

**Speech by Mr. Michel Doucin, ambassador for bioethics and corporate social responsibility for the French Ministry of Foreign Affairs, before the GoldenBee conference organized by the China WTO Journal, the Ministry of Commerce and the GIZ in Beijing, on June 5, 2012.**

It is for me a great honour and a pleasure to be here as a representative of the French government participating in the seventh GoldenBee conference. I am here thanks to the generous invitation of the China WTO Journal and the German GIZ, the most active foreign agency in the field of corporate social responsibility in China.

I was asked to present to you the latest CSR developments in France. In Europe, indeed, and particularly in Germany and France, CSR has recently been subject to many interesting initiatives. In Germany, the National Policy will be presented soon. As far as France is concerned, I will try to sum up the situation.

First, let me start with a quick historical recap.

At the beginning, during the second part of the XXth century, French companies and French government saw CSR in its original form, as it had been defined by its theoretical founder, Howard Bowen, who wanted to reform the entrepreneurial model after the Second World War with his famous book « The Responsibility of the Businessman »: any decision taken by a company must be for the good of the society in which it is active.

This vision was easily adopted in France because it appeared as the follow up of two ideologies that had met success during the XIXth Century:

- the Utopic vision, child of the French Revolution, which bore the ideal of a brotherly society;
- and the Paternalist vision, championed by Christians, Catholics and Protestants, according to the Biblical prescription : “love your neighbour as yourself “. The concept of Paternalism was spread worldwide in the XIX Century (large Indian companies like Tata were a good example).

Consequently, for long period of time, CSR appeared in France as a purely private issue. Firms were getting involved in CSR policies on a voluntary basis, following ethical principles and, sometimes with the goal of distinguishing themselves from their competitors. As such, CSR often became an issue of productive management, in order to gain the confidence of the financial markets, and also of strategic communication. Numerous charters and codes of best practices were drafted, and every large company followed from this trend.

However, this period of ostentatious good behaviour came to an end with the recurrence of various infringements to the written commitments mentioned above. Some companies caused ecological and social catastrophes that could not be covered up by ethical communications and forced the international community to open its eyes to the limits of a solely voluntary CSR. The main events include:

- The Bhopal chemical explosion killing 20.000 persons, and for which the parent American company denied any responsibility, for instance.
- A series of oil ship sinking devastating European coasts.
- The massive deforestation processed due to agribusiness investments.

In consequence, the international community started elaborating international standards in order to guide companies with their CSR policies. The OECD was the first to do that in 1976 with the Guidelines for Multinational Enterprises, the came the

ILO in 1977 with its tripartite declaration concerning multinational enterprises, and then finally the United Nations in 2000 with the Global Compact. In 2004 the ISO 26000 negotiations began and resulted in a unanimously heralded standard adopted in 2012. These various undertakings had confirmed the idea that States had a role to play in order to promote good practices and prevent bad ones. The concept of CSR inevitably evolved with this shift in governance: from a solely voluntary mechanism, it became on the international scene a quasi-obligation, entrenching the duty for companies – through both hard law and soft law - to control all the effects they directly or indirectly have on society and the environment.

In accordance with this, the French government developed its own initiatives in two main fields: public policy and support for good private practices.

In 2001, France adopted several important and quite innovative laws, the most important one (known as the NRE Act) requiring listed companies to publish an annual report on the risks they were taking regarding social and environmental issues.

Following this, in 2007, a large consultation known as the Grenelle Environment Forum was organized to address the challenges of sustainable development. Drawing lessons on the 2001 NRE transparency law, it showed that the mechanism had been a success, pushing large companies to set up methods for sustainable development aimed at managing CSR policies and providing comparable reports.

The government subsequently decided to build on the NRE Act with a new mechanism instated in article 225 of the Grenelle II Act, adopted on July 12, 2010. This law requires that in their annual reports, companies provide details "*on how the it takes into account the social and environmental consequences of its activity and on its social commitments in favour of sustainable development.*" The implementing decree was published on April 26, 2012.

As such, it amends Section 225-102-1 of the Commercial Code with several notable innovations: first it extends the scope of the companies concerned by the mandatory reporting and broadens the amount of information required. It defines two lists of information to be included in extra-financial reports (the second list is combining to the first only for listed companies) and provides a calendar for when these requirements become mandatory, depending on the size of the company (by the 31<sup>st</sup> of December 2013, all companies with more than 500 employees will be affected). The company's report should disclose all actions taken by the company and its subsidiaries. It presents data observed during the closed financial year and, if necessary, during the previous one, in order to allow comparison. The company can choose to no report on certain themes, but must then provide an explanation for its decision according to a "comply or explain" mechanism.

In addition, the decree states that the extra-financial information provided is to be subject to verification by an independent third party (appointed by the executive director or chief executive), which must be accredited by Cofrac (French Committee of accreditation) or by any other accreditation body signatory to the multilateral recognition agreement established by the European coordination of accreditation bodies. This third party must then prepare a report certifying the quality of the company's reporting and provide a "reasoned opinion" on the accuracy of information provided, and also on the explanations given by the company for missing data.

Section 228 of the same Act also calls for an environmental labelling experiment in

order to "*gradually inform the consumer, by any suitable means, about the equivalent carbon content of products and of their packaging, as well as about the amount of natural resources consumed and environmental impacts that were, and can be caused throughout the product's lifecycle.*" In March 2011, following a call for applications by the Ministry of Ecology and Sustainable Development, 168 companies were selected to implement this experiment. Half of the products subject to experimentation were food (excluding drinks), then came apparel products, stationary and DIY. The first assessment will be made in the second half of 2012.

There are also French regulations for the promotion of socially responsible investing (SRI). A law adopted on the 17th of July 2001, which created the Pension Reserve Fund (FRR) and the Voluntary Employee Saving Partnership Plans (PPESV), invites the managers of these funds to display how the general guidelines of their investment policies take social, environmental and ethical into consideration. Other public agencies contribute to the development of SRI: the Institution for the Public Service's Additional Pension Fund devotes 100% of its funds (more than 100 billion € in 2011) to SRI, The National Travellers' Checks Agency dedicates 1 / 3<sup>rd</sup> of its fund (1.2 billion Euros in 2008) to SRI and the Deposit and Consignment Office also contains an extensive SRI policy.

Another conclusion of the survey made by the Grenelle Forum was that the State, as a major influence in the economical field, should play a more active role with its economic power. The National Action Plan for sustainable Public Procurement was adopted by the French government in March 2007 and encourages public contractors (State departments, local authorities, hospitals and public institutions) to commit to sustainable public procurement and social responsibility. The target was set that in 2012, social clauses would represent 10% of government contracts in industries hiring over 50% of manned labour-force. Two documents further enshrined this target: first, a Cabinet letter (April 9, 2008) on *the development of a socially responsible procurement policy*, and second, a circular from the Prime Minister (December 3, 2008) that demands *exemplarity from the State in terms of sustainable development in the operation of its services and institutions*. Websites were also created in order to support public purchasers. The "Exemplary State" plan includes a reward/penalty scheme that leads to the redistribution among government administrations of a public fund worth 100 million Euros. Since its establishment, public authorities have favoured green economy with their decision-making and the results demonstrate the effectiveness of the system: the set targets were exceeded in 2010. Among the great innovations that can be observed are the increasingly frequent use of video conferencing instead of travel, the training of officers to driving ecologically, the promotion of gender equality, openness to diversity and the integration of disabled workers.

Through State owned companies, there are also important opportunities to introduce sustainable development goals in the economy. States are also financial agents through public banks, pension funds and assets they own in companies. The French government is developing a very active Policy as a public banker and asset manager in order to guide the financial market.

However, pointing out this shift from voluntary to regulatory forms of CSR would be drawing an incomplete portrait of how CSR is implemented in France, for in order to be a success, it cannot exclusively rely on public initiatives: it still needs a strong private involvement. Due to the traditions mentioned at the beginning, France holds a large number of companies that are deeply committed to CSR objectives, and many of them work together in collective initiatives. For instance, with about 700 members,

the French Global Compact Group is the largest in the world. Another group, uniting over 3000 SMEs, called the Young Managers Centre, decided in 2008 to elaborate a collective CSR standard called the "Global Performance" program, that 1000 of its members are now implementing. The firms can participate on a voluntary basis and this enables them to be innovative and give a positive response in terms of sustainable development to various stakeholders.

There are also a wide range of labels developed by NGOs, companies and extra-financial rating agencies. For instance, the "Diversity label" of IMS Entrepreneurs to promote diversity and non-discrimination, and the "Rating label" of the VIGEO agency that lists the best shares on the stock market in regards to the CSR performance of the listed companies.

Some French multinational companies develop worldwide cooperation within their branch and/or supply chain to guarantee the implementation of CSR principles. Here are two examples of this:

- the Global Social Compliance Programme: this program was created in 2006 within the CIES - The Food Business Forum - at the initiative of some retailers (Carrefour, Tesco, Wal-Mart, Metro and Migros) in order to merge their standards of social audits in the supply chain, to share good practices and to contribute to the improvement of working conditions. This platform brings all suppliers a single, coherent, comprehensive and shared message based on ILO and UN standards. In late 2011, it had 32 member companies.
- The Programme Fibre Citoyenne (or "Citizen's Fiber"): it was created for the clothing industry in order to integrate sustainable development concept in their day-to day operations.

As a conclusion, I would make a few final remarks:

- The way France pursues its CSR policy is a "smart mix" between public and private institutions: the State shows its commitment by introducing new policies on SRI and reporting, while businesses are fully aware of the importance of CSR policies and of their impact on the companies' activities;
- NGOs are very active in this field, promoting and engaging in new partnerships for CSR (especially with companies).
- CSR is a strategic element for a sustainable and inclusive economy.
- CSR must be also a subject for international exchanges of views and practice. I congratulate the China WTO Tribune and GIZ for offering such an opportunity.
- Finally, CSR Policy in France blends dialogue and initiatives shared by the private sector, state owned companies and the government.

As far as I know, the CSR process in China is not much different to France: private business, state owned companies and public regulating authorities are the three engines of the sustainable development.