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International Social Reporting The Practices of French Companies

This document was produced by the ORSE social indicators working group, which met for two years and was composed of business, labour unions, asset / investment managers, NGOs and professional organisations.

The workgroup's goal was not to create just another reference document, but to:

- provide an idea of good French practice on social reporting (the topics on which companies typically report, how they conduct their reporting, the problems they confront and the expectations of stakeholders present in this working group);

- show what a social reporting tool might look like, based on the practices of French companies.

Establishing a reporting process takes time, modest goals and sensitivity. Indeed, it would be pointless to ask a company to respond exhaustively on each of the issues selected.

Given its business model and its stakeholder expectations, every company must decide for itself which international social issues are relevant and design its reporting process on that basis.

The Social Indicators Group Workplan

The workgroup proceeded as follows:

1. The broad field of social issues was divided into topics based on several international legal and institutional reference documents: ILO, GRI, The European Foundation for the Improvement of Living and Working Conditions (known as the Dublin Foundation) and legal requirements issued under France's NRE law (New Economic Regulations).
2. One or more work sessions were organised to address each topic. Each meeting produced:
 - a comparative study of various reference materials to determine how each addressed the particular social issue;

- one or more sessions with business experts and practitioners;
- exchanges among participants on indicators and practices;
- a proposed set of international indicators that the work group found to be relevant.

The following materials were analysed:

- . reference documents referred to above;
- . questionnaires from sustainability analysis organisations;
- . business reports: annual reports and other information on sustainable development to identify the indicators and best practices of French companies abroad.

Our primary limitation was that this investigation was restricted to public documents and those provided by the companies themselves. Internet-based documentation was thus not included.

Comment: no company uses all the indicators or implements all the best practices mentioned here. That would be unrealistic since company reporting must address relevant issues based on geographic and sector specifics and on stakeholder expectations.

Introduction to the Document

The workgroup addressed the full range of social issues related to company human resources policies:

- . Total workforce, employment status, employee reassignment
- . Working hours

- . Compensation and social protection benefits
- . Health and safety
- . Training and professional development
- . Diversity
- . Industrial relations
- . Restructuring and re-organisation

The quality of international social reporting depends, to a large extent, on the data-gathering methods used by companies.

In this respect, companies will have to overcome certain problems involving both substantive issues (for example, the

relevance of the indicators) and practical, data-gathering constraints (for example, resources). Neither category can be ignored.

As they move forward, companies will discover that instituting an international social reporting system is a long-term process, raising problems and requiring patience.

1. *International social reporting as an on-going process of continuous improvement*

Companies have implemented social reporting processes without waiting to be required to do so by law. Because indicators are intended primarily to pilot companies, data collection systems have existed for many years. What is new is that in recent years, the process has been formalised and often computerised, thereby rendering systematic a practice underway for more than 10 years.

Businesses are concerned about adding and gradually extending:

- the number of internationally consolidated indicators;
- the scope of reporting; and,
- the quality of the indicators.

According to companies, the best way to avoid daunting those local managers who will be responsible for information feedback is to begin with a few simple indicators.

2. *Consolidating Reporting on Local Issues*

If international social reporting is to be material, it must meet two, sometimes contradictory, requirements: consolidating reporting on social issues while recognising they are principally local in nature. This dilemma is particularly pertinent for companies organised on a decentralised model.

An international social reporting method that ignores this dual requirement will provide only a compilation of specific situations, not a coherent overall assessment that makes sense in terms of management and strategy.

Company management must therefore be involved if international social reporting operations are to be successful.

Management defines company strategy with respect to labour issues and establishes priority areas for measuring progress. It ensures consistent company policy on these matters.

Moreover, management is the only entity with the requisite legitimacy to convince those who will conduct the reporting that the approach is sound.

3. *Boundaries for Consolidating Information*

Some indicators are meaningful only if they can be observed over time. However, consistent comparison is possible only if the spatial reference boundary remains stable. The less the variation in the reference boundary, the greater the materiality and the easier it is to compare.

This is a recurring issue in the field of reporting because economic and financial imperatives do not always correspond to the rationale that drives social reporting. To make sense of heterogeneous data, businesses strive to define the boundaries of each indicator clearly.

They can be set in relation either to:

- sales data covered by reporting,
- or the percentage of the workforce covered.

a. *Legal scope: the issue of subsidiaries and subcontractors*

Mergers and acquisitions of subsidiaries occur regularly in the business world. It is thus very difficult to stabilise reporting boundaries and also to merge information systems required. However, the issue of subsidiaries *per se* is less problematic than the issue of those that are not in majority owned by the company.

b. *Geographic scope*

Not all data can be internationally consolidated, either because consolidation would not make sense or because data are not available at an international level.

Should part-owned entities be included in the scope of reporting?

At what level of ownership does the business believe it is socially responsible for a subsidiary's practices? It can be difficult to determine who holds managerial control of an entity.

In addition to these preliminary questions, a company wishing to report on a jointly-held subsidiary faces a dilemma: how can a manager be persuaded to respond to multiple reporting requests from a variety of separate companies each, perhaps, asking different questions?

4. *The Reporting Environment*

This presents several problems.

The first is identifying the appropriate contact person and supporting him/her in a complex process requiring real backing from the company, particularly in terms of explaining why the process is important.

Here, some companies try to assess how well human resource management supports the local managers responsible for reporting in the company's various entities.

The second problem is about coordinating the different information suppliers within the company. Information gathering relies on several networks such as human resources, sustainable development and internal controls. They operate side by side and need to be organised into the same information system.

5. Reconciling Diverse Legal and Institutional Reference Texts

It is difficult for multinationals present in many countries to reconcile labour law regulating the company's activities with the various local cultures.

In some countries, labour law is virtually non-existent, while in others it may be a model of best practice. How can such varying situations be taken into account in one and the same reporting system?

The International Labour Organization's fundamental labour law conventions apply to all companies, sectors and countries but they represent only a baseline. In some countries, companies go beyond that baseline, while in others they struggle to reach it. Companies must thus reconcile both different local cultures and different degrees of regulation.

6. Reconciling and Harmonising Different Sector Specifics

A company must confront two possible pitfalls in creating its international social reporting system.

It must develop:

- on the one hand, a range of indicators that allows the company and its stakeholders to make comparisons with other companies in the same sector;
- and on the other, indicators that reflect its own specific characteristics.

If the company operates in a variety of business sectors, how can it reconcile these two requirements with the demand to provide a single social report? Efforts at harmonisation are often unsuccessful.

7. Choosing Relevant Indicators

The relevance of indicators will greatly depend on solutions to the problems identified above and on the company definition of the purpose of social reporting: comparison for defining strategy, communication, etc.

Company purpose did not change with the emergence of the concept of CSR. Profitability remains management's key objective. If a company is to establish a sophisticated international social reporting system, that system must serve primarily as a tool for strategic deliberation and must create value.

The social data gathered must provide the company with a scorecard and help it to make economic and social decisions.

To do so requires achieving a delicate balance between too many indicators, which would be counter-productive, and too few, which would prevent the company from drawing the most accurate picture possible of its own reality.

For French trade unions, several conditions must be satisfied if they are to consider international social reporting as a relevant process. The main condition resides in social dialogue between company management and employee representatives.

Trade Union Confederations' Comments

For **CFDT** (French Democratic Confederation of Labor), "the important point is for the face value of the indicators to match the concrete reality of CSR as practiced by a given company...."

From that perspective, the Confederation considers social dialogue on these questions to be of primary importance. Dialogue is essential to avoid the development of best CSR practices, based only on voluntary commitments, turning out to be a fool's bargain.

For CFDT, this does not mean a co-management approach, as decision making must remain a management prerogative. But neither does it mean simply holding an annual consultation with trade union groups and employee representatives to review the auditor's report ... Writing social reports (NRE, or New Economic Regulations) should be part of a continuous improvement process based both on social dialogue and reformed corporate governance..." According to **CFTC** (French Confederation of Christian Workers),

reporting represents high stakes for social dialogue and sustainable development.

"Until labour, as a social partner, is consulted on the reporting exercise itself, the process will remain tainted with the die-hard image of a fancy marketing ploy. This is harmful for companies which are making genuine efforts in the area of social responsibility and sustainable development."

"**CGT** (General Confederation of Labour) emphasizes the importance it places on the existence, relevance, quality and sincerity – therefore transparency – of social and environmental reporting on business activities. CGT calls on multinational companies to provide such reporting on a global level. At the national level, France's new economic reporting regulation is a positive step. However, social responsibility cannot be established without monitoring procedures.

For the CGT, three forms of monitoring are particularly essential:

- 1 - Setting up measures and means of verification (and sanctions), primarily by:
 - recognising trade union organisations as partners in the monitoring process at the central works council or company works council level. The process should then be implemented at the European Works Council and/or global level;
 - creating an organization within a public institution involving trade unions, NGOs, government representatives and businesses;
 - extending auditors' certification of socio-economic data and publishing and distributing the relevant works council opinion on social and environmental policy.
- 2 - Establishing worldwide boundaries for social reporting and consolidation;
- 3 - Using materiality as a criterion in developing social reporting indicators."

Example of a Topic Addressed by the Work Group: Diversity

ILO Declaration of Tripartite Principles on Multinational Enterprises and Social Policy

“All governments should pursue policies intended to promote equality of opportunity and treatment in employment to eliminate all discrimination based on race, color, gender, religion, political views, and national extraction or social origin.”

“All activities of multinational enterprises should be inspired by this general principal, without prejudice to measures anticipated in paragraph 18 or government policies designed to correct historic situations of discrimination and thus promote equality of opportunity and treatment in employment. Multinational enterprises should thus establish qualifications, skills and experience as the criteria for recruitment, placement, training and development of employees at all levels.”

OECD Guiding Principles Regarding Multinational Enterprises

“Within the framework of applicable law, regulations and prevailing labour relations and employment practices, companies should not discriminate against their employees with respect to employment or occupation on such grounds as race, colour, sex, religion, political opinion, national extraction or social origin, unless selectivity concerning employee characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of a job.

The NRE Law's Statutory Decree

Article 148-2.3:

“Professional equality between women and men. Employment and integration of disabled workers.”

GRI Guidelines

LA10 : “description of policies or programmes addressing equality of opportunity: monitoring systems to ensure compliance and results of monitoring.

Equal opportunity policies may address workplace harassment and affirmative action with respect to individuals subject to historical patterns of discrimination.”

Indicators Used by Companies

Status Report

- percentage of women as a share of total company employment
- women's share of total payroll
- percentage of women hired
- percentage of women in management positions
- percentage of women executives
- percentage of women serving on the country executive committees
- number of women on the executive committee
- share of women senior managers
- average gross annual compensation for women
- gap between compensation of men and women
- number of employees who participated in training (broken down by gender)
- age and seniority by occupation, professional category and gender.
- number of disabled workers
- number of disabled workers hired
- percentage of disabled workers.

Methods Used

- formalisation, at the international level, of a commitment in principle with respect to non-discrimination
- perception of discrimination within the group.

Indicators Judged Relevant by ORSE

Gender

- access to employment
 - . workforce distribution by gender, age and seniority
 - . percentage of women hired
- compensation
 - . average annual gross compensation for women and men
 - . gap between compensation of men and women
- career development
 - . percentage of women and men who received training
 - . promotion rates for men and women
 - . number of women among senior management
 - . gender composition of governing bodies

Disability

- percentage of disabled workers
- percentage of disabled workers hired during the year

Origin

No satisfactory indicator was proposed.