

# PROACTIVE STAKEHOLDER ENGAGEMENT



## Practical Guide for companies and stakeholders

December 2008



# Proactive stakeholder ENGAGEMENT

## ■ FOREWORD

The lack of global governance has led companies to adopt ever more creative, focused CSR policies. Furthermore, with a view to stronger engagement and credibility, companies undertaking CSR action need to identify and enlist reliable bodies capable of representing all stakeholders with whom they intend to interact, regardless of the subject of discussions. Correspondingly, within only a few years, companies have opened the way to a more formal approach to CSR issues through engagement with their stakeholders, convinced of the need to exchange, debate or even enter into contracts with them, whether they be internal or external.

The Alliance is a European Commission initiative launched in 2006 to provide support, in particular for voluntary practices involving stakeholders.

These exceptionally innovative relations, identified through the experience of CSR Europe member companies and the permanent forum made available by ORSE, provide an echo of a range of practices linking CSR players together.

## ■ INTRODUCTION

When engaging in sustainable development, companies and institutions accept a range of responsibilities that go far beyond economic performance.

In order to reconcile these two objectives, companies must resolve major issues including:

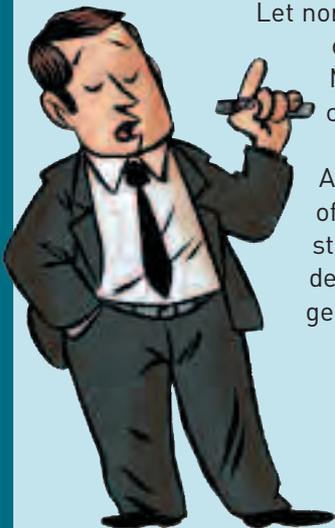
- establishing a climate of confidence propitious to dialogue
- reconciling the specific expectations and constraints of everyone
- creating benefits for all
- sharing expertise with partners

In this context, transparent communication with all stakeholders (i.e. with all actors, whether closely or distantly associated with the company) is essential. These exchanges support continuous progress while strengthening the company's community involvement and development role.

Let none fool themselves, however, there is no single method that ensures proactive dialogue or engagement with stakeholders.

Moreover, the expectations and issues involved are of such complexity that the company cannot elaborate responses alone without consulting the other actors.

A good knowledge of its own essential issues and the capacity to confront them with those of stakeholders is a first step allowing a company to implement its sustainable development strategy. This must include specified, company-wide, regional or local structures for dialogue depending on the subject in question and the objectives of the company. An appropriate management system is needed to measure the impact and performance of the engagements.



A range of criteria, such as size, sector, community development, corporate culture and the level of risk exposure involved in specific activities, leads to a diverse range of situations and practices. The aim of this guide is to help companies establish their own engagement strategies with stakeholders, taking the example from innovative practices and the range of implementation tools available.



## ■ AIMS OF THIS GUIDE

With a view to giving effect to these observations, we set up a European Laboratory on “Proactive Stakeholder Engagement” to prolonge the debate and propose a toolbox helping companies to engage with their stakeholders. The toolbox is in the form of a didactic guide to accompany actors in:

- better identifying the issues raised through engagement with stakeholders and choice of good practices.
- selecting their partners, by prioritising the mapping of issues, actors and tools
- asking the right questions to enable internal implementation of commitments

This guide contains two kinds of chapter

- practical guidelines breaking down engagement with specific stakeholders
- practical information on tools

## ■ METHODOLOGY

The guide is based on the work conducted during the Laboratory over the period from July 2007 to May 2008. The panel of participants was made up of companies, NGOs, unions, academics and non-financial rating agencies from a range of European countries, to ensure diversity of viewpoints and allow constructive exchange. The participants discussed their own experiences informally in order to facilitate debate and reduce fear of speaking out. Investigative work on engagement practices enriched the debate within other laboratories, (especially on diversity and the supply chain).

## ■ PLAN OF THE GUIDE

### TOOLS

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### ENGAGEMENT WITH STAKEHOLDERS

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## Mapping

## STAKEHOLDERS



## CONTEXT

In order to do business sustainably, companies must have good knowledge of all the actors gravitating around their sphere of activity. Identifying stakeholders is the first step, after which companies must establish a hierarchy between them, so as to identify the relevancy of their modes of interaction. This practice is an integral part of Corporate Social Responsibility (CSR) policies.

## DEFINITIONS

## What is a stakeholder?

Stakeholders are individuals or groups of individuals who have an impact on or are affected by the activities, products or services of a company (or other organisation). Stakeholders cover a wide variety of actors, such as :

- The financial community:
  - Shareholders, investors, rating agencies
- Employees and their representatives
- Customers and consumers
- National and local communities
- Public authorities:
  - Governments, professional organisations, public and international organisations
- Civil Society:
  - NGOs, associations, membership and network organisations
- Suppliers,
- Others:
  - Media, training agencies, consultancies

Once companies have become aware of the range of organisations interacting with them, it is important to break them down according to expectations, issues, geographical zones, their impact on corporate activity and vice versa.

Moreover, it is clear that relations may play out in many ways:

- Practices involving questioning (or confrontation...)
- Practices involving dialogue
- Contractual engagements (NGO partnerships, transnational framework agreements)

Mapping stakeholders means identifying the expectations and powers of each rights bearing group. This helps establish political priorities whilst keeping a global vision of possible interactions between groups.

# Mapping your stakeholders why, who, how ?

## ■ WHY?

The smooth operation of any CSR policy depends largely on issues related to this hierarchy, which makes it possible:

<b>globally :</b>	<ul style="list-style-type: none"><li>• to introduce constructive dialogue and transparent communication with all stakeholders</li><li>• to identify relevant stakeholders based on a breakdown of issues</li><li>• To create value for all</li><li>• to share expertise with partners</li></ul>
<b>locally :</b>	<ul style="list-style-type: none"><li>• to better understand stakeholder expectations and the concerns of various actors while conciliating individual expectations and constraints on both sides</li><li>• to clarify its engagement and objectives with respect to stakeholders at the heart of local issues</li><li>• to support the CSR action of the company while strengthening community development aimed at continuous progress</li><li>• To better structure dialogue with respect to worksites: to adapt dialogue to the needs of different worksites</li></ul>

## ■ WHO?

The underlying logic of CSR policies is that a company wishing to engage with stakeholders should choose those that are the most pertinent and/or have most impact on their core business. Often, the first step consists in identifying all of them, then establishing a hierarchy based on the risks, categories and expectations involved.

### GDF SUEZ

GDF SUEZ addresses its stakeholder directed principles, charters and codes of conduct to the concentric circles within which it carries on business:

- the Group's first circle: shareholders, subsidiaries and employees
- the market circle: customers, suppliers and competitors,
- the wider circle of the human (the community) and natural (the planet) environment.

For the Group, ensuring that sustainable development remains as close to grassroots as possible necessarily implies dialogue with stakeholders. GDF SUEZ considers that transparent communication with all stakeholders is essential.

This exchange supports its continuous progress while strengthening its community involvement and development. Indeed, the values and ethical charter of the group provide the framework for conduct based on integrity, responsibility and respect for others. The first principle is to comply everywhere and in all circumstances with the laws and regulations that rule our activities. It is no longer sufficient to "recognize" values, they must also be implemented, thus passing from Ethics in general to "our specific ethic".

All GDF SUEZ personnel, from managers down to simple employees, have the absolute obligation never to act in a way that negates its reputation or raises doubt as to its ethics.



## Companies : Various approaches for introducing stakeholders

### Danone

#### Social sphere

- Employees
- Consumers and consumer associations

#### Public sphere

- Public authorities
- Social and environmental associations and NGOs
  - Organisations for the promotion of social responsibility
- Media

#### Economic sphere

- Shareholders
- Financial community and social and environmental rating agencies
- Distributors

#### Industrial and scientific sphere

- Professional organisations

### Carrefour

Carrefour distinguishes main entities involved in information and dialogue

#### Direct stakeholders:

- Employees
- Shareholders
- Franchised stores
- Suppliers
- Service providers
- Local authorities
- Public authorities

#### Indirect stakeholders

- Media
- NGOs / social and environmental organisations
- Financial community

### Total

To put into practice the principles that guide their CSR actions and policies, Total establishes and maintains constructive dialogue with its internal and external stakeholders. These include:

- 96,442 employees
- More than 100,000 employees and retiree shareholders
- 88% of our share capital held by institutional shareholders
- Around 50,000 active suppliers
- 130 countries
- Central, regional and local governments

Other classification practices consist in distinguishing :

- Internal (employees, trade unions) and external stakeholders (civil society, suppliers)
- Contractual (employees, customers, suppliers) or non contractual stakeholders (civil society, governments...)

## ■ HOW?

Once the categories are identified, hierarchy of stakeholders may be established following a range of strategies and processes

### Based on the level of reciprocal relations and/or consultation methods:

These may begin with a denunciation, evolve through other stages such as dialogue and, at best, lead to partnership. In the latter case, the partners unite with a view to co-construction.

This matrix may help in specifying the degrees of integration of the various stakeholders in the decision making process:

Stakeholders	Information	Consultation	Concertation	Co decision / Partnership
Tools of implementation				

**Based on a strategy of moving from global to local or from local to global levels:** under this approach, companies introduce a tool or process to accompany various levels (worksites, subsidiaries, departments) in the elaboration of their own mapping strategy.

• **From global to local:**

Subsidiaries and departments are then required to adapt this approach to their own needs and priorities.

**Total – Stakeholder Relationships Management "SRM+"**  
**The need to articulate from global to local**

**The main stages of SRM+**

- 1 – Setting up a transversal team within management
- 2 – Societal diagnosis
- 3 – Elaboration of the managerial road map
- 4 – Progressive installation of the societal management system

**SRM+ Method**

The following flow chart shows how SRM+ is deployed at a worksite.

**Site Baseline**

Self-assessment of community impacts:  
 Stakeholder relationships and community action plans.  
 Definition of improvement objectives.



**Stakeholder and Priority Mapping**

Survey of stakeholders by outside parties.  
 Ranking of stakeholders and expectations.



**Action Plan**

Definition of actions in line with stakeholder priorities.  
 Development of best practices for dialogue

**Objectives of SRM+ :**

1. Enhance the structure of dialogue based on worksites: to that end, in 2005 we launched a process of mapping all stakeholders around our main industrial sites. Baptised "SRM+", this approach is intended to grow. For more information on SRM+: see the section on local development/ societal action.
2. Enhance understanding of stakeholder expectations: we conduct regular studies of the perceptions of our Group and its societal and environmental responsibility policy. They have led us to observe that:
  - our efforts are appreciated: notably the transparency of our engagements and objectives, our adhesion to major reference texts and our ability to take note of concerns on sensitive questions such as Myanmar and Sudan.
  - still, there is criticism on subjects such as our presence in Myanmar, the formalisation of our societal policy and financial transparency.

• **From local to global :**

Some companies map their stakeholders directly in selected worksites (subsidiaries)

**AREVA - Mapping of local stakeholders taken to the international level**

In 2003, AREVA developed a mapping methodology for local external stakeholders to help the worksites compare their perceptions of local stakeholder expectations with their real expectations.

Priority was given to the major nuclear sites and sites regulated under Seveso laws (worksites highly at risk). In 2007, local stakeholder mapping was deployed on an international scale and then broadened to include sites that carry significant economic weight. Five new sites took part in this exercise, one in the US, two in Canada and two in Germany. In all, almost 280 stakeholders from some 20 of the group's sites in France, Britain, Germany, Canada and the US were interviewed by an independent expert.

The stakeholder maps were used to develop "dialogue action plans" that will be reviewed regularly by the group's sustainable development teams.



## Other companies categorise stakeholders globally, in hierarchies by:

- group
- expectations
- dialogue tools at their disposal

### Arcelor Mittal

Based on a balanced distribution of stakeholders in a concentric circle, Arcelor Mittal identifies:

- Stakeholder groups
- Reciprocal expectations,
- The related issues for each stakeholder
- The engagement and dialogue tools relative to each stakeholder group

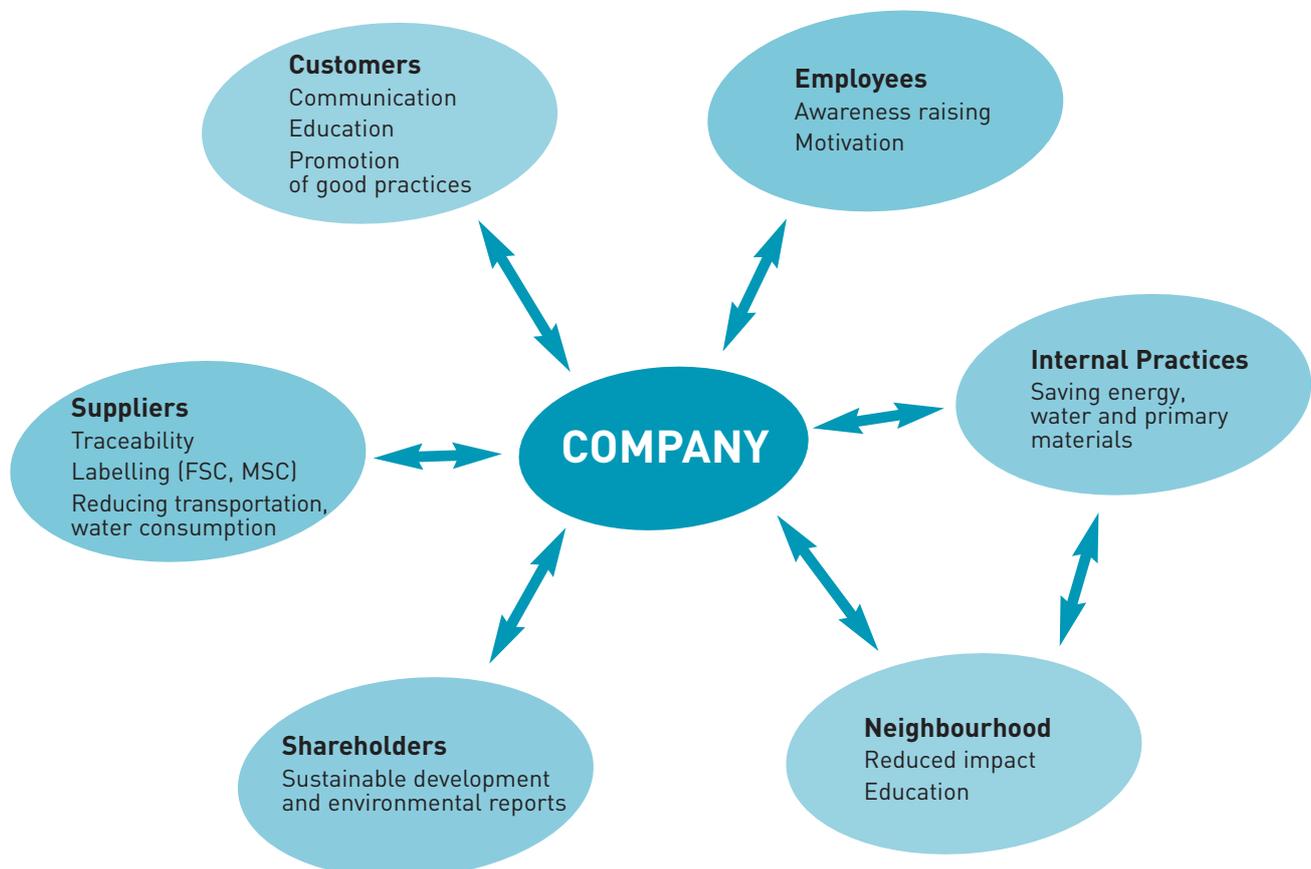
## Some stakeholders believe that the map should be drawn from their own perspective along lines of action to be taken in accompanying the stakeholder engagement of companies.

### The WWF approach

Because they are at the heart of a group of stakeholders with which they interact, companies have a decisive role to play in the protection of nature and reduction of their ecological footprint:

- through change in their own practices, or even products,
- by influencing their suppliers and surroundings to the same end,
- by sensitizing their employees and customers to sustainable lifestyles involving modification of their consumption habits.

That is why WWF has chosen to enter into strategic partnerships with those that demonstrate a strong desire, at the highest level, to engage in protection of the Environment



The engagement level may be viewed according to the financial attributions breakdown

**Distribution of Income by Stakeholder**

<b>NGOs</b>	Economic Development	State and public authorities	Suppliers	Shareholders	Employees	Customers
- sponsorship, public funds - advice, training	- investment - research and development	taxes	Purchases	dividends	- salaries - social contributions	turnover

Below a way to map each stakeholder in relation to the whole process from identifying issues to measuring results :

**Methods for presentation of stakeholder relations**

Stakeholders	Key Figure	- Issues raised by stakeholders - opportunities - risks	Main dialogue tools (type of relations)	- Engagement made - Objective to be reached - Principles of action	Action implemented Results obtained State of advancement

**Hidden Dangers**

Clearly identifying stakeholders and establishing a hierarchy of priorities based on their expectations does not always save a company from other problems that might not have been raised.

E.g. Total "Criticism remains concerning issues such as our presence in Myanmar, the formalisation of our societal policy and financial transparency"

In addition, some legislations require actors to dialogue with all stakeholders.

This can raise problems of resources (availability, HR, etc.) and the claims of those who wish to participate in this dialogue.



# Measuring the effectiveness of the engagement

Engagement with stakeholders requires companies to specify the nature of the practices established for, or alongside, them as well as action taken to ensure the reality of engagements.

Among the most significant initiatives, most often relayed in stakeholder engagement processes and tools, and which may also serve as support for non-financial reporting, one finds:

Tools	Indicator -implementation
<p><b>GRI</b> a multi-party initiative for the establishment of a common framework for the voluntary reporting of the economic, social and environmental incidence of the activity of organisations</p>	<p>4.14 - list of groups of stakeholders included by the organisation            4.15 - Basis for identification and selection of stakeholders with whom to dialogue            4.16 - Means of dialogue, especially frequency by type and group of stakeholders            4.17 - Key questions and preoccupations raised via stakeholder dialogue and manner in which the organisation has responded, notably during the establishment of its report</p>
<p><b>AA 1000:</b> norm established in 1999 by an NGO and revised in 2008 – based on criteria allowing an evaluation of the stakeholder relations established by the company. AA1000 is composed of 3 criteria:            - materiality,            - conformity and            - credibility</p>	<p>It is up to the company to specify what it means by these three criteria: i.e. how it applies these generic principles in the context of its own activity and engagements.            AA1000 does not propose pre-defined indicators but guidelines to bring companies and their stakeholders to co-produce indicators. This requires accounting, in particular, through auditing and communication on ethical and social performance, giving priority to the quality of dialogue and the participation of stakeholders.            For stakeholders:            - Identify what is important for stakeholders (which issues?)            - material aspects (financing, means)            - consider the manner in which these expectations have been satisfied (questions and responses)</p>
Specific tools	
<p>Studies of <b>stakeholder</b> perceptions</p>	<p>So as to better understand their expectations and perceptions, companies conducts regular stakeholder surveys</p>
<p><b>Panels</b> (see chapter 2)</p>	<p>Draft minutes, hold half-yearly or annual meetings to verify dialogue and engagements            Criteria such as publication of the unrevised opinion of the panel may ensure that the company takes account of the issues raised by the panel; or the way the company integrates it into strategy and how it communicates in this respect.</p>
<p><b>Auditing norms for CSR</b></p>	<p>The auditor does not necessarily attend meetings and other encounters, but checks the global management system, and verifies whether there are traces, minutes, results of enquiries, to ensure the reality of the process of stakeholder dialogue.            With knowledge of stakeholder expectations in the sector, the auditor will ask the company how it takes them into account, based on sectoral references.            Contrary to NGOs the auditor does not make a moral judgment of company action, but simply states whether what the company claims is true or not.</p>

## RECOMMENDATIONS

- Dialogue with stakeholders should contribute to action for continuous progress
- Corporate level requires appropriation by local management to ensure concrete, appropriate implementation
- Knowing stakeholders well and establishing ongoing dialogue with them is a guarantee of the sustainable development of company activities



### For more information...

**AA1000 Norm:** <http://www.accountability.org.uk/aa1000/default.asp>

**GRI:** <http://www.globalreporting.org/>

# Stakeholder PANELS



## CONTEXT

Panels have increasingly become a solution for corporate engagement with stakeholders in order to move from a defensive position to a comprehensive strategy covering both opportunities and risks. Indeed, due to their format, repetition and interactivity, forums expressing various or even divergent viewpoints can facilitate the passage from direct confrontation to a relationship of confidence.

## DEFINITIONS

The company gathers a selection of stakeholders in a panel, at a given time, once or several times per year, to exchange on pre-identified CSR issues.

The aim is to examine specific aspects of corporate policy, action or performance, and to produce one or more outcomes, such as comments or recommendations, upon which the company may or may not make specific commitments.

These ways of consulting representatives of the company's public or experts aim to receive advice, gauge expectations and criticism concerning its sustainable development strategy and/or reports. Sometimes, they serve to anticipate possible threats to their activity that may arise in the future.

There are a range of panels that correspond to the various expectations and strategic choices of the parties. The role of panels may take various forms and either respond to a specific subject (water management, biodiversity, etc.) or to all the issues dealt with in the company's CSR strategy.

Panels may open up decision-making bodies to greater diversity.

# Setting up panels - why, who, how?

## ■ WHY?

What interest has a company in consulting its stakeholders through a forum and the latter in presenting their views to the company?

Panels are dedicated to dialogue and learning which, if effective, can feed into corporate decision-making. Their informal format encourages free speech, allowing high-ranking company decision-makers and influential outside experts to confront their visions of social and environmental risks.

Panels can help solve problems that would not otherwise have been raised through simple consultation or negotiation at lower levels within the company. The results of this debate may influence decisions or contribute to the co-conception of corporate strategies and policy. The first meeting of a panel is an opportunity for everyone: stakeholders can check whether the intentions of the company are honourable, whereas management may realise that it is not a waste of their time. Keeping in mind that reputations are at stake on both sides, panellists learn to know each other and understand that they may speak together without losing face. For both companies and stakeholders, panels accelerate the reciprocal learning curve and strengthen the capacity to understand and influence the link between corporate strategy and societal issues.

### Moreover, panels may support:

- **corporate governance:** companies are increasingly relying on panels to respond to strategic social and environmental issues in compliance with their business model. Panels are an innovative form of dialogue with stakeholders which may help to reduce the gap between engagement with stakeholders and corporate governance by bringing together external experts and top management in the same place.
- **Reporting and credibility:** Panels may provide results that are more in phase with the target users of sustainable development reports, by ensuring that they cover issues that really mean something and are important to the reader.

### Opportunities and risks in engaging

	For companies	For stakeholders
Opportunities	<ul style="list-style-type: none"> <li>• brings together all stakeholder preoccupations in one place</li> <li>• confronts positions between its various spheres of influence</li> <li>• spreads and provokes a greater culture of dialogue, even internally</li> <li>• may assist in forestalling crises, or predicting reputation risks</li> <li>• reduces conflict with NGOs</li> <li>• shows that the company wants an inclusive, sustainable future</li> <li>• the company freely chooses the participant for each stakeholder represented, whereas they are imposed on the company in the context of bilateral relationships with stakeholders (e.g. union representatives)</li> </ul>	<ul style="list-style-type: none"> <li>• makes their expectations and activities known to companies, especially at the board level</li> <li>• means of dialogue that goes beyond simple communication, despite, but also thanks to, the confidentiality clause implied by this format</li> <li>• raises internal and external awareness of sustainable development risks, increasing influence on strategies adopted, and core trade</li> <li>• facilitates exchanges between stakeholders (e.g. when a union representative attends the panel), which may create new means of collaboration between stakeholders</li> <li>• allows increased interest of management on specific subjects, and may provoke change</li> </ul>
Possible risks	<ul style="list-style-type: none"> <li>• greater exposure to potential attacks because its activities are under constant surveillance; dialogue is never a guarantee against NGO campaigns</li> <li>• risk that stakeholders may develop collective communication against the company that is stronger than individual positions</li> <li>• bringing experts together can generate new subjects: risk that the stakeholders discover problems of which they had no knowledge when speaking together</li> <li>• risk that one stakeholder's views become dominant or uncontrollable</li> <li>• risk of always engaging with the same NGOs (the "most cooperative"?); criticism will not be as rich as when formulated by hostile stakeholders</li> <li>• places all stakeholders on the same level although they may not have the same weight, whereas the issues must be treated hierarchically</li> </ul>	<ul style="list-style-type: none"> <li>• the quality of participants is not always the same, which may destabilise the debate</li> <li>• a framework that is too short or too formal may reduce the spontaneity of exchanges; possibilities of less formal exchange, e.g. during dinners, site visits and email exchanges</li> <li>• fear of the lack of honesty, especially when viewpoints are not fully summarised in the sustainable development report</li> <li>• equal maturity can be slow to achieve</li> <li>• lack of means to develop relevant expertise</li> <li>• Some stakeholders could be under represented and some over represented as regards the issues and be the object of misleading communication</li> </ul>



## ■ HOW?

There is no standard approach to establishing a panel. When setting it up, one seeks to ensure that it is going to function, influence strategic decisions and build external confidence.

Although each panel will be adapted to the corporate context (size, culture, activity, etc.), there are a number of common stages and issues to help future panellists become engaged:

### Stage 1: DEFINE OBJECTIVES

- Determine the mandate and ambitions of the panel: be clear about the aims of the action and determine the required degree of implication of stakeholders in decision-making.
- Look to ensuring that risks and opportunities are balanced on both sides. Create links with other corporate processes, including other stakeholder engagements and governance action.
- Ensure the internal involvement of the directors; establish specific commitments to respond to the panel.
- Think of the budget needed to run the panel.

### Stage 2: DETERMINE THE OPERATING RULES (frequency of meetings, choice of subjects, etc.):

- Define the operating rules very clearly from the outset.
- Specify the mandate of the panel; develop clear rules in order to reach objectives. Key issues requiring debate will be the subject of agreement by the panel and will be reviewed as the panel develops.

Consider recourse to an external facilitator if relevant and/or necessary and reassure the panellists concerning fair conduct of proceedings.

- Define the conditions for communicating the views expressed by members of the panel, notably when they are included in the sustainable development report.

### Choosing the members of the panel

The company should consider whether it wishes to privilege expert legitimacy or representational legitimacy when choosing the participating stakeholders. Selecting one NGO rather than another in a given area (the environment for example) is not neutral.

When the panel is set up to debate a given issue (water, biodiversity, etc.), the choice of experts may be all the more justified. (see good practices, "Panel on water" GDF SUEZ)

### Stage 3: RECRUIT MEMBERS (WHO?)

Recruit panellists who reflect the expectations of the main groups of stakeholders. The key issue will be to find a good mix between expertise, reputation, time available and good potential to influence and impact corporate decision-making.

The choice of participants will be crucial. In order to achieve this choice successfully, despite the need for individualised selection by each company establishing its panel, several general remarks may be made:

- Take account of the company's specificity: the choice of participants will be based on company specific CSR issues, closely related to its business (sectors), its geographical implantation, its culture, etc.
- As regards effectiveness, it is preferable to choose actors in relation to the specific issue and with whom it is possible to engage a dialogue. It can be risky, and even counter-productive to include stakeholders who are opposed to the sector by nature. Check the motivation / good will of members of the panel.

While the company may make choices, its invitations can also be refused by some stakeholders for ideological reasons or to preserve independence. Ideological opposition is counter-productive in this context.

### It is important to identify expectations in order to create the conditions for motivation:

- Choice of subjects to be covered; guarantee of their quality
- Relevant level of participants: include the highest ranking decision-maker available, in order to have real influence (experts and executive managers if not a higher level)
- Integration and follow-up of the work produced in panels is important to avoid de-motivating its members

### Recruiting internal stakeholders?

Should internal stakeholders be represented in panels, i.e. employees, given that they already have their own representative bodies: European works council, union representatives?

## Stage 4: ACCOMPANY THE PANEL

- Help the panellists to understand corporate strategies and operations through written documents, organizing meetings and site visits, or by providing formal training.
- Build confidence through proactive information sharing, informal and formal meetings, bilateral partnerships and appropriate consideration of the role of the panel in public communication.
- Ensure follow-up on engagements and inform members constantly of progress made or modifications introduced.
- Establish minutes of meetings with due regard to any need for anonymity.

**FACILITATION:** Comité 21 (a French association composed of companies, state owned enterprises, local authorities and NGOs, focused on exchange about sustainability issues) recommends and recruits panellists, sets the rules, moderates the sessions, writes the minutes and ensures that all questions are addressed. The official summary of each Stakeholder Session is written up by Comité 21 and made available on the internet.

## Stage 5: MEASURING IMPACT

- Evaluate the panel and its progress regularly and propose necessary changes
- Establish the length of time for which commitments are made
- Include in the process the means for participants to express their views on the usefulness of continuing or not, based on what works and on results. In general practice an acceptable balance is required between short and mid-term goals to ensure that the process is not so slow as to lose the thread (Frequency: once or twice a year).

### Hidden Dangers

- The need for dedicated human resources raises the issue of financial means:

#### Transparency

It would be dubious for an NGO to ask its donors to finance persons who work full time on CSR issues on behalf of a major company. This raises the issue of financing. Transparency recommends a pragmatic approach, seeking to cover the expenses and salary of the person designated to participate in panels.

- The size of the panel may differ according to expectations or needs. If the panel is too big, some expectations may become diluted in favour of less crucial issues

#### Care

Issue of the preponderance of certain actors in different company panels?

Care participates in several panels, because it has a particular vision and expertise. Nevertheless it selects those panels in which it believes it will be able to contribute.

- One of the parties may decide not to communicate externally on the content of the panel discussions and this can deprive the others of transparency towards the public

## There is a diversity of approaches according to the needs:

- On a global level

### AREVA AND GDF SUEZ Panels (facilitated by Comité 21)

These panels deliver a critical opinion on the company approach as well as recommendations regarding sustainability strategy, management and reporting.

A summary of stakeholders expectations and AREVA's responses and commitments has been made publicly available for the first Stakeholder Session. The second Stakeholder Session was completed in early 2007. Each session is composed of 2 meetings.

During the first session, each panelist received a detailed briefing note on AREVA's operations and issues at the outset, and raised questions and expectations. AREVA published written responses in advance of the second meeting 6 months later (early 2005). Following this dialogue, AREVA undertook a number of commitments, published in its Activity and Sustainable Development Report 2005.



- **On a local / regional level - several meetings may be held in response to regional differences : Suez Environnement holds 1 meeting in Paris, 1 in New York City ; Areva has 3 meetings in Asia, Europe and America**
  - Local Panel

### **VODAPHONE - Local opinion leader panel (Albania) since: 2005**

As many important stakeholders have a local focus, in May 2005 Vodafone Albania established a local opinion leader panel to create and strengthen relationships, to build trust and create “bridges of communication with key stakeholder groups” by liaising with experts and opinion leaders connected to the current debate. Thereby the panel is an opportunity for Vodafone to inform experts and opinion leaders about its activities and programmes as well as to hear their views and be able to learn how those actions are perceived by those outside the company. Vodafone hopes that this panel can be a platform to further dialogue that drives change in Albania’s business culture. The panel meets quarterly for about two hours. Meetings are usually held in the evening to allow members (25 members from civil society, academics, local business, media and government organisations, representatives of entities active in CR issues as well as international organisations such as WHO, UNICEF and the Helsinki Committee) to fit them in with their existing work schedules and at a Hotel where they “... are out of the reach of microphones and cameras and pictures” – allowing them to speak freely. It is often continued over a cocktail allowing for informal conversations between panel members as well as one-to-one with local senior management.

- **On specific subjects:**
  - Consultation on financial product labelling (CNCE)
  - “Consultative Panel on biodiversity” (Lafarge in 2006)
  - any other corporate activity...
  - Water

### **SUEZ environment :**

The Foresight Advisory Council is a committee made up of 24 external experts from 14 countries, mainly academics, but also NGO representatives, companies and politics. It has the role of helping SUEZ Environnement to analyze expectations of the company in the fields of water and cleansing. In 2006, they contributed in particular to the development of the sustainable development action plan of SUEZ Environnement.

- **On a sectoral level – this practice remains difficult to implement depending on the sectors and their degree of confidentiality**

### **The logic of dialogue:**

Some companies have established a Scientific Committee, either within the Sustainable Development (SD) Committee or preferably as a separate body, made up of experts or stakeholders (qualified persons, NGOs...) responsible for providing an external, critical view of the company’s sustainable development committee policy:

- RATP, Véolia etc,
- Lafarge “Stakeholder Panel” established in 2003,
- EDF

### **EDF**

The Sustainable Development Panel of EDF Group critically assesses how EDF fulfils its commitment to sustainable development. Thus, it has a consultative role in SD and strategic issues, in reporting and in governance of stakeholder relationships. All its recommendations are published on the corporate website and every year the SD panel’s opinion on the EDF Group’s sustainable development policy is fully published in the Group’s Sustainable Development Report.

Established at the corporate level, this Panel works in close co-operation with stakeholder councils of various Group entities, as for instance the Environment council, the Social council and the Scientific council of EDF SA (France). Each Chairman of these councils is member ex officio of the SD Panel.

# Measuring the effectiveness of the engagement

In order to ensure that the panel will influence strategic corporate decisions and governance methods, measurement and results follow-up tools must be introduced.

The organisation of panels requires the production of minutes or meeting summaries.

When panels are publicly promoted by companies, their members will want to ensure that their opinions are not deformed or presented partially (confidence building).

## Measuring engagements against the objectives assigned to the panel

In the absence of any complete, accountable frame of reference for social responsibility, the company determines its own criteria and asks for them to be verified. It may use a number of tools in the context of stakeholder engagement (see chapter 1 - Mapping)

Dialogue, based on precise commitments on both sides, will be demonstrated through a concrete company action in the short to mid-term, at the end of the first stage. The company has thus agreed to continue the process over time and account for its decisions in terms of commitments and operational implementation.

<b>Objectives</b>	Determination of strategic issues	Expression of a public opinion on company strategy
<b>Measurement</b>	Regular follow-up with stakeholders concerning attention to these objectives	Publication of the opinion in the context of the sustainable development report
<b>Publicity of Debates</b>	Confidentiality	Publication

### Aéroport de Paris (ADP)

Aéroports de Paris asked a panel of stakeholders to assess the quality of its report. By engaging in this exercise the company subjects its sustainability strategy to the scrutiny of an external eye, in addition to that of the non-financial rating assessors.

Four main themes guided drafting:

- the relevance of the policies and actions presented
- involvement of stakeholders, via their identification and particular attention paid to their expectations in coverage of the topics addressed
- integration of performance into a long-term global vision (both in space and time) or 'sustainability context', and exhaustiveness to allow a reasoned appreciation of performance (i.e. of strengths and weaknesses).



## RECOMMENDATIONS

- Clearly plan and define the profile of the panel: what are the objectives, rules of the game and issues, and who can satisfy them?
- Provide pre-defined rules when recruiting members. Take account of stakeholders who are already known to the organisation and/or have already entered into a partnership
- Build a climate of confidence encouraging dialogue.
- Provide concrete information to the panel: conduct overview by comparing the expectations of the panel with those of the company and decide whether it is worth continuing.
- When conducting the same operation with local stakeholders, provide teams with mapping to facilitate interviews with stakeholders.
- Train stakeholders so as to encourage dialogue at the same competency level
- Raise awareness and integrate these issues in other internal teams, including different line managers in the same room.
- Panels are one tool for stakeholder dialogue among many and it is important to know how to articulate them with other tools (mapping, social dialogue, strategic NGO partnerships, etc.)

After a number of years in existence and according to general experience, the tendency seems to be towards panels focused on specific issues.



### For more information...

Critical Friends - AccountAbility and Utopies - [http://www.stakeholderpanels.net/StakeholderPanels\\_report.pdf](http://www.stakeholderpanels.net/StakeholderPanels_report.pdf) - March 2007

Panels and stakeholder sessions – Does this tendency go beyond fashion to create real, effective anchoring of sustainable development in corporate management? This is the subject of the report entitled “Critical friends: the emerging role of panels in corporate governance, reporting and insurance”, produced by Utopies and the British agency AccountAbility



- ENVIRONMENT
- CORPORATE GOUVERNANCE
- REPORTING

LOCAL  
COMMUNITY

CONSUMER

COMPANY

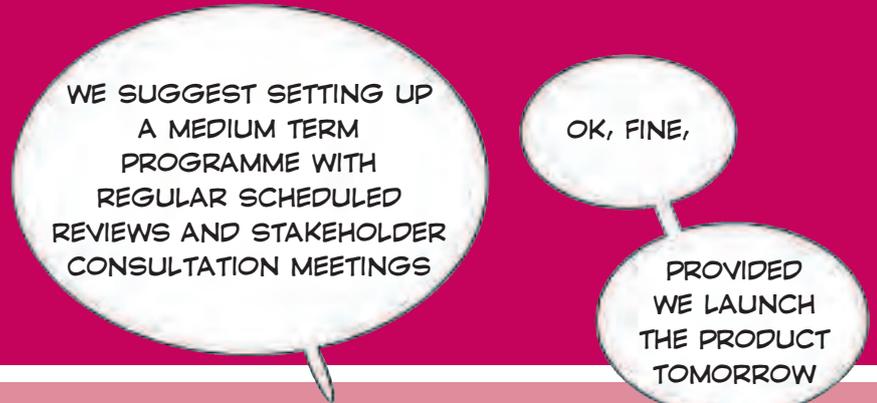
INVESTOR

NGO

TRADE  
UNION

SUPPLIER

# Corporate engagement with NGOs



## CONTEXT

Over the last decades there have been substantial changes both in companies and NGOs. Around the world the NGOs are more organized, professional and international. There has also been a spectacular increase in their number, from 20,000 in 1985 to over 50,000 in 2005, of which more than a tenth are international organisations. Over the same period, the range of their skills and fields of operation has widened considerably. In this way NGOs are becoming more flexible, and more interested in finding solutions from the business world.

At the same time the world of business has had to face up to the fact that the constraints affecting the production and distribution of materials, goods and services have expanded and become more international.

These two factors have greatly increased the number of economic, social and environmental challenges. As a result companies have begun to see the opportunities in working with the third sector in developing a better working environment in which to function, gain in credibility and enhance their reputation in the eyes of the public. Over the years each of these two worlds has gained in power as well as in expertise and sense of responsibility.

## DEFINITIONS

While companies and NGOs have retained their separate roles - a situation that regularly brings them into conflict in many areas - they have also developed common areas of dialogue enabling them together to find creative responses to these new challenges. Thus true strategic partnerships between companies and NGOs are emerging. The term "strategic partnership" means that joint actions are taken, whereby one or other shared objective can be attained, with each of the two parties retaining their own identity, values and independence. These strategic partnerships now constitute a true alliance between the organisations. They are related to the core interests on both sides, and include exchanges of information and expertise, joint efforts in the same direction, and the building of lasting relationships.

# ENGAGE with an NGO

## why, who, how?

### ■ WHY?

#### Typical subjects :

Traditionally NGOs have covered the fields of environmental protection, development aid, health and education, human rights, fights against poverty and corruption, protection of consumers, supply chain strategies, and so on. Their field of influence is so broad that it is possible to build a partnership in any CSR related topic:

Much research on the relationship between corporations and stakeholders has led to the conclusion that the practices are of several natures and are broken down into various degrees of relationship :

Purpose of the company	Contribution of the NGO	Contribution of the company
Fighting corruption	Help in defining policy Help in defining management and monitoring indicators Employee awareness and training	Provision of human, technical and financial resources
Purchasing, supply	Help in drawing up a code of conduct referring to the ILO conventions Monitoring the implementation of standards Help in drawing up progress indicators Employee training/awareness Possibility of independent verification	Provision of human, technical and financial resources
Regional management	Support with expertise on the local environment Knowledge of local population Employee awareness, establishment and introducing professionalism to local government structures	Provision of human, technical and financial resources Participating in conceiving and implementing a project Support for business creation and credit
Environment	Expertise on matters of climate, reducing greenhouse gases, managing natural resources, water quality, recycling Rehabilitation of a site upon closure	Provision of human and financial resources Supply of expertise for conceiving innovative products (particularly in the field of renewable energies)
Health (AIDS, malaria)	Help in drawing up a policy to control AIDS. Assistance in implementing the policy Employee awareness, training	Provision of human and financial resources Expertise and advice in management

Source : ORSE.

### WWF

#### What interest do WWF and companies have in collaborating?

The goal is to make companies evolve concerning their practices and products, to push them to consider production methods with less impact on nature and to develop more respectful products. WWF acts as a permanent spur for the company and, through its demands, perturbs well established, well grounded practices, urging companies to question their processes and find others with less negative impact.



## Opportunities and risks in engaging

	For companies	For NGOs
Opportunities	<ul style="list-style-type: none"> <li>• To signal their willingness to become involved in socially responsible practices and/or those that are environmentally more satisfactory.</li> <li>• To improve their internal management practices between all parts of the company as a result of the partnership.</li> <li>• To benefit from expertise on the issues of sustainable development and how to tackle them.</li> <li>• To improve their image within the company and outside</li> <li>• To be able to open up to civil society</li> <li>• To avoid or escape from crisis situations</li> <li>• To become a stakeholder in the community and civil society as a result of the NGOs' special understanding</li> <li>• To create innovation</li> <li>• Facilitate community development</li> </ul>	<ul style="list-style-type: none"> <li>• To be able to move their ideas forward</li> <li>• To encourage companies to adopt a vision of sustainable development rather than managing crises one by one.</li> <li>• To encourage companies to improve the way they act in social, societal and/or environmental contexts.</li> <li>• To be involved in determining strategy as well as in its monitoring.</li> <li>• To develop relationships with other companies.</li> <li>• Diversify and gather financial, human and technical resources and skills for carrying out a specific project.</li> <li>• To get more visibility and therefore more people involved in the cause defended by the NGO</li> <li>• To better understand how a company works and what challenges it faces</li> <li>• To create innovation</li> <li>• To benefit from a partnership other than with the public</li> <li>• Raise credibility in establishing real discussions rather than having a hostile behaviour</li> </ul>
Possible risks	<ul style="list-style-type: none"> <li>• To expose itself to potential attacks because its activities are under constant supervision - A partnership is in no way a kind of insurance against NGO campaigns</li> <li>• To be victim of information leaks</li> <li>• To waste time and money if the partnership does not succeed.</li> </ul>	<ul style="list-style-type: none"> <li>• To put its reputation on the line if it becomes involved with a company that proves unable to meet the original expectations</li> <li>• To compromise its principles and its original intentions in the name of the partnership, and hence lose its independence and all credibility especially when the funding is predominant</li> <li>• To be exploited by an unscrupulous company that sees a way of destabilizing one of its competitors</li> <li>• To give rise to differences of opinion within the NGO</li> <li>• To replace consultants or employee representatives on some particular subjects (discrimination, human rights respect in the workplace...)</li> </ul>

## WHO?

### Selection Criteria for the company:

The choice of partners is very delicate and may lead to hesitation when the issues are important.

The company will adjust its choices based on requirements such as:

- Key competency: expertise of the NGO corresponding to the selected issues
- NGO strategy with respect to companies (open to dialogue and partnerships or not)
- The geographical establishment of the NGO depending on whether needs are local or global
- The legitimacy and credibility of the NGO. The financial transparency and governance of NGOs is increasingly the subject of discussions within companies.

### NGO selection Criteria:

The conditions for NGOs to engage in partnerships with companies often take the form of:

#### • Guidelines or principles

#### WWF - FIDH

At the WWF, 3 main commitments are mandatory before engaging with companies: mutual respect, transparency and the right to criticize

FIDH requires the company to make a global, formal commitment, subject to an independent control mechanism, that is promoted locally (unions, independent NGOs...)

• **Exclusion criteria**

**CARE**

CARE has elaborated guidelines regulating its relations with companies that set exclusion criteria: e.g. sectors such as armaments

• **Specific policies**

**WWF**

WWF chooses to work with one company per sector, firstly because the NGO is not equipped to work with a high number of companies, but also and above all because by making one company in the sector advance, especially when it is a leader, WWF makes the whole sector evolve. It thus becomes clear that a partnership can generate innovation in a company, giving it the edge on its competitors

■ **HOW ?**

Dialogue with NGOs may cover several forms and lead to true co-construction of the commitments :

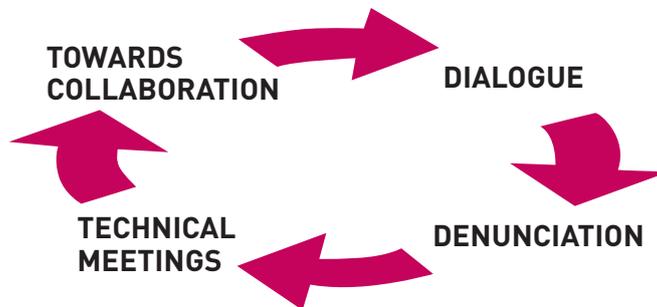
**WWF**

**WWF breaks partnerships down into several forms, distinguishing:**

- strategic partnerships
- sharing partnerships
- company sponsorship / philanthropy

**AMNESTY INTERNATIONAL**

Where these partnerships develop, confrontation may be a necessary, positive step towards partnership. Amnesty International states that partnership is the highest form of dialogue with companies. It may result from dialogue but, in other cases, may originate in confrontation if the initial contact by the NGO does not find a source of dialogue on the company side.





## 7 steps to make the partnership successful

This diagram aims to examine each step required for setting up an effective NGO-enterprise partnership. Seven various steps have been identified. Good monitoring of these steps will allow the company and the NGO to understand and to invest rigorously in the partnership procedure and, thus, ensure the success and long-term viability of the project. The seven steps identified in the framework of the implementation of a strategic NGO-enterprise partnership are pictured below:



### Step 1 - Identifying the issues and embarking on self-diagnosis

This first step shows the importance of firstly conducting a diagnosis of one's own needs and expectations before starting out on a NGO-enterprise partnership strategy.

### Step 2 - Embarking on a fully frank dialogue and exchange

This step concerns communication between the NGO and the company. It is a very important step because there must be dialogue between the two partners throughout the duration of the partnership.

### Step 3 - Identifying and selecting the "ideal" partner

This third step deals with the tools the NGO and the company put in place to facilitate identifying and selecting the partner.

### Step 4 - Committing to the partner and formalizing the Partnership

Clear and precise formalisation of the partnership and strong partner commitment are two elements vital to the success of the cooperation between the NGO and the company.

### Step 5 - Defining the content of the partnership

This fifth step insists on a precise definition of the content of the partnership, namely a detailed description of all the points which must be discussed, and which must appear in the partnership contract.

### Step 6 - Implementing the partnership

To ensure that the partnership is effective, it is vital that all the following steps are carried out and that the necessary means are mobilised : involving the stakeholders and ensuring their support, mobilising resources, executing the project, communicating internally and externally

### Step 7 - Assessing the partnership and its results

The question here is to focus on the evaluation of the partnership to obtain concrete results and decide whether the partnership should be renewed, modified or terminated.

# Measuring the effectiveness of the engagement

- The project should be assessed at intervals (evaluation of intermediate stages) or, if appropriate, at the end of the agreement (evaluation of the pilot project only). In this case, provision must be made for suitable instruments of measurement (media fallout, the NGO report, or a study entrusted to a specialist agency). To begin with, this evaluation will be done separately by each partner, and then jointly.
- One important issue is the possibility of developing performance indicators to assess the quality not only of the relationship itself, but also of the project results on the ground. Indeed assessment of the partnership and assessment of the results are two quite separate aspects. A partnership may work very well, without however producing the hoped for results.
- Generally speaking, the partners must measure or at least assess three factors :
  - The impacts of the project on society in general, and on the target group in particular,
  - The value of the partnership for each of the organisations involved,
  - The true costs and benefits of the partnership approach.

## RECOMMENDATIONS

### Eight keys to success for a strategic NGO/company partnership

- Take the time to get to know one another
- Formalize a frank clear and precise partnership, with time schedules
- Commit at the highest level on both sides
- Ensure the support of all concerned including employees and their representatives as well as other external stakeholders (communities, consumers)
- Satisfactorily define the human and financial resources of the partnership
- Properly manage communications Internally - the partnership agreement, should be known to everybody, and reported on the local networks.
- Remain vigilant throughout the partnership
- Set up a monitoring system with follow up of the results



### For more information...

#### Practical guides :

2006 – Strategic NGO Partnerships Guide – ORSE

The objective of this guide is to answer the questions of companies and NGOs willing to establish a strategic partnership and to accompany them in this process. The guide is composed of two chapters: The first chapter presents a general approach on NGO-enterprise strategic partnerships, the evolution of connections between the NGO and the companies as well as the point of creating a partnership. The second chapter proposes a " typical method " including 7 stages which are necessary to follow in order to set up, manage and assess a strategic partnership between an NGO and an enterprise.

[http://www.orse.org/site2/maj/phototheque/photos/docs\\_an/practical\\_guide\\_1.pdf](http://www.orse.org/site2/maj/phototheque/photos/docs_an/practical_guide_1.pdf)

2004 - Strategic Partnership NGO/Enterprises, Governmental Mission Report - ORSE, CSR Europe

2005 - NGOs and enterprises in Belgium. Practical guide for a fruitful collaboration – Business and Society Belgium – Brigitte Hudlot

#### Referencing NGOs :

Business-NGO Interaction (BNI)

This site offers a beneficial and user-friendly tool aimed at optimising collaborative activities between the business and NGO sectors. The BNI tool provides a clear overview of the mutual expectations and experiences of the NGO and business company. Link: [http://www.bni-instrument.org/eng\\_home.php](http://www.bni-instrument.org/eng_home.php)



# Best Practices - Corporate engagement with NGOs

## CASINO AND AMNESTY INTERNATIONAL - taking part in international initiatives to encourage respect for human rights

Casino has forged a close partnership with Amnesty International for the last five years, which has given Casino the benefit of expertise in human rights and ethics. In 2007 their collaboration focused in particular on Casino's participation in the Companies for Human Rights initiative and on finalisation of the Kimberley Project, which provides Casino's customers with a guarantee that the diamonds sold in their stores do not originate in a conflict zone.

In addition, the social ethics manager took part in a day-long awareness training session conducted by Amnesty International staff.

**"Companies for Human Rights In March 2007" (EDH)** - Casino joined forces with seven other French or francophone companies<sup>(1)</sup>

Their goal is to contribute to the implementation of the Universal Declaration of Human Rights through the following means:

- compare practices and share these practices with other parties;
- jointly, and in cooperation with major stakeholders, develop solutions for improving these practices;
- participate in the debate both in France and worldwide on ways of incorporating human rights into management systems;
- contribute to efforts to promote human rights. EDH models its activities on the work carried out since 2003 by the Business Leaders Initiative on Human Rights (BLIHR), and strives to enhance this work by providing contributions from the French speaking countries.

Created after discussions with various actors, including BLIHR and Amnesty International France, the group works in concert with organisations active in the field of human rights, such as trade unions, NGOs, governments and other businesses.

**(1) AREVA, BNP Paribas, EDF, Gaz de France, Sanofi-Aventis, STMicroelectronics and GDF SUEZ**

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## HEWLETT PACKARD AND 35 NGOS - Skills and Competence Building Giving young people head start in business :

The unemployment of graduates in Europe is significantly higher (18%) than the average rate of 7.7% across all ages. Therefore, HP launched in May 2007 its new **"Graduate Entrepreneurship Training through IT" (GET-IT) programme** where HP and its partner Microenterprise Acceleration Institute (MEA-I) collaborate with 35 local NGOs in 18 countries in Europe, the Middle East and Africa (EMEA). The programme provides IT equipment for these organisations as well as professional guidance courses for their trainers. It will enable them to offer interactive courses based on a curriculum specifically designed to improve business IT skills of young unemployed school leavers and graduates. GET-IT training courses deal with practical IT solutions for daily business challenges faced in areas such as finance, management, marketing and technology management and are designed to encourage job creation and entrepreneurship among people below the age of 25.

35 non-profit organisations throughout EMEA that are already active in education and job creation receive the IT equipment needed for the training in addition to the learning material and professional guidance courses for trainers. The grant is worth approximately \$40,000 per organisation.

In the first roll-out of the programme, at least 6,000 young people will be trained in 35 centres across 18 countries, making them better placed to get skilled jobs or create and run their own business. There are plans to expand GET-IT into other countries.

## Best Practices - Corporate engagement with NGOs

### LAFARGE AND CARE - Aids

Lafarge and CARE have been partners since 2002. The partnership concentrates on the question of HIV/Aids in the work place in the subsidiaries of Lafarge in sub-Saharan Africa (6000 employees and their families). The partnership began at the time of the first installations of the Group in Africa. The objective was to develop and deploy a Groupwide programme to fight HIV.

<http://www.carefrance.org/?page=partenaire&id=65>

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### WWF PARTNERSHIPS - Accompanying consumption/products

#### A few examples :

**Castorama**, 1,000 products with ecological properties were selected and placed to the forefront in a pilot store. Details of responsible consumer behaviour were inserted into group catalogues and specific consumer guides were prepared.

A partnership with **Carrefour** ended the distribution of free plastic bags at checkouts and their replacement with re-usable bags, in particular by means of in-store action and posters, plus training for cashiers. Similarly, for garden furniture, the partnership led to the withdrawal of teak – a rare species, often exploited in questionable social conditions – and its replacement with FSC wood.

Within the framework of its partnership, **Canon** organised the recovery of cartridges for Business-to-Business customers.

**GDF SUEZ** and **WWF** developed a citizen's guide to ecological behaviour.

**Caisse d'Epargne** developed a range of SRI savings products to which the WWF partnership lent even greater credibility.

The partnership with **Orange** is based on concrete actions, with measurable results, such as the environmental performance evaluation of the products marketed by Orange, recycling, the eco-design of its shops and products, a pedagogy around the "green gestures" directed at consumers and employees and the reduction of paper consumption.

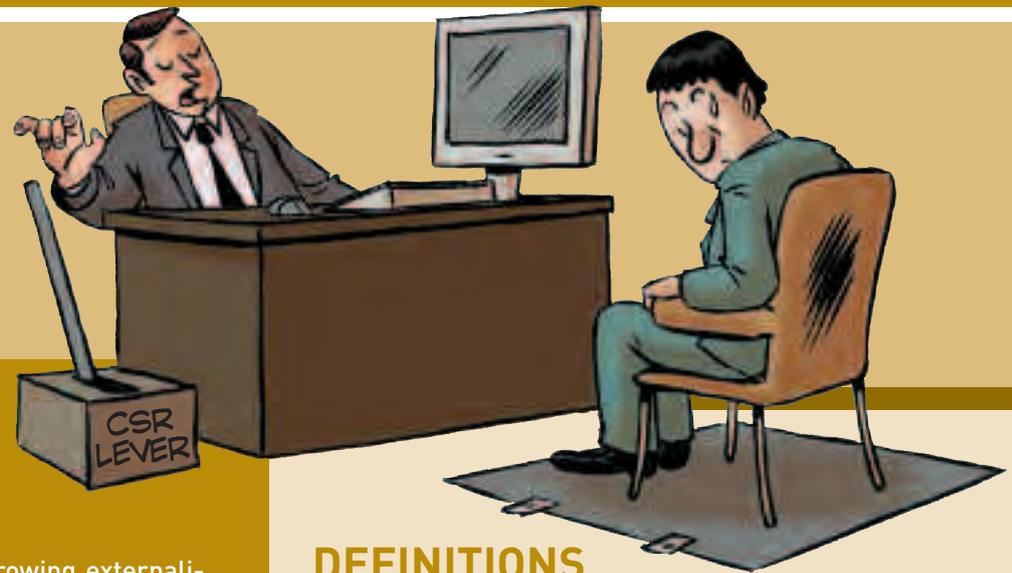
For **Tetra Pak**, the partnership consisted of an analysis of a product life-cycle, which revealed that carton brick packages are more advantageous than glass from an ecological standpoint – even if glass is recyclable ad infinitum, the energy cost for recycling is higher than for bricks.

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### LAFARGE AND WWF - Reporting

- Together, the two partners have drawn up eight performance indicators and their controls and results are published yearly (environmental audits of sites, quarry rehabilitation plans, greenhouse gas emissions, water and energy consumption, raw materials, etc.).
- 71% of Lafarge's 800 quarries have a rehabilitation plan permitting restoration of the site's biodiversity
- Significant progress in the reduction of CO<sup>2</sup> emissions (12.7% reduction in CO<sub>2</sub> emissions/t cement)
- Substitution of raw materials used in the production of Cement (10% in 2005) and Gypsum (50.6% for plasterboard)
  - The two partners have played a pioneering role which has encouraged the rest of the industry to follow their example.

# Corporate Engagement WITH SUPPLIERS



## CONTEXT

Under the combined effects of growing externalisation and subcontracting, purchasing, which represents 60% of corporate turnover in Europe on average, has become essential to competitiveness, as much through the ability to optimise costs (economies of scale and reduction of total possession cost) as by their contribution to innovation and risk management (sustainability and supply chain security, corporate image, etc.).

In recent years, the Purchasing function has also become one of the preferred fields for growing corporate stakeholder scrutiny of the way products and services are devised, their social and environmental impact and their means of market insertion. As a key interface between the company and its environment, buyers have a central role to play in understanding the implementation of sustainable development action within and beyond the boundaries of the organisation. They must arbitrate between growing, sometimes contradictory demands from stakeholders (customers, employees, suppliers, unions, shareholders, prescribers, civil society...) and find ways of reaching good global performance.

## DEFINITIONS

- **In theory:** sustainable purchasing or responsible purchasing designates purchases of goods and services which take into account various economic, social and environmental dimensions all along the supply chain, especially through new characteristics or specific contractual clauses.
- **In practice:** sustainable development and CSR are integrated in the purchasing function following two complementary approaches:
  - A product-based approach aiming to verify the usefulness of the purchase then selects those products which are most respectful of the environment and social regulations.
  - A supplier / subcontractor-based approach aiming to go beyond the selection and evaluation of suppliers and subcontractors based solely on economic performance, to integrate their social and environmental performance.
  - The company encourages suppliers to adopt common values and asks them to engage in a process of continuous improvement.
  - It may be conducted either as part of an overall approach, or through risk analysis along product/market/country lines.

# ENGAGE with suppliers - why and how?

## ■ WHY?

A range of external constraints and opportunities lead companies to adopt a sustainable purchasing strategy and integrate sustainable development in their relations with suppliers and subcontractors.

### **Greater responsibility and increased risks**

- Today's companies are seen less as strictly delimited legal entities than as part of an ecosystem (employees, customers, suppliers, environment...) upon which they have daily effect. As purchasers, they have a responsibility to improve relations with their economic partners as well as their future.
- The growing recourse to delocalisation, subcontracting production and sourcing to low-cost countries increases environmental, social (social dialogue, working conditions) health/security and human rights related (child labour, forced labour) risks significantly. These risks have a direct impact on the purchasing function, since the buyers are responsible for identifying and mastering all of the risks incurred by the company upstream of the supply chain.
  - It is worth recalling that it was after a public denunciation campaign concerning non-respect for ILO fundamental conventions by their suppliers that groups such as Chiquita and Ikea engaged in the signature of framework agreements with international union federations and that supplier relations are now integrated in almost all international framework agreements.
- Globalisation, coupled with widespread media coverage has engendered a parallel set of risks described generically as "reputation risk", or risk for corporate image. Any CSR default by a supplier or subcontractor can have a significant effect on the reputation and credibility of a company.

### **In response to regulatory change or by voluntary engagement whilst remaining coherent with corporate engagements**

- Companies must respond constantly to market evolution and anticipate new norms and regulations.
- They are also subject to growing pressure from stakeholders to transform their sustainable development engagements into acts in various corporate functions, especially supplier relations.
  - In the private sector, this issue is covered by a growing number of recommendations by international organisations and regulatory changes (GRI, Global Compact, local legislation etc.)
  - For public procurement, the legislation is stricter.
- European Parliament and Council Directive 2004/18/EC on "the coordination of procedures for the award of public works contracts, public supply contracts, and public service contracts", stipulates that public buyers may include environmental and social criteria in various stages of the tendering process. Implementation of this principle in French national legislation led to the modification of the Public Procurement Contracts Code (Code des marches publics - 2006), which introduces both voluntary (Article 14) and compulsory (Article 5) sustainable development objectives.

### **The search for new opportunities allowing improved competitiveness**

- Sustainable development applied to purchases can also strengthen corporate competitiveness and become a competitive argument.
  - Its integration in supplier relations, in a process aimed at continuous progress, leads to higher quality and global performance. It promotes new chains of competence, lower costs, technological leaps and richer cooperation.
  - The implementation of a responsible purchasing strategy increases supply chain security, strengthens corporate image and makes companies both more attractive and more competitive.

Dialogue between companies and their suppliers and subcontractors also satisfies two distinct visions of supplier relations.

- A defensive vision where stakeholders are powerful and the responsibility of the company as a purchaser is at issue.
- A proactive vision including supplier relations in a virtuous cycle, whereby the company considers that any improvement in the social and environmental performance of its suppliers gives it a competitive advantage and that, on the contrary, any lack of vigilance concerning their practices is dangerous.



## Opportunities and risks in engaging

	For companies	For suppliers
Opportunities	<ul style="list-style-type: none"> <li>• Improvement in quality and global performance</li> <li>• Better supply chain transparency (better management of social, environmental, health, human rights and reputation risks)</li> <li>• Normative and regulatory forecasting</li> <li>• Enriched collaboration – co-design</li> <li>• Innovation</li> <li>• Strengthening attractiveness (internal and external)</li> <li>• Long-term reduction in ownership and creation costs</li> <li>• Improvement in non-financial ratings</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement in quality and global performance</li> <li>• Customer loyalty in a long term relation of confidence</li> <li>• Promoting new CSR competitive advantages</li> <li>• Normative and regulatory forecasting</li> <li>• Strengthening attractiveness (internal and external)</li> <li>• Improvement in non-financial ratings</li> </ul>
Possible risks	<ul style="list-style-type: none"> <li>• Increased exposure along a boundary that is difficult to control</li> <li>• Influence capacity is sometimes limited</li> </ul>	<ul style="list-style-type: none"> <li>• Presence of contradictory claims (pressure on prices and delivery timing, but new CSR requirements).</li> <li>• Insufficient financial, human and logistical resources (SMEs)</li> <li>• Major investment and related financial risks where there is a lack of visibility as to the mid-term strategy of customers or short-term contracts.</li> <li>• Risk of dependence vis-à-vis the buyer if the turn over is predominantly realised with him/her</li> </ul>

## ■ HOW?

Given the diversity of possible situations, there is no single CSR engagement strategy for suppliers and subcontractors; every company must adopt its own approach.

However, various approaches may be observed as a function of the underlying supplier relations vision, sector specific risks, corporate culture and the maturity of the responsible purchasing process.

- Raising awareness: this minimalist approach is generally chosen in sectors where purchasing raises little social or environmental risk, by companies that are launching a responsible purchasing process, and in those segments where purchasing or supplier groups are seen as low-risk. The aim is to minimize risks (particularly for corporate image) by adopting a precautionary attitude.
  - The process is unilateral, precautionary, inexpensive and non-compulsory for suppliers.
  - It is essentially based on self-evaluation and good practices
  - There is little, if any, review.
- Seeking to increase quality and/or manage social risk: These approaches are closely linked to the incremental internationalisation of production and the growing share of low-cost countries in the supply chain. Initially developed in industrial sectors with high environmental and procurement risks and in textile, clothing and mass retail sectors (social and human rights risks), they now tend to be generalized within all highly decentralized international groups and/or those using local suppliers in emerging countries.
- This approach requires preliminary multi-criteria mapping (products/markets/countries).
- The action is progressive and specific tools are adapted to each area.
- Sustainable development tends to become an additional criterion for the evaluation and selection of suppliers, alongside issues such as quality/costs/timing.
- The obligations of suppliers are increased.
- The collaborative aspects of the action will become greater as the company's level of maturity as regards responsible purchasing increases.

The main tools used during the progressive stages of the purchasing process / lessons from past experience

		Advantages	Drawbacks
<b>Referencing Phase</b>	<p>Declaration of engagement by buyer</p> <ul style="list-style-type: none"> <li>- Code of conduct</li> <li>- Charters</li> <li>- Code of ethics</li> <li>- International framework agreements</li> </ul> <p><b>Request for engagement from the supplier</b></p> <ul style="list-style-type: none"> <li>- Letter or charter</li> </ul> <p><b>Diagnosis</b></p> <ul style="list-style-type: none"> <li>- Self-evaluation surveys</li> </ul> <ul style="list-style-type: none"> <li>- Auditing (rare in the 1<sup>st</sup> phase)</li> </ul> <ul style="list-style-type: none"> <li>- Introduction of SD criteria at the time of the consultation</li> </ul>	<ul style="list-style-type: none"> <li>- creation of a suppliers and SD web-space</li> <li>- distribution of codes and charters via the Internet</li> <li>- translation into numerous languages</li> <li>- provision of the buyer's code of ethics to suppliers for information</li> <li>- follow up surveys with interviews</li> <li>- adapt the survey to the sector and issues/risks involved</li> <li>- ensure post-survey follow-up</li> <li>- analysing practices as a function of the country and sector gives a first impression of its capacity for influence</li> <li>- use a referential comprising both absolute and relative criteria (economic, cultural, regulatory and variable specificities)</li> </ul>	<ul style="list-style-type: none"> <li>- lack of visibility for the supplier on the mid-term strategy of the company</li> <li>- gap between managerial intentions of the buyer with respect to SD and reality in the field</li> <li>- too many codes of conduct with various requirements</li> <li>- multiplicity of requests for information</li> <li>- widely varying demands</li> <li>- complex surveys with short reply periods</li> <li>- criteria that are too strict or too limited</li> <li>- insufficient weight given to SD criteria</li> </ul>
<b>Contractualisation Phase</b>	<ul style="list-style-type: none"> <li>- General and specific clauses</li> </ul> <ul style="list-style-type: none"> <li>- Certification or labelling procedures</li> </ul>	<ul style="list-style-type: none"> <li>- balanced clauses between buyer and seller</li> <li>- ensure that the duration of the contract is sufficient to allow the supplier to achieve the required progress</li> <li>- clearly identify the issues and evaluate the risks in order to calculate the opportunities and challenges for the supplier</li> <li>- participate in financing the project or make internal funds available</li> </ul>	<ul style="list-style-type: none"> <li>- wide-ranging demands for engagement without any clear relation to the sector or service</li> <li>- demands that do not take account of the level of SD maturity of the supplier</li> <li>- clauses that are too general do not allow real implementation of CSR action and cannot be effectively reviewed</li> <li>- excessive penalties</li> <li>- contradictory instructions between the economic objectives imposed on buyers and SD communication</li> <li>- maintaining unbalanced relations and difficult negotiations</li> </ul>
<b>Contract execution phase</b>	<ul style="list-style-type: none"> <li>- monitoring and accompanying progress</li> <li>- compliance audits</li> <li>- progress and follow-up plans</li> </ul>	<ul style="list-style-type: none"> <li>- ensure that the improvement requested does not impose excessive or unreasonable constraints on the supplier</li> <li>- involve professional associations to conduct joint action with competitors</li> <li>- promote and participate in sectoral approaches and multiparty discussions</li> <li>- absolute respect for terms of payment</li> </ul>	<ul style="list-style-type: none"> <li>- costs of audits</li> <li>- redundant, ineffective audits</li> <li>- various normative references</li> <li>- delayed delivery date - not socially responsible.</li> </ul>



# Measuring the effectiveness of the engagement

A realistic, relevant, available and opposable indicator system must be established to allow follow-up on progress, failings and results achieved and to report to stakeholders in a spirit of transparency.

Going even further with the action:

- Cross over from a risk management culture to a risk prevention culture
  - Show openness and flexibility, recognising suppliers as a source of proposals, by asking them to evaluate the company's purchasing policy or by inventing new forms of collaboration with them in the CSR domain.
- Valorise the immaterial capital linked to responsible management of supplier relations and show that SD action allows reduction of TCO (Total Cost of Ownership) over time.
- Look to external initiatives and move towards shared action and networking.

## CSR Referentials and Norms:

- NRE Law: [www.legifrance.gouv.fr](http://www.legifrance.gouv.fr)
- Global Reporting Initiative (GRI) : [www.globalreporting.org](http://www.globalreporting.org)
- Global Compact : [www.unglobalcompact.org](http://www.unglobalcompact.org)
- Iso 9004 – Iso 14001- Iso 26000 – : [www.iso.org](http://www.iso.org)
- SA 8000: [www.cepaa.org](http://www.cepaa.org)

## Indicators proposed by companies :

- Limited % of the total turn over of the supplier (to avoid dependence)

### Sanofi (5,000 suppliers) proposes 4 indicators:

- the % of sales with the company audited (25% in 2008)
- the number of internal audits
- the number of buyers trained in CSR (human rights, corruption, environment)
- the number of action plans set up.



# RECOMMENDATIONS

## **Pragmatic implementation and a long-term vision of progress:**

There is no external methodology for taking sustainable development into account in supplier relations. It has to be anchored in corporate culture, dovetail with existing processes and extend over time, with realism and the true intention of achieving continuing improvement.

- It has to promote debate and dialogue between all actors involved in purchasing.
  - It is often indispensable to first establish internal working groups, involve suppliers upstream of the action and conduct pilot projects.
  - It may also be appropriate to broaden the dialogue to others stakeholders (NGOs, unions) and associate them in the construction and evaluation of the action.
- All existing purchasing processes must be reviewed and reporting updated to integrate SD criteria.
- It must encourage suppliers and subcontractors, give them the means to understand the new requirements and allow them to adapt their behaviour and action.
- Create, if possible, the conditions for co-ordination between the suppliers and the various support functions concerned in the company (buyers, legal, accounting...)

Clearly, there is tension between taking account of sustainable development in supplier relations and the short term obligation for purchasing profitability and reduction of costs. The situations are so varied that rules cannot be laid down. Each organisation must analyze the potential conflict areas to identify the issues and allow management to fix appropriate rules.

## **Co-ordinated action**

The integration of sustainable development in supplier relations goes beyond the purchasing sphere. It requires strong management involvement and long term support.

It requires working with other departments (sustainable development, general services, logistics, legal services, regulatory monitoring, human resources, training, communication, marketing, sectoral divisions) and the establishment of a network of implementation relays at all levels of the company.

## **Integrate and accompany**

The success of this approach depends on enhancing awareness and training all those involved in supplier relations: prescribers, buyers, lawyers, customers and their mobilization over time. They do not need to become sustainable development experts but know enough to better exercise their business and enrich supplier relations.

## **Two principles to remember:**

- Pragmatic, collaborative implementation, by stages
- Don't ask how much the action costs but how much it will bring in through anticipating risks and creating long-term value.



## **For more information...**

- 2007 - "Directory - purchases and sustainable development - How to integrate the Social Responsibility and Environmental lever into the supplier relationship" – ORSE – The aim of this guide is to accompany companies throughout this process, based on various approaches already in use.
- Work of the Supply Chain Laboratory and Web Portal : [www.csr-supplychain.org](http://www.csr-supplychain.org)



# Best Practices - Corporate engagement with SUPPLIERS

## DIRECT DIALOGUE BETWEEN SUPPLIERS AND BUYERS

### • Initiative from the buyer

Areva uses a tool, FAR DD, to assist 80 suppliers in understanding the importance of sustainable development and improving their performance. FAR DD comes in the form of a questionnaire on the requirements of stakeholders and the SD management system. The results are presented in the form of a spider chart to enable suppliers to launch SD improvement action plans.

According to Areva, the success of a sustainable purchasing policy necessarily requires partnership work between HR, the Purchasing, Security and the Sustainable Development Departments. There must be a global approach.

### • Initiative from the supplier

#### Collective organisation of suppliers - "Pacte PME" (SME Pact)

"Pacte PME" is implemented in France by Comité Richelieu and OSEO an investor. It is a proactive commitment proposed to major private companies, public agencies and competitiveness centres to reinforce their relations with innovative SMEs, thereby speeding up the development of the best ones. It is signed by major accounts, the Comité Richelieu – representing the interests of innovative SMEs – and OSEO, the organisation structure for the mechanism and the principal innovation support player. The 2 partners also propose assistance for innovation under the aegis of "Passerelle", which enables tripartite financing of innovation projects between the SME, the major account, and OSEO. Pacte PME also associates competitiveness centres and professional bodies.

## RECIPROCAL INITIATIVES :

### Adecco / Rhodia Chart

A partnership charter between the company and supplier (ADECCO) for the provision of temporary labour has been set up to reinforce the commercial relationship.

In the event of a mortal accident, the crisis management unit consists of representatives of Purchasing, SD and Security Departments. This enables a structured, sound cause route to be traced to explain the origin of the accident and propose solutions for the future.

Moreover, to develop the awareness of its buyers of their own behaviour, Rhodia questions them on the first criteria applied to the selection of suppliers and encourages them to consider social and environmental criteria.

## WITH A STAKEHOLDER AS INTERMEDIARY

### With Trade Unions

#### - in International / European Framework Agreements

Supplier/subcontractor relations are integrated into almost all international framework agreements. Generally speaking, all societal and environmental commitments that the parties wish to comply with under these agreements must also be upheld by suppliers (see chart 6)

#### - in a dedicated framework agreement :

##### EDF

In the spirit of the Group's CSR agreement within the scope of EDF SA, the CEO and the social partners (CFDT, CFE-CGC and CFTC trade unions) signed a 3-year agreement on 19 Oct. 2006 on socially responsible outsourcing. The aim of this agreement is to reinforce action to enable EDF to exercise its social responsibility in the area of outsourcing and to help subcontractors and employees that work for the account of EDF to implement the best employment, qualification, working and health/safety conditions, in full awareness of the risks inherent in the activities carried out.

## Best Practices - Corporate engagement with SUPPLIERS

### With an NGO - Carrefour - FIDH

Since 2000, with the support of FIDH (International Federation for Human Rights), Carrefour has drawn up a Social Charter signed by all of its own brand product suppliers. To ensure that these companies comply with the Charter, especially in countries requiring particular attention like China, India and Bangladesh, they conduct social audits outsourced to independent bodies. These audits are based on a grading system, from A (compliance with Charter and best practices implementation) to D (critical situation requiring major corrective action). In the event of non-conformity, a corrective action plan is put in place. The Group gives priority to assisting its suppliers, only removing them from supplier lists if they are in serious breach of the charter or refuse to apply corrective measures.

Carrefour considers this monitoring procedure insufficient to tackle all the problems, and works with local NGOs to train its suppliers' employees and managers in their rights and duties regarding labour issues.

Carrefour is among the co-founders of the "Social Clause" initiative in France, which helps French businesses share tools and audit results. They also took part in the creation of the Global Social Compliance Programme (GSCP), part of the International Committee of Food Retail Chains (CIES).

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## SECTORAL INITIATIVES:

### In the retail sector:

- On an international level, the CIES which combines 190 companies from the worldwide mass food distribution sector and their main suppliers in more than 150 countries, have just announced the launch of a worldwide programme for social compliance (GSCP).

Bringing together such retailers as Tesco, Wal-Mart, Metro and Migros along with several manufacturers, the programme aims to promote the harmonization of social-audit standards and the sharing of best practices. There are more than 1,000 standards around the world. A single supplier could conceivably submit to social audits several times per month by various companies and according to various criteria. This is a source of confusion. It is essential to put across a single, consistent message to suppliers and to invest in raising awareness and training rather than multiplying the number of audits performed. The challenge is to bring together the best practices as a means of raising standards. Carrefour monitors this process, as do all of the other members of the GSCP advisory committee (the FIDH, UNI, CSR Asia and United Nations Bureau for International Partnerships); this is a vital element of our programme.

### In the information technology and communication sector:

- Information technology and communication suppliers and operators have launched GeSI (Global Information and Communication Technology Sustainability Initiative) and in this framework, conduct common work on the management of social and environmental risks in the Supplier relationship. [www.gesi.org](http://www.gesi.org)

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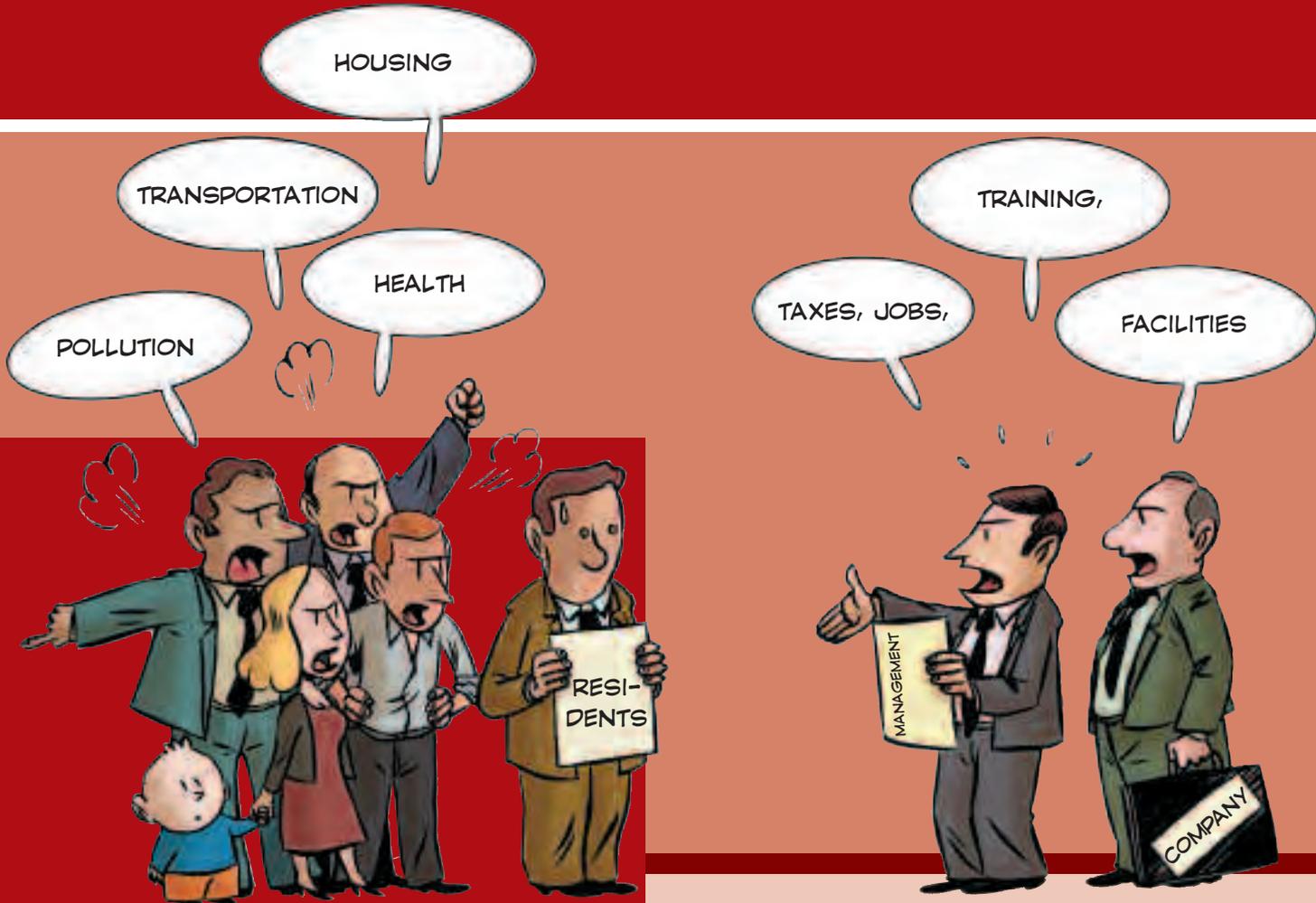
## NORMS AND AUDITS : Norme SA 8000 : [www.cepaa.org](http://www.cepaa.org)

The SA8000 Standard is an auditable certification standard based on international workplace norms of International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

Monitoring of suppliers is dealt with in the chapter on management review (extracts):

- 9.6: The company shall establish and maintain appropriate procedures to evaluate and select suppliers/sub-contractors based on their ability to meet the requirements of this standard.
- 9.7: The company shall maintain appropriate records of suppliers/sub-contractors commitments to social responsibility, including, but not limited to, the written commitment of those organisations to:
- a) conform to all requirements of this standard (including this clause);
  - b) participate in the company's monitoring activities as requested;
  - c) promptly implement remedial action to address any non-compliance identified against the requirements of this standard;
  - d) promptly and completely inform the company of any and all relevant business relationship(s) with other suppliers and sub-contractors.
- 9.8: The company shall maintain reasonable evidence that the requirements of this standard are being met by suppliers and sub-contractors.

# Corporate engagement with local COMMUNITIES



## CONTEXT

In the perspective of their long term development, enterprises act responsibly vis-à-vis their neighbourhood and ensure their activities contribute to **community development**.

Setting up a company in a district, city, employment pool, country or region implies engagement in favour of local communities and development. In practice, this engagement means backing economic development, supporting local social development, employment and respect for the impacted environment as well as dialogue with local stakeholders (investors, local authorities, the local population, NGOs and associations).

## DEFINITIONS

This action, often called **community development**, is a key issue for companies, both in terms of acceptance in the neighbourhood of site location and by local stakeholders, and in terms of sustainable business. A distinction is generally made between the local population and their representatives (NGOs, associations), on the one hand, and the local elected representatives and authorities of the territory and its residents, on the other.

# ENGAGE with local communities why, who, how?

## ■ WHY?

Corporate establishment in national and international territories requires the organisation of dialogue with the local population and authorities, and lies within CSR policies for three main reasons:

### • Licence to operate - political, economic and social integration

Community involvement and development promote communication and positive relations between a company and local stakeholders. It facilitates acceptance of corporate activities by the local population. It creates opportunities for synergy with local decision-makers, who are more apt to support the company in case of difficulty, thus facilitating the long-term sustainability of its activities within the country. In certain delicate contexts, it also tends to reduce incidents and tension, thus preventing provocation and security risks.

### • Human resources management issues:

Through socio-economic development in a country, companies help to create pools of local workers with the specific skills they need. Moreover, community development helps to attract and retain qualified personnel, by developing their pride in belonging to the company's social core and thus favours a better internal climate. This involvement also leads to more dynamic management by giving directors direct access to their environment.

### • Innovation and market issues:

Community development allows a company to stand out from its competitors, especially when making tender bids, and may even lead to new contracts. In addition, since community involvement implies a good understanding of local needs, it allows a company to develop specific skills which strengthen its capacity to adjust its products/services to the requirements of specific contexts. The company may thus respond better to the expectations of a range of consumers, becoming more competitive and creating new opportunities.

## Opportunities and risks in engaging

	For companies	For communities
Opportunities	<ul style="list-style-type: none"> <li>• Licence to operate: ability to be accepted by the local community and authorities: strengthen the legitimacy of and relations with local authorities</li> <li>• Better management of jobs / employment pools</li> <li>• Partnerships with local economic forces</li> <li>• Win – win relations with the local population</li> <li>• Return on investment (cost of health care, prevention of obesity, etc.) = decline in absenteeism, reduced cardiovascular risks</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening the local economy: provision of means of development under the supervision of a local authority: building schools, health care centres (dispensaries, clinics)</li> <li>• Rise of a local middle class: marketing, shops.</li> <li>• Communities may be involved in programs that concern unions, etc.</li> <li>• Re-institutionalisation of States deserted by weakened authorities</li> </ul>
Possible risks	<ul style="list-style-type: none"> <li>• Some sensitive activities (ex. nuclear) are irreconcilable with the preoccupations of some local groups and lead to extreme positions or opposed reasoning - Nimby (not in my backyard)</li> <li>• Difficulty in reconciling various interests: private / general / individual, notably when their objectives and expectations are antagonistic.</li> <li>• Exposure to a shopping list where the community asks everything and anything</li> </ul>	<ul style="list-style-type: none"> <li>• Problem of vulnerable populations, not always knowing how to communicate or express their wishes</li> <li>• Gray zones at the margin of projects when the financing stops. Measuring the positive impact of measures?</li> <li>• Perverse effects of "islands of prosperity" surrounded by deserts or poverty. How does one manage this tension? The issue may spread throughout the country</li> <li>• Difficulties in articulating NGOs and local authorities</li> </ul>



## The boundaries of community development:

- Dialogue with the local community: identifying impacted stakeholders, dialogue processes, consultation...
- Territorial economic development: subcontracting and local buying, development of local businesses, capacity building, support for micro-credits
- Management of economic mutation: preserving local employment and the economic fabric during restructuring
- Territorial social development: development of local employment capacity, social and professional integration, establishment of social infrastructure, etc.
- Corporate respect for human rights in relations with the local community
- Local redistribution of income and combating corruption: paying taxes to the government, public authorities, etc.

## WHO?

Dialogue is possible with a range of local stakeholders (elected representatives and administrations, associations, NGOs, the local population, the media, professional bodies, teachers, companies, etc.)

It is essential for companies to establish good relations with local communities, communicate with them and be ready to listen to their needs and expectations (including weak signals), in order to avoid tension, better understand local constraints, build confidence with local stakeholders and, in so doing, the capacity of the company to develop within the territory.

Before launching such dialogue, the company must identify the key impacted stakeholders (authorities, associations, NGOs, the local population, etc.) and means of dialogue with them (varying dialogue procedures, consultation, etc.). Dialogue may occur with various local actors. A company may also be helped or mobilize some networks that deliver pedagogical data or recommendations, that are able to set up action.

They may identify several categories of resource networks:

- Regional communities
- District advisory committees
- NGOs, associations
- Places and networks disseminating information

The geographical factor will strongly determine the relevant actors and issues concerned for company involvement. These will be more difficult to identify the further the location is from the company's original background :

- In the head office country
- Outside the country of H O
- Outside Europe
- In developing countries

## HOW?

There are a range of implementation models, according to the situations, the implantation localities... One may describe various approaches of this dialogue according to the actors and degrees of relations.

	information	consultation	negotiation
Authorities	CSR Report Letter Training	Dialogue Consultation Panels Participation in local dialogue bodies	Arbitration Agreements / partnerships with the public authorities
Communities	Sensitization, education, letters, Roadmaps Training Communication Site Visits, Open days	Public surveys The local population Transparency Dialogue in formalised frameworks Debates, Panels	Charter, codes, conventions Mediation Law Local democracy
Associations, NGOs	CSR Reports Letters	Accompaniment Panels	Strategic Partnerships, framework agreements

## CONSULTATION FOCUS :

Consultation contributes to building a local culture of sustainable development. Here are some information tips to prepare a consultation:

- Identify the initiator of the consultation: the company, the mayor, an association... stipulating the degree of decision making of the consultation. Whatever its object, consultation must be located upstream of the the project, of the action plan development, of the territorial diagnosis...
- Specify the objectives of the consultation: will the opinions expressed be taken into account or are they intended to measure tendencies, expectations? Is there a deliberating authority for debate, before the decision-making (technical committee, committee of experts, committee of partners)? Specify the exact level of intervention of the participants: dialogue, consultation, joint decision...
- Propose an agenda, specifying schedules of introduction, explanation, exchanges, debates, conclusions or possible decisions.
- Invite the participants: all the inhabitants? Representative structures of the population? Of one or more categories? According to which criteria? If the consultation is selective, mention the list of the invited organisations.
- Choose a facilitator? A mediator?
- Define the rhythm of the consultation: immediate arbitration, date of decision? Duration and rhythm of the consultation?
- Carry out an assessment of the dialogue: What return? Complete report with possibility of corrective measures by the participants, synthesis of the debate, distributed to the participants, made public...? When?

The facilitator of the consultation can also introduce rules for the smooth progress of the consultation, always useful to recall: courtesy of the exchanges, capacity of listening, respect for time schedule and agenda, search for the collective utility...

### Example of facilitation - Comité 21

Dialogue with Stakeholders is one of the bases of sustainable development and it conditions legitimacy and effectiveness of company strategies, provided that it goes beyond mere dialogue. Comité 21 made multi-actor dialogue one of its foremost missions and developed ethical and operational rules for their facilitation (within Comité 21, within the companies, the communities, at local level, group level). Since 2004, Comité 21 has undertaken at the request of member companies (Areva, Gaz de France, GDF SUEZ ...), dialogue with panels of stakeholders from its network (NGOs, public corporations of research or teaching, communities...), on the basis of precise rules approved at the same time by the company management and by the stakeholders. Gathering together the different strategic departments of companies (human resources, finance, marketing...) this opening up is essential to conduct any sustainable development strategy. It makes it possible to improve understanding of company sustainable development departments internally as well as externally while allowing stakeholders to challenge policies set up.

**In order to tackle the questions of dialogue with the communities in an overall approach it can be useful to set up an internal action plan which can be communicated to the various actors engaged:**

- to define the duration of the action plan: annual, biannual plan...
- to mobilize the partners required for implementation
- to identify the priority actions to invest
- to draw up and sign the contracts of objectives with the various actors, associations
- to animate the steering and follow-up committees
- to prepare action: constitution of work groups, validation and implementation
- to design indicators: objectives, follow-up and results
- to design the report cards



# Measuring the effectiveness of the engagement

## Implementation Tools

### References

ISO 14001

Process of identifying stakeholders (See Mapping chapter)

### Indicators

The development of community involvement indicators is very complex because it raises the issue of global/local articulation

Two global references may be used

- HDI = Human Development Index

This indicator is an average of 3 elementary indicators covering life expectancy, illiteracy and income. It is a socio-economic indicator giving equal weight to economic wealth and 2 major dimensions of human development (health and education).

- MDG = Millennium Development Goals for Development

These are a set of goals to be reached by 2015, set out in the 2000 Millennium Declaration by heads of the United Nations Member States:

- Reduce extreme poverty and hunger by half
- Ensure primary education for all
- Promote equality between sexes and autonomy of women
- Reduce infant mortality by two-thirds
- Reduce maternal mortality by three-quarters
- Combat illness, especially HIV/aids and malaria
- Ensure a sustainable environment
- Establish a world partnership for development.

### Other references

- Principle No.1 of the Global Compact indirectly evokes corporate responsibility with regard to local territories, specifying that businesses should support and respect the protection of internationally proclaimed human rights in their "sphere of influence".
- GRI: the recommended indicators mention corporate community development, with several dedicated criteria, including management of the impact on communities, social infrastructure development and taking into account the needs of the local population
- A sub-chapter of the EU Green book devoted to "local communities" specifies that corporate social responsibility also covers the integration of companies in their local area, whether at the European or international level. Companies make their contribution to the community by providing jobs, salaries, services and tax income.
- The frameworks used by "social" rating agencies - The conduct of a company in its territory of establishment is also a key CSR evaluation criterion for non-financial rating agencies.



## RECOMMENDATIONS

- Integrate community development in global corporate policy and in various sectors (purchasing, HR, etc.) to avoid segmenting
- Evaluate the risks before launching dialogue
- Be strict about the way dialogue is conducted
- Sensitize company personnel and promote general ethical practices
- Establish a link between rich and poor people (so that funds go to intermediate bodies for propagation throughout the population)
- Understand the real issues by investigating the tools
- Develop local engagement practices to adapt action to local context



### For more information...

2006 – IMS – ORSE – Guide on Corporate Territorial Anchoring: International Piloting and Reporting

[http://www.orse.org/site2/maj/phototheque/photos/docs\\_actualite/guide\\_ancrage.pdf](http://www.orse.org/site2/maj/phototheque/photos/docs_actualite/guide_ancrage.pdf)

[http://www.orse.org/site2/maj/phototheque/photos/doc\\_actu\\_en/summary\\_vd.pdf](http://www.orse.org/site2/maj/phototheque/photos/doc_actu_en/summary_vd.pdf)





# Best Practices - Corporate engagement with LOCAL COMMUNITIES

## **GDF SUEZ - “Communities info”**

The programme “communities info” has been carried out for several years by the Parisian Company of urban heating (CPCU). The objective of this project was to propose a service of distribution of quality to the customers. With this intention, the CPCU decided to set up a procedure of information and dialogue as a building site was starting. District meetings gather all the interested parties to explain the stages and the timeframe of the project. An organisation for complaints management was set up in order to answer the requests of all potential partners. It is integrated into the quality, safety and environment policy. Each complaint is recorded then handled by the ad hoc service in order to provide an answer. The CPCU annually report to the Town of Paris on the response given on sensitive topics.

In Hungary, in 2006, the GDF SUEZ group organized roundtables on the dismantling of the power station of Dunamenti. Objective: to familiarize the residents with the project and to assure them there was no environmental or medical risk. Representatives of the public authorities and national associations and locals were invited to express themselves on their vision of sustainable development in the area.

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## **ADP - Commitments on dialogue and information - “partnership charters”**

The concepts of cooperation and partnership are essential for Aéroports de Paris. Highly exposed to various actors, the company has developed a broad range of information and consultation tools for all of its stakeholders.

Like any form of economic or even human development airport growth is sometimes faced with opposition, misunderstanding or lack of knowledge. Over and above ideological or emotional objections, a certain number of nuisances arising from air traffic subsist and constitute subjects for dialogue with local residents. In fact, every aspect of the company’s sustainability policy concerns the surrounding municipalities: environment, economic and social cooperation, sustainable spatial planning. Aéroports de Paris has therefore engaged in a “partnership charters” initiative with the municipalities around Paris-Orly, with a focus on information. This is a mutual commitment: Aéroports de Paris communicates wholly transparently on its sustainability aims and on all events affecting the environment (traffic, noise, works). The municipalities, for their part, relay the information to residents and inform Aéroports de Paris of their development projects (urban planning, transport, infrastructure). Ten partnership charters with local authorities near Paris-Orly were drafted in 2007 and four have been signed.

<http://www.aeroportsdeparis.fr/expFiles/Responsibility-report-2007.pdf>

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## **AREVA - A motor for economic development - AREVADELFI**

The mission of AREVADELFI, the group’s risk capital company, is to support economic development in regions in which the group conducts business. Ever since it was established in 1998, AREVADELFI has invested some 10 million euros to help get more than 100 projects off the ground, representing a total of 2,295 jobs. In 2007, AREVADELFI focused on technology and innovation projects in regions where it had not yet been involved. Of the 70 projects reviewed, 16 were selected, leading to the creation of 400 jobs. The competitiveness clusters created by the French government in 2006 constitute regional development tools for industry. AREVA heads up two of them: the nuclear cluster of Burgundy, in the Saône-et-Loire department, and the Trimatec cluster in the Rhone Valley. Within this framework, research and development programs have been set up and bring the group together with small and mid-sized local businesses, for mutual benefit. Continue to internationalize projects in line with the consolidated group’s new perimeters.

Support a dozen large-scale development projects, in terms of jobs, via AREVADELFI.

Provide economic development support in departments hosting the Bure disposal site in France.

## Best Practices - Corporate engagement with LOCAL COMMUNITIES

### **TOTAL - 3 local dialogues experiments**

In 2007, Total conducted three innovative consensus-building experiments in France, one concerning the Lacq site, where they are building a pilot CO2 capture and sequestration facility, and two concerning the Feyzin refinery, located in an urban area. In 2006 and 2007, together with city officials from Feyzin, they produced a guide for towns that are home to Seveso-classified facilities and for manufacturers. Entitled "Plant and City", Unlikely Neighbours, it describes the best practices used in Feyzin to build a strong relationship between the refinery and its host community. In 2007, again working with Feyzin city officials, as well as France's Institute for an Industrial Safety Culture (ICSI), they established the Neighbours Conference, an independent forum for analysis and debate. Comprising 50 members - 30 Feyzin residents, five Total representatives, five city officials and other regional stakeholders - it devises recommendations to enhance the day-to-day relationship between residents and the refinery. These recommendations are approved by the municipality and the refinery, which pays for their implementation. The Conference identified priority concerns in early 2008: the municipality's future Technological Risk Prevention Plan supporting local communities. Total is committed to contributing to the sustainable development of host communities around the world. In addition to being a normal part of good corporate citizenship, this policy fosters good relationships with neighbours and greater acceptance of Total's operations.

Thanks to the commitment of Feyzin city officials and local residents, this innovative initiative is helping to build a long-term, trust-based relationship between good neighbours. It's the key to getting people to accept our facilities in their backyard.

<http://www.total.com/en/corporate-social-responsibility>

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### **UNICREDIT - Territorial committees - Entrepreneurs, Representation, Autonomous Operators, Culture and Charity Work, University, Self-employed**

#### **Context**

Unicredit's Board of Directors appoints Territorial Committees (advisory bodies), comprising a variable number of members external to the Group, selected from key figures in the world of business, trade associations, local independent bodies, culture, voluntary organisations, and research of a specific territory, together with members from amongst the high-profile local heads of each of the Groups Segment Banks (Internal Members); those holding the office of Director in UniCredit and/or in the Groups Segment Banks (Automatic Members). In place since 2003, the committees serve as working groups and think tanks putting forward plans and proposals that provide a crucial link with the territory in question. The committees offer UniCredit a gateway, a means of tracking changes as they develop a window into the insights and attitudes of the various local entities. They offer an ideal environment for understanding the significant social and economic issues that affect the local community.

The purpose of the committees is to study new opportunities to build and strengthen relations between the bank and other businesses; to function as an "ideas laboratory", where concrete projects are discussed and initiated to rekindle local productivity and growth, thereby strongly linking social cohesion and competition in such a way that a project's driving force stems from the community itself and from the territory as a whole; to develop connections between institutional networks and the economic and productive fabric of the area, with a view to raising us all above an overly localized perspective.

The committees' activities have ranged from social projects to feasibility studies for collaborative projects with trade associations, as well as sector studies and research projects designed to improve the connections between universities and the business world.

#### **Results**

19 Territorial Committees have been set up and they totally include about 330 members. In 2007, 52 meetings have been held, for 24 projects (on infrastructure, tourism, internationalization, business, agriculture and immigration), some of them have been completed and 14 other projects have been set up. Projects represent the output of Territorial Committees activity

#### **To know more**

[http://www.unicreditgroup.eu/en/responsabilita/bilancio\\_sociale/allegati/environmental\\_report\\_2007.pdf](http://www.unicreditgroup.eu/en/responsabilita/bilancio_sociale/allegati/environmental_report_2007.pdf)  
(pag. 100-105)

# Corporate Engagement with EMPLOYEES



## CONTEXT

In the field of social dialogue, in addition to direct consultation practices such as social climate surveys, trade unions have come to be recognized (at least in Europe) as having both the role and competency to act as reliable, representative intermediaries for companies on CSR issues. Indeed, CSR extends this recognition to environmental and corporate sustainability issues.

A number of major companies have become resolutely engaged in this direction by testing new forms of dialogue with union representatives at the global and European levels in order to formalize their CSR engagement. Faced with multiple codes of conduct and ethical charters, some international companies have entered into contractual commitments, through transnational framework agreements, with a European or international union federation.

## DEFINITIONS

Corporate engagement with employees may operate at two levels: either through various direct forms (individual interviews, social enquiries, etc.) or in a more indirect way, through employee representatives and unions, at all levels of the workforce.

Although companies see social partners as stakeholders, the latter often consider themselves more as a constituent party.

# ENGAGE with employees why, who, how?

## ■ WHY?

### • Assert the sincerity of action

In order for companies to ensure the credibility of their strategic choices concerning CSR action, it is in their interest to define the focus and limits of their engagement.

### • Present quality social dialogue contributing to a performance based approach

Evaluating engagement together with employee representatives consolidates relations with them while guaranteeing the pertinence and performance of the commitments adopted.

### • Ensure the global to local breakdown of engagement

When unions are included in CSR action, they may serve as relays with employees. The level of engagement will depend on the approach chosen to mobilise these relays. It is up to each company to create the conditions for dialogue and articulation between local and global partners and choose the relevant instruments.

### • New fields for social dialogue:

Clearly, the range of issues for which corporate engagements is being made greatly exceeds their traditional fields of intervention. Of course, one may find traditional themes in implementation instruments and agreements: fundamental social rights and human resources (Elements of HR planning: jobs, training, working hours...), health and security, but also new issues:

#### Global issues

- Environment
- Diversity / professional equality
- Corruption
- Client relations
- Restructuring
- Housing
- Human rights: freedom of association and collective bargaining, elimination of forced labour, abolition of child labour

#### Societal expectations of companies

- Supply chain management / purchasing (see "suppliers" chapter)
- Work-Life balance / wellbeing (psychosocial risks...)
- Diversity / professional equality
- Client relations
- Housing

## Opportunities and risks in engaging

	For companies	For unions
Opportunities	<ul style="list-style-type: none"> <li>• better understanding of crises (strikes etc.)</li> <li>• protect against image risks</li> <li>• social dialogue allows companies to sustain their CSR action, making it more credible for external stakeholders because it is shared by all employees.</li> </ul>	<ul style="list-style-type: none"> <li>• become involved in fields other than work and employment conditions</li> <li>• CSR generates new tools for the questioning and evaluation of commitments (framework agreements, certification, etc.)</li> <li>• Affirming fundamental social rights</li> <li>• Widening perimeters of influence</li> <li>• Place social dialogue at the heart of corporate strategy</li> </ul>
Possible risks	<ul style="list-style-type: none"> <li>• the conditions for success lie in an appropriate articulation between global and local engagement, showing the need for companies to train unionists</li> </ul>	<ul style="list-style-type: none"> <li>• Danger of dilemmas: defending an environmental cause that may have an impact on jobs (reduction)</li> <li>• Gaps between proclaiming fundamental principles and practical reality</li> </ul>



## WHO?

Company Boards seek to optimise their human resources strategy from the local to global levels through dialogue with:

- Their employees directly, or
- Their representatives who, depending on the issue and forum, may be:
  - Employee or union delegates within establishments,
  - Members of works councils from establishments within the group committee,
  - Members of the European works council (EWC),
  - Members of a European or World dialogue body,
  - Representatives of a European or Global Union Federation

### Perimeter?

The parties must determine the perimeter of their engagements: subsidiaries, sub-contractors and suppliers (levels 1, 2, 3...). The resulting challenge is to establish a communication network for the entire group, i.e., extend the measures taken for employees to all countries where the company is present.

## HOW?

**The practices and tools** companies use to communicate with employees and their representatives may be categorised according to varying degrees of relation:

	information	consultation	negotiation
Employees	Intranet, internal newsletter, information letters, emails	Barometers, social climate surveys	Individual interviews
Staff representatives, unions	European Works Councils (EWC)	Social dialogue, EWC, group committees	European, international and collective framework agreements

### Direct dialogue with employees:

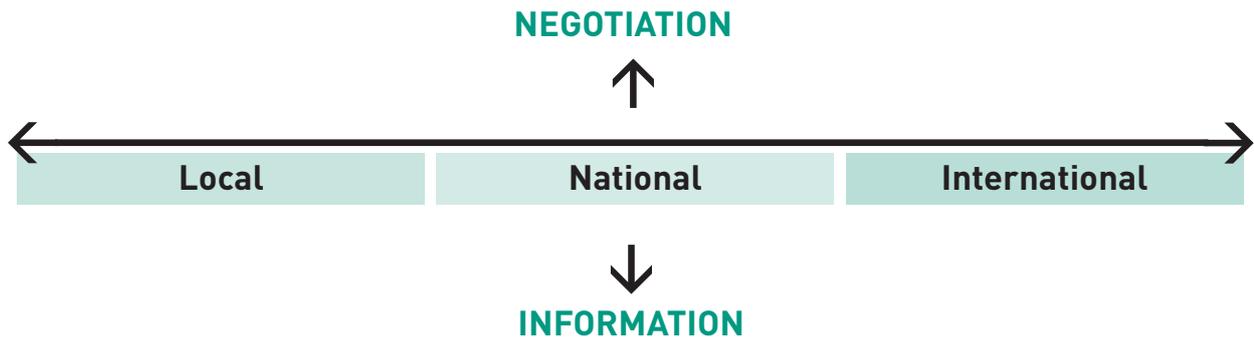
Many companies establish surveys to enhance awareness of the social climate, satisfaction and expectations of their employees. It may be useful to include some questions relating to CSR issues so as to consult employees directly on these subjects

### Mapping modes of engagement:

Both company directors and union representatives may find it useful to formalize a visual presentation into which they will be able to add:

- The various subjects of negotiation,
- Their voluntary or obligatory nature,
- The nature of the engagement: information, consultation or negotiation,
- The most efficient level of intervention or the nature of the structures involved (local, national or supranational, EWC, Staff Representative, Group committee, Board, European or international sectoral federation, etc.)

## Elements for mapping discussion subjects and forums with unions



### Union federations:

Now that global exchange networks are being developed between union representatives within single companies, unions should consider the conditions for optimising their engagement, following the logic of synergy and complementariness of various levels of representation and negotiation.

International union federations such as ICEM or UNI ensure the promotion of global union networks with their representatives in the form of practical guides.

# Measure the effectiveness of the engagement

## CSR references and tools for use by unions:

Most instruments of social dialogue make reference to universal international standards:

- Principles of the Global Compact (“Business is asked to uphold freedom of association and the effective recognition of the right to collective bargaining”)
- OECD guidelines on the right of employees to be represented by legitimate organisations and to constructive negotiations.
- ILO fundamental conventions Nos. 87, 98 and 135 guaranteeing union freedom and the principles of collective negotiation

The company must introduce these principles taking account of local regulations, but with a concern to prioritise social dialogue with unions and employee representatives in human resources management strategies.

In the European context, the treaty envisages that social partners will adopt a subject that will allow the creation of texts related to draft directives.

## Reporting / choice of performance indicators:

Companies can define and refine their reporting indicators through consultation with employees in various ways

- **Directly:** through individual interviews and internal enquiries
- **Indirectly** through staff representation bodies: union workers are particularly legitimate as staff representatives, especially when they are organized at the local, national and international levels, able to contribute to identification of the relevant indicators to be used in societal reporting by the company.



In this respect, The GRI proposes the following indicator:

**LA4: percentage of employees covered by a collective labour agreement**

A reserve having been raised about this indicator, claiming it is impossible to obtain a figure in all countries for various reasons (either legal issues or due to absence of the concept in some countries), some companies preferred to describe the indicator as follows:

**Percentage of subsidiaries or business units covered by a company or sector-wide collective labour agreement (see “good practices”)**

Even wider, one might also propose:

**Percentage of subsidiaries with employee, union appointed representatives.**

This indicator is very interesting, especially when broken down for major global geographical zones, because it identifies the countries where there is no social dialogue and, consequently, possible social risk. Indeed, in the absence of internal communication by employees, disputes may be made public, with a risk for the image of the company. Some companies are beginning to include unions in reporting action and/or give them space to speak out in their annual report (Danone, Carrefour, Lafarge and EDF)

**The place granted to unions in annual company reports has three main variants:**

- explicit reference to Business/Union relations
- description, proportionally more popular, of internal company staff bodies, which are linked with unions
- presentation of the "results" of this dialogue, leading to the signature of agreements

As regards measuring the engagement, the two parties may conduct parallel self-evaluation.

For example, some piloting and verification tools have been established, such as the toolkit for DHR and subsidiary managers, allowing them to appropriate engagements such as worldwide agreements adopted globally

## RECOMMENDATIONS

- Balance tools for direct dialogue with employees (enquiries, questionnaires) with tools for dialogue with staff and union representatives
- Create the conditions for a climate of confidence with unions
- Give unions the capacity to be actors of social dialogue
- Reconcile fundamental international principles and respect for local legislation
- Ensure dialogue on these subjects with the competent consultation bodies at each level, taking into account actors involved in passing from global to local
- Group-level requirement for local representation of employees in production sites



### For more information...

Guides and studies:

- 2007- Directory for International Framework Agreement Negotiation - ORSE  
[http://www.orse.org/site2/maj/phototheque/photos/docs\\_an/IFA\\_june\\_2007.pdf](http://www.orse.org/site2/maj/phototheque/photos/docs_an/IFA_june_2007.pdf)
- International Framework Agreements list :  
<http://www.orse.org/site2/index.php?page=167>



# Best Practices - Corporate engagement with EMPLOYEES

## FORMALISING CSR ACTION WITH UNIONS AT THE GROUP LEVEL

Companies are increasingly choosing to make contractual engagements with unions in a European or even worldwide context rather than making unilateral commitments in the form of a code of conduct.

International union federations consider that only such contractual action lends credibility to corporate CSR engagements:

Case statement developed by the International Metalworker's Federation (IMF)

### Codes of Conduct

- 1 - Unilateral initiatives
- 2 - Do not necessarily recognise all core labour standards
- 3 - Rarely cover suppliers
- 4 - Monitoring, if any, controlled by management
- 5 - Weak basis for labour-management dialogue

### International Framework Agreements

- 1 - Negotiated between labour and corporate management
- 2 - Recognise all core labour standards
- 3 - Usually cover suppliers
- 4 - Unions involved in implementation
- 5 - Strong basis for dialogue between trade unions and management

In 2008, 63 multinational companies (including 57 European companies) signed an International Framework Agreement (IFA) with a global union federation

Negotiation issues:

- respect for ILO fundamental conventions (notably on freedom of association and the right to collective bargaining)
- human rights, environment and corruption
- health, security, reorganisations, training
- non-discrimination, diversity, salaries, social welfare.

## DISCUSSION WITH UNIONS TO DEFINE SUSTAINABLE DEVELOPMENT REPORTING INDICATORS

It is not easy for companies to provide information concerning all of the sustainable development reporting indicators required by national laws and initiatives such as the Global Reporting Initiative. In addition to the difficulty in consolidating information globally, some of the information requested is not always relevant to the company's sector of activity. Thus, it can be helpful for companies to select a limited number of indicators that satisfy the expectations of staff representatives.

Some companies, such as Rhodia and Danone, have chosen to negotiate the indicators as part of their International Framework Agreement (extract from International Framework agreements):

“**Rhodia** will draft an annual review assessing the application of this agreement based on the indicators selected. Health, safety, environment: Percentage of sites audited in terms of health, safety and the environment over the past three years, according to the company's reference database, TF1: work-accident frequency rate leading to time off, expressed in terms of the number of accidents per million working hours, TF2: work-accident frequency rate either leading or not leading to time off, expressed in terms of the number of accidents per million working hours, environmental impact and natural resources: water, air, energy consumption, waste management. Employees and labour-management dialogue: Mobility: number of jobs filled by internal candidates, job training, current dialogue structures. Rhodia and ICEM will discuss ways to optimise the currently reported labour indicators and determine new requirements.”

**Danone:** “With the increasingly international context in Groupe Danone, and considering new facilities being set up in new territories, it appears necessary to redefine together the most significant social indicators. These indicators, intended for Information and Consultation Committee (CIC) members and IUF affiliate organisations, highlight our determination to measure progress achieved on key topics in the Group's social policy. This information covers all Group activities. It is provided in a consolidated form for all relevant levels (Group, WWBU's, geographical zones or countries concerned).

## PARTICIPATION OF UNIONS IN VERIFICATION OF CORPORATE CSR ENGAGEMENTS

Companies that make commitments in the sustainable development field may involve global or local unions in verifying compliance with these commitments.

### Verification at the global level by the EADS European Works Council:

"In the countries in which EADS operates, trade union or works council representatives may inform central management orally or in writing of any breach of one or more terms of the aforementioned provisions. EADS central management shall take appropriate measures to eliminate any breach of the aforesaid principles, reporting on any measures taken to a plenary session of the European Works Council. The European Works Council may submit proposals for corrective measures to ensure compliance with this agreement to the management of EADS or the relevant Business Unit".

### Local verification: PSA Peugeot Citroën

After a global CSR agreement had been negotiated and concluded with the International Metalworker's Federation, it was ratified at the local level in more than 10 countries, by around fifty unions.

The 15 globally defined commitments are the subject of annual evaluation in each country, where the local unions express their opinion on the level of achievement of the objectives.

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## PARTICIPATION OF UNIONS IN ACCOMPANYING THE AUDITING OF SUPPLIERS

Some companies associate unions in their supplier review strategy and follow-up thereon (see Best Practices chapter on suppliers p35-36):

**EDF:** Group CSR agreement on supply chain management

**Carrefour:** Partnership with FIDH

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## REQUESTING UNIONS TO PROVIDE PUBLIC ADVICE ON THE COMPANY'S SUSTAINABLE DEVELOPMENT REPORT

Unions may be invited by companies to give advice on their sustainable development report or to give their vision of strategic issues in the context of stakeholder panels.

Available in this context:

- the European Works Council
- a global union federation

Their advice may be included in the company report as is the case for Lafarge :

### "Marion Hellmann – Building Workers International (BWI)

Lafarge invests more and more in countries that are considered to have human rights issues. But as far as human and trade union rights are concerned, the company needs to consider some points in order to live up to sustainability requirements.

First, the group should report on which countries it is investing: are human and trade union rights recognised and applied in these countries?

Secondly, Lafarge should explain how it promotes human and trade union rights in these countries at plant and work site level including at subcontractors and their employees.

Finally, the Group should find a better mechanism to support individual managers in plants, in order to avoid situations like the South Korea conflict."

### "Manfred Reuer – European Works Council, Lafarge

To begin with, it is very valuable that a member of the European Works Council takes part in the Stakeholder Panel. The EWC is focused on the issue of Operational Health and Safety and it has set up a dedicated working group."



FRAMEWORK  
AGREEMENTS  
NEGOTIATION :

- DIVERSITY,
- ENVIRONMENT,
- SUPPLY CHAIN,
- HUMAN RIGHTS,
- WORKING  
CONDITIONS

# Corporate Engagement with CONSUMERS

## CONTEXT

Across Europe, one may observe increasing consumerism, in response to high consumers expectations which may be characterized in various ways:

- Access to quality products and services, increasingly personalized, allied with:
- Conservation of purchasing power;
- Demand for better information concerning production conditions, with a strong expectation of respect for environmental and social criteria; and
- An emerging class of informed, vigilant consumers, at the forefront of these preoccupations

These expectations are articulated more particularly through the following themes:

- The impact on health and security, which especially relates to goods; for example food related scandals (dioxin in chicken, mad cow disease, etc.) or recalled toys containing products creating health hazards (lead paint for example)
- The question of the clarity and understanding of the supply of products and services, which explains the development of various forms of labelling, especially since advertising ethics have been brought into doubt by the greenwashing practiced in sectors such as the automobile industry.
- Similarly, with the development of ICTs, the issue of protecting private life is also a major consumer preoccupation (sale of private data to companies for exploitation by the insurance and other sectors);
- Finally, the ecological concerns of consumers push companies to communicate on the environmental impact of their products and services, notably using life cycle analyses.



## DEFINITIONS

**Consumer** refers to an individual person who purchases or uses goods or services to satisfy their own individual's needs (children for instance). We will see that they express expectations with respect to companies both directly and indirectly.

Consumers must be distinguished from **buyers**, the latter being entities that are potential or actual buyers of goods or services proposed by a company. They must be distinguished from consumers because their activity is regulated by law and confers greater power in negotiation than that of the consumer/private customer.

# ENGAGE with consumers why, who, how?

## ■ WHY?

Whereas customer relations have been codified and structured by law for a long time (legal requirements for product information cover almost all goods and services, from alcoholic drinks to savings schemes), this is not the case for company engagement with consumers, a core issue for Corporate Social Responsibility.

Engagement with consumers, as with other stakeholders (see Outline 1) involves both opportunities to be seized and risks to avoid.

### Dialogue with consumers

	For companies	For consumers	For consumers associations
Opportunities	<ul style="list-style-type: none"> <li>• Prevent and cover risks before launching a product</li> <li>• Credibility of action undertaken</li> <li>• Improve the societal image of the company</li> <li>• Better perception of market evolution</li> <li>• Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>• Offer of products and services better adapted to needs</li> <li>• Power to raise awareness within the company concerning specific issues</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain an improved offer of products or services by the partner company</li> <li>• Ensure follow-up of corporate action and access to fuller information</li> <li>• Recognition of expertise and enhanced reputation</li> </ul>
Possible risks	<ul style="list-style-type: none"> <li>• Divulging bad practices</li> <li>• Degraded image</li> <li>• Supplementary costs</li> <li>• Slowing the distribution of new products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Manipulation of dialogue by the company</li> <li>• Account not taken of expectations expressed</li> </ul>	<ul style="list-style-type: none"> <li>• Manipulation</li> </ul>

## ■ WHO?

Dialogue with consumers may take two main forms:

- **Direct dialogue between consumers and the company** through the establishment of a panel of consumers (see "Panels" Outline) and other tools of customer relations (satisfaction enquiries, measuring complaint rates, etc.)
- **Dialogue** with consumer representatives, including:
  - **Generalist associations** protecting the interests of all consumers on a range of subjects
  - **Specialized associations** representing either the customers of a specific company (customers of internet operators, for example), or a specific category within the population (victims of a particular illness wishing to protect their right to insurance, for example)

Reaching out to other stakeholders may also be justified by the position chosen by some consumer associations which, by nature, often adopt a position of denunciation in order to sensitize consumers and bring pressure to bear on the company, whether on a national or European scale (The European Consumers' Organisation - BEUC).

The question, then, is which other stakeholders can play the role of intermediary between consumers and the company:

- NGOs may become involved in dialogue with consumers when they have specific expertise on the subjects in which they specialise;
- The intervention of trade unions may be legitimate, given that decisions made by the company in favour of customers have an impact on the working conditions of employees. For example, opening a hotline 24/24 affects the working conditions of employees; similarly, procurement strategies aimed at reducing costs can have a serious impact on working conditions.



In some countries, unions are involved in co-operation with other stakeholders such as NGOs and consumer associations (consortium for ethical labelling in France - Ethique sur l'Etiquette).

- public institutions may also be mobilised to participate in dialogue due to their technical expertise and mission to defend the general interest.

## ■ HOW?

As with other stakeholders, engagement with consumers may be of varying strength (see: categories of methods of engagement).

- the practices and tools used by companies to engage in dialogue with consumers may be divided into various categories.

In the following table, the focus is on the ends of engagement action, not the means as such: for example, a company that starts labelling its products in partnership with an NGO will have its engagement classified in the "information" category, since the aim is to inform consumers.

### Consumer service

	Information	Consultation	Contractual relations
Customer - Consumer	<ul style="list-style-type: none"> <li>• Labelling</li> <li>• Certification</li> <li>• Websites and other electronic communication media; specialised press targeting specific customers (individuals, companies, public authorities, etc.)</li> <li>• Sustainable development Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Product testing</li> <li>• Satisfaction surveys</li> <li>• Participation in panels</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints service</li> <li>• Guarantees and other voluntary engagements</li> </ul>
Consumer Associations	Sustainable development Reports	Participation in panels	Signature of agreements
NGOs	Sustainable development Reports	Participation in panels	Strategic partnerships

### Which topics may be the subject of engagement between companies and consumers?

Engagement topic	Stakeholder involved	Action
Strengthen transparency concerning the goods & services offered	Consumer	Communication
	NGOs	Certification
	Public authorities	Labelling
Evaluate and improve consumer relations	Customer	Satisfaction survey
Take account of consumer expectations	Consumer Associations	Engagement, panels
Make practices more sustainable	NGOs	Withdrawal of products derived from non-renewable resources
Assist the most disfavoured customers	Consumer Associations	Agreements
	Public authorities	Debt mitigation

# Measuring the effectiveness of the engagement

In order to measure the effectiveness of consumer engagement, reference may be made to some of the Key Performance Indicators proposed by the GRI:

- In the section on product and service labelling and companies, the **PR5** indicator: Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

“Customer satisfaction is one measure of an organisation’s sensitivity to its customers’ needs and, from an organisational perspective, is essential for long-term success. In the context of sustainability, customer satisfaction provides insight into how the organisation approaches its relationship with one stakeholder group (customers). It can also be used in combination with other sustainability measures. Used in combination, customer satisfaction can provide insights into the degree to which an organisation considers the needs of other stakeholders.”

Among the methods for measuring the quality of customer relations, one can quote:

- ISO 9001 certification (a quality management norm) of sales outlets
- measuring customer complaint or satisfaction rates
- As regards marketing communications indicators:
  - **PR6:** Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
  - **PR7:** Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.

Communication and advertising play a fundamental role in a Company’s consumer relations. These indicators are all the more interesting since greenwashing ads, very dangerous for companies, have been shown up in some countries by supervisory bodies (BVP and Ademe in France concerning sustainable development advertising).

In addition to these existing indicators, new indicators may be established based on the United Nations guidelines and recommendations for consumer protection.

## RECOMMENDATIONS

### Stakeholder involvement

- Conduct a two-tiered selection of stakeholders:
  - Choose competent stakeholders on the basis of their specialised knowledge of the engagement theme (environmental association for eco-design action, for example)
  - Consult other stakeholders concerning the engagement approach, to make it more inclusive, legitimate and respectful of consumers

### Transparency and evaluation of engagements

Include stakeholders in the process of defining consumer dialogue measurement indicators and corresponding engagements;

### Communication

- Where action is taken for product certification or labelling, the company must ensure that it is accompanied by consumer pedagogy (“in-shop” explanations, communications media, promotion of the action, etc...)
- Explanation of the engagement action (objectives, methods, means, results)
- Promotion of results taking account of their relative scale

### For more information...

- BEUC, The European Consumers’ Organisation
  - <http://www.beuc.eu/Content/Default.asp?PageID=591&LanguageCode=EN>
- Clean Clothes Campaign :
  - <http://www.cleanclothes.org/cccs.htm>
- Department of Economic and Social Affairs, United Nations guidelines for consumer protection, New York, 2003
  - [http://www.un.org/esa/sustdev/publications/consumption\\_en.pdf](http://www.un.org/esa/sustdev/publications/consumption_en.pdf)
- CRIOC, Centre de Recherche et d’Information des Organisations de Consommateur,
  - <http://www.crioc.be/FR/>
- Ethique sur l’étiquette : <http://www.ethique-sur-etiquette.org/index.htm>





# Best Practices - Corporate engagement with CONSUMERS

## **CASINO - ADEME, MEEDAT – An example of institutional partnership, Casino carbon labels**

### **Objective**

- provide clear information to consumers on the impact on the environment of products consumed
- enable them to choose the products consumed accordingly

### **Context**

On 11 June, in partnership with the French Ministry of Ecology, Energy, Sustainable Development and Town and Country Planning and the ADEME (Environment and Energy Agency), the Casino Group introduced environmental labelling of its products.

This initiative, covering a hundred or so products in 2008, will be gradually extended to take in all products in the Casino range. In particular, labels include the carbon impact of the product concerned, together with information on its recyclability.

The scheme will include appropriate publicity for consumers to develop their awareness to the new labels and their purpose.

## **CNCE - WWF, AMIS DE LA TERRE (FRIENDS OF THE EARTH), TESTÉ POUR VOUS, ADEME**

### **The labelling of financial products – a multi-stakeholder approach by the Caisse Nationale des Caisses d'Épargne**

### **Objective**

- provide transparent information to consumers on the financial products and services of the Caisse Nationale des Caisses d'Épargne within the context of the Group's Sustainable Development approach

### **Context**

Within the framework of the Bénéfices Futur programme, the Caisse Nationale des Caisses d'Épargne has introduced the labelling of all its financial products and services to be completed by the end of 2008. For the purposes of transparency, the financial risk (security), social responsibility (responsibility) and carbon impact (climate) are taken into account for every product.

For example, for the last indicator, the CO<sub>2</sub> emission arising from the Bank's activity, as well as that generated by the activity of the companies financed is taken into account. This innovative approach, assessed every month in the context of the collaborative approach with the stakeholders (ADEME, les Amis de la Terre, Testé pour Vous, WWF), is not considered as a private tool by the CNCE. On the contrary, the Bank hopes that this methodology will have a knock-on effect on the scale of the French banking community – in this respect, note that Natixis, jointly owned by CNCE and the Banques Populaire Group is to use this methodology and Crédit Mutuel has declared its interest.

## Best Practices - Corporate engagement with CONSUMERS

### CARREFOUR- WWF - The Carrefour Group responsible products offering

#### Objective

- protect natural resources
- develop consumer and employee awareness to sustainable development issues

#### Context

On the issue of wood, Carrefour France examined the replacement of teak and keruing in the store with FSC-certified wood. The Group has also reacted to unlawful trading of wood and has no commercial relations with Burma.

As far as developing consumer awareness to sustainable development is concerned, advertising media have been developed with the WWF. The Group also proposes –and promotes – "seal of approval" products with explanatory guides. The objective is to propose sustainable products at market core prices to make them affordable by all.

On the checkout bag issue – hypermarkets ceased distributing free, disposable bags at checkouts in March 2007. In this respect, the WWF played a fundamental role in two areas:

- for the training and support for checkout cashiers on the decision to stop bags at checkouts;
- to show the ecological issue at stake by the elimination of checkout bags for customers.

Similarly, on the issue of energy saving, with the European Commission and the WWF, Carrefour has promoted low-consumption light bulbs. This campaign also called for extensive measures to develop awareness and direct the choice of consumers to these products.

#### Results

The partnership between the WWF and Carrefour hypermarkets enabled the distribution of free plastic bags to be withdrawn from checkouts and replaced with re-usable bags, notably by animation and posters in stores and training for cashiers. Similarly, for garden furniture, the partnership led to the withdrawal of teak and keruing, which are rare species often exploited in questionable social conditions, and its replacement by wood with an FSC label (80% of wood purchased).

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### LYONNAISE DES EAUX - The consumer relationship, the pillar of the group sustainable development approach

In the field of energy services, electricity production, water distribution and sewerage systems, the customers of GDF-SUEZ include **governments, industrial sectors**, representatives of the **commercial sector** (commercial and public companies), as well as **residential energy consumers**: in this context, the company is a private delegate of a local public service.

In the context of the Group's sustainable development policy, Lyonnaise des Eaux promotes tapwater as drinking water for consumers. According to the latest surveys, 72% of customers regularly drink tapwater – and the percentage is increasing. This indicator has also been integrated by local delegations as an objective, with a bonus-malus system according to results. In addition, a network of tester consumers can alert Lyonnaise des Eaux should the taste quality of water deteriorate.

Within the framework of this commitment, a campaign has been conducted to promote tap water in schools with the Institut National de la Consommation (National Consumer Institute), also aimed at preventing child obesity, and led to the installation of a hundred or so tap water drinking fountains in 2007.

One of the measures consists of a ban on teams cutting off the water supply to people of good faith in a dire situations. In addition, Lyonnaise des Eaux has set up a remote meter-reading system to record consumption and detect leaks by means of radio frequency transmitters. 30,000 customers have adopted this service with 40,000 applications awaiting processing.

# Corporate engagement with SHAREHOLDERS



## CONTEXT

Shareholders are a category of stakeholders raising issues that are commonly dealt with through corporate governance policies. Faced with a universally criticised financial system, transparent dialogue between companies and their shareholders and investors is a means of responding to growing interest in the issue of the impact of the risks and challenges of social responsibility on corporate performance. The dialogue mechanism has a great effect on the confidence and loyalty of shareholders and investors. The economic system will not be able to finance itself reasonably and sustainably unless shareholders are respected, because they are the ones who commit and risk their capital.

Paradoxically, according to a global study published by The Economist Intelligence Unit in March 2008 ("Under the spotlight: The transition of environmental risk management"), for 28% of companies,

regulation appears to be a more effective form of pressure than that of financiers (8%). Similarly, the enquiry conducted by Accenture in 2008 in major French companies shows that the aim to increase their attractiveness to investors ranks far behind ensuring compliance with regulations, reducing costs or client expectations as motors for sustainable development.

In fact, the development of non-financial rating agencies, together with the strong progression of indexes and investment funds based on SRI criteria (Socially Responsible Investment), push companies to strengthen their policy of dialogue with shareholders and investors. The development of shareholder activism, a derivative of managerial policies for the exercise of voting rights and pressure from NGO shareholders, offers a powerful lever for corporate policies for dialogue with their shareholders.

# ENGAGE with shareholders why, who, how?

## ■ WHY?

Sustainable development issues make up a growing share of the expectations and perceptions of shareholders. According to a survey conducted by TNS Sofres for Dexia in August-September 2003, more than 4 out of 5 shareholders (86% in 2003 / 74% in 2002) declared they take into account sustainable development criteria when choosing their stock.

The latest evolution shows that investors are giving priority, more than in previous years, to the search for elements and perspectives offered by companies, their strategy and major decisions. Stock market information is still sought after, but holds a proportionally less important place. Above all, investors want to be reassured as to the quality of their investment. Moreover, shareholders have the feeling they are not sufficiently recognized by listed companies, especially as compared with institutional investors. They want reinforced communication from major stock issuers and want it more direct, more transparent, more pedagogical and more reactive.

## Opportunities and risks in engaging

	For companies
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Introduce new practices and themes justifying corporate performance and shareholder loyalty.</li> <li>• SRI (Socially Responsible Investment) corporate ratings and classifications make CSR more tangible internally and allow further commitments to progress</li> <li>• Reply to specific, in-depth expectations of SRI investors</li> <li>• Dialogue with rating agencies and the administrators of SRI asset indexes allows strengthened understanding of the company's specificities and their integration in rating results, according to the methodology used. This leads to greater "professionalism" of relations</li> <li>• Engage in continuous dialogue (not only in crisis situations)</li> <li>• strengthen the reputation of the company based on transparency and effectiveness of its dialogue.</li> </ul>
<b>Possible risks</b>	<ul style="list-style-type: none"> <li>• Complexity of SD (Sustainable Development) and CSR issues, notably for individual shareholders: risk of obstruction or incomprehension of messages; need for the company to develop new tools and arguments to measure the economic/financial impact of its CSR action</li> <li>• Greater exposure to potential spiralling, since corporate activities are under constant surveillance: dialogue is never an insurance against shareholder activism campaigns by managers</li> </ul>





## WHO?

### • individual shareholders:

**Shareholder dialogue**, as conducted by companies, is primarily aimed at individual shareholders.

### • Investors:

**Shareholder activism** has strongly contributed to alerting company directors to new societal risks. This movement has been considerably amplified these last few years by strong **growth in SRI funds**. Asset managers have developed **voting rights policies** for general meetings, such as proxy voting when possible within traditional and sustainable management funds, whose principles aim to ensure the protection of decisional and information rights of to their investor-customers.

Alongside the leading non-financial rating agencies (Vigeo, Innovest, Ethibel, SAM Research, EIRIS, etc.), many establishments provide information to asset managers in addition to their own analyst teams, within the framework of their voting rights exercise policy: ISS Europe (Institutional Shareholder Services), Manifest (a London firm), GMI (Governance Metrics International) In France, there are a range of actors specialized in voting rights exercise policy: Proxinvest (consultancy) and Phitrust (management firm), which develop shareholder commitment strategies, ADAM (an association for the defence of minority shareholders). In Europe, it is worth mentioning the Swiss Foundation, Ethos, which includes 80 investors and manages 1.2 billion euros.

## HOW?

### Examples of initiatives showing the influence powers of investors:

	For the company
National Investment Fund	The Norwegian Government's "Government Pension Fund - Global" (formerly "Petroleum Fund"), made up of a total of 255 billion euro in assets, occupies a particularly exemplary position as an investor by implementing an evaluation and selection policy based on the principles of environmental, social and governance analysis.
Coalition of investors	The Carbon Disclosure Project (CDP), launched in 2000, gathers around 385 institutional investors representing 57,000 billion dollars of assets under management, the objective of which is to gather useful information for evaluating the impact of climate change on the stock exchange value of companies. Every year, the CDP collects and analyses information provided by 1,500 listed companies, and has launched the "Climate Leadership Index".
Commitment to good practices	<ul style="list-style-type: none"> <li>The "General Meeting of the Year Award" was created for CAC 40 groups by CapitalCom (awarded to Lafarge in 2008) to reward the company whose AGM corresponds to best practices, based on 70 criteria, including: organisation of the Meeting, quality of speeches and dialogue, the pedagogical dimension, accessibility of financial information, presentation of CSR action, etc.</li> <li>In 2005, CDC (Caisse des Dépôts) was one of the first founding signatories of the United Nations sponsored Principles for Responsible Investment (PRI), which group 6 commitments for asset management by institutional investors, the aim of which is to develop the integration of environmental, social and governance criteria (ESG). Nearly 400 institutional investors and management firms are signatories, representing 15,000 billion dollars of assets under management.</li> </ul>
Research and sponsoring	<ul style="list-style-type: none"> <li>Since 2004, BNP Paribas Asset Management is a founding member of the Enhanced Analytics Initiative (EAI) a collective of 27 investors and asset managers whose aim is to finance brokers developing non-financial analysis and to introduce a common language. In 2008, Société Générale (with Citigroup and Goldman Sachs) was top-rated by EAI for its research into SRI.</li> <li>In 2005, the French Social Investment Forum (FSIF) launched a European Research Award for "finance and sustainable development".</li> </ul>

## New levers for dialogue?

The levers for dialogue with “shareholders” have become more complex and indirect.

### **Extra-financial rating agencies:**

For several years, companies have been trying to complement the strictly financial information provided to their shareholders by attempting to explain that management of risks/opportunities and intangible assets takes account of their societal risks and contributes to their performance. The non-financial approach of rating agencies is an increasingly important lever for dialogue and valorisation that allows a more objective valuation of the intangible assets of companies.

Within the market for non-financial ratings, which has become highly concentrated around a few agencies (Vigeo, Innovest, Oekom, SRI Company), firms such as Proxinvest and Deminor, each providing less than 5% of the total supply of information to management companies offering SRI funds (source for 2007: Novethic), are specializing in the areas of governance and shareholder voting. In 2008, Avanzi (which has just merged with Vigeo), launched an offer to companies aiming to identify SRI shareholders more easily and, thus, facilitate dialogue with them.

### **NGO shareholders:**

A number of NGOs have become shareholders in companies so as to be able to intervene during the AGM and, thus, amplify their capacity to question. This is the case for the Belgian NGO Netwerk Vlaanderen which, in 2004 and 2005, engaged in debate with a number of Belgian firms (AXA, ING, Fortis, KBC et Dexia) concerning their finance and financial investment policies in the arms sector (especially antipersonal mines and fragmentation bombs) as well as the issue of respect for human rights in their finance policy.

Among many examples, it is worth mentioning that, in June 2008, during the ExxonMobil AGM, a coalition of shareholders requested the implementation of a policy of combating global warming.

## Dialogue dilemmas with shareholders:

### **The place of investors and shareholders among the targets of information and communication:**

Companies have taken advantage of the development of legislation such as the French NRE Law (15 May 2001) to improve the production and distribution of social and environmental information.

- Investors and shareholders are not at the top of the list of communication targets, but nonetheless they remain an important one.
- Companies also have to deal with the dilemma of the relative effectiveness of part of their action, such as the SD/CSR report, with respect to the shareholders/investors target:
  - A global study by CorporateRegister.com published in 2008, shows that only 3% of the readers of sustainable development reports are from the media; investors and analysts amount to 8%, NGOs 3%, the government and public agencies 1%; in fact the majority of readers are students (23%), support services (23%), CSR professionals (14%), CSR consultants (14%), and academics (9%).



# Measuring the effectiveness of the engagement

The range of tools and mechanisms varies according to company specific criteria: international presence, predominantly individual, family or institutional shareholder composition, and development of employee shareholdings...

## Relations with individual shareholders:

Most companies set up a listening and dialogue system based on widely varying characteristics:

<p><b>Service and information tools</b></p>	<ul style="list-style-type: none"> <li>• Shareholder Newsletter</li> <li>• Shareholder Handbook or Guide to help manage shares, master tax issues and participate in corporate life.</li> <li>• Charter formalizing corporate commitments and responsibilities.</li> <li>• Key reference documents, half-yearly and quarterly reports, SD reports and abridged versions, thematic brochures.</li> <li>• Telephone journal (free-call number and/or email allowing dialogue with a member of the company).</li> <li>• General Meeting broadcast direct over internet.</li> <li>• A dedicated section of the website: internet is commonly presented as the solution best adapted to SMID Caps as opposed to shareholder clubs, perceived as more time-consuming and expensive (source: Finca / Mazars / Ginestié Magellan Paley-Vincent: "Governance practices of SMID Caps" (in French) May 2007).</li> <li>• Depository banks, in some countries take the charge of the cost of transiting financial information.</li> <li>• Offer of services: dispatching articles and chronicles, exclusive offers of services (concerts, exhibitions, conferences).</li> </ul>
<p><b>Direct encounters</b></p>	<ul style="list-style-type: none"> <li>• Meetings throughout the country. (N.B. Company Reports provide more or less the exact number and place of meetings)</li> <li>• Partnerships and presence at shareholder exhibitions and conferences</li> <li>• Preparation of the Annual General Meeting (AGM).</li> </ul>
<p><b>Shareholder "Club", "circle" or "consultative committee" (national, European).</b></p>	<ul style="list-style-type: none"> <li>• Advise the company on its communication policy for individual shareholders.</li> <li>• Consultation on the content of the annual and sustainable development reports.</li> <li>• Intervention by one of them during the AGM.</li> </ul>
<p><b>Employee shareholders</b></p>	<p>Employee Stock Option Plan.</p>

## Relations with investors, analysts and rating agencies

<b>Information meetings, road shows</b>	<ul style="list-style-type: none"><li>• Dedicated SRI Meetings and roadshows. (N.B. Companies provide more or less detail on the exact number and place of meetings, the exact number of investors and analysts met.)</li><li>• Processing of investor questionnaires on CSR during road shows</li><li>• Participation in SRI conferences</li><li>• Distribution of ad hoc publications and documents</li><li>• Participation in conferences with stakeholder panels</li></ul>
<b>Specific dialogue with SRI funds and rating agencies</b>	<ul style="list-style-type: none"><li>• Companies do not generally describe their means of dialogue with rating agencies in their reports, except for recalling any exchanges of questionnaires and irregular meetings with rating agencies (often in connection with the updating of ratings and SRI indexes).</li><li>• Meetings with financial and non-financial analysts, organisation of dedicated visits and encounters with company experts</li><li>• Conducting a satisfaction survey to measure the perceptions and expectations of stakeholders (especially rating agencies) concerning the SD/CSR Report (results which may not have been verified by a third party)</li><li>• Inform shareholders and the main voting advisors (Proxy solicitors) of the date of the AGM.</li><li>• Public distribution of an annual report on the means and results of the voting rights exercise policy</li></ul>

### Valorising SRI ratings and classifications:

The transparency and exhaustiveness of the presentation of SRI ratings and classifications generally depend on the medium used (nuances and even differences may be observed between the annual report and the website of a single company), the number of pages devoted to them, the rating and classification of the company... Furthermore, SRI ratings and classifications are referred to in various sections of the annual report, from company to company: introduction/profile, action/commitments, shareholder information, governance/performance, dialogue, risk management, HR/social/societal or even disseminated in places other than the report. These particularities do not facilitate the comparison of companies.



<p><b>Example of an exhaustive presentation</b></p>	<p>Precise tables concerning each index and rating, distinguishing:</p> <ul style="list-style-type: none"> <li>• the presentation of those rating agencies and SRI index administrators (using their logos);</li> <li>• having chosen or analysed the company,</li> <li>• not having chosen the company;</li> <li>• the specific component of each fund: DJSI (World and/or Europe?); FTSE (Global, 50 and/or Environmental Leaders Europe 40?); Ethibel (Pioneer and/or Excellence? Europe or Global?);</li> <li>• recall the date of creation, major principles and methodology of the ratings and indexes;</li> <li>• the main SRI investment funds of asset managers, with the value of stock held in the company compared to the total value of each fund;</li> <li>• scores and ratings (using graphs);</li> <li>• by issue (economy, social, environment, etc especially "shareholder rights");</li> <li>• by sector and/or with respect to competitors;</li> <li>• the first year of rating/selection of the company and the evolution over time: recall the ratings and scores from previous years;</li> <li>• the number of companies in the registers of the rating and index;</li> <li>• all other scores and rankings attributed by various information suppliers and research institutes, as well as any recognition as "Best in Class" mainly established in sectoral analysis</li> <li>• indexes for which no score or rating is provided;</li> <li>• areas where the company could make progress and its conclusions in terms of strategy and action plans;</li> <li>• quoting extracts from comments by agencies and index administrators: the focus concerning ratings varies widely (succinct or more precise), but should always specify whether it has been validated by the agency;</li> <li>• any criticism by the company concerning the appreciation or methodology of agencies and index administrators, and the results of any dialogue with them in this respect;</li> <li>• agencies and administrators in which the company may be a shareholder and/or partner.</li> </ul>
<p><b>Solicited Ratings</b></p>	<ul style="list-style-type: none"> <li>• A very small number of companies provide the public with a general summary of evaluations by agencies and SRI index administrators (on their website).</li> <li>• In order to show the coherence of its SRI action, one bank presents the ESG rating of its asset management subsidiary.</li> </ul>
<p><b>Self-evaluation</b></p>	<p>Some companies promote their own self-evaluation tools (EMAS, Business Initiative Leaders on Human Rights).</p>
<p><b>Qualitative aspects</b></p>	<p>Distributing studies and research (examples: studies of SRI market trends, or the corporate pension funds that exist for individuals).</p>
<p><b>Examples of imprecision</b></p>	<p><b>Ratings:</b> Some companies simply mention the agencies that established a rating for them, without mentioning the rating, and only pointing out those areas in which they obtained the highest classification.</p> <p><b>Indexes:</b></p> <ul style="list-style-type: none"> <li>• Some companies simply mention the SRI stock index that selected them, with imprecise references such as (leader with "the best score in the sector" but which one?) and without mentioning the indexes that didn't selected them.</li> <li>• Some companies state that an index is "the most prestigious and the most demanding of all concerning SD": but what is this information based on?</li> <li>• The oft-used concept of index of reference, is not objective.</li> <li>• Imprecision in vocabulary that is likely to disrupt less informed individual shareholders: references to "ethical", "SRI", "ESG" and "sustainable development" indexes. Lack of pedagogy in the presentation of risks and methodology.</li> </ul> <p><b>Trophies:</b> The presentation of distinctions and trophies, sometimes overvalued and placed on the same level as SRI ratings, does not distinguish clearly the journalistic, academic, professional or market nature of these distinctions/classifications.</p>

## RECOMMENDATIONS

- Raise awareness of individual shareholders (often considered to be under-informed on SD/CSR) and avoid multiplication of media: if possible, include SD/CSR data in a single, common report (management report), thus allowing verification of social and environmental information, whilst providing a parallel short version.
- At the same time, control the reality and concrete advancement of the company's plan of action: some companies use sustainable development arguments to lighten pressure from shareholders, without being ready to modify their processes and organisation.
- Do not wait for crisis situations before communicating: conduct ongoing relations with shareholders, investors and rating agencies, through a dedicated, diversified range of action and tools.
- Use the company's information media to clarify and strengthen the presentation of non-financial ratings, SRI indexes and various classifications obtained by the company in a rigorous pedagogical manner [see table above].
- Propose the adoption of a code of ethics or good conduct between the company and rating agencies and SRI index and asset administrators. [In June 2002, in partnership with ADEME and EpE, ORSE established a "Charter of reciprocal commitment between companies and societal analysis organisations" aiming to make a declaration of good intentions rather than a contractual document binding both parties.]



### For more information...

Presentation of rating agencies

<http://www.orse.org/site2/maj/phototheque/photos/docs-csr/profiles.pdf>

Guide to social and environmental analysis organisations

[http://www.orse.org/site2/maj/phototheque/photos/docs-csr/Orse\\_guide\\_sustain\\_vd.pdf](http://www.orse.org/site2/maj/phototheque/photos/docs-csr/Orse_guide_sustain_vd.pdf)

Guide Finance : <http://www.orse.org/site2/index.php?page=102&langue=en>

Guide on SRI : <http://www.orse.org/site2/index.php?page=102&langue=en>

## Thanks to the Organizers of the Laboratory

This guide was produced thanks to support and contributions from GDF SUEZ and Total Groups, who played the role of corporate leaders throughout the Laboratory and facilitated logistics. We would like to extend particular thanks to Catherine Ferrant and Sylvie Arlabosse from Total, and Malia Belkacem and Stéphane Quéré from GDF SUEZ, for their engagement and assiduity at all meetings of the Laboratory. This guide was written by Delphine Poligné for ORSE who was also facilitating the workshop.

### Thanks to speakers

The series of sessions would not have been possible without the intervention of corporate representatives, who came to explain their practices and thinking:

#### 5 July 2007 - Kick off Session - Mapping

- Various modes of engagement with companies by Amnesty International France
- Presentation of the Management Systems SRM+ by Total

#### 5 October 2007 - Partnerships with NGOs

- Presentation of the Practical guide "Strategic Partnerships NGOs – Enterprises" by ORSE

#### 14 December 2007 - Evaluation and engagement implementation panels and tools

- Presentation of "Critical friends" study by Utopies
- Presentation of the study on stakeholders by Deloitte
- Presentation of the Panel on water by GDF SUEZ
- Presentation of stakeholder web-based dialogue - Enel

#### 18 February 2008 –Purchasing and CSR

- Presentation of the Supply Chain laboratory by Lorenz Berzau (BSCI)
- Presentation of the study CSR, SMEs and the supply chain by a representative of the DG Enterprise and Industry of the European Commission
- Presentation of EDF supply chain framework agreement by EDF
- Presentation of the Charter on Social Responsibility in the Temporary Work Field by Adecco / Rhodia
- Sustainable Development Management Approach by AREVA

#### 26 February 2008 - Community Development / dialogue with communities

- Capture / stocking of Carbon Dioxide by Total
- Dialogue between ADP and stakeholders by ADP
- Presentation of best practices by GDF SUEZ
- Dialogue tools by Transparence International France

#### 26 may 2008 Dialogue with consumers

- partnerships with WWF: presentation by Carrefour / CNCE / Orange/ Canon
- Presentation of water and consumers - Lyonnaise des Eaux (GDF SUEZ Group)
- Priscilla Crubezy (presenting consumer group positions in GRI and ISO26000)

## Thanks to participants

The diversity and quality of practices and approaches were collected thanks to the assiduity of the group of participants and their permanent interactivity. In this respect, we would particularly like to thank the members of ORSE and CSR Europe for their participation, but also the many other people engaged: NGOs, unions, consumer associations, rating agencies, academics, etc.

## Thanks to the NPOs (National Partner Organisations)

This guide was enriched, notably as regards its practices, through the support of the partner networks of ORSE and the members of CSR Europe, the "NPOs".

**ORSE** Observatoire sur la Responsabilité Sociétale des Entreprises, which means Study Center for Corporate Social Responsibility, is a French network designed to study and promote socially responsible investment (SRI), corporate social responsibility as well as all the issues related to sustainable development.  
[www.orse.org](http://www.orse.org)

**CSR Europe** is a non-profit membership network that aims to help companies integrate corporate social responsibility (CSR) into the way they do business.  
[www.csreurope.org](http://www.csreurope.org)

## PRESENTATION OF THE GUIDE

In the framework of the European Alliance for CSR (initiative launched by the European Commission in March 2006 with the support of CSR Europe), a laboratory on the "Proactive Stakeholder Engagement" theme was set up by GDF SUEZ and Total, as laboratory leaders, and by ORSE, as laboratory facilitator, aiming at encouraging companies to exchange on this subject and highlight their best practices.

A very useful toolbox, this guide aims at giving companies the opportunity to engage with their stakeholders. It was produced as accompanying pedagogical material for companies in order to:

- **Better identify the issues** of engagement with stakeholders and highlight the best practices
- **Select partners**, by mapping out the issues, actors, and tools
- **Ask themselves the right questions** to initiate and develop an engagement process

**The guide comprises a series of practical chapters on:**

### Tools

1. Mapping Stakeholders
2. Stakeholder panels

### Engagement with stakeholders

3. NGOs
4. Suppliers
5. Local communities
6. Employees
7. Consumers
8. Shareholders

