



ACTEURS DU DÉVELOPPEMENT DURABLE



# **ASSIGNMENT REPORT submitted to the government**

## **Critical review of how companies are applying French legislation on social and environmental reporting**

April 2004

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## INTRODUCTION

Discussions at the Helsingor Conference held on 22 November 2002 made it clear that the different parties involved in corporate social responsibility (CSR) were divided in their approach to the concept. One group, including some companies and business federations, were in favour of a voluntary approach, while others, including some trade unions and, to a lesser extent, the associations, supported a regulatory approach to CSR.

Anna Diamantopoulou, the European Commissioner responsible for Employment and Social Affairs, took the opportunity at this conference to clarify the linkage between legislation and the voluntary approach: *“the law must defend fundamental rights, but we expect companies to do better than the law requires, either in their own interests or with a higher objective in view”*. The Commissioner added that *“one cannot hope to make the world a better place to live in by legislation alone”*. She also saw environmental and social reporting as crucial in that it enabled companies to demonstrate the extent to which they exceeded their legal obligations.

As concerns this question of reporting, France opted for the legislative approach under article 116 of the law on the New Economic Regulations (NRE) of 15 May 2001, which makes it mandatory for all quoted companies to include in their annual report information on how they take into account the social and environmental consequences of their activities.

This requirement came into force in 2003, so corporate experience in this area is very recent.

With a view to clarifying this issue:

- Mr François Fillon, the Minister for Social Affairs, Employment and - Solidarity,
- Mr Francis Mer, the Minister for Economics, Finance and Industry,
- Mrs Roselyne Bachelot-Narquin, the Minister for Ecology and Sustainability,
- and Mrs Tokia Saifi, the Secretary of State for Sustainable Development,

sent a letter of assignment on 18 July 2003 to the Observatoire sur la Responsabilité Sociétale des Entreprises (ORSE), to Orée and to Entreprises pour l’Environnement (EpE), requesting the three associations to assume the task of preparing a review of the application of the law.

## METHODOLOGY USED IN DRAWING UP THE REPORT

### **1. Objectives of the assignment given to the three associations**

The four ministers asked the three associations (EpE, Orée and ORSE):

- to analyse
  - . the problems encountered by companies in applying the law
  - . the extent to which the published information met the expectations of stakeholders
  - . the international situation as regards “sustainability reporting”.
- “to describe the best practices and to review the links between internal practices and external communications” and to show how this regulatory exercise could be improved to make a real contribution to a company’s global approach.
- to analyse a representative sample of the companies concerned.
- to invoke an international dimension in a comparison with other public or private regulatory or benchmark schemes.

### **2. Analysing companies’ reports**

*Problems in distinguishing between NRE requirements and voluntary approaches in sustainability reporting*

Our problem was to distinguish between the different parts of companies’ reports that concerned:

- the application – in the strict sense of the word – of the NRE law (with information on the social and environmental effects being included in the annual report)
- and information published by companies as part of a voluntary approach to sustainability reporting (either as part of the annual report or in a separate document).

In the latter case, companies are no longer seeking to report only on the past, but are setting out their commitment and strategy, sometimes in terms of targets that apply to all stakeholders.

In practice, certain companies make a very clear separation between annual report and sustainability report, while others report their NRE obligations and their sustainability approach in a single document.

Both parliament and the authorities have contributed to this mixing of subjects by accompanying the law and the Decree with interpretative matter strongly focussed on sustainable development.

Generally speaking, we have tried to overcome this procedural problem by dealing first with whatever concerns the strict application of the NRE law, and then extending our study to the reporting of sustainability in order to satisfy the government’s mandate.

### **3. *Contacts with companies and their stakeholders***

The assignment letter specified that we should approach companies and the following stakeholders:

- business federations
- the trade union organisations
- NGOs and associations
- Investors.

Our approach was intended:

- to identify the problems encountered by companies in applying the law
- to evaluate the relevance of the published information.

For the companies, a letter was sent to all the 700 companies involved together with a simplified questionnaire.

As regards the business organisations, we held interviews with Medef and Afep. The trade union confederations, the associations and investors took part in informal meetings which are the subject of a report attached as an **appendix**.

### **4. *International comparisons***

The work of the rapporteurs covered a number of aspects, in particular:

- a review of comparative studies by international organisations (CSR, WBCSD and UNEP) on the best practices applied by multinational companies,
- a presentation of the Global Reporting Initiative (GRI), an international private venture aimed at standardising reports on sustainability,
- a comparative review of GRI indicators relating to subjects covered by the NRE Decree.

## **BACKGROUND TO THE LAW ON NEW ECONOMIC REGULATIONS (NRE)**

### **1. *International context to article 116 of the NRE law***

Although a few countries, including France, have introduced regulations governing non-financial reporting, the international organisations, for their part, have so far taken up a less interventionist position.

At the time when the NRE law and its application Decree were adopted, there were already strong international pressures to introduce sustainability reporting.

#### *a - The OECD guidelines for multinational companies*

Of the OECD member countries, 33 adopted the guidelines that are in fact recommendations aimed at encouraging companies to adopt a responsible attitude.

These guidelines, which were revised in June 2000, contain recommendations on basic employment standards as well as environmental norms. They also cover corruption and the protection of consumer rights, and make reference to relations with suppliers and other commercial partners. In addition they encourage multinational companies to provide information about their policies and performance in terms of sustainability.

#### *b - The Global Reporting Initiative (GRI)*

The Global Reporting Initiative is certainly the most successful attempt to draw up an international reporting standard in the field of sustainability. The GRI was launched in 1997 as a joint initiative of the American non-governmental organisation, CERES, and the United National Environment Programme (UNEP), with the aim of enhancing the quality, rigour and value of sustainability reporting. This initiative benefited from the active support and commitment of representatives from the world of business, employers' organisations, accountancy bodies, institutional investors, trade union organisations and so on.

#### *c - The initiatives taken by the European Commission: promoting a European framework for corporate social responsibility*

In its paper on a European Union (EU) strategy in support of sustainability (15/05/2001), the Commission invited all quoted companies with at least 500 employees to adopt, in their annual reports to shareholders, a threefold approach in evaluating their results according to certain economic, environmental and social criteria.

On 18 July 2001, the European Commission published a Green Book entitled "*Promoting a European framework for corporate social responsibility.*" In this document, the Commission urges companies to submit reports on their progress in the social and environmental fields.

In July 2002, in a paper on CSR, the European Commission decided to establish a multilateral forum on CSR with the task of drawing up a number of proposals, including the definition of "guidelines and joint criteria for measuring the performance of reports and their validation", by the middle of the year 2004.

## **2. French context to the adoption of article 116 of the NRE law**

As from 1997-98, there appeared a new class of financial investments focused on the issues of sustainability and which disregarded the exclusion criteria that had been traditionally employed by the Anglo-Saxon ethical funds.

The development of socially responsible investment (SRI) funds or those related to sustainability will be facilitated by the fact that the management companies can obtain support from the social and environmental rating agencies, such as Arèse established in 1997, which assess the non-financial performance of companies.

Parliament will support this development of SRI by providing it with a legal framework in accordance with the legislation on employee savings and pension funds.

### *a - The law of February 2001 on employee savings*

The law of 19 February 2001 on employee savings states that “*The rules governing the joint company investment fund (FCPE) in the framework of the partnership scheme for voluntary employee saving (PPESV) sets out the social, environmental and ethical considerations that the management company must apply, whenever appropriate, in purchasing or selling securities, and in exercising the rights to which they give rise.*”

Four of the five representative French trade unions (CGT, CFTC, CFDT and CFE-CGC) grasped this new lever offered by the law and established the Inter-Union Committee on Employee Savings (CIES). The aims of this initiative are to obtain better and cheaper service for employees from the management companies, available socially responsible investment, and acceptance of real and effective monitoring by employees’ representatives.

### *b - The law of July 2001 creating the reserve pension fund*

The reserve pension fund is required to report regularly on “the way in which the general trends in investment policy have taken social, environmental and ethical considerations into account”.

### *c - The law of August 2003 on financial security and its international context*

To some extent, the United States Sarbanes Oxley Act of July 2002 follows a similar approach to the French legislation insofar as the directors of French quoted companies have long been liable under the criminal law for their signing of management reports.

It is in the same spirit that in order to give more protection to shareholders and strengthen trust in the market, the new provisions of article 117 of the French law on financial security of August 2003 requires “the chairman of the board of directors or board of management to indicate, in a specific report, the way in which the work of the board was prepared and organised, as well as the internal control procedures set up by the company.”

By this provision parliament is seeking to urge company directors to monitor their risks in a more transparent manner.

### **3 -Article 116 of the NRE law**

Article 116 of the law of 15 May 2001 on the new economic regulations requires those French companies whose shares are negotiable on a controlled market to indicate in their annual report how they take the environmental and social consequences of their activities into account.

#### *a - Parliamentary discussions*

Article 116 stems from a parliamentary amendment.

The requirement for quoted companies to publish social and environmental information in their annual report has not really been the subject of a parliamentary debate, since the text consists of a single sentence and was introduced as a parliamentary amendment without any real discussion. What discussion there was concerned solely the scope of the law and the examination of information by an independent body.

Parliament delegated to the Decree of application the task of introducing consistency to the information to be provided.

#### *b - The phase of preparing the NRE Decree*

The draft Decree was sent for consultation, and was accordingly not made public until February 2002, some ten months after the law had been passed.

When the draft law had been supplemented in February 2001 by the amendment requiring French quoted companies to include, in their annual reports, information on the social and environmental consequences of their activities, the Minister for the Environment wrote to the trade union and employers' organisations, as well as to the NGOs, inviting their proposals as to the type of information to be required in this context.

This prior consultation demonstrated how ambiguous was the exercise in the government mind: it was proposed in effect to formalise legislation applicable to all companies, whatever their field of activity, on all the issues of sustainability, with the idea that a report on these questions should be sent not only to shareholders and investors but also to the NGOs, employees and the authorities.

As a result, the content of the Decree was ultimately poorly received by companies who found it for example to be inapplicable and imperfect. They were particularly concerned that they might be held liable under the criminal law.

#### *c - The motivations of those drawing up the regulations*

The choices underpinning this legislation were driven by three separate objectives that can in fact be found in the impact study:

- to require companies to provide their stakeholders with transparent and comprehensive information on the environmental and social consequences of their business activities. In this way the regulations seek to meet stakeholders' requests for information

- to permit, in accordance with the GRI, comparison of companies' performance by establishing a joint framework for the definition of indicators
- to encourage French companies to join an international movement promoting sustainability as a factor in medium and long-term competitiveness.

Drawing up legislation that will simultaneously satisfy these three objectives is not an easy task, and this is partly the reason for the shortcomings in the application Decree, particularly as regards determining indicators and scope.

## I. INITIAL INFORMATION ON THE IMPLEMENTATION OF THE NRE LAW

### A - REVIEW OF THE FIRST GENERATION OF SOCIAL AND ENVIRONMENTAL REPORTS

#### *1 - The extent to which companies have satisfied article 116 of the NRE law*

##### *a - References to the legal requirements in companies' annual reports*

The assignment letter requested the rapporteurs to find out whether the 700 quoted companies operating under French law had incorporated social and environmental information into their annual reports.

The rapporteurs considered the first 250 companies (those in the SBF250) and found that all but a few had formally made explicit or implicit reference to article 116 of the law, and had published social and environmental information.

One immediate conclusion can be drawn: the smaller the company, the less information it provides as regards both number of subjects and quality, particularly in interpreting indicators.

##### *b - The extent to which the SBF250 companies (excluding those in the SBF120) have reported their legal obligations*

In evaluating companies' reporting capabilities, the rapporteurs used three criteria:

- the number of pages devoted to social and environmental information
- the number of topics mentioned
- the number of indicators on which companies reported.

The review shows that the companies reported on a limited number of topics - 8 on the average - with social subjects (5.4) predominating over environmental topics (2.3).

The number of indicators covered is even smaller - an average of 5.5 - with a significant difference between the number of social indicators (4.8) and the number of environmental indicators (1.7 on the average).

It is quite clear that apart from those exposed to environmental hazards (for example, in textiles, agro-food, energy, engineering construction and automobile parts), companies have not attempted to report on the environment and have done even less towards producing indicators.

On the social side, companies have produced very few indicators even though the social audit is available to them as a source (even though this is not consolidated for all establishments in a group and covers only employees paid in France).

c - *Review of topics covered by the SBF120 companies*

▪ In the social sector

Virtually all the SBF120 companies produced social indicators on the following aspects (in decreasing order):

- number of employees
- training
- employee savings (profit-sharing, shareholding schemes, company savings plan)
- wages and salaries
- social dialogue
- and health and safety conditions

The social topics reported least by the SBF120 companies are the following:

- subcontracting
- equality of opportunity
- disabled workers

▪ In the societal sector

Examination of the different studies produced by numerous organisations shows that companies have encountered problems in reporting on societal topics. The rare indicators published are essentially:

- local development (number of jobs created, levels of national and local taxes)
- customer relations (for example degrees of satisfaction, number of complaints received and dealt with)
- and corporate sponsorship

▪ In the environmental sector

One-third of the SBF120 companies reported on:

- the subject of waste
- indicators concerning the consumption of energy and water resources
- approaches to the assessment or certification of companies in environmental terms
- the presence within the company of internal environmental management services, together with training and information for employees on this topic
- making due allowance for the ecosystem.

The topics receiving the least coverage are the following:

- the use made of renewable sources of energy
- the effort devoted to reducing risk for the environment
- actions taken to repair any damage caused and the organisations set up to cope with pollution incidents having an impact beyond the company's premises.

The single item upon which companies provided the least information was the set of objectives they assigned to their foreign subsidiaries.

*d - Geographical limits to company reporting*

First of all it is important to note that the NRE law does not specify any geographical boundaries to social and environmental reporting. A review of the reports shows that the companies have opted to report at four different levels, that may or may not be cumulative:

- the holding company or the company headquarters
- France
- certain subsidiaries or geographical areas
- the consolidated group.

Certain companies, representing all sectors, reported only on the holding company, even though their business is international.

For example, as regards social reporting, three companies employing respectively 50,500, 77,000 and 92,500 people around the world, reported on the employees of their parent company, representing respectively 11.13%, 0.6% and 0.2% of their total workforce.

Some companies also reported on different areas for different indicators. In fact, not all of them reported on a worldwide basis for all data.

For example, certain companies gave a global report for the social sector but referred only to France for the environmental part, while others preferred social reporting on the holding company or parent company and environmental reporting for France alone.

Moreover, not all the companies indicate their geographical coverage in the report, and it may well vary according to topic for one and the same company.

## **2. The extent to which companies have reported their sustainability approach beyond their legal obligations**

It is recalled that the rapporteurs sought, in accordance with the assignment letter, to analyse sustainability reporting, which is a voluntary initiative by companies.

*a - Formalisation of a sustainability approach<sup>1</sup>*

The review of the reports of the CAC40 companies showed that nearly half of them had formally adopted a sustainability approach, evidenced usually in a letter from the chairman at the beginning of the report, referring to the importance of sustainability in terms of issues.

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<sup>1</sup> Companies were regarded as having formalised a CSR approach if one of their reports contained or referred to:

- a message, editorial or letter from the board clearly explaining the company's policy in terms of sustainability strategy
- their membership of the GRI or the world Pact
- the establishment of a charter or codes of conduct for sustainability

This message appears in the sustainability report (where this is produced), otherwise in the annual report.

*b - Provision of information on social and environmental risks*

Companies have traditionally been required to provide information about their financial risks in the standard document. Since 2001, the French Financial Markets Authority (AMF) has extended this requirement to cover the “social and environmental risk”, requesting companies to include these new risks in the “risks of the issuing body” section of the standard document.

The only social and environmental risks covered are those that might have “a significant impact on the financial situation of the issuing body, its business or its performance.”

The CAC40 companies have applied the instructions of the AMF in different ways. 26 of them have reported their social and environmental risks in the “risks of the issuing body” section of the standard document. Some have reported their risks in another document, while others have provided no information on this subject. Some of the latter did not perhaps believe that their environmental and social risks were such as to have a significant impact on their financial situation.

Companies may be subdivided according to two criteria:

- First, the medium they choose for reporting on their social and environmental risks
- and, secondly, the quality of the information provided on these risks.

Some companies provide more or less detailed information, sometimes even covering the preventive measures adopted.

Examination of the reports of the CAC40 companies shows that of those that do provide information on their risks, most refer to environmental risks and very few to social risks (apart from information on health and safety).

For example, social risks are dealt with:

- under “risk management” in the annual report of an insurance company that declares “*the major issues are gaining the loyalty of staff and being able to attract the best talent. There is no doubt that the social climate within the company can affect staff motivation and go on to have an impact on the quality of service provided to the customer*”.
- and in the sustainability report of a construction materials company, under “risk management and integration into local communities”: “*as a result of our expanding presence in the emerging economies, in different social and economic situations, the group has to face new issues and to develop appropriate management systems*”.

*c - Provision of information on targets*

Corporate social responsibility implies the need to take a long-term view. Accordingly the readers of reports may legitimately expect companies to provide information showing that they are committed to a progressive approach and are not content with making the most of existing business.

Review of the CAC40 reports shows that about half (21) of the 40 companies provide clear information – in other words, detailed, precise and comprehensive – on the objectives to be achieved.

The companies may be categorised as follows:

- nine companies deal only with the environmental topic
- one deals only with the social topic, from the standpoint of health and safety policy
- five mention both the above topics
- four add the economic sector to the above two topics
- two are too broad in their objectives for these to be analysed.

More companies report their objectives in the field of the environment (18) than in the social field (10); the economic aspect receives the least attention, with only four companies reporting.

The quality of the information is also highly variable: eight companies report quantitative targets, and eight others qualitative objectives; some only report the major concepts; five companies combine the two.

The qualitative and quantitative targets are distributed as follows:

Type Field	Qualitative	Quantitative
Social	4	7
Environmental	10	12
Economic	1	3

A high proportion of the objectives are given in quantitative terms, which was not to be expected and demonstrates considerable thought.

For example one company, in its sustainability report, quantifies its social, environmental and economic objectives in a single table.

We will give three illustrations of targets in each field:

- social: extending the application of online training until it accounts for 25% of all training by 2005
- environmental: continuing the average annual reduction of 20% of energy consumption by its systems over the next three years
- economic: returning the operational performance to balance by 2003.

Similarly, another company publishes a table in its sustainability report setting out its objectives in the economic, social and environmental fields, reporting target dates and the state of progress.

A few companies also indicate the state of progress and achievement of targets where work on this has already begun.

For information on objectives to be relevant, it would have to be based on the principle of comparability, so as to simplify comparison of a company's economic, environmental and social performance with its performance in the past, as well as with that of other companies.

This enables internal and external observers to compare performance and to evaluate progress as regards rating, investment decisions, awareness campaigns and other activities.

Comparability and the related requirements of coherence are prerequisites if users are to take decisions in full knowledge of the facts.

However not all companies publish information whereby data can be compared, which makes it difficult to assess their environmental or social performances and how these are changing with time.

*d - Information provided on resources applied*

Analysis of the CAC40 reports shows that 18 of the 40 companies report clearly on the resources applied, providing information that is detailed, precise and comprehensive.

However the quality of the information varies considerably: apart from a few companies that relate their objectives to the resources they have dedicated to their achievement, most refer to overall resources with no link to objectives.

Of the companies that provided clear information on this subject, two may be quoted as illustrative examples of what can be included in a sustainability report:

- for the first one, three separate tables setting out the issues for the social, quality and environmental aspects, giving for each the objectives – quantified where possible – the resources and corresponding indicators used
- for the second, two tables showing:
  - . for the social aspect, the issues and the corresponding plans for action
  - . for the environmental field, the issues, the plans for action and the corresponding objectives, quantified where possible, otherwise qualitative.

### **3 - Stakeholders mentioned or quoted in the annual or sustainability reports**

*a- Stakeholders mentioned*

The question of stakeholders does not always get special treatment in company reports, and any mention of them is often inserted at different points.

Eleven CAC40 companies clearly identify and describe their stakeholders, for example using tables or similar methods; although they are from different sectors they are all regarded as leaders in their sustainability approach.

Two other companies mention their stakeholders, regarded as classic, one of them in a paragraph of the sustainability report, the other in the sustainability section of the annual report.

One major retailing company uses a highly individual method, in the form of a table, for identifying its main stakeholders and the methods of consultation developed for each, drawing a distinction between its “direct” stakeholders, to whom the company has a special responsibility, and those who are “indirect”.

Analysis of the reports of the CAC40 companies shows that the stakeholders mentioned and the number of companies that do so are as follows:

Shareholders or investors	40
National or international trade union representations	40
Customers	40
National NGOs	31
Public authorities	22
Non-financial rating agencies	18
Suppliers	17
International NGOs	16

It can be seen that all the CAC40 companies identify more or less explicitly at least three stakeholders who may consequently be regarded as special stakeholders of the company.

It is not surprising that these are the traditional and principal stakeholders: shareholders, staff and customers.

*b - Stakeholders quoted<sup>2</sup>*

From our analysis of the CAC40 reports, we show here the number of times stakeholders are canvassed:

Non-financial rating agencies	13
Shareholders or investors	4
National NGOs	3
International NGOs	2
Trade unions	1
Customers	1
Suppliers	1

Most of the CAC40 companies, in their reports, mention their stakeholders, but less than a third quote them: there is thus a significant difference between the number of parties regarded as stakeholders of the company and the number quoted in reports.

Even in the more relaxed area of sustainability reporting, only a handful of companies quote several different stakeholders.

The opinions of stakeholders may concern:

- the business of the company
- the content and form of the sustainability report.

<sup>2</sup> “Stakeholders quoted” are regarded as those whose critical point of view is referred to in one of the reports.

Only two CAC40 companies have taken this latter approach.

The first of these, at the end of its sustainability report, publishes the views on its report of three of its stakeholders who are linked to the economic, environmental and social issues. These are:

- . two international trade union federations active in its business sector
- . one shareholder in the company that is also a manager of European funds
- . the business relations director of an environmental association.

The second company gives space in its 2001 social and environmental report to some of its shareholders, two of whom are also employees of the company and another a financial analyst.

The comments of the stakeholders come under two headings:

- either entirely positive, as remains the case for most companies
- or more balanced, covering – for example for one company – the strong and weak points in the social and environmental fields.

*Strong points:*

- . *all the subsidiaries regularly follow the indicators*
- . *the audit scheme is well advanced*
- . *nearly half of the subsidiaries are committed to ISO 14001 certification.*

*Items deserving improvement:*

- . *not all the reduction targets are set*
- . *the procedures for monitoring the plans of action are not implemented everywhere.*

One other company gives space throughout its sustainability report to associations of shareholders or investors, trade union representatives, shareholders or rating agencies, who give their various points of view about the company's business.

#### *c - Topics on which they were consulted*

##### ▪ Rating agencies

The non-financial rating agencies appear in the reports as follows:

- Most often by explaining the rating given to the company
- on all topics: social, environmental and economic.

Reference is very often made to the views and assessments of the rating agencies, especially in the banking and insurance sector, mostly in the form of charts accompanied by a general commentary.

Transparency is applied as a basic principle of reporting. Such transparency in reports is an exercise in assuming responsibility, seeking to explain the actions of the company clearly and openly to all who are entitled to hear and who have a reason to take an interest, so that the users may not only rely upon the information provided but be able to interpret it.

Accordingly some praise is due to companies that publish the comments of the rating agencies, particularly when these include the "items deserving improvement" noted in their assessments.

- Shareholders and investors  
When shareholders or investors are consulted, they do comment on the economic aspects of the company.

In the annual report of one insurance company, prominence is given to the opinion of a member of the consultative committee of private shareholders on the quality of the information and communications policy that concerns them.

*d - Publication of non-financial ratings*

Socially Responsible Investment (SRI) is an investment based upon social, environmental and “ethical” criteria and not only on financial judgement. International indices for sustainability or corporate social responsibility (CSR) have been set up in co-operation with the main indexing bodies; these cover Europe, the European zone and the world as a whole.

They are:

- Dow Jones Sustainability Index (Europe and the world)
- ASPI Eurozone
- FTSE4GOOD Indexes (Europe and the world)
- Ethibel Social Index.

The CAC40 companies again fall into different categories:

- those that have not provided information about their inclusion in the relevant “responsible” stock market indices, totalling sixteen companies
- those which have provided information:
  - . in part, i.e., simply about their inclusion in the indices: this involves twenty companies
  - . in totality, i.e., not only about their inclusion but also their exclusion from indices: this applies to four companies.

It may be noted that certain companies that are included in one or more stock exchange indices and who mention the fact in their document, do report in detail on the comments made by the non-financial rating agencies: this is the case for seven companies in a variety of sectors.

The markets interpret a company’s inclusion in this type of index as a sign of credibility in its social responsibility approach.

## **B - PROBLEMS ENCOUNTERED BY COMPANIES IN ESTABLISHING A SYSTEM OF SOCIAL AND ENVIRONMENTAL REPORTING**

### **1 - The various indicators: differing objectives**

Any approach to social responsibility by companies is structured around objectives and indicators that first of all enable the firms to report upon and to manage their sustainability strategy and, secondly, can be used by stakeholders to assess the results as a basis for discussion.

The particular needs vary according to the situation: indicators can be used for management, decision-making, corrective action, providing warning about variations, or for adapting to the prevailing situation or changes in demand. They can also be used for measuring performance, illustrating the extent to which objectives have been achieved over the whole range of reporting indicators.

An indicator is never an end in itself. After all, it will usually be meaningless if it does not form part of a system enabling it to acquire its status as an indicator. In particular:

- an indicator is meaningless if it does not illustrate a specific objective
- an indicator cannot be interpreted if the objective to be achieved is not stated.

At present we are seeing a rise in the number of indicators from a variety of sources, notably companies, non-financial rating agencies, financial analysts and professional bodies. According to their source, the indicators may be of different types and refer to quite separate end results.

Besides this multiplicity of indicators, there is a non-homogeneous range of sustainability standards, both public and private. This abundance of indicators and standards renders any comparison difficult.

The indicators are constructed according to specific political and/or technical features and consequently will always reflect a model that is not only imperfect but also simplifies the real situation.

In attempting to measure a company's environmental and social performance it is necessary to bear in mind that:

- the environmental and social aspects are complicated and often difficult to quantify;
- it is difficult to compare the environmental and social impacts of companies involved in the same sector owing to the absence of any international benchmarks. It turns out to be even more problematical when the business activities are different and the compilation of information is frequently based on disparate data in many forms;
- the directives pertaining to environmental evaluation and reporting that do exist (the ISO 14000 standards for example) are always subject to interpretation;
- the availability and quality of sustainability data are often mediocre.

Experience shows that the number of indicators used should be small if they are to remain simple to use and understand. Having too many indicators

often proves counter-productive for both the company and those observing it.

In order to limit the likelihood of making errors in interpretation, it is essential to pay careful attention to the general structure of the content of reporting and to the overall environment in the company.

However any limitations and specific bias are related to the way in which indicators are interpreted, implying that the presentation of sustainability indicators must always be accompanied by qualitative analysis. Indeed indicators are useless unless accompanied at the very least by some commentary on the way in which the company has organised them and on the choices made.

## **2 - Difficulty of providing information on indicators in every field**

Examination of the various studies conducted by a number of organisations shows that some companies have had problems in reporting on all the fields covered by the NRE Decree.

These difficulties may stem from the fact that:

- certain social and environmental aspects are complicated and sometimes difficult to quantify
- with some of the indicators suggested in the different schemes, specific sectoral aspects cannot be included in a relevant manner
- it is not always appropriate for a company involved in different activities to consolidate the data.

These general problems may be exacerbated by obstacles in the reporting process itself:

- the geographical coverage of a company's reporting is rarely fixed, but may change as a result of events that modify the group's structure (mergers or acquisitions) or because the various entities making up the group have different legal status
- regulations vary according to the country of location
- the relevance of an indicator varies from one country to another.

### *a - Certain social and environmental aspects are complicated and sometimes difficult to quantify*

Article 116 of the NRE law takes the form of a list involving not only indicators (for example, that of the total workforce) but also topics such as the conditions of health and safety.

Some of these topics are especially difficult to render into the form of quantitative indicators.

For example the subject of industrial (social) relations is particularly tricky to translate into indicators, since it encompasses several features of the company: how are social relations organised within the firm, what is the outcome of social relations ... and also, what is the social climate within the company?

Company directors often use this last question to tackle the issue of industrial relations, when the tendency is then to try to qualify them as good or bad. In fact the social climate is initially a perception, certainly based upon some facts but also stemming from impressions and feelings. It also involves a number of different people (those within the firm, with their expectations and relationships, but also those outside) as well as objective factors such as working conditions, management methods, communications, industrial relations, human resource management, and so on.

It is therefore very difficult to quantify a perception, impressions or – particularly – feelings. Accordingly the social climate, as a component of industrial relations, is a topic that is difficult to both qualify and quantify. The risk of evaluating the situation badly is very great.

*b - Specific sectoral features*

The process of selecting indicators is torn between two contradictory requirements. It is essential not only to develop a set of indicators common to all the companies in order to permit comparisons, notably for investors, but also to suggest indicators that are sufficiently precise in order to reflect the situation of each of them.

For example, environmental performance varies to a greater or lesser extent according to the business sector concerned. One may ask whether the environmental performance of an industrial firm can be compared with that of a service company.

*c - Consolidation of data is not always appropriate for a company involved in different activities*

The question is how relevant indicators can be consolidated when a group is involved in a number of different activities.

For example, one of the groups interviewed, whose activities are highly diversified, attempted last year to propose relevant environmental indicators that were common to the entire group. The directors involved the different managers of each business in this approach.

This attempt of harmonisation ended in failure: the directors found in fact that environmental reporting common to the entire group did not satisfactorily report on the environmental issues specific to each activity.

*d - The geographical coverage of reporting is not always fixed*

Mergers and acquisitions occur frequently in the business world. They lead, quite apart from the problems of financial integration, to a number of problems arising from the diversity of cultures of the different parts of the group. Such problems are encountered both nationally and in cross-border mergers.

Key factors in business life such as company management, industrial relations, job security, regulations, the expectation of customers and national culture are seen differently according to whether the business is Japanese, French or American.

A further problem results from this: merging information systems.

*e - The regulations vary according to the host country*

The absence of legal uniformity leads to a problem of consolidation: the question is how to consolidate indicators and make them uniform on a worldwide basis when local regulations, as well as the cultures specific to each entity, all differ.

The worldwide consolidation of social and environmental data is an extremely complicated subject. For example some of the factors mentioned in the NRE Decree are relevant solely within France and sometimes have no meaning on a worldwide basis:

for a group located in China, where the standard employment contract is for a fixed term, it is extremely difficult to consolidate recruitment on a worldwide basis by separating fixed-term contracts from those that are open-ended.

Another example: the concept of industrial accidents is defined differently by different countries: statutory reporting times vary from three days to several months, some countries include accidents occurring as employees travel to work, others do not. One may ask how meaningful it is to consolidate such disparate data over the period of a year.

*f - The relevance of an indicator varies from one country to another*

At one of the hearings we held, a company in the telecommunications sector stated that in its view it was meaningless for it to provide information on water consumption. In fact an indicator of this kind reflects a crucial issue in countries where water is a scarce natural resource. Elsewhere than in Jordan, which is one of these countries and where the company is located, this indicator does not illustrate a significant issue for the operator.

### **3 - The need to utilise relevant indicators**

Companies that have initiated a sustainability approach stress the fact that the ultimate objective of their business is economic. Therefore, although they agree to report and, for this purpose, to introduce a sophisticated system for reporting the social and environmental impacts of their business, it is essential that this instrument should contribute to their strategy. Thus the non-financial data collected should strengthen the company's structure and help it take economic decisions.

This prior condition causes the company and its stakeholders to look carefully at the choice of the type of indicators to be applied and on how they should be used.

*a- From reporting to management by reporting*

Neither the social part nor the environmental part of the NRE regulations allows the company to utilise its data as an instrument of strategic thought.

It is frequently as a result of external pressures that companies are forced to launch an approach to sustainability reporting. The primary purpose of the indicators was to report. Subsequently the end product of the reporting has changed. While companies are still reporting, they have sought to appropriate the process in order to convert it into a management tool.

The integration of sustainability concerns at every level of a company has led to this change in meaning or scope of the indicators.

From being “simple” reporting tools, they have become veritable management tools for driving the company.

*b - The need to limit indicators to those that are relevant*

One indicator on its own reports nothing, so a number of indicators have to be adopted for analysing the situation of the company in all its complexity. This requirement does nothing to counter companies’ fears of being submerged by the indicators suggested by the different reporting schemes. As far as the company is concerned, there is no value in reporting on indicators that have no connection with its organisation, culture or strategic orientations.

The risk of information “carpet bombing”, which finally drowns the reader in a sea of insignificant data, is a substantial risk that the company must avoid. It is recalled that the very essence of sustainability reporting is that it should be of value to its users and to the issuers.

Thus “carpet bombing” satisfies neither the stakeholders nor the company itself, since much of the information cannot be used. The aim of reporting is not to supply the largest possible number of indicators, but to provide indicators that are relevant, capable of reporting overall performance, and of offering a clear view of the strategic orientation of the company to its managers and stakeholders.

*c - On the sense of having quantitative indicators in every field*

By reading companies’ reports we have found it difficult to identify companies’ actions in certain areas of sustainability. In part this is due to the lack of quantitative indicators that reflect the actions the company has really taken.

However, although quantitative indicators are necessary for a certain number of CSR topics, they alone are not sufficient, and there is a good case for them to be supplemented by qualitative indicators - which themselves may have limitations.

From our different contacts with companies, we have noted two areas with regard to which companies have problems of reporting:

- subcontracting
- the way in which their foreign subsidiaries take into account the impact of their activities on regional development and the local population.

This aspect of the NRE Decree is linked to the more general question of what companies actually do in the development field. Certain stakeholders would like companies to enter into a much greater commitment in terms of financial investment. The companies however defend the idea that the most important thing is what they do to encourage local development, and it would consequently be a waste of time to convert this topic into indicators. In fact in this area, the important thing is to formalise an approach.

#### **4 - Reporting with variable coverage**

##### *a - Limits to corporate responsibility*

According to the definition of CSR proposed by the European Commission in its Green Book, CSR calls for responsibility that goes beyond regulatory and conventional requirements. It is in fact using this criterion that public opinion bases its judgement of the extent of a company's commitment.

The French parliament has intensified the social and environmental legislation governing companies and it is up to them to define the extent to which they may be liable in these different fields.

In order to evaluate its socially responsible commitment and to define it, a company must identify those who people its own environment and toward whom it considers it has a duty of care. In doing so, the company has to distinguish those who are directly affected from those who are less directly involved.

The direct partners of a company are traditionally subdivided into three groups: customers, shareholders and employees.

However the social responsibility of the company extends beyond those to whom it is contractually committed. It has responsibility to all the stakeholders that goes beyond the basic group of three (shareholders, customers and employees) to include the effects on society and the environment.

It is therefore not possible to ignore the other groups that are linked to the company, for example suppliers, the authorities and the public, all of whom express their views through the media, associations, and so on.

All these groups can put pressure on the company and question it about its responsibilities.

Companies are aware of this change in the behaviour of consumers and try to make the most of their direct involvement in sustainability in order to carry through their commercial strategies.

Shareholders can also influence the company as regards the introduction of a more responsible form of operation, notably as regards corporate governance and the management of risks.

#### *b - The involvement of suppliers and subcontractors*

One of the fundamental questions about corporate social responsibility is that of its limitations. It is never easy, outside the letter of the law, to define that for which a company is responsible and to whom. A balance has to be found between a minimal approach, involving not doing more than the law requires, and the converse procedure that would cause the company to take on responsibilities beyond its terms of reference and its capabilities.

Major companies have to ensure that their own behaviour does not prevent the development of good practice by their suppliers and subcontractors, and that it is not based upon the twofold contradictory or paradoxical notion:

- first of all, extreme pressure on prices or the externalisation of a risk without a financial counterpart
- and secondly, substantial requirements concerning various aspects of CSR that involve extra costs: improving working conditions of employees, enhancing health and safety measures, reprocessing wastes, leading the campaign against pollution, and so on.

Contractors are aware that their social and environmental performance may be adversely affected by any irresponsible practices of their partners throughout the production chain.

For this reason, in accordance with the NRE Decree, companies should highlight the importance of subcontracting in the social field (observing the fundamental conventions of the International Labour Organisation). However companies appear to experience difficulties in reporting in this area.

From our contacts with companies we have been able to identify some of these problems:

- an international group will encounter problems in checking - around the world - that the sustainability sections of the contracts it has signed with its subcontractors are in fact being applied. Such checks are complicated and very costly.

The question is whether companies can force their subcontractors to provide all the information requested and how credible this can be if unchecked.

- The question of how to differentiate between a subcontractor firm that is truly external and another that is a subsidiary. Then, how to process this information coming from different sources.

## **5 – Problems of implementing the reporting process**

Our enquiries from companies that come under the Decree reveal substantial problems of implementation, especially in collecting and consolidating data, once this process becomes international.

The reporting process raises questions not only about the time needed to meet the requirements of the law but also about the cost of the operation: passing the information through the system, confirming it, and circulating reports.

### *a - The companies are given little time*

The new requirement for non-financial reporting has to be fitted in to the increasingly short times available for reporting financial results.

Indeed the expectation is that all the social and environmental data will have been consolidated, something that cannot be done until February at the earliest. Since annual general meetings take place between April and June of each year, the length of time left for drawing up the reports and analysing the data is restricted to two or three months at the most.

Thus companies have had only a short time to meet the requirements of the Decree and, in addition, developing a reporting system for all these data.

These time constraints (yearly issues of management reports) that also affect NRE reporting, do not apply to voluntary sustainability reporting, where the company has a much wider margin of manoeuvre.

### *b - The cost of the reporting process*

Controlling costs is a priority in every sector of business, and is particularly meaningful in periods of economic slowdown. When a company embarks on a reporting approach, it faces a variety of costs, notably those arising from:

- feeding information through the system
- confirming data
- circulating reports.

The ORSE polled its member companies in order to estimate the cost of sustainability reporting. This produced the following average figures:

- collecting and consolidating non-financial information can require up to 12 members of staff full time for six months
- the cost of publication can be up to 100,000 euros

- the cost of external certification depends for example on the confidence level declared by the auditors (which may be reasonable, moderate or low) and on the geographical extent of certification.

On the subject of certification, it must be remembered that the cost of checking the information must also cover the work done by internal auditors.

These costs are recurrent and do not include any capital expenditure – on IT in particular – necessary for automating the collection and consolidation of the data.

The Canadian government, which has prepared “an information toolkit on the production of sustainability reports”, concludes that sustainability reporting is not really a cost but an investment. This approach identifies two types of benefit:

- Internal benefits
  - . attracting, retaining and notifying employees
  - . strengthening data collection and management
  - . improving performance efficiency and effectiveness
  - . providing broader performance information to senior management for stewardship (managing risks), and to the Board for oversight and strategy
- External benefits
  - . contributing to community or national “licence to operate”
  - . enhancing corporate reputation
  - . facilitating regulatory approvals
  - . strengthening market access and share

### ***6 -Difficulty of responding to the various stakeholders in a single document***

Those targeted by the reports are as many and varied as the reasons for starting a reporting approach in the first place, for example, raising the awareness of and motivating internal audiences, rating organisations (that are awaiting quantified information), NGOs and specialist government agencies (who ask companies for detailed information on their topics of interest), as well as the media and students seeking an overall view of corporate strategy, and so on.

This varied audience raises another difficulty for companies: how to respond to all in one and the same document. It is therefore particularly important, before embarking on the reporting process, to consider who and what will be the report’s targets and objectives, so as in particular to envisage - at the outset - the different forms of the report and its circulation.

There is no doubt that meeting all the expectations of the stakeholders in a single document represents a real difficulty for companies.

However this problem could be tackled by using the Internet, whereby information can be sent practically immediately to all the stakeholders and, if necessary, to different geographical zones.

An analysis of the reports shows that:

- using the Internet is a particularly attractive way of facilitating the organised and reasoned circulation of CSR information that a company's stakeholders now expect
- the Internet is still widely underused by French companies, including those who have made significant efforts in other directions to establish their sustainability reports for stakeholders
- the ability of a website to respond in "cascade" fashion to the many questions that interest the different audiences is not being exploited in any way
- the potential for dialogue – or at least interactivity – with stakeholders, so easily obtainable through the Internet, does not seem to have been perceived by any of the existing sites.

## **C - EXPECTATIONS OF THE STAKEHOLDERS**

Our many contacts (summarised in an appendix) show that the stakeholders have a large number of expectations.

They would like:

- each company to deal with the issues specific to it having regard to its business sector
- the sustainability approach to be made more formal with involvement of stakeholders
- the credibility of the reporting process to be guaranteed by third parties.

### **1 - Gaps in reporting on relevant issues**

#### *a - Gaps in the topics dealt with*

As concerns the content of the law and the NRE Decree, certain stakeholders deplore the absence of or lack of clarity on a number of topics:

- the campaign against corruption
- human rights
- relations with the public
- observance of the right to work.

#### *b - Gaps in reporting sectoral issues*

The stakeholders stress the need to identify the issues by sector. An analytical chart showing sectors separately would enable them to make comparisons with the reports of companies having similar activities and common problems.

In conclusion, the sectoral analysis shows that reports are focused on the most tightly regulated aspects: the management of human resources and the environmental impact of production plants. This bias distracts companies from strategically considering topics such as product design, market influence or even their economic impact. An approach of this kind is therefore not only a risk factor but also a loss of opportunity to “stand out from the crowd” on the market.

### **2 - The sustainability approach should be made formal**

Formalisation of the approach affects the following:

- a company's strategy
- the process of consulting stakeholders
- determining the geographical reporting coverage

*a - Declaring the company's strategy*

All companies agree with the trade unions and the employers' associations that directors should be fully committed and that this should be reported. However the associations and the unions are apparently in favour of involvement to a greater extent: the associations would like directors to make a public commitment about their intentions, objectives and resources applied.

They see it as fundamental that the reports should highlight the progress made over a given period.

The trade unions share this viewpoint but add an additional requirement in requesting that directors should discuss their objectives and identify the real issues that determine strategy.

*b - Process of consulting stakeholders*

There is a practically general agreement between companies, the associations and the trade unions that there should be dialogue with stakeholders. However the question arises as to when and how all the stakeholders should be brought in to discuss the choice of indicators and the non-financial data to be included in reports.

The companies take the view that it is up to them to define a small number of relevant indicators capable of consolidation at group level, even if they are subsequently adapted sector by sector.

The counterpart of this unilateral definition of indicators by companies is that they would have to be able to explain their approach and justify the choice of indicators. They would have to formalise their method by publishing results, objectives and the resources applied, as well as explaining, describing and ranking their risks.

The value of this approach to them is that they would be able to utilise the information collected in this way for establishing business indicators and taking management decisions.

The associations take the view that the report should be the outcome of discussions, believing that dialogue between stakeholders in order to create indicators is essential.

For example, one of the associations contacted uses the following method:

- breakdown into sectors of activity
- cross-fertilisation with open discussions involving relevant stakeholders in terms of topics and issues.

The trade unions deplore the fact that the Decree is addressed primarily to those outside the company rather than to internal stakeholders. In this connection the NRE Decree, which concerns only the content of the report, has made no provision for consultation of employee representatives for example. The trade unions point out the historical fact that one of the major advances in the social audit was the requirement that it should be examined each year by the joint consultative committee.

The trade unions believe that one of the principal issues relative to the reporting process is that it should become a real basis for dialogue between a company and its employees. They would like sustainability reporting to form part of this process, with their involvement.

The trade unions therefore propose:

- that at an early stage the joint consultative committee should work on the methodology of indicator creation
- that after publication of the report the joint consultative committee should give its views to cause the company to look into basic questions. In this way the report would become a veritable instrument of dialogue.

All the trade unions believe:

- that the Decree should set out not only topics but also a small number – but not too few - of indicators to encourage dialogue between employers and employees
- that the indicators should be developed in each branch by identifying the important issues through negotiation with the trade unions
- that relevant but not necessarily consolidated indicators should be utilised, in other words they should represent three different levels: France, Europe and the world. In fact the trade unions would like to remain visible in each geographical zone.

Our contacts also exposed a paradox regarding the CSR tools. Although the reports are mainly an instrument for the company to provide information on its progress, we found that the associations and trade unions made very little use of the first issue of sustainability reports, although they do recognise the wealth of information provided.

This paradox does not reflect a lack of interest but rather a degree of doubt about the reliability of the information provided since in the main it is not verified.

### *c - Determining the appropriate geographical scope*

French legislation is not specific as regards the geographical scope for social and environmental reporting: it could encompass holding companies, establishments within France, or an entire group.

In this connection, the companies believe that it is up to them to justify the choice of scope according to the approach they have implemented. The flexibility of scope should therefore be maintained.

The associations think the scope should reflect the company's structure and not be limited to France itself.

The trade unions believe that coverage should be worldwide, with separate treatment of establishments within France.

One of the trade unions contacted took the view that the three zones - France, Europe and the world - should be linked. In fact, certain topics or indicators, particularly in the social field, are only relevant when interpreted locally (equality of opportunity for example).

The concept of a company's "field of action" could be another interesting approach to the scope of reporting. It raises the question of the limits to the company's liability and hence the zones covered by reports: the issue is whether it should concern only the company, the company and its subsidiaries, or if subcontractors and suppliers should be included.

The associations believe that in its present state, reporting is in fact too focused on the company and does not provide enough information on subcontractors or subsidiaries.

The associations also suggest that:

- the legislation should be shifted towards the use of criteria of job numbers rather than capital acquisition
- the requirements of the Decree should be extended to include the public authorities and public companies.

The trade unions place more stress on broadening the field of application of the NRE law to foreign companies that have a strong presence in France.

### **3 - Certification or verification of data**

During the interviews carried out by the rapporteurs, there was discussion of the practice of "certifying" NRE reports.

*a - What is the position of the positive law regime as regards application of the NRE law?*

Under existing regulatory provisions there is no particular certification of NRE information in the precise meaning of the term, other than that legally incorporated in the task of the auditors responsible for certifying the accounts of the particular company.

Auditors must in fact ensure that the social or environmental information included in the management report is realistic and coherent with the accounts and financial data provided by the company. Any departures from this basic principle of coherence and realism must attract comments from the auditor and, if appropriate, reservations in the framework of the audit. Otherwise – and in the event of these inaccuracies being noted and denounced by third parties – the auditor could be held legally liable, since there could be no certification without legal – including criminal – undertakings by the auditor.

It is for this reason that the rules of the profession subordinate this obligation of analysis in terms of realism and coherence to the condition that the information observed in the management report should have an impact on the company's accounts and on its financial situation.

The best example of this is the assessment of the costs of environmental provisions, that must take into account risks of this type, that may be mentioned in the management report.

The regulations of the Financial Markets Authority (AMF) view this situation as the supply of information enabling investors to assess the risks involved in the activities of those responsible and, more generally, to evaluate their assets and financial situation.

*b - Certification practices in the application of the NRE law and the sustainability reports.*

In 2003, very few companies subject to the legal obligation included in their annual report any specific opinions of their auditor relative to the NRE.

It may be noted that the views of those that were in favour of certification (about ten), were in three main fields:

- The data
  - . Historical or predicted information
  - . Statistics
  - . Performance indicators
  - . Raw data (calculated or measured)
- Systems and the process
  - . Internal checks and procedures
  - . The procedures of collecting and consolidating data
- Corporate commitment
  - . The company's policy
  - . The programmes of action
  - . Observance of the regulations
  - . Practices as regards human resources

*c - The need to extend these considerations*

This question of "certifying" sustainability reports is in fact highly sensitive, as well as being very current. At the time the law was being voted, parliament had decided against any outside certification. When the different stakeholders were interviewed for the purposes of the present report, they expressed a variety of views on the subject.

This is also the reason why the ORSE, as early as the first quarter of 2003, decided to convene a working group on this topic with the aim of collecting the views of each stakeholder, identifying where there was agreement or differences and making proposals:

- Although the opinions expressed during the discussions covered a very wide range, a consensus did emerge on the fact that once all the conditions were right the intervention of an authorised third party would appear to be the best way of adding credibility to all the CSR data published by companies.
- There was also a very clear consensus in support of the idea that the time for compulsion in this connection has not yet come, because companies need the time to embrace the CSR approach in its entirety.

- This issue of “certification” does not relate only to the reports published under the NRE law, but applies even more to the reports on sustainability, published by companies quite independent of any legal requirement, the approaches themselves, the internal reporting systems or even industrial sites.
- Although as far as reports under the NRE law are concerned the auditors have a legal monopoly, by virtue of the same law the range of possible “certifiers” is *a priori*, much wider here, and includes for example those that intervene in the social and environmental field, as well as certain NGOs and trade unions.
- In this field, all those involved agree that a purely national solution would not be realistic.

## **II. SOME INTERNATIONAL COMPARISONS OF REPORTING**

### **A - NATIONAL REGULATIONS REQUIRING COMPANIES TO REPORT IN THE SOCIAL AND ENVIRONMENTAL FIELD**

In the main we have studied the national regulations of seven European countries:

- environmental reports in Denmark, the Netherlands and Sweden
- social audits in France, Belgium and Portugal
- social and environmental information in France and Norway.

Our study brought out the following points:

- with the exception of the law on the social audit in France and Portugal, this relatively recent legislation was passed in the mid-90s (1995 in Denmark, 1996 in Belgium, 1999 in Norway, the Netherlands and Sweden)
- only two countries make provision for compulsory reporting on social and environmental aspects: Norway and France
- two regulatory systems (France and Denmark) require companies to report on relations with their suppliers and subcontractors.

### **B - AN ATTEMPT TO STANDARDISE REPORTING INDICATORS IN AN INTERNATIONAL FRAMEWORK: THE GRI**

The Global Reporting Initiative (GRI) is certainly the most successful attempt to draw up an international reporting standard. Its objective is to draw up international guidelines and thus obtain consensus on what the content of the sustainability report should be.

Owing to the predominantly English-speaking basis of the GRI, some French companies encounter difficulties in reporting on certain indicators, for example those relative to discrimination. This is a convincing illustration of the gap that exists between English-speaking and French culture in certain areas.

Also the social indicators in the GRI frequently lag behind French experience in social reporting such as the "social audit" (see the comparative review of GRI indicators and NRE topics in the appendix).

The principal strong points of the GRI are:

- that it covers relations with all the stakeholders and not shareholders alone, and so speaks for example about quality and product advertising aimed at consumers
- that it tackles all the sustainability topics.

Twenty-two French companies made reference to the GRI in their 2003 report.

CAC40 companies	SBF120 companies (not in CAC40)	SBF250 companies (not in CAC40 and SBF120)	Other companies
Aventis	Valéo	Areva	Aéroport Lyon Saint Exupéry
Carrefour		Provimi	Aéroport de Paris
Danone		Séché Environnement	Cogema
France Telecom			EDF
Lafarge			Gaz de France
Renault			Monoprix
Saint Gobain			Sita
Suez			
Total			
Véolia			
Vivendi Universal			

As far as the companies coming under the NRE law are concerned, they have made use of the GRI indicators by correlating them with the topics in the Decree of application.

One company has included for example, in its report entitled “*Our economic, social and environmental responsibilities*”, a table showing, for each of the three sectors, the indicator or indicators required by the GRI, together with the corresponding NRE indicator or indicators.

## C - LESSONS LEARNED FROM FOREIGN EXPERIENCE ON THE OBJECTIVES ASSIGNED TO THE SUSTAINABILITY REPORT

### 1. Studies reviewed

This chapter summarises the main foreign studies of the issues in social and environmental reporting:

#### a - *The “Accountability” and “CSR Europe” organisations – “Impacts of reporting”*

In their report on the impacts of reporting, Accountability and CSR Europe declare that an effective report is one that is of value to its users. In other words, rather than focusing on the obligatory content of the report, as the NRE Decree has done, these two organisations stress the need for the report to include information on which the stakeholders can rely to form their judgement and take their decisions.

This study does not set out to describe on what or how a company should provide information, but rather the impact that a sustainability report may have. In other words, “the kind of report that can change ideas and attitudes both inside and outside the company”.

The study is based on a large number of practical examples, explained by operations staff in the different companies.

*b - SustainAbility – Trust Us – “The Global Reporters 2002 Survey of Corporate Sustainability Reporting”*

The “Trust Us” study carried out by SustainAbility in co-operation with UNEP had the following objectives:

- to identify and classify the best 50 sustainability reports published around the world, covering the threefold performance concept: economic, social and environmental
- to identify the main problems in the different areas and also the “leading” companies in the different sectors.

*c - World Business Council for Sustainable Development (WBCSD) – “Striking the Balance”*

The WBCSD launched a project on sustainability reporting in 2000, in order to assist its member companies as well as others to move on from simple environmental reports to sustainability reports.

Its aims and main projects are:

- to establish the business case for sustainability reporting,
- to contribute to those schemes in which the reporting conditions are discussed, especially the GRI,
- to provide the information necessary for reporting purposes and for financial analysis.

**2 - Recommendations made in foreign studies with a view to ensuring that sustainability reports are relevant**

Analysis of foreign studies and foreign sustainability reports shows that a number of key points are necessary to ensure that sustainability reports are relevant.

*a - Commitment of the management*

Every study stresses the importance of management commitment at the highest level to guarantee the relevance of sustainability reports. Indeed in their reports, companies frequently give a clear sign of the support and involvement of the general management.

For example, the statement made by the chairman and managing director of an insurance company stresses “the urgent need to improve transparency” as being a major feature of their policy on corporate responsibility.

Similarly, the message from the chairman of a pharmaceuticals group stresses the importance of their health, safety and environmental policy, reflected in the programme entitled “the path of excellence in health, safety and the environment”, a leading feature of their “sustainable health” approach.

### *b - Corporate values and principles*

The sustainability report is a means of describing the company's specific approach, values and culture.

The last decade has seen an increasing number of instruments aimed at helping organisations – especially companies – to manage their economic, environmental and social performance. These take different forms, ranging from codes of conduct to management systems and internal procedures for evaluating performance.

The following are some of the instruments and methods used by organisations for managing their performance in terms of sustainability:

- charters or codes of conduct (general principles serving to guide the attitudes of an organisation)
- internal regulations (internal directives or rules concerning how the organisation deals with problems)
- standards (prescribed performance procedures, processes or objectives)
- external voluntary initiatives
- management systems (systems – some subject to certification – covering fields such as environmental and social performance, or quality management).

### *c - The provision of information on objectives and the resources applied*

The reports should encompass the past and future objectives of the company. It is a matter of providing a clear view of the directions taken by the company in order to allow precise measurement of its performance.

A company can report its progress over time through a precise and quantitative definition of its objectives and the resources applied.

These objectives may be:

- short-term (it is then a question of setting an objective or defining a standard)
- medium-term (operational targets corresponding to existing approaches: reducing CO<sub>2</sub> emissions, the number of audits, etc.)
- long-term (the objectives are then rather optimistic statements such as “to give more to the environment than the company takes from it”).

Many of the best sustainability reports set out quantitative and precise objectives. Each year the reports begin with a review of the objectives and their relevant timetable. A number of companies prefer to formalise their objectives and to present them together in a progress report covering several years.

d- *Identifying and ranking CSR risks*

According to the “Global Reporters-UNEP/Sustainability – 2000” study:

*“With few exceptions, the 50 best reports do not deal with what we regard as the main impacts of business activity: for an oil company, the world dependence of fossil fuels; for an airline or airport, the exponential growth of air traffic; for a mining or forestry company, the continued damage of ecosystems, and so on ...”*

An understanding of the sustainability issues linked to the company’s activities is essential and forms the basis for the credibility of the reports.

In order to respond to stakeholders’ questions and expectations, it is important to note that the issues dealt with should be the real issues as well as those that are perceived.

This is important to the company because of the pressure the stakeholders can apply and their influence on its reputation.

Paradoxically, a sustainability report that deals with “sensitive” subjects enhances its credibility, and by the same token it improves the company’s image and how its activities are perceived.

So all these questions benefit when they are tackled honestly, in other words by acknowledging the issue and the dilemma it raises, and by putting the company in a position to learn about the subject and to listen to the expectations – often contradictory – of its stakeholders. For a company simply to acknowledge a problem, even if it has no answer, is a factor in leadership and influences the views of the rating agencies, the media and so on.

e - *Means of verification introduced*

The concept of “verification” as it concerns the sustainability reports is still poorly defined.

Regardless of whether the concept is considered in the strict sense (verifying the content) or in the broad sense (independent views about the report), the objective is clear: it is a matter of improving the credibility of the reports, and hence that of the company’s approach, even if these many “observers” still find a mismatch between the expectations of the stakeholders and the content of the sustainability reports.

However it is up to those who do the verification – including the auditors – to state whether companies’ claims are true, rather than whether they are the most relevant. For example it is for the rating agency or the consultant to note or to advise the company on its choices, not whoever does the checking.

This is why the foreign studies – which primarily raise the question of how to get all the stakeholders to trust the company – can place the institutional discussion in France into context.

In reality, verification can cover three types of factors:

- quantitative data. Verification then covers the coherence of the system for calculating and collecting data, the source of the data, and the coherence of the results
- the actions of the company. For example, circulating a code of conduct, setting up a management system, and so on
- acknowledgement by the company of the impacts of its activities and of the expectations of its stakeholders, notably as regards its choice of indicators and objectives. Verification then concerns the process of dialogue with the stakeholders, particularly under the AA 1000 standard, and how the conclusions of these consultations are actually described in the report.

The new GRI guidelines concerning the choice of a verifier put primary importance on independence and competence.

Thus the GRI recommends selecting a verifier who has no conflict of interest, in other words one who is not involved in the design and introduction of monitoring and reporting systems or in the production of the report.

In fact some people now believe that as far as specific problems are concerned, such as the observance of basic rights in the countries of the south, the treatment of environmental issues, and so on, only a specialist association with a presence in the field can actually “validate” the content by providing its critical views.

Others tend to believe that in the absence of any international standard, incorporating external opinions (for example: interviews with stakeholders about the company’s performance) is as valuable as any certification by an independent bureau.

In any event, verification is often regarded as less necessary for the first issues of a report, because the company is just embarking on its approach and is trying above all to identify its issues and to define its objectives. It is here that any external validation can then be applied.

However once a company’s approach has matured, it becomes necessary for it to have the information certified. It is then the change in data from one year to the next that provides the focus.

In France, the whole question of certifying non-financial data is linked more to the issue of who will do the certification rather than to the actual data or the procedure applied. In other countries, and particularly in the United States, discussions are focused on possible ways and means of improving the reports and enhancing trust. This approach to tackling the issue of certification puts the French discussions into context and deserves close attention.

#### *f - Results in the three areas of sustainability*

It is still quite rare for the environmental and social aspects to be included. The definition of good social performance is still strongly dependent on the cultural background and the particular business sector, making it more difficult to select relevant overall social indicators.

A company's economic impact is still the area that is least developed in the sustainability reports, and is too often reduced to the financial part. Aspects such as the company's contribution to the economic development of the countries in which it has a presence, or the creation of wealth for all its stakeholders, are only rarely reported. In fact the inclusion of the economic dimension is still a challenge for practically all the reports.

#### *g - Views of the stakeholders*

One of the first steps for a company to take in preparing the sustainability report is to get to know its stakeholders.

Some companies devote several pages to the subject:

- a comprehensive list of identified stakeholders, with a profile of each group
- the means of dialogue employed
- the main expectations expressed
- current and existing undertakings to meet the expectations
- key performance indicators corresponding to these expectations.

Although the company can easily identify conventional groups of stakeholders (for example: the joint consultative committee, labour and management, employees, customers, suppliers, and so on), the involvement and consultation of other groups raise the question of legitimacy: should inclusion extend to minority groups, who although influential in mobilising the media and changing opinion, have questionable representativity.

Certain companies prefer not to involve stakeholders in the preparation of their first sustainability report. In this case the initial report serves to begin the approach and enables the company to set out its own understanding of what are the issues – real or perceived by its stakeholders – in its activities.

The stakeholders are consulted at a later stage with a view to advancing the approach and give their views on it.

#### *h - Impact and reaction*

A number of methods for consulting stakeholders can be used together depending on the audience:

- Interviews with experts and leaders of opinion specialising in sustainability or particular issues. Quick and cheap, this method necessitates initial identification of the issues and can produce quotations to be inserted in the report.
- Organisation of special meetings, once or twice a year, along simple lines. The company describes its strategy, achievements and difficulties encountered. The stakeholders (rating agencies, associations, sectoral or international trade unions, customers, etc.) respond and declare their expectations; the company managers listen and cover the relevant expectations in the next sustainability report under the heading of strategy, practices, and so on.

With this method, the company takes the controlled risk of increasing the amount of information possessed by the participants and of speeding up its circulation. The advantage of this approach is that it involves a dynamic exchange.

- Integration of stakeholders in the company organisation. Certain companies that have made considerable progress in the approach are moving towards continuous consultation, for example with a standing consultative committee, or by including stakeholder representatives in the board of directors, or involving them very directly in the reporting process.

### III. PROPOSALS OF THE RAPPORTEURS

#### 1. Maintaining the mandatory requirement for social and environmental reporting

*a - Corporate reporting on sustainability is becoming widespread internationally*

The international organisations (for example, the OECD with its guidelines for multinational companies, the UN with the Global Compact of 1991, and the European Commission), national governments as well as a number of financial leaders (investors and pension funds) are now demanding that companies report on the social and environmental impacts of their activities.

It appears that French legislation, despite its imperfections, is frequently held up as an example in other countries.

For this reason, any amendment to the law that appears as a retrograde step would not be understood by France's partners who have committed themselves to sustainability, or by French companies who have devoted substantial effort to meeting these new requirements.

*b - Article 116 of the NRE law is now accepted by companies and their stakeholders*

Our contacts have revealed a consensus about the value of legislation that has enabled companies hitherto uncommitted to a sustainability approach to become aware of the issues.

In earlier years, companies that published such reports were seen as pioneers and did not exceed some twenty in number. Following an initial exercise in applying the law, practically all the CAC40 companies have tried to meet the requirements of the NRE law and a high proportion of the SBF120 companies have also subscribed to this approach.

The other positive aspect is that not only companies but also professional organisations who, in the beginning, were extremely critical of the law, no longer question its value, particularly as other initiatives are moving in the same direction (in France, the development of socially responsible investment).

A movement has been created whereby the pioneers are drawing in others that had previously been uncommitted.

*c - However – not all the companies subject to the law are applying it*

Some of the stakeholders we interviewed thought that more constraints should be applied to companies, particularly those who are not fully applying the legislation.

Analysis of all the reports reveals that as the number of companies covered by the law has increased, the extent to which companies have tried or been able quickly to come into compliance has fallen.

This suggests that before seeking to penalise those companies that have not succeeded in reaching compliance, it would be important to discover why, especially as regards companies outside the SBF120 (i.e., a population of about 600 companies).

*d - The interests of all investors have not yet been satisfied*

Our hearings have shown that the answers to the key question of who uses the sustainability reports (and the management reports for those companies that have not published a special report) are relatively mixed. In decreasing order, the readers of these reports are apparently the following:

- the managers and investors specialized in “socially responsible investment” (SRI)
- companies competing in a benchmark approach
- the non-financial rating agencies that use these reports on behalf of their SRI investor clientele.

The above are followed by the “mainstream” investors and financial analysts.

Finally we should note – and this was one of the surprising results of the interviews - that the associations and trade unions showed very little interest in these initial reports.

In fact in 2001, parliament focussed on investors as the main recipients of the social and environmental information provided by quoted companies, rather than the other stakeholders.

However the relative lack of interest on the part of (mainstream) investors in reading the reports is not in itself the end of the line. As investors try to determine where to put their money, they have to be in a position to perceive the social and environmental consequences of companies’ activities, in terms of both issues and risks/opportunities. This should be one way of counterbalancing the “short-termism” of the markets. In this area, “SRI” management is playing a pioneering role.

Accordingly, although the law and its Decree of application need to be made more transparent, it is worth recalling that this document, like any other intended for investors, needs to stress the following points:

- information must be comparable, to permit geographical and sectoral comparisons, and sufficiently stable to allow trends to be determined
- there is a need for identification of the issues and risks/opportunities that link the company and its sector of activity, within a strategic vision involving the board of directors.

## **2 - Allowing experience to build up and the movement to grow**

Our contacts revealed that although many of those involved are still highly critical of the 2002 Decree, they still do not wish to see it repealed.

*a - Resisting the temptation to change the regulations*

Those who have written the history of finance, particularly those interested in the background to the emergence of international accounting and financial standards at the beginning of the 20<sup>th</sup> century, tell us that there is a parallel between the discussions now going on about sustainability reporting and those which, once upon a time, encompassed the subject of financial reporting.

One might expect that just as time has conquered the apparently irreconcilable opposition in the field of finance, it will do the same as regards non-financial reporting.

It is a fact that the shortcomings of the Decree have not prevented the major companies from voluntarily reporting the impacts of their activities according to the major reporting principles laid down internationally.

Some have done so by going beyond the legal obligations and reporting:

- on a worldwide basis
- with quantitative objectives
- on relevant issues
- after consulting stakeholders
- on all the topics of sustainability.

The study by SustainAbility shows that five French companies were apparently ranked in the best 50 world companies in terms of sustainability reporting.

The companies who have made the effort to organise their reporting on an international basis to meet the requirements of the NRE law, or for reporting voluntarily, would never see why the rules of the game should be changed after only one or two years of application. Rather are they calling for a degree of stability so that they may ultimately reap the fruit of their initial investment in terms of the introduction of an information system, of which they have not yet had full benefit.

Therefore although the Decree has attracted considerable criticism as mentioned hereunder, the government should not seek periodically to modify regulations that need to be tried and tested by companies of all sizes and in all sectors, so that after a few years, all the 700 quoted companies may report relevant issues in the social and environmental field.

Moreover, redrafting the law would involve a number of risks and would still not settle the basic questions.

Indeed it would require that discussions between companies and their stakeholders – who have yet contradictory requests about the changes to be made to the Decree – should by and large continue.

More fundamentally, any consideration of what should be the content of a sustainability report raises the difficult question of introducing a set of standards relative to the social responsibility of companies.

Whether in the field of the SRI, the non-financial rating of companies, standardisation or reporting itself, all those involved in establishing a frame of reference encounter the same difficulty: how to work up a universal frame of reference, accepted by all, and which reflects the concerns of all the stakeholders in their enormous diversity.

The task is particularly arduous because issuing such a reference scheme would be meaningful only in a context at least European and at the best international. The European framework is essential because, following the introduction of the euro, the European financial markets are now integrated and stock exchange prices are now compared by sector on the continental scale. It must be recalled that in its statement of 2 July 2002, the European Commission requested the multilateral forum on the CSR to submit proposals on company reporting in 2004.

It would also be indispensable for this frame of reference to incorporate a sectoral and geographic dimension.

*b - Expanding the movement by making the NRE regulations easier to understand*

The companies – often the largest – that are committed to a sustainability approach are for the moment definitely satisfied with the law and the Decree of application, despite its imperfections. The Decree has attracted considerable criticism with reference to the following main points:

- it proposes indicators based on the 1977 law on the social audit, which is unsuitable to companies that have become worldwide in the meantime
- the major topics in sustainability are poorly chosen, with the result that besides very precise indicators such as hours of overtime, reference is made to labour relations or to the importance of subcontracting without further details
- certain topics such as the campaign against corruption, or the observance of human rights, are completely absent
- there is uncertainty about the scope of application.

On the other hand smaller companies that hesitate to embark on the process are often frightened by an initial reading of the Decree which seems to them to be remote from their daily concerns.

It would appear necessary to reassure these companies so that a reporting approach is not seen as an imposed publication exercise that takes up time and money for a variety of undetermined users.

With this in view, new guidance on the way in which the Decree should be read should allow many companies to embark on the approach without fearing to go wrong. It would be worth recalling that sustainability forms part of a process of progress and learning.

Over the next few years, to enable companies to make progress in their sustainability reporting, a government message to companies should stress the following four points:

1. the law is aimed at investors, a situation that should encourage companies to report to a greater extent on the issues, risks and opportunities involved in their sector of activity
2. the geographical scope of corporate reporting, although formally and legally limited to that of the holding company, should be the most appropriate having regard to the issues defined above.

3. As far as possible it should resemble the consolidation boundary and, also, indicate the way in which the company applies the operational control of its subsidiaries and subcontractors.  
This reporting boundary may vary according to the topics to be reported, once the company can explain the choices it has made
4. the company should determine which are the relevant issue, and hence the indicators that will give relevance to its answers, notably by taking into account the expectations of its stakeholders
5. the company should adhere to an international reporting framework, and we give hereunder some reliable frames of reference:
  - . the European Commission's Green Book on CSR, July 2001
  - . OECD guidelines for multinational companies, 2000
  - . tripartite statement of the ILO, 1977
  - . world agreement of the UN, 2000

*c - Encouraging companies that meet the requirements of the NRE law and introduce sustainability reporting*

A company that initiates a sustainability approach may target three objectives:

- establishment of a dialogue with stakeholders
- definition of a scheme marked by progress and continuous improvement
- creation of value for all stakeholders.

▪ **An instrument for dialogue with stakeholders**

In order to be credible, the sustainability report must integrate two points of view:

- . that of the company, which declares what it considers to be its social responsibility, does its own evaluation and sets its own objectives;
- . and that of the stakeholders, who state what they expect of the company and how they see its performance.

The report is thus not an exercise in promoting good news: it has to be capable of incorporating criticism and of initiating dialogue with stakeholders in order to help the company move forward, notably by reporting risks, any negative aspects of the company's activities, and controversial topics.

As far as ways and means of consulting stakeholders are concerned, the authors of this study believe it is the companies' responsibility immediately to start looking for the most appropriate ways according to their stakeholder population (whether they are associations, trade unions, etc.) and the boundaries within which the company sees itself reporting.

Certain trade union federations have made it clear that they would like to see formal arrangements for the trade unions to give their views on the report before it is published for shareholders.

Before attempting to provide any kind of response to this request, it is important to bear in mind the type of report involved:

- As regards the report by the management board or the directors (the annual report, for example), parliament has made it mandatory for the company chairman, in article L.432.4 of the employment code *“to provide the joint consultative committee with all the documents that are to be forwarded each year to the annual general meeting of shareholders, before they are so submitted. The consultative committee may make all appropriate comments which must be passed on to the annual general meeting at the same time as the report by the board of management or the directors”*.
- As regards the sustainability reports, since these have no legal existence, no formal process for consulting employee representatives can be drawn up.

The question then arises as to whether, in these circumstances, there should be some formal recommendation in general terms. This too can be the subject of discussion, for a number of reasons:

- only a very short period of time is available between the collection of social and environmental information and the publication of the report;
- it is difficult to identify a union contact at the most appropriate level for individual topics, because the issues may be European or global. Accordingly it would appear important to spend a few years trying out various procedures whereby the trade unions could evaluate reporting approaches. This could involve – as is being done for the major companies – the management and the union organisations negotiating a limited number of social indicators.

Other, equally satisfactory solutions may be adopted.

Establishing a dialogue with stakeholders on a continuous rather than a one-off basis has the advantage of enhancing the reliability of the information made public by the company. Our different interviews revealed considerable disagreement between certain associations and trade unions and companies on the question of the certification of sustainability reports.

It may be noted that for certain trade unions the primary concern is not a certification or auditing approach but a guaranteed dialogue within companies with trade union representatives.

In the words of Dwight Justice, from the CISL multinational company department, “the trade unionists should be cautious as regards verification ...”. “The only real checking system independent of the workplace is that of the workers themselves through their unions”.

The principle of certification in itself is not rejected, but the process should be targeted on certain topics or on certain aspects of the approach, rather than being imposed uniformly on all sectors of sustainability for insignificant issues, for this would oblige the company to concentrate investment – notably financial on setting up reporting and audit systems - on non-strategic aspects of its sustainability approach.

The other advantage of agreeing a reporting approach with stakeholders is that it limits the reporting costs, by reducing the number of relevant indicators upon which the company must report.

- **An approach marked by progress and continuous improvement**

Understanding the issues is a key problem in sustainability reporting because the latter forms part of an approach marked by continuous progress.

The role of successive reports is to help the company advance understanding of its economic, social and environmental impacts, whether direct or indirect.

This means that the sustainability report must be devised differently and independently from the management report or the traditional annual report.

In fact it stems from a dynamic and strategic vision, that not only reviews the past but, and above all, looks into the future with the declaration of precise objectives. This implies that the company must be able to present data covering a period of time in order to measure the progress achieved.

- **A source of value creation for all stakeholders**

The sustainability report should demonstrate that the company is creating value not only for shareholders but also for the other stakeholders.

The company should report on what it has done to reduce costs, according to the extent to which it is managing the issues. Reviewing the reports from 2002 has shown us that a great deal still remains to be done because practically no companies have sought to quantify the financial impact of their sustainability policies.

Effort should be devoted to finding out how a sustainability policy can make it possible:

- for a company to innovate and differentiate its products from those of its competitors
- to penetrate new markets by means of a sustainability culture and a brand identity
- help develop the regulatory framework and generate improved industrial practices.

### **3 - Stimulating public discussion about the publication of NRE or sustainability reports**

There is a need to enhance the public debate about the publication of sustainability reports by involving everyone concerned: the authorities, companies and their various stakeholders.

This debate – with the aim of identifying and encouraging best practices, could take different forms:

- a - *Encouraging the utilisation of reporting data*, particularly in order to establish relevant indicators on new issues (for example, subcontracting, north-south relations, performance indicators, and so on).

To facilitate the task of companies that are required to report on their sustainability approach, the public authorities should place on the Internet a number of national and international studies of sustainability reporting, along the lines of what has been done by the Canadian government, which placed on line an "information tool kit on the production of sustainability reports" ([www.sustainabilityreporting.com](http://www.sustainabilityreporting.com)).

Such a website would set out:

- the various basic texts, both national and foreign
- international comparative studies (Trust, WBCSD, etc.)
- international benchmarks (GRI).

Such a library of information would have a number of objectives:

- to make it possible successfully to complete research projects over time.  
With regard to the law on the "social audit", one can express considerable regret that no provision has ever been made for a system for centralising social audits. Certain companies have been reporting for over 20 years and the material would have been extremely useful for the purposes of university research.
- to determine each year how company attitudes are changing (notably to evaluate the way in which sectoral issues are dealt with and stakeholders consulted).
- to influence the formulation of international benchmarks.

- b- *Organising meetings on sustainability between investors and the companies issuing reports*

Investors are increasingly trying to work out a long-term investment strategy.

For help in best orientating their decisions, they need to rely more on the sustainability reports, which will increasingly deal with strategic issues, placing emphasis on value creation.

The rapporteurs suggest that regular meetings on sustainability topics should be arranged between companies and investors.

Other meetings to raise the awareness of financial analysts to the sustainability question should also be arranged. These analysts are still paying too little attention to incorporating non-financial factors into their company surveys.

- c - *Greater involvement of the trade unions and other staff representatives*

The lack of interest in sustainability reporting shown by the trade unions reflects the fact that they do not see how this corporate approach can affect the daily life of employees.

However it is important that employees and their representatives should be familiar with the approach embarked upon by the company.

With this in view, it is up to each company to work out its own way of establishing a dialogue with employee representatives and the trade unions.

*d - Ensuring that the reports are more widely read by stakeholders, and notably consumer associations*

The environmental protection associations, like the other consumer and human rights groups, have so far shown little reaction and have seen companies' sustainability reporting as of limited interest.

One reason for this is that still very few reports include social or environmental concerns in the product life cycle (covering design, manufacture, transport, distribution, use, recycling, etc.)

*e- Extending the reporting requirement to the main economic agents*

The mandatory requirement for social and environmental reporting should be extended to take in state companies, government departments and the main public bodies that employ public funds, as well as to the foreign companies that are quoted and located in France since all these agents, through their activities, generate social and environmental impacts.

Informal contacts with certain local communities revealed that they did not feel basically involved and that there was an essential need for raising awareness.

Since the national strategy for sustainability provides for an "exemplary condition" in the subject, it would be paradoxical if these essential agents were not encouraged to become involved in their turn in a progressive movement.

## CONCLUSION

Many French companies, being aware of the sustainability issues, urged on by their stakeholders, and assessed by the rating agencies, have voluntarily undertaken to publish sustainability reports. These companies are showing the way and provide an example that will gradually draw in others.

This ratchet effect of the leading companies has been enhanced by article 116 of the NRE law which makes it mandatory for all the quoted companies to report the environmental and social impacts of their activities. The law has helped to involve a wider circle of companies and it would be difficult to understand why it should not be kept in force.

Indeed it would be premature to amend it. It is essential to allow experience to grow and to learn the lessons of the successes and failures of the process before consolidating the situation and extending good practice, no doubt in a few years. Any contrary policy, the recommendations of which would run against international trends and be imposed on companies that as yet have little experience, would quickly be seen as a bureaucratic exercise, unconnected with the concerns of companies and their stakeholders. The result would contravene the goal being pursued.

However there is a case for explaining to the companies concerned the spirit of the new regulations and the degree of latitude they offer, which would demonstrate its sound foundation. Besides this message from the authorities, it is essential to encourage companies better to understand and have others understand their impacts, efforts and results.

Collecting *reporting* tools and benchmarks on a specialist Internet site and circulating leading achievements, in conjunction with the most active international organisations, should contribute to this result.

At the same time, government departments, regional communities and state companies should be urged themselves to report on their actions, using methods derived from those applied by quoted companies. In fact these methods could be simplified to enable leading small and medium-sized enterprises to join the movement.

This support and drive, both of which could be the subject of a public-private partnership, would accelerate progress, by turning reports on management and, more generally, on sustainability, into instruments for dialogue, strategic thought and value creation.

## APPENDICES

### SUMMARY OF INTERVIEWS

#### ***The viewpoint of socially responsible investment (SRI) investors/managers***

By definition, those managing socially responsible investment place considerable importance on non-financial information, access to which for them is essential. Of course this can be done through specialist intermediaries, notably rating/evaluation agencies, who play an important role. The fact that a number of these are present in Paris is an advantage, because they provide enhanced and appropriate “cover” for French issuers and are a factor in competition. However it is clear that only a sharp rise in the SRI market would enable these agencies to achieve economic equilibrium, and to develop their professionalism and their search for and analysis of non-financial information. However the managers have also gradually developed internal (“buy-side”) analytical capabilities and are therefore faced directly with the need to access reliable non-financial information.

The managers believe that although the accessibility of this information has appreciably improved, a great deal still remains to be done. Another factor is that even their requests are not “standardised”, one reason being that the types of investment grouped under the term SRI are in fact very varied: “best in class” funds, funds with an environmental/social/sustainability focus, and so on.

Accordingly the managers are not in a position to submit uniform requests to the issuers. Notwithstanding this, they expressed the following views:

- Although the co-existence of the CSR portion of annual reports and of stand-alone sustainability reports may, according to circumstances, be the cause of confusion, this is no reason why the one should be abandoned for the sake of the other.
- Although investors appreciate the information provided especially for them (this was the spirit of the NRE law), they learn a great deal from information aimed at the other stakeholders: trade unions and employees, NGOs, non-trading companies, and so on.
- Although the information would undoubtedly gain in legibility if it were more standardised (and be the subject of “attestations”) since this would enable comparisons to be made over time and within each sector, it is nonetheless a fact that standardisation itself, already known to be tricky in purely accounting terms, would be extremely difficult and restricting as regards non-financial questions. It will therefore be essential not only to encourage the emergence of GRI-type standards, but also to allow the flexibility necessary if the relevant indicators are not to disappear in a welter of surplus information. Naturally one of the dangers of such flexibility would be that the companies would draw attention each year to the most favourable indicator, turning away from whatever would cause them most trouble.
- Investors would like boards of management to be more involved in sustainability reporting, and this is one of the theoretical advantages of the NRE system. Certain investors suggest that an *ad hoc* committee of the board should prepare the ground for this purpose. In any event, a “strategic” commitment by the company should stem from its non-financial reporting.

- Shareholders and the other stakeholders should make the link between the non-financial information and the creation of value.
- The question of reporting boundaries is a difficult one. Breaking down the company into sectors is unprofitable for the investor whose decision-making involves buying or selling shares in the company, not in one of its parts. At the same time one can clearly see that global indicators covering very different activities or countries are difficult to comprehend and also make comparisons very tricky. The reporting limits or boundary should at any rate be made clear, and this is not always done.
- Finally, investors wanted the major unquoted groups that issue debentures (notably the public sectors) should be made subject to the requirements imposed on the other issuers.

While these thoughts were expressed by SRI managers, “mainstream” investment management, although now increasingly aware of the issues in company governance, still feel relatively little involved in CSR. However interest is nonetheless growing, particularly as concerns risk analysis.

## ***The point of view of the companies***

### General remarks

The corporate view is that the NRE Decree has remained exclusively French in its inspiration although there is a strong case for the law to take a European, cross-border approach.

### Reporting approach

Companies believe that commitment on the part of directors is essential.

Companies see themselves as facing two essential problems:

- The frequency of report publication;  
Just as it is a relatively simple matter to update NRE data every two years, actually publishing a sustainability report turns out to be more complicated, because on each occasion it is necessary to rethink strategy, objectives, and the process of discussion and consultation with stakeholders.
- The cost of reporting, particularly if the information feeding through is not relevant to the company.

### Choice of indicators

Most companies believe that it is up to them to choose their own relevant indicators, but they do put forward certain conditions:

- They must be able to explain their approach and justify their choice of indicators.
- They must place their method on a formal basis by publishing results, objectives and the ways and means applied.
- They must explain their risks, with appropriate interpretation and ranking.

Some companies are in favour of a sectoral approach in the social and environmental fields, while others have reservations about this.

From the company standpoint, the most attractive aspect is the ability to make use of the information for drawing up operational reports.

One of the questions is how to formalise the involvement of stakeholders: in other words how to get all the stakeholders together to discuss the choice of indicators and the non-financial data in the reports.

## Medium

Opinions differ as to the choice of medium for both the NRE obligations and the sustainability approach: the management report, the annual report or the sustainability report. Of course if the company opts for a single report (for example, the annual report or a stand-alone document) this is certified by the auditors and invokes the liability of the management.

## Limits or boundary

The French legislation is imprecise as to the reporting boundary (holding company, France or the group) and where the NRE data should be located (ambiguity about the management report). Most of the companies would prefer the boundaries to remain flexible, on condition that the company can declare the progress it has made and justify the choice of the limits adopted.

In particular, companies consider that there is some ambiguity about the way in which subcontracting is defined: one example is how a truly external subcontracting company is to be distinguished from one that is a subsidiary.

It is a fact that the topic of subcontracting is delicate for anyone dealing with CSR: typical questions are how to find data on the phenomenon, how to report the true facts about subcontracting, and so on.

## Certification

Discussion is in progress about certification, and there is a degree of consensus about the method and process, but less agreement about the results.

As far as companies are concerned, there is also the question of whether it is appropriate for auditors to verify environmental, social and societal questions.

## ***The views of the trade unions***

### General remarks

According to the unions, this law has two major problems:

- it is too exclusively French
- it lacks certain topics, such as:
  - . employee-employer dialogue
  - . non-discrimination

The trade unions are apparently in favour of broadening the application of the NRE law to companies other than French companies quoted in France.

### Reporting approach

The trade unions believe that the reports should reflect the social dialogue within the company, covering progress and objectives, over a given period (one year).

The discussions should make it possible to highlight the real issues that determine the company's strategy.

### Choice of indicators

According to the trade unions, the indicators set out in the NRE Decree are very imprecise, and it would therefore be necessary:

- for the company's joint consultative committee to be able, in the first place, to work on the methodology of creating indicators
- subsequently, after publication of the report, for the joint consultative committee to be able to give its views on basic questions and thus make the report an instrument for dialogue.

All the trade unions believe that the Decree should:

- set out not only topics but also a few indicators – although sufficient in number to encourage social dialogue
- supplement the indicators within each branch, by identifying the important issues through negotiations with the trade union representatives
- utilise indicators that are relevant but not necessarily consolidated.

They take the view that the indicators should be:

- both quantitative and qualitative
- monitored over time for any particular company
- compatible with the economic, social and environmental situation
- comparable between companies.

## Medium

As far as the trade unions are concerned, the report should not be a marketing tool but should be functional and useful to all stakeholders.

## Reporting boundary

According to the trade unions, one problem with the Decree is its imprecision concerning the reporting limits (reports are too focused on the company and not sufficiently so on subcontracting or subsidiaries).

The trade unions want companies to utilise indicators that are relevant, not necessarily consolidated, and covering three levels (France, Europe and the world) but – and especially – not on holding company alone.

They believe that the three zones must be linked; in fact certain topics or indicators, particularly in the social field, are meaningful only when interpreted locally; when consolidated, they lose relevance.

## Certification

The trade unions take the view that the problem with the law and the Decree is that neither establishes any methods of monitoring.

Accordingly, ways and means of monitoring reports should be established:

- first of all with the employees
- then with a comprehensive organisation created within a public entity
- and finally through verification of reports by the auditors.

The law should also require companies to publish the views of the joint consultative committee, which would be attached to the report.

## ***Opinions of the NGOs***

### General remarks

The NGOs take the view that some important topics are missing from the Decree:

- the campaign against corruption
- human rights
- the respect for employment law
- the ecological factor in respect of each sector.

According to the NGOs, it is essential:

- to ensure that the law evolves towards criteria pertaining to size rather than to registered capital
- to widen the mandatory application of the Decree: for example, why should it not apply to the public authorities and to state enterprises?

### Reporting approach

The NGOs believe that directors should report on their sustainability commitment, with information on their intentions, objectives and resources applied, and on the progress made.

### Choice of indicators

Certain NGOs consider that a single set of indicators is not appropriate for investors and other stakeholders.

They believe that dialogue between stakeholders with a view to creating indicators is necessary.

To this end, one of the methods proposed is the following:

- a breakdown by sector
- interaction with discussions between relevant stakeholders on each topic and major issue

### Reporting medium

Since the NRE report is intended for shareholders, certain NGOs suggest that other reporting requirements should be placed on stakeholders, with other obligations: a predictive review, other indicators and different data.

### Reporting boundary

The NGOs believe that the reporting boundary should be specific to the company and not be limited to France alone.

Hence there are three different areas of intervention:

- the company's own employees and those of subsidiaries
- subcontractors
- suppliers, that do not figure in the Decree.

### Certification

For the NGOs the only sanction at present is that of public opinion, and they believe that criminal sanctions are necessary, because the NGOs alone are not always in a position to act.

There are two opinions about the involvement of the NGOs in verifying data:

- certain NGOs say that certification by auditors is not sufficient, and that the NRE law should evolve in the direction of monitoring and the authentication of data, with an official mechanism for identifying stakeholders who may be certification specialists, experts in particular topics (corruption, human rights, etc.) and appointed by the authorities
- others, while being willing to take part in the critical review of reports, show more hesitation because they do not wish for this to become systematic; they raise the question of whether the function of the NGOs should be purely advisory role or if they should adopt a militant position.

## Tables of equivalence between GRI and NRE indicators

*This section has been written by the authors of the report*

The GRI shows considerable equilibrium:

- as regards the topics it covers: the three sustainability fields (economic, social and environmental) are dealt with
- as regards the stakeholders referred to: the expectations of all a company's stakeholders (trade unions, NGOs, customers, suppliers, and so on) are foreseen.

The range of each field is defined in a subsection. Thus the social performance indicators cover practices relating to jobs and decent work but also human rights, the civil society and liability for products.

The GRI proposes reporting at two levels: one basic level and one more complex level for which additional indicators are used (these are identified by an asterisk in our tables of equivalence).

Taking as our starting point the indicators/topics set out in the Decree of application of the NRE law, we have opted to draw up three tables of equivalence that overlap neither the architecture of the GRI, nor that of the Decree of application of the NRE law: one table relating to social indicators, one referring to the societal field, and one pertaining to the environment.

The guidelines given in the GRI make up a much more extensive reporting structure than the application Decree of the NRE law. Thus companies are invited to report on:

- their vision and their strategy (11 indicators)
- their profile (22 indicators)
- their management and its systems (20 indicators)
- their economic performance (13 indicators)
- their environmental performance (35 indicators)
- their social performance (49 indicators).

Also, the fields covered by the GRI and those covered by the application Decree of the NRE law do not always correspond. Thus wages and salaries are dealt with in the *economic performance* section of the GRI rather than in that concerning *social performance*.

Finally, certain CSR subjects covered by the GRI are completely absent from the application Decree of the NRE law: the management of human rights, corruption, customers, the funding of political parties, competition and prices, consumer safety, advertising, and so on.

Conversely, certain topics in the application Decree of the NRE law are not the subject of indicators in the GRI: recruitment problems, dismissals, etc.

## Social indicators

### Table of equivalences

Abbreviations for the GRI indicators employed in this table:

- LA: indicators relating to employment and decent work
- HR: indicators relating to human rights
- SO: indicators relating to the public at large
- EC: indicators relating to the economy

	<b>NRE</b>	<b>GRI</b>
<b>Employment</b>	Total workforce (Art. 148-2.1°a))	Breakdown of workforce, by region/country, status (employee/non-employee) (LA1)
	Recruitment with distinction between fixed-term contracts and permanent contracts (Art. 148-2.1°a)	Breakdown of workforce by employment contract (indefinite or permanent/fixed term or temporary). (LA1)
	Analysis of possible difficulties with recruitment (Art. 148-2.1°a)	
	Lay-offs and their grounds (Art. 148-2.1°a)	
	Overtime (Art. 148-2.1°a)	
	Labour from outside the company (Art. 148-2.1°a)	Workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships), segmented by region/country. (LA1)
	If need be, information relating to the plans of staff cuts as well as the protection of employment and to the efforts of redeployment, reemployment and attendant measures (Art. 148-2.1°b)	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring). (LA4)
	The organisation of working hours, their term for full-time and part-time wage earners (Art. 148-2.2°)	Breakdown of workforce by employment contract (indefinite or permanent/fixed term or temporary). (LA1)
	Pays and their evolution (Art. 148-2.3°)	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.(EC5) <i>This remuneration should refer to current payments and not include future commitments.</i>
	Welfare costs (Art. 148-2.3°)	
	Application of the measures that appear in the code of trade, book four, title four (Art. 148-2.3°)	Employee benefits beyond those legally mandated. (e.g., contributions to health care, disability, maternity, education, and retirement).(*LA12)
	Net employment creation and average turnover segmented by region / country. (LA2)	

<b>NRE</b>		<b>GRI</b>
<b>Labour/Management relations and Human Rights</b>	Professionnal relations and the assessment of collective agreement (Art. 148-2.4°)	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country (LA3)
		Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring) (LA4)
		Provision for formal worker representation in decisionmaking or management, including corporate governance (*LA13)
		Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue. (HR5)
		Description of appeal practices, including, but not limited to, human rights issues (*HR9) <i>Describe the representation and appeals process.</i>
		Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights). (*HR10)
<b>Health and Safety</b>	Conditions of health and safety (Art. 148-2.5°)	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO <i>Code of Practice on Recording and Notification of Occupational Accidents and Diseases</i> (LA5)
		Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees (LA6)
	Absenteeism and its grounds (Art. 148-2.2°)	Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers) (LA7)
	Conditions of health and safety (Art. 148-2.5°)	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS (LA8)
	Conditions of health and safety (Art. 148-2.5°)	Evidence of substantial compliance with the ILO <i>Guidelines for Occupational Health Management Systems</i> (*LA14) Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements (*LA15)
<b>Training and education</b>	Training (Art. 148-2.6°)	Average hours of training per year per employee by category of employee (LA9)
		Description of programmes to support the continued employability of employees and to manage career endings (*LA16)
		Specific policies and programmes for skills management or for lifelong learning (*LA17)

	<b>NRE</b>	<b>GRI</b>
<b>Diversity and Opportunity</b>		Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring. (LA10) <i>Equal opportunity policies may address workplace harassment and affirmative action relative to historical patterns of discrimination.</i>
		Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring. (HR4)
	Professional equality between women and men (Art. 148-2.3°)	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate. (LA11)
	The employment and the integration of disabled workers (Art. 148-2.7°)	

### Comments on the table of social equivalences

The table of equivalence between the two reporting systems – GRI and NRE – shows that they request different types of information.

There are a number of possible reasons for this. Some of these are historical in nature: certain NRE topics such as employment come directly from the social audit, a social reporting instrument that has existed in France since the end of the 1970s. These are therefore particularly detailed and appropriate to the national framework. Another explanation concerns the political and legal culture of the reporting instruments: the GRI, very broadly based on the English-speaking culture, questions companies about their policy as regards positive discrimination. The application Decree of the NRE law does not refer to this because the French approach bans all discrimination, whether positive or otherwise.

As far as employment is concerned, in both the application Decree of the NRE law and in the GRI, the indicator which companies use to the greatest extent is that which corresponds to the most basic information: total number of employees and how these are subdivided by type of contract: fixed term or not. French companies make very little use of some of the GRI indicators that do not correspond to types of information required by the application Decree of the NRE law. An example is the LA2 indicator concerning net job creation, although this is one of the basic GRI indicators.

Another difference in the reporting process concerns the subject of breaking employment contracts, which is virtually not dealt with. The only indicator that refers to it – according to the GRI – concerns not the subject of employment but that of industrial relations.

In the field of industrial relations and freedom of expression, the somewhat exclusively French scope of the Decree comes out more clearly than in the field of employment. In fact the application Decree of the NRE law as it stands does not seem to put the topic of industrial relations and freedom of expression in the field of human rights.

It is a fact that although for employees of companies located within France freedom of expression is relatively self-evident, the same does not apply in every country. Thus in a number of countries it is not a question of listing collective agreements but of raising an elementary question of industrial relations: is free expression of thought possible in the company?

The indicators suggested by the GRI as regards industrial relations are used little or not at all by those French companies that employ the GRI.

As regards health and safety, the requirements of the GRI and of the application Decree of the NRE law are fairly similar. However, the GRI links the subject of absenteeism directly to that of health and safety, while in the application Decree of the NRE law it is connected to that of the organisation of working hours and hence that of employment. Another difference concerns the scope of the reporting system: the GRI, by proposing a basic indicator on the company's policy or programmes regarding HIV/Aids (LA8), links this more to the company's international health and safety issues than does the application Decree of the NRE law.

The additional indicators suggested by the GRI appear hardly at all in the reports by those French companies that use it.

One of the subjects on which companies provide most information is training. We may note that the GRI places the question of training in a more general context than the application Decree of the NRE law, that of employability.

As concerns the management of diversity and equality of opportunity, the reporting framework proposed by the application Decree of the NRE law is narrower than that of the GRI; it questions companies solely about their policy concerning male/female employment equality. The reason for this is that in this field France has a very ambitious and particularly advanced legal apparatus and that the management of diversity involves recognising differences at a level such that it goes against our concepts regarding the equality of individuals.

## Societal indicators

### Table of equivalences

Abbreviations for the GRI indicators used in this table:

- LA: indicators relating to employment and decent work
- HR: indicators relating to human rights
- SO: indicators relating to the public at large
- EC: indicators relating to the economy

	NRE	GRI
<b>Subcontracting</b>	The size of subcontracting (Art. 148-2.9°)	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors. (HR2)
		Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring. (HR3)
		Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers). (LA7)
<b>Local economic impacts</b>	The report shows how the company takes into account the territorial impact of its activities as far as employment and regional development are concerned. Furthermore, it indicates the way foreign subsidiaries of the company take into account the impact of their activities on regional development and local populations.	Total spent on non-core business infrastructure development. This is infrastructure built outside the main business activities of the reporting entity such as a school, or hospital for employees and their families. (*EC12)
		Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring. (SO1) <i>Include explanation of procedures for identifying and engaging in dialogue with community stakeholders.</i>
		Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group. (EC10)
<b>Stakeholder relations</b>	The report describes, if need be, the relations the company maintains with the associations for integration, the education institutions, the associations for the protection of the environment, consumer's associations and populations living next to the company.	Description of policies, guidelines, and procedures to address the needs of indigenous people.>(*HR12)
		Description of jointly managed community grievance mechanisms/authority. (*HR13)
		Share of operating revenues from the area of operations that are redistributed to local communities. (*HR14)
		Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring. (SO1) <i>Include explanation of procedures for identifying and engaging in dialogue with community stakeholders.</i>
		Awards received relevant to social, ethical, and environmental performance. (*SO4)
		Total spent on non-core business infrastructure development. (*EC12)
	The social works (Art. 148-2.8°)	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group. (EC10)

## **Comments on the table of societal equivalence**

Subcontracting and the regional economic impact of companies are subjects on which companies provide relatively little information both under the application Decree of the NRE law and the GRI.

As regards charitable works, companies have had a great deal of difficulty in interpreting this topic in the application Decree of the NRE law, and under this heading they have mostly dealt with corporate sponsorship.

In the societal field, the GRI proposes indicators that cover a much more extensive range than that of the application Decree of the NRE law.

One of the basic differences between the GRI and the application Decree of the NRE law is that in the former the topic of human rights is included as a matter of social performance, while in the application Decree of the NRE law this topic is not the subject of any direct questions.

Apart from indicators concerning human rights that specify the traditional topics of social performance (diversity and industrial relations) and societal performance (subcontracting, regional impact of economic activities, relations with stakeholders), the GRI questions companies about their strategy and management in the field of human rights.

The other societal topics, on which only the GRI invites companies to report, receive relatively little information from companies. When information is provided, it is mostly the basic indicators that are used.

Information on the subject of corruption is provided by a few companies while that of competition and prices is answered by only one company under the GRI.

Companies responding to the GRI provide particularly good information on the basic indicator concerning consumer health and safety. Companies make relatively little use of the indicators concerning products and services.

No company reports on its advertising policy.

Finally, very little attention is paid to the respect of private life and this is tackled only using the basic indicator.

## Environmental indicators

### Concordance table

Abbreviations for the GRI indicators used in the table:

EN : Environmental Performance

3.xx : Governance Structure and Management Systems

	NRE	GRI
<b>Water, materials, energy</b>	Consumption of water resources, raw materials, energy along with measures taken to improve energetic efficiency if need be, use of renewable energies, conditions of use of soils, emissions in air, water and soils seriously affecting the environment, a list of which will be determined by an order of the ministers of the Environment and Industry, noise and olfactory pollution and waste (148-3.1°)	Total water use. (EN5)
		Water sources and related ecosystems/habitats significantly affected by use of water. (*EN20)
		Annual withdrawals of ground and surface water as a percent of annual renewable quantity of water available from the sources. (*EN21)
		Total recycling and reuse of water. (*EN22)
		Total materials use other than water, by type. (EN1)
		Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation. (EN2)
		Direct energy use segmented by primary source. (EN3)
		Indirect energy use. (EN4)
		Initiatives to use renewable energy sources and to increase energy efficiency. (*EN17)
		Energy consumption footprint (i.e., annualised lifetime energy requirements) of major products. (*EN18)
		Other indirect (upstream/downstream) energy use and implications, such as organisational travel, product lifecycle management, and use of energy-intensive materials. (*EN19)
		Greenhouse gas emissions. (EN8)
		Use and emissions of ozone-depleting substances. (EN9)
		NOx, SOx, and other significant air emissions by type. (EN10)
		Total amount of waste by type and destination. (EN11)
		Significant discharges to water by type. (EN12)
		Significant spills of chemicals, oils, and fuels in terms of total number and total volume. (EN13)
Other relevant indirect greenhouse gas emissions. (*EN30)		
All production, transport, import, or export of any waste deemed « hazardous » under the terms of the Basel Convention Annex I, II, III, VIII. (*EN31)		
Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff. (*EN32)		
<b>Biodiversity</b>	Taken measures to reduce damage to biological equilibrium, natural ecosystems, protected animal and plant species (148-3.2°)	Location and size of land owned, leased, or managed in biodiversity-rich habitats. (EN6)
		Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments. (EN7)

	NRE	GRI
<b>Biodiversity</b>		Total amount of land owned, leased, or managed for production activities or extractive use. (*EN23)
		Amount of impermeable surface as a percentage of land purchased or leased. (*EN24)
		Impacts of activities and operations on protected and sensitive areas. (*EN25)
		Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored. (*EN26)
		Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas. (*EN27)
		Number of IUCN Red List species with habitats in areas affected by operations. (*EN28)
		Business units currently operating or planning operations in or around protected or sensitive areas. (*EN29)
<b>Environmental management</b>	Undertaken course of action for the evaluation or the certification of environmental issues (148-3.3°)	Status of certification pertaining to economic, environmental, and social management systems (3.20)
	Adopted measures, if need be, to ensure that the activity of the company is in conformity to legal procedures and regulations relating to environment (148-3.4°)	
	Incurred expenditure to prevent the consequences on environment of the activity of the company (148-3.5°)	Total environmental expenditures by type. (*EN35) <i>Explain definitions used for types of expenditures.</i> Explanation of whether and how the precautionary approach or principle is addressed by the organisation (3.13)
	Presence within the company of internal departments in charge of environmental management, training and information of the employees about the latter, means dedicated to cut on environmental risks as well as the set up organisation to face pollution accidents that have consequences beyond the company establishments (148-3.6°)	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities (3.17) Programmes and procedures pertaining to economic, environmental, and social performance. Include discussion of: _priority and target setting; _major programmes to improve performance; _internal communication and training; _performance monitoring; _internal and external auditing; and _senior management review. (3.19)
<b>Compliance</b>	Amount of provisions and guaranties allocated to environmental risks, except if this information is likely to cause a serious prejudice to the company in a point at issue. (148-3.7°)	Total environmental expenditures by type (*EN35) <i>Explain definitions used for types of expenditures.</i>
	Amount of compensations paid in the current year in compliance with a court order relating to environmental issues and undertaken actions to compensate for the damages caused to the environment. (148-3.8°)	Incidents of and fines for non-compliance with all applicable international declarations / conventions / treaties, and national, sub-national, regional, and local regulations associated with environmental issues. (EN16)
<b>Subsidiaries</b>	All the elements concerning the aims the company assigns to its foreign subsidiaries as far as the above points 1 to 6 are concerned. (148-3.9°)	

## **Comments on the table of environmental equivalences**

This table shows that the GRI practically includes only indicators that concern the state of the premises while the application Decree of the NRE law is more focused on the resources applied by the company. As for the other CSR topics, the companies responding to the GRI report virtually exclusively using the basic indicators.

Practically no company reports on article 148-3.1 of the application Decree of the NRE law.

As regards the consumption of raw materials and energy, neither the very comprehensive indicator in the application Decree of the NRE law, nor those of the GRI, receive much attention.