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Human capital: a key element

Groupama Asset Management publishes the results of its study on Human Capital

Why Human Capital?

Human Capital is a key element in the analysis of a company's fundamental data. Such is Groupama Asset Management's firm belief and its starting point for the approach that it has followed now for several years.

The concept of Human Capital brings together individual human capital (the skills, experience and knowledge of each employee) and collective human capital (this refers to the company culture, its developments and the way in which it adapts to changes).

3 factors come into play today in the development of an analysis of human capital: the move towards an economy based around knowledge and awareness; the demographic change resulting in a new model for businesses and the financial crisis, which has led to a new shift towards the long-term outlook and the necessity to reconsider the analysis of human resources.

To do this, 3 challenges must be overcome: the overweighting of financial capital in analysis and valuation, the lack of suitable tools for analysing human capital and a required change in behaviour and mentalities.

For Groupama Asset Management, the development of [extra-financial analysis](#) offers a concrete response to these issues and these challenges. Human capital is one of the cornerstones of extra-financial analysis. It is therefore necessary to re-establish it as a competitive advantage for the company with a long-term perspective and thus to position it at the heart of the business strategy.

The methodology of the Human Capital study

Groupama Asset Management's extra-financial team conducted an empirical study during 2009, to integrate human capital, an intangible asset, into the analysis of a business.

The objective of this study was to give concrete form to the analysis of human capital, in order to integrate it into the financial approach followed by analysts. The first stage consisted in selecting 13 key indicators for this analysis. These indicators were then regrouped into 4 "HR criteria": Management Planning for Jobs and Skills, the corporate environment, Health and Safety and HR steering.

An overall rating that determines the quality of the HR strategy is then allocated. It is supported by the 4 criteria, but also depends on the predominant factor for the sector and the business.

Integration of the HR criteria with financial criteria

The quality of the HR strategy can have a significant impact on the financial criteria – i.e. growth, profitability, competitive positioning and event risk. The approach developed by Groupama Asset Management thus demonstrates the importance of the human capital study for evaluating a business over the long term. The integration of this analysis within the management teams will help every manager to achieve a greater understanding of the risks associated with a company.

With €88.8 billion of assets under management (as at 31 December 2009) primarily on behalf of institutional investors, Groupama Asset Management is today ranked 8th among French asset management companies. It is a subsidiary of Groupama, the leading mutual insurance group in France,



and is recognised for its active asset management in Europe. In 2010 and for the 4th consecutive year, Eurofonds-FundClass ranked Groupama Asset Management the number one French and European asset manager in its class for the consistency of its performance.

Groupama Asset Management

Catherine Corbasson – Communications Manager - Tel. 01 44 56 68 64

Karine Vitre-Duret – PR & Events Manager - Tel. 01 44 56 58 00 - kvitre-duret@groupama-am.fr

Press Contact: Shan

Bérengère Savelli – Tel. 01 44 50 58 73 – berengere.savelli@shan.fr