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Overview

State of affairs

By Stephen Gardner and Boris Peters

The French government controls a great deal in business – in terms of both ownership and the wider sense of influence. This can be a help and a hindrance to the cause of corporate responsibility

The state is big business in France. It employs more than a fifth of the workforce, double the proportion of Germany and considerably more than the 14.4% average in the OECD. It also still owns big chunks of many of the country's major corporations.

Government influence is especially important in sectors such as defence, energy and transport. The state's extensive shareholdings include stakes in Air France-KLM, France Télécom, GDF Suez, Renault and defence contractor Thales.

It has a big stake in EADS (the European Aeronautic Defence and Space Company), through a holding company called Sogead. It is the majority shareholder in Electricité de France (EDF), which, through its ownership of Britain's EDF Energy, is now the biggest electricity supplier in the UK.

In other sectors, state influence on major corporations is less direct. Banking group BNP Paribas, for example, in which the French state is the largest shareholder, is in turn one of the main investors in AXA, France's biggest insurance company.

This complicated web of holdings means that the state has a say in how many of France's top corporations are run, and how they approach corporate responsibility. "In the field of CR the state has a very strong influence," says Céline Louche, an assistant professor at Vlerick Management School in Belgium.

The top-down approach has led to some pioneering initiatives. After all, the state is not only concerned with profits. In France, the country that in 1789 adopted the Declaration of the Rights of Man,

the state is the guardian of citizens' universal rights.

In 1977 France passed one of the world's first corporate responsibility laws: a regulation requiring companies above a certain size to produce a social policy balance sheet.

France was also the first country to adopt the 35-hour working week, in 2000, followed in 2001 by a law requiring public companies to include a range of non-financial information in their reports: employee relations, working hours, workplace safety, training, health policy, profit distribution and the amount of outsourcing. A year later, "the law expanded to include environmental information", Louche adds.

New cooperation

Then, when Nicolas Sarkozy became president in 2007, he directed that work should start on the Grenelle Environment Forum, a roundtable process involving French industry, trade unions, professional associations and NGOs. Louche says this was "was something completely new". It shifted the emphasis away from direct negotiations between the government and trade unions or companies, over issues such as wages and working conditions, to a more considered strategic approach on the broad issues of sustainability and how companies should behave. The Grenelle process continues to lead to new obligations for companies.

But there is another side to state influence over corporate life. Corruption allegations involving companies seem to haunt many of France's top

Top French firms are strong on reporting, but there are questions about how deep the commitment to responsibility goes

politicians, including previous presidents Jacques Chirac and François Mitterrand.

Last year, employment minister Eric Woerth left the government after a series of allegations relating to tax-dodging and political donations given by L'Oréal heiress Liliane Bettencourt. At the beginning of 2010, Jean-Louis Gergorin, former vice-president of EADS, was given a 15-month prison sentence for slandering Sarkozy, in a complex case involving a Luxembourg financial services firm called Clearstream, warships, and former prime minister Dominique de Villepin – a Sarkozy rival.

Aiming big

Government guidance on corporate responsibility also tends to be aimed mainly at the big corporations, and can result in approaches that are more designed to comply with the law than to develop original thinking. The top French firms are strong on reporting, but there are questions about how deep the commitment to responsibility goes.

Estelle Mironesco of French corporate responsibility analysts Vigeo says: "Typically, French companies are less good in corporate governance issues such as the transparency of remuneration systems or the independence of board members. Companies in France are also not always as advanced

as some of their counterparts in putting in place prevention and control systems for corruption."

Smaller companies, meanwhile, feel less pressure to practise corporate responsibility. Guillaume de Bodard, president of the sustainable development commission at the General Confederation of Small and Medium-Sized Enterprises, says: "Except for some companies that believe in the development of CR as a tool for growth, the majority of [SME] managers have not taken the plunge of [developing] an approach to CR."

The performance of the biggest French firms in international rankings is respectable but not remarkable. There are 23 French multinationals in the Dow Jones Europe Sustainability Index, about the same level of representation as Germany. Air France-KLM has been the DJSI leader in its sector for six years. BNP Paribas, Carrefour, Danone, Lafarge, LVMH, Sodexo and Total figure prominently.

In the Global 100 Most Sustainable Corporations in the World, France has five representatives, compared with 11 British companies and six from Switzerland. The highest ranked French company is bank Crédit Agricole, in eighth place. The other ranking French firms are media conglomerate Vivendi, commercial property investors Unibail-Rodamco, L'Oréal and Danone. ■

Smaller companies feel less pressure to practise corporate responsibility

France corporate responsibility factsheet

Socio-economic statistics

Population:64.8 million (2010)

GDP:€1.59tn (PPP 2010)

GDP per capita: ..€24,600 (PPP 2010)

Human Development Index: 0.872 (14th)

Current leadership

President:Nicolas Sarkozy

Type:Republic

Import partners

Germany**19.4%**

Belgium**11.6%**

Italy**8.0%**

Export partners

Germany**15.9%**

Italy**8.2%**

Spain**7.8%**

Corporate responsibility statistics: Ethical Corporation survey results

French sustainability leaders most mentioned:

Lafarge

L'Oréal

Danone

Foreign sustainability leaders most mentioned:

Patagonia

Toyota

Unilever

Guidelines and initiatives most used:

Own/internal programme

GRI

ILO

ISO 14000/26000

Grenelle

Top three challenges and risks:

Responding to existing and emerging regulation

Reporting requirements

Transparency

What will CR look like in France in 5-10 years:

It will grow in importance

Less greenwashing

Improve in practice thanks to generational change and young leaders

Guidelines and standards statistics:

GRI reports in 2010

31

DJSI Europe listing

23

Global Compact participants

703

UNPRI signatories

66

References:

- Socio-economic statistics obtained from recent publications from the CIA Factbook and the Human Development Index.
- Corporate responsibility data obtained from a February 2011 Ethical Corporation survey. The results should be regarded as a basic indication of trends in France and not as scientific research.
- Guideline and standards statistics obtained during February 2011 from official website of each initiative.



Companies

Firm believers

By Boris Peters

Perhaps despite, rather than because of, heavy state influence in French corporate behaviour, some of France's big names are at the forefront of international sustainability efforts

French companies must stay within tight government-defined parameters when preparing their sustainability reports. But this sometimes restricts rather than stimulates the development of new ideas about corporate social responsibility.

Nigel Roome is professor of governance, corporate responsibility and sustainable development at Vlerick School of Management in Belgium. He says that though corporate responsibility is in principle voluntary, in France most companies have only started to take it seriously in response to state regulation. "Without that much less would be going on," he says.

Sustainability consultancy Groupe Alpha, for example, criticises L'Oréal, the world's largest cosmetics maker. Although L'Oréal is ranked 57th in the 2011 Global 100 most sustainable companies list, its reporting on workplace issues stops at the French borders. Groupe Alpha's Natacha Seguin says: "This is in line with the text of the law but not with the spirit of it. We think the idea of the law is that companies should report about the whole group – certainly if you talk about a company that is doing business worldwide, such as L'Oréal."

However, Francis Quinn, L'Oréal's global director of sustainable development, says the company "has no problem in reporting on a global basis from the moment that it is clear what the definitions are that we are supposed to use for reporting".

French reporting rules and terminology, he argues, are too specific to be used beyond France. Quinn adds that different reporting requirements create a problem for comparing the social and

sustainable policies of companies. "Clearly the question of standardisation is a real issue. The more standard and international the parameters are, the better it is for everybody. It means you can compare between different companies in different countries. This also makes it easier to see who is making progress," he says.

Standardisation across sectors for corporate responsibility reporting is a long-term goal, Quinn says. "When you get all different sectors together to come up with a common set of parameters, you discover that there is not a whole lot that is common to everybody."

L'Oréal abroad

However, L'Oréal does report on its sourcing activities outside France. Its ingredients come from all over the world, often from plants grown in developing countries. As L'Oréal is so large (its research budget alone in 2009 was €609m), its sourcing of raw materials is a potential sustainability minefield.

According to Quinn, "more than 40% of our ingredients are materials of renewable vegetal origin". That means that 60% does not come from renewable sources. "Our focus is on green chemistry. Today more than 65% of our new ingredients come from green chemistry. Even if that is not a natural resource, the ingredients used for it come from renewable resources, and the final products are 100% biodegradable."

L'Oréal uses about 300 tonnes of palm oil a year in its products. It joined the Roundtable on Sustainable Palm Oil in 2007 and obliges its palm oil suppliers to be roundtable members. This made

Long-term relationships with suppliers can be the key to dealing with shortcomings



DANONE COMMUNITIES

One pot nutrition

Companies with the biggest impact on the environment, such as the chemicals and construction sectors, are making advances on sustainability

L'Oréal "the world's first big company only using certified sustainable palm oil", Quinn says.

The company also carries out, through independent consultancies, several hundred social responsibility audits of its suppliers each year. This is a "very well defined process" developed within a CSR Europe programme, Quinn says. "There were several companies involved and we took the lead in developing the process".

L'Oréal tries to develop long-term relationships with suppliers. "We have been working with more than three-quarters of our suppliers for more than 10 years," says Quinn. Long-term relationships can be the key to dealing with shortcomings.

Quinn says, for example, that L'Oréal is "not an expert in deforestation. That is why we are part of the Forest Footprint Disclosure project. We share what we do with people and ask them how we can do better. It is an ongoing process. When we choose to work with organisations, we want [to deal with] the real experts, who we believe can help us to do better."

Leading the pack

Foods multinational Danone is considered one of France's most far-sighted companies in corporate responsibility terms. Even in 1972, its then chief executive Antoine Riboud said: "Corporate responsibility does not end at the factory gate or office

Case study: Danone's micro-lending yoghurt revolution

Danone, one of France's foremost corporate responsibility practitioners, has worked with micro-lender **Grameen Bank** since 2006. Their Bangladesh-based joint venture, **Grameen Danone Foods**, combines a for-profit business model with contributing to the fight against **malnutrition** in a country where more than half of children under five do not get enough to eat.

The company's product is a yoghurt, **Shokti Doi**, which is enriched with nutrients and targeted at children, with colourful packaging and a price of five Bangladeshi taka (about 5p). The yoghurt is made from local ingredients and contains enough vitamin A, iron, zinc and iodine to cover 30% of a child's daily needs.

Production of the yoghurt is low-tech. Grameen Danone Foods does not use machines in its factory if workers can be taken on in their place. Grameen Bank provides **micro loans** to local farmers that supply the production plant, located in Bogra, northern **Bangladesh**. Grameen also provides start-up loans to the "**Grameen Danone ladies**", who sell the yoghurts from door to door. There were more than 500 such yoghurt ladies by the end of 2009.

The production of the yoghurt is also designed to be environmentally non-damaging. The Bogra plant is heated using **solar power** and has a rainwater recovery system to minimise the impact on local water systems. The yoghurts are packed in **biodegradable** pots.

The project has been well received. It is a **viable business** producing a useful product, and creating sustainable employment without exploitation either of people or the environment.

But it has not been without its problems. A price increase in April 2008, in response to rising raw material costs, caused a crisis. "Consumer demand immediately collapsed ... the sales ladies network disintegrated completely," says the company. This was overcome by reinstating the previous price, but reducing the yoghurt pot size.

Since then, the company has expanded, promoting the yoghurt on television, and extending distribution to Bangladesh's capital, Dhaka.

door. The jobs a business creates are central to the lives of employees, and the energy and raw materials we consume change the shape of our planet."

Anne Catherine Husson-Traore, of French corporate responsibility research centre Novethic says: "You might find some investors who say that Danone is not doing so well on governance issues." However, Danone "really does take good care of the working and social conditions of its employees, and

Case study: CDC on the caisse

The **Caisse des Dépôts et Consignations** (CDC) is a quintessentially French institution. It is a public body, but its mission is to manage the state's many investments in the private sector, and to reinvest its profits for the greater good. It has social responsibility at its heart, though the term was not in use when CDC was founded in 1816.

CDC was originally designed as a **safe repository** for civil servants' pension funds. It made its first local development loan in 1822 to the port of Dunkirk, and provided its first social housing loans in 1905. It is now working to a strategic plan for the period until 2020, with a range of targets that would be considered corporate responsibility in any private financing institution.

It will build **90,000 social homes** a year, many in eco-districts built to standards set out by the Grenelle environment process. CDC also provides cash for university **eco-campuses**, and will finance a huge **renewable energy** programme. A subsidiary, CDC Biodiversité, helps rehabilitate ecosystems, especially in connection with infrastructure projects.

CDC also works to tackle climate change, by managing France's **carbon market** trading registry, and by investing in funds that back emissions-reducing projects.

As a major investor through its management of the pension savings of French public servants, CDC is influential in **responsible investing**. It deploys its investment power in accordance with the United Nations Principles for Responsible Investment and the UN Environment Programme Finance Initiative. And it has proven that sustainable investing can be profitable: it generated **€2.5bn** in profits in 2009, all to be reinvested in its "general interest projects".



JOHANNES GERBHAUS, SHUTTERSTOCK.COM

CDC invests in a sustainable future

they have a strategy that shows they understand the issues".

Estelle Mironesco of socially responsible investment analysts Vigeo, says that, for Danone, "CSR seems to be embedded in their culture, and it is coming from top management".

In 1988, Danone was the first company to sign an International Framework Agreement (IFA). IFAs are drawn up by global union federations and multinational companies with the objective of ensuring that International Labour Organisation standards are adhered to throughout the supply chain. The agreements are overseen by the International Metalworkers' Federation.

Groupe Alpha's Natacha Seguin says IFAs are "a way for trade unions and the top of the company to follow the internationalisation of the firm". French companies are second only to German ones in the number of IFAs signed. Other French signatories are hotel group Accor, Carrefour, EDF, France Télécom, Lafarge, Peugeot Citroën, Renault, chemicals firm Rhodia, and high-tech metal tube maker Vallourec.

Lafarge is another of France's most responsibility-focused companies. Lafarge is the world's

biggest cement producer, and a world leader in building materials. It was the only company in its sector to be included in Corporate Knights list of the global 100 most sustainable companies, though it has dropped out of the 2011 list.

Vigeo's Mironesco says Lafarge has done extensive work on its carbon footprint. "When it builds new cement factories, it really applies the best environmental standards," she says. More generally, she adds, companies with the biggest impact on the environment, such as the chemicals and construction sectors, are making advances on sustainability. "They have to. They are also under tremendous pressure from NGOs."

The management of companies in these sectors recognise the risk factors and realise that they have to act.

Novethic's Husson-Traore says Lafarge "has really understood the issues for its sector", citing the firm's partnerships with NGOs as an example of good practice. Lafarge operates in nearly 80 countries and sponsors development programmes dealing with issues such as the fight against diseases or increasing computer literacy in countries such as India and Indonesia. ■

NGO influence

With us or against us?

By Boris Peters

Non-governmental organisations in France are influential critics of corporate bad behaviour in recent years but few work alongside business to bring about change

The role of non-governmental organisations as responsible business watchdogs has expanded recently in France. But companies and NGOs remain wary of one another.

"Ten years ago, corporations were free to do what they wanted," says Antonio Manganella, corporate social responsibility advocacy officer at French development NGO, CCFD-Terre Solidaire. "Now there are a lot of active NGOs in France that want to extend public control over [corporations]."

The main focus for NGOs in France is the overseas behaviour of companies. The priority issues are the protection of the fundamental rights of workers in supplier companies, access to justice for workers, and "social dumping and pollution" in poorer countries, Manganella says.

The divide between companies and NGOs means the latter rely on publicising the bad practices of corporations as a stimulus to make the former act, rather than on working on problems together from the outset. Most firms "don't consider [NGOs] a legitimate partner", Manganella says. Companies also argue that corporate responsibility is too expensive and would make business operations less competitive.

He says French companies too often take a too short-term view of social initiatives and sustainability measures, with responsibility seen primarily as a means for firms to polish their images.

Working together

Nevertheless, more progressive companies have put partnerships in place. Jan Noterdaeme, senior adviser to CSR Europe, highlights supermarket giant Carrefour as a good example. It does not merely audit and report but tries to team up with NGOs to find solutions to specific social or sustainability problems. But such an approach is not as mainstream in France as it is in some northern European countries, Noterdaeme says.

Evelyne Pichenot, a member of France's



French trade unions are activist and proud

Economic, Social and Environmental Council, which advises the French government and parliament, also cites Carrefour and its partnership with the International Federation for Human Rights (FIDH) as a corporate responsibility model.

Carrefour and FIDH have worked together since 1997, putting in place a charter that sets out the social obligations of suppliers and aims to ensure their respect for fundamental rights. To implement the charter, Carrefour and FIDH set up a consul-

NGOs rely on publicising the bad practices of corporations as a stimulus to make them act

tative committee, which has a separate legal identity, and can carry out unannounced audits of suppliers. The committee also works with NGOs in developing countries on supplier auditing and training.

France's powerful trade unions support the work on improving conditions in supplier countries. Jan Noterdaeme says: "Trade unions have a very positive influence and are very active in the field of international framework agreements [IFAs]." These, negotiated between transnational corporations and international unions, are designed to ensure that international labour standards are adhered to, wherever a company or its suppliers are operating. "The French with their syndicates have really played an important role in this," Noterdaeme says. "IFAs are a kind of French speciality."

The suspicion with which French companies and NGOs regard each other has surfaced in the Grenelle process, the wide-ranging consultation on sustainability

introduced by president Nicolas Sarkozy.

An NGO and union umbrella group, the Civic Forum on CSR, which is coordinated by CCFD-Terre Solidaire, and which participates in the Grenelle, has accused the government of not following through on its promises about the extension of responsibility reporting requirements to more companies.

The Civic Forum wants all companies with 500 or more employees, and a minimum turnover of €43m, to be obliged to report on their sustainability performance, with independent auditing of reports. However, discussions on the regulations could result in only companies with 5,000 employees or more having to report.

In an open letter to the prime minister, François Fillon, the NGOs said the spirit of the Grenelle had been undermined.

But there are also government voices calling for a more strict interpretation of the regulations. Ecology minister Nathalie Kosciusko-Morizet argues that companies have used the economic crisis as an excuse to resist more stringent reporting requirements. On the extension of sustainability reporting to firms with 500 or more employees, she said at the end of January: "I am fighting [within government] for that to be respected."

Another party in the Grenelle talks is the non-profit CSR Study Centre (Orse). Orse project manager Mélanie Czepik underlines the notion of a lack of communication between NGOs and companies. "Companies should ask trade unions and NGOs what kind of information they would like to read in the reports and provide that information," she says. She adds that if there could be more cooperation, the responsibility performance of French companies "could be a lot better". ■



Government and legislation

From the top

By Boris Peters and Stephen Gardner

France has faith in the law to make a difference to corporate practice, and a raft of new legislation will soon be put to the test

French companies expect clear state guidance on many issues, including corporate responsibility. Nigel Roome, professor of governance, corporate responsibility and sustainable development at Vlerick School of Management in Belgium, says France “has always been a state where government is influential. Its actions matter because they demand responses, but they also symbolise that an issue is important for French society.”

Equality is a primary concern. French companies must, for example, negotiate with trade unions about gender balance, and in firms with more than 20 employees at least 6% of the workforce should be people with disabilities.

In late 2010, legislation was adopted requiring about 2,000 large corporations to increase the number of women in higher management positions. Within six years, 40% of their boardroom positions should be held by women, compared with about 11% at present. With this law, France follows the examples of Norway and Spain. The Norwegian law, passed in 2003, has contributed to women taking up about 45% of boardroom positions in the country’s 500 largest companies.

A basis for corporate responsibility in France was put in place in 2001 with the enactment of the New Economic Regulation (NER). This wide-ranging law dealt with issues such as competition and labour relations, but it also had a significant ethical dimension, obliging public companies to include environmental and social information in their annual reports, and requiring more transparency in corporate governance.

Anne Catherine Husson-Traore, chief executive of

Novethic, a French corporate responsibility research centre, says the NER was a big step for France. “It is very difficult for French people, despite the fact that they are liberal, to accept that a company has to decide what to do without regulation,” she says.

The NER rules have been followed up by the Grenelle process (see box). Implementation, however, can be lacking. Natacha Seguin of Groupe Alpha, a sustainability consultancy, says: “The law has the merit of making companies think about CSR and report about it. They have technical tools for reporting, but they don’t often discuss with their stakeholders about their reports. The next step would be speaking and reporting about bad practices as well.”

The government also reports on, and monitors, itself. In 2008 the French prime minister François Fillon sent a “circular for an exemplary state” to all ministers, setting out green procurement objectives for 20 different types of public purchase. Ministers must submit annual reports on progress towards the objectives. Better performing ministries are rewarded by being given additional spending power, while the laggards can be penalised through budget restrictions.

International focus

France has pushed at European level for an extension of mandatory reporting. Under the French presidency of the council of the European Union in the second half of 2008, France asked the European commission to propose a directive on mandatory reporting. However, this drive was ultimately unsuccessful.

“It is very difficult for French people to accept that a company has to decide what to do without regulation”
Anne Catherine Husson-Traore,
Novethic

Around the table: the Grenelle

When **Nicolas Sarkozy** succeeded **Jacques Chirac** as president of France in 2007, one of his first acts was to start a wide-ranging policy debate on sustainability. The process became known as the **Grenelle environment programme**, taking its name from a round of consultations on labour relations in the 1960s, held in Rue de Grenelle in Paris.

The Grenelle's aim was to define a five-year green development plan for France. The process involves five "colleges": the state, local authorities, business federations, trade unions and campaign groups.

The Grenelle has resulted in numerous laws, covering everything from targets for **organic farming to environmental taxes, urban planning** and allocation of funds to **environmental technology** research. It provides incentives to reward sustainable behaviour by individuals or companies, and penalties, in the form of higher taxes, for bad behaviour. The Grenelle has also framed the French debate on corporate responsibility. It has updated the parameters within which companies must act.

Many sectors have been affected by specific legislation, such as a tightening of **building energy standards** for the construction sector, or the levying of environmental taxes on trucks.

In addition, much attention has been paid to company **reporting**. In July 2010, it was agreed that companies would have to report on the presence of **nanomaterials** in their products, and on their greenhouse gas **emissions**. Industrial plants are also obliged to provide data on the pollutants they emit, while banks and other investment institutions are required to describe in their annual reports how their investments have furthered **sustainable development**.

The reporting requirements apply to subsidiaries as well as parent companies. Because of the length of the legislative processes in France – and the many arguments that the Grenelle provoked – many laws are only now coming onto the statute books.

The Grenelle also led to a tightening of **environmental liability** laws. In the case of environmental damage caused by a company, parent companies can no longer hide behind their subsidiaries, but can in principle be pursued for compensation to the highest level of parent company.

Professor Nigel Roope, of Vlerick Management School in Belgium, says the Grenelle is a demonstration of "the emergence in the early part of this millennium of corporate responsibility with a sustainable development dimension". It is an example of "the kind of multi-stakeholder processes that became familiar in the period after the [Rio] Earth Summit".

However, the discussions within the Grenelle on reporting have been stuck because of a dispute over the **size threshold** above which companies should be required to report. French legislators initially said that all firms and public institutions with **500** or more employees would be subject to the requirements.

However, employers' organisations and the ministry of finance want to restrict the obligation to only the largest companies, with **5,000** or more employees. Whatever is



ANDREAS KARRELLUS/DREAMSTIME.COM

Organic farming's time in the sun

decided, lawsuits are likely during 2011 as different groups attempt to clarify the impact of the new regulations.

Some commentators believe that the French way of corporate responsibility – standards of behaviour mandated from the top down, with an emphasis on reporting – does not get heard in European or broader discussions because of an inward-looking tendency, which can even extend to language.

Céline Louche of Vlerick Management School says that in the academic world there are French publications that are not accessible on international databases. "The French language is a big problem. Many [French academics] are not used to writing in English ... The openness to [ideas from] outside France is not yet there."

Her view is supported by Novethic's Anne Catherine Husson-Traore, who says: "It is really

difficult for French actors to participate in the international debate. Very often French people want to have their own guidelines, and their own labels. I think that is not a good thing. Maybe it is also because of the language."

The French government does try to make its case on corporate responsibility internationally through Michel Doucin, who holds the unique position of ambassador for bioethics and corporate social responsibility, based at the ministry of foreign and European affairs. He is, says Jan Noterdaeme, adviser to CSR Europe, "always on the road, both inside and outside of Europe. In his own country he plays the role of intermediary in initiatives with international dimensions." ■

"The French language is a big problem. Many are not used to writing in English"
Céline Louche of Vlerick Management School