asia and Oceania: 10%
- Other countries: 10%
Saint-Gobain shareholders

(% of shares as of 31/12/2009)

- Individual shareholders: 9.6%
- Group Saving Plan: 7.6%
- Stable shareholders: 9.4%
- Non French institutional Investors: 37.6%
- Wendel: 17.5%
- French institutional investors: 18.3%
- Employee shareholders: 7.6%

- 19th capitalization in CAC40
- 44th capitalization in EURO STOxx50 index
Why a Group Saving Plan?

- A long term saving opportunity offered to employees
- Shareholders interested in both financial return and long term growth of their employer
- A powerful cement of the employees community across countries and activities

- The Group Saving Plan was introduced in France in 1988, and progressively rolled-out internationally
- The offer covers today 42 countries and 160,000 employees worldwide (25 countries and 130,000 employees in Europe)
Group Saving Plan

- **An ANNUAL CAPITAL INCREASE** for Saint-Gobain employees only
- The offering is structured **on basis of French tax legislation and regulations**
  - Significant discount vs market price
  - Generous matching by company
  - Investment blocked 5 or 10 years
  - Held in French ‘Fonds Commun de Placement’ (*FCPE – employee shareholding fund*)
- The FCPE is represented at the Board of Saint-Gobain
- Complemented in 2009 with an allocation of free shares to all employees

*Saint-Gobain received in 2009 the Honor of the best employee shareholder practices in France*
A reduction of 20% vs Saint-Gobain stock price
A regular offering to Saint-Gobain employees

Every year since 23 years

Subscription amount (after topping for over-subscription)
Saint-Gobain employees own collectively 8.1% of the Group’s capital and above 10% % of voting rights as a result of the Group Saving Plan.
Two similar employee shareholding funds (FCPE) have been created in France, for French and for ‘international’ subscribers.

*Each Fund comprises several compartments*

*Each Fund has a Board, which exercises the voting rights*

50% of the Board members are elected by the subscribers.

**SG PEG FRANCE/MONDE**

**SG Avenir France/Monde**
*Compartment of the PEG Classic*
*Open-ended duration*

**Développement 2007 France/Monde**
*Compartment of the Leverage offer 2007*
*Period of 5 years up to 2012*

**Développement 2008 France/Monde**
*Compartment of the Leverage offer 2008*
*Period of 5 years up to 2013*

**Fund UNITS**
Lodged and administered by Account and Fund managers

**Saint-Gobain SHARES**
*Registered* at depository bank
The challenges of internationalization (1/2)

- The Plan is currently offered in 42 countries, covering 80% of the population.
- The principle is to adapt the French model to national laws and regulations while strictly keeping within the limits of the offering in France.
  - Tailormade, downwards adaptation per country
  - Systematic tax ruling is required, sometimes to be repeated annually
  - The participation rate is about 15% internationally, while it exceeds 50% in France
  - Leverage formulae are only offered in 19 countries
  - The FCPE ‘Monde’ weighs 1/3 of the FCPE ‘France’

Main factors which limit attractiveness of the offer compared to France

- Tax attractiveness (intérêt, discount, company matching, dividends, capital gains)
- Tax-free investment of profit-sharing revenues is not applicable
- Company matching is generally considered as salary and therefore limited or inexistant
- 5 and 10 years in France, 5 years only outside of France
- Early redemption criteria are only a subset of those applicable in France
- The employee bears an exchange risk outside of Euro zone
The challenges of internationalization (2/2)

The financial vehicle
- The FCPE structure and related collective voting mechanism is not authorized or unfavourable in several countries
  - Denmark, Germany, Italy, Spain
  - Japan, South Korea
- The offer in these countries is under the form of shares, centralized in a local depository bank
- Subscription tools have to be adapted
- Voting rights are exercised individually (if exercised at all) and their administration is quite costly

Effectiveness of FCPE Supervisory Board
- Quality of electoral debate for Supervisory Board elections: one representative per subcontinent
- Accessibility of members by employees in other countries
- More remote contacts with Headquarters

Relation between employee and the French Account management bank
- Language
- Understanding of terminology
- Interactive access to bank account services
To conclude

- The French legislation has allowed Saint-Gobain to offer a very effective Group Saving Plan
  - A long term saving opportunity offered to her employees
  - A significant representativity of employees in the Group’s governance
  - A powerful cement of the employees community across countries and activities

- Significant differences exist in the attractiveness of the offering to employees depending on countries

- International roll-out of the Plan is generally burdensome and costly

A basic European norm applicable to all countries would be a major step forward in developing employees shareholder ownership
Thank you!

Employee owners participation in Saint-Gobain

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