Proposals by the FCRSE on Non-financial Reporting:
For an implementation decree on Article 225 of the Grenelle II law furthering
appropriate and useful information

Summary: The Law of 12 July 2010 called the "Grenelle II Law" has just been adopted by the French Parliament, and the government is preparing to work out the implementation decree of its Article 225 (Article 83 of the bill) concerning non-financial reporting. Meanwhile, the FCRSE (Citizen Forum for Corporate Social Responsibility) recently put forward a proposal to the government on this subject.
In a working document, the FCRSE proposes an implementation threshold to this article; the setting up of monitoring; a definition of the content of the social, environmental, and societal information that must be included in the annual corporate reports; as well as a presentation methodology for these data. The FCRSE encourages civil society organizations to speak out with a similar voice on the issue of corporate social responsibility. It further wishes non-financial information to become more reliable and relevant, as well as to represent a real information tool for parties concerned about corporate strategy in sustainable development.

Key words: Grenelle II Law, Article 225, implementation decree, corporate social responsibility (CSR), FCRSE proposal, management report, non-financial information, threshold, content, verification

Article 225\(^1\) of the law dealing with the engagement for the environment, called the "Grenelle II Law," was adopted on 12 July 2010\(^2\). Through it, the topic of sustainable development in business law has become enriched. Let us recall that since Law n°2001-420 of 15 May 2001 included in Article L. 225-102-1 of the Commercial Code, listed French companies are obliged to give account of their positive and negative environmental and social impacts. For example, the director of a company whose securities are admitted to trading on a regulated market must indicate, in the annual management report, the way the company takes into account the social and environmental consequences of its activity. The list of information to provide in this report is detailed in Articles R. 225-104 and R. 225-105 of the Commerce Code. In order to encourage the development of "eco-responsible" corporations decisively, Article 225 of the Law of 12 July 2010 strengthens this obligation to provide information by companies "whose balance sheet total or turnover and the number of employees exceed thresholds set by [...] decree." Furthermore, provisions have been made for a decree to set the list of this information consistent with European and international laws, as well as the terms of the presentation, in order to enable data comparison.

\(^1\) This numbering corresponds to Article 83 of the bill.
\(^2\) Law No 2010-788 of 12 July 2010 relative to the national engagement for the environment: Journal Officiel, 13 July 2010, n°0160, p.12905.
With French corporate and financial market law now "grabbing hold" of sustainable development, these evolutions thus leave the content of the implementation decree and certain questions related to the social and environmental project on hold. Likewise for the extent coverage of the required environmental disclosure, its content, and its verification. While these aspects are going to be subject to a decree in autumn 2010, the Forum Citoyen pour la Responsabilité Sociale (FCRSE) decided to propose an implementation decree to Article 225 and had the opportunity to submit its position to representatives from the Ministry on 25 June 2010.

This report seeks to put forward the FCRSE's proposal and the spirit it would like to see developed regarding the exercise of non-financial reporting. The FCRSE's proposals include several directions: the definition of a methodology (I); clarification of the thresholds determining the scope of obligation to give accounts (II); the requirement for verification of non-financial information (III); and detailed content of social, environmental, and societal information (IV).


4 Created in 2004 to encourage civil society organizations to speak out with a similar voice, as well as to develop a common center of expertise, the FCRSE has taken up the challenge of introducing the possibility of democratic control over the social, environmental, and societal impacts of corporate activity. The FCRSE campaigns in favor of effective responsibility by parent companies for damage caused by their subsidiaries in France or abroad, access to justice for victims in Southern countries, and appropriate non-financial reporting (www.forumcitoyenpourlarse.org). The member organizations are Les Amis de la Terre (Friends of the Earth) France, Greenpeace France, France Nature Environnement (FNE) in the environmental field; Amnesty International France, Ligue des Droits de l'Homme (LDE), and Sherpa for Human Rights; French Catholic Committee Against Hunger and For Development (CCFD), Centre de Recherche et d'Information pour le Développement (CRID), Oxfam France - Agir Ici, Peuples solidaires, Catholic Relief - Caritas France, Survie for North-South Solidarity; Confédération Française et Démocratique du Travail (CFDT) and Confédération Générale du Travail (CGT) for labor unions; the magazine Alternatives économiques; Centre Français d'Information sur les Entreprises (CFIE); and Groupe Alpha.


6 In the appendices of its proposal, the FCRSE provides a list of general indicators (quantitative or qualitative data that define a changing situation and actions or their consequences, so as to evaluate them and compare them over time) based on international sets of references that are commonly accepted and intended to encourage the companies concerned to build sector-based indicators more appropriate to their specific issues. These indicators can be consulted in the FCRSE proposal.
I - Methodology for presenting the annual report

A) Overall objectives

It’s necessary to work out a methodology for presenting societal, social, and environmental information, in order to ensure that management reports are relevant. With this regards, all information must be explained, justified, and put into context (source, relevancy, reference ratio). At the same time, it must be possible for all the parties concerned to usefully compare the management reports, over time and with regards to the competition. This is so that the year-by-year evolution of the company and its situation compared to other companies of an equivalent size can be seen. Control risks and performance measurement of companies with regards to sustainable development are the guideline of this methodology.

B) Philosophy of FCRSE's approach

Globalized competition has made companies key actors in international governance. Civil society is being increasingly mobilized to find out the impacts of the activities of certain companies on the environment, on respect for human rights and social rights, or on the fight against corruption. The civil society organizations that represent them must thus be informed of the activities and their consequences as accurately and as fully as possible. The goal of a non-financial presentation is to round out the financial presentation. So that the non-financial information is relevant and represents a useful tool for the parties concerned, the companies must disseminate information on their policies and their strategy in social, environmental, and societal matters; on the way in which they are effectively taken into account and implemented; and on their results and the way they are evaluated. The information must also deal with the difficulties encountered and on the way dialogue is carried out with the company's stakeholders. A certain number of methodological criteria must be taken into account when drawing up the non-financial report. According to the law of 15 May 2001, this report is an integral part of the management report, giving it legitimacy equivalent to the latter. In this respect, its aim is not to be a corporate communication instrument, but to reflect the positive and negative aspects of its performance so that it can be able to anticipate, rectify, or repair its impacts. In order to give a faithful image of the non-financial performances, the report must mention the direct and indirect positive and negative
impacts of companies' activity in social, environmental, and societal terms, so that they can anticipate, rectify, or repair these impacts.

The proposed methodology includes recommendations that are commonly accepted on the international stage, such as those of the *Global Reporting Initiative (Version 3)*, those of *Global Compact*, as well as the OECD Guidelines and the future ISO 26000 standard. Nevertheless, use of general international typologies does not replace stakeholders' negotiated construction of indicators that make it possible to reach a fuller and more consensual vision of the company's real activity, especially according to the specific nature of each sector of activity. Consultation of stakeholders is a core aspect of the corporate social responsibility system and must be clearly explained in the report. The company must therefore be able to respond to the following questions:

- How can its stakeholders be identified?
- How does it justify the hierarchical organization of these stakeholders?
- What types of dialogue and consultation methods has the company set up in order to include the stakeholders' expectations in its report?

In order for the information given on each of the three parts to be coherent, the FCRSE recommends that the companies base themselves on a common analysis structure:

- A description of the fields of activities and their inherent risks: the company's policies in terms of social and environmental responsibility, as well as the standards and guidelines used;
- A statement of the company's main long-term objectives (quantitative and qualitative), the means (quantitative and qualitative) it provides itself to achieve the latter, as well as the way in which the company implements its policies (procedures established);
- A presentation of the annual results and the midterm outlook, containing the methods of evaluation, the justification of possible failures, or the delays in achieving the aforementioned objectives.

Furthermore, the companies have a duty to always explain their methods of collecting and inputting information, so that the latter can be checked.

In addition, any information provided by the report must be explained, justified, and put into context (source, system of reference used, reference ratio, etc.). This must make it possible to establish a comparison over time and with the competition, so that the company's year-by-
year evolution can be seen, as well as its situation compared to other companies of an equivalent size or of the same sector. The transparency and credibility of companies subject to reporting obligations will be strengthened when their management system, their audit program, as well as their declarations are examined and validated by approved auditors, in order to check that these conform to the requirements of the present decree.

Furthermore, as the societal, social, and environmental information is included in the annual management report, it seems logical and appropriate to require the financial and non-financial extent of coverage to be identical. Likewise, in agreement with the international accounting standards, and in order to fight against the opaqueness of certain corporate activities internationally, the FCRSE recommends non-financial presentation country by country. Implementation of the decree must in no way exempt a company from giving a detailed report on the impact of a foreign subsidiary when the requirement of giving a faithful and relevant image of non-financial performances obliges it to do so.

Ultimately, the company must eventually promote a set of fundamental values among its commercial partners, including its suppliers as well as its subcontractors, and to make the values be respected. Consequently, the company must provide information on the way it manages its supply chain:

- How does it make sure that the environment and human and social rights are respected by its supply chain?
- What requirements does it impose on its supply chain? What tools does it use (training, certification, codes of conduct, framework contracts)?
- What control mechanisms has the company set up?
- What support measures has it implemented (correction measures, etc.)?

II - Thresholds determining the scope of obligation to give accounts

The FCRSE proposes that the implementation decree of Article 225 apply to all companies subject to the obligation to provide a social responsibility report according to Articles L. 2323-68 to 77 and R. 2323-17 of French labor legislation.

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7 To be treated differently from supply from subsidiaries as previously defined, i.e., units with more than 50% control or with notable influence, that's to say within the extent of coverage of the reporting. Here it concerns suppliers and subcontractors in the company's sphere of influence.
III - Methods of checking information provided by an independent third party organization

The obligation to give accounts must be accompanied by sanctions if it is not respected correctly. This is because self-regulation without binding national, European Community, and international legal support has shown its limits, especially with regards to homogeneity of content, absence of independent control of its implementation, and the inexistence of sanctions. The still undetermined methods of data verification by an independent third party are a real challenge for the credibility of the information provided and their possible sanction. FCRSE thus invites the public authorities to work on reflection, in partnership with the parties concerned, on a future system of reference or terms of reference, in order to authorize organizations given the task to verify the information contained in the report mentioned in Article L. 225-102-1 of the Commerce Code.

IV - List of societal, environmental, and social information that must appear in the corporate reports

A) Societal information

The societal approach of reporting rounds out the social and environmental dimensions. It examines the quality and the relationship between the society and the community. It assesses, as fully as possible, the company's contribution to the development of the regions where its activities are established and—more generally—to human progress. Or it assesses—on the contrary—the obstacles the company encounters in achieving this objective, as well as the means that it implements to overcome these obstacles. The dialogue started up with the stakeholders is a cross-sectional issue that is important to include in all levels.

1) Impact of conducting business on local development and on respect of human rights

Local development of an economic activity produces positive and negative effects on the development and balance of the regions where activities are established. The corporate report presents an objective assessment of its contribution to the local development of the regions
where its activities are established, taking into account the specific characteristics of these regions (industrial countries, emerging countries, urban or rural zones, etc.).

**Participation in the financing and construction of infrastructures and public services, as well as to their functioning:** The company presents its contributions—in kind, via its own financing or via co-financing—in the building of infrastructures that can benefit the community.

**Development of the economic fabric (beforehand, afterwards, with regards to competition):** The company presents indicators making it possible to evaluate its impact on local economic development.

**Respect of freedoms and individual and public goods:** The exploitation of local resources or local sites as well as the construction of installations can have repercussions on the rights and the public goods of individuals and local populations. The company evaluates their impact and indicates the compensation measures it has established.

2) **Controlling the impacts of the supply chain**

The growing complexity of the supply chain and its offshoring to countries with low labor costs or weak environmental regulations leads to increasingly strong pressure on companies situated along the chain. In its report, the company must indicate the measures taken so that business relations generate progress for all the workers of its supply chain and so that they are protected from possible violations of their rights.

**Description of the channels and of risks of human rights violations:** To evaluate the main risks regarding human rights violations and to define the scope concerned and the reach of measures taken, the company provides a precise description of how its supplies are organized and how the system evolves from one year to the other.

**Respect of human rights in the supply chain (prevention, protection, compensation):** The company presents the measures implemented and provides information making it possible to evaluate the effectiveness of their application, in order to protect the labor force and its
subcontractors and suppliers from any forms of violation of their fundamental social rights relative to International Labour Organization (ILO) agreements.

**Development of the solidarity economy (fair trade, etc.):** In contrast to the channels exposed to violations of fundamental social rights, the solidarity economy furthers sustainable development. Promoting it therefore represents a direction that companies can adopt. In its report, the company provides information making it possible to assess its contribution to the solidarity economy.

3) **Impact of goods and services, communication**

The goods and services offered by the company respond to a need. But on a societal level, the level of satisfaction can be limited for at least three reasons: because part of the population cannot have access to some of the goods and services that can be called essential; because in some circumstances certain goods and services can produce negative effects (on rights, freedoms, health, etc.), and because the level of the quality of the company's information does not enable its consumers, and more generally its stakeholders, to make an objective judgment on the company's offer.

**Access to essential goods and services:** Access to essential goods (water, health care, energy, loans, basic banking services, etc.) concerns a considerable number of people. It's up to the companies to check whether they are concerned by this issue, to explain the criteria they rely on to make this analysis, and to describe how they take up the challenge of access to essential goods and services by as many people as possible, as well as the results obtained.

**Fight against the negative effects of certain goods and services:** When their consignees or usage are not controlled, some goods and services can have negative effects on their users or on third parties. This is the case of: indiscriminate weapons or weapons whose purchasers are, for example, oppressive regimes; credits (overindebtedness); financing (nature of goods financed); Internet access services (surveillance); agro-fuels (competition with agricultural land); certain food additives (sugars, salts, etc.); medicines (useless or dangerous); and certain addictive products (foods, drinks, games, etc.). The company provides information making it possible to evaluate its control of the risks that can be generated by the distribution of these goods and services.
**Information and communication:** To ensure a good relationship with its stakeholders, the company must provide full and sincere information at all levels. It describes the rules adopted, the processes applied, and the results obtained with regards to external communication, marketing, and labeling, to make sure that the overall information of the company is full and impartial.

**4) Ties with public authorities / institutions and tax contribution**

The nature of the ties maintained by a company with public authorities and local and international institutions is a decisive factor in redistributing the value created by the company. Consequently, it's fundamental to ensure that the nature and quality of these relations are as clear as possible.

**Actions likely to exert influence on public policies:** The orientations taken by the various local, national, and international authorities can have an impact on company results and vice versa. The company provides information that enables assessment of its decisions and actions likely to influence decision-makers.

**Fight against corruption:** Corruption has many harmful effects. Not only does it distort competition, but by injecting hidden costs into production cost or by diverting income from its legitimate destination, it often generates a liability that has to be made up for by the entire population and, in particular, by the poorest. The company presents the measures set up to reduce or eliminate the risk of corruption within the framework of its operations.

**Subsidies and public aid received:** The companies may receive aid or subsidies from public authorities for developing a certain type of activity, for setting up in certain zones, or for creating jobs, etc. In turn, the company is expected to fulfill its commitments and reallocate all or part of this aid to the benefit of the community (impact on prices, long-term effect on employment or innovation, etc.). The company makes an objective evaluation of the aid it has received during the fiscal year and previous years, as well as of the situation of the beneficiary establishments.
**Contribution to public finances:** One of the foremost duties of the company is to contribute via taxes to the development of the regions where their activities are established. But several conditions must be met, and one of these is that the company limit tax avoidance. The company explains the measures set up to guarantee financial transparency and gives information on its contribution to public finances by country and region where its activities are established.

**B) Social information**

With regards to transparency of social information, what's at stake for companies is to make the concerned parties understand how their behavior in the latter's countries or regions contributes to the development of decent work and how the jobs they propose make it possible to satisfy the needs and aspirations of workers. For them it's thus a question of explaining what their strategy is to encourage positive social impacts and to limit the negative impacts of their direct or indirect activity on the countries or regions (contribution by employee representatives to working out the social strategy, definition of progress objectives, discussion with employee representatives on the results obtained, etc.).

Furthermore, the company will have to show how its overall social policy is coherent with its local practices.

The information will therefore be made available by region (or country) and type of activity, and they will be accompanied by information allowing them to be understood (socio-economic or geographical context; evolution over time; results presented by sex, age, type of contract, etc.). The company will thus explain how its social strategy and the ensuing priority objectives for the three coming years are coherent, especially with the principles listed in the ILO's 2006 revised version of the *Tripartite declaration of principles concerning multinational enterprises and social policy*.

It will thus provide information on:

- the situation regarding the professional relations (freedom of association and right to organize, effectiveness of collective bargaining, corporate governance, examination of complaints, settlement of work conflicts);
- and the situation regarding work and living conditions (wages, minimum age, safety/health and working conditions), with emphasis on its practices with regards to social coverage, employment (job promotion, equal opportunity and treatment, job security, and the fight against precariousness), training, and in-house promotion.
Finally, it will explain how its relations with the national governments contribute to establishing higher social standards in the country and what lawsuits there may be on non-respect of social legislation.

C) Environmental legislation
Companies must give accounts of the direct and indirect negative and positive external effects of their activities on the environment. They must also give an account of the processes they have determined to identify these effects and to prioritize them. To achieve this objective, companies must examine diverse points.

1) Issues and outlook of the company's activity on the environment

*Identification of the environmental issues and the known or potential impacts of the company's activity:* The objective of this part is to understand how the company identifies all the environmental aspects on which its direct and indirect activity has impact. How does it include environmental protection in its decision-making? What are the known or potential direct and indirect impacts of the company's activity on the environment? What is the process to determine these impacts? How does it manage the risks related to the dangerousness of sites and its products/services? What objectives has it achieved in terms of reducing these impacts (over one, three, or five years)?

*Economic estimation of the environmental risk:* How does the company manage environmental risk?

*Respect of norms:* The environmental aspects on which there is an impact can be identified through the existence of environmental legislation. The company must list all the legal requirements to which it is subject and indicate how it can prove that it conforms to these requirements.

2) Environmental management

What mechanisms are set up by the company to control and stimulate internal/external environmental protection procedures?
Certification, evaluation, or voluntary participation procedures: How does the company set up certification procedures to respond to and monitor environmental issues and impacts?

Financial investment: What financial effort does the company make to reduce the impact of its activity on environmental aspects?

Eco-design: How does the company incorporate lifecycle analysis into its activity?

3) Results of the policies set up

What are the quantitative/qualitative environmental impacts of the company's activity? What actions does the company set up to reduce its impacts?

Natural resources: What is the impact of the company's activity on natural resources? What strategy has it adopted to reduce its impacts? How does the company give priority to renewable and recycled raw materials? How does the company ensure proper management of energy resources? How does the company manage its water resources efficiently? How does the company ensure that land use is in harmony with responsible environmental management?

Biodiversity: To what extent is the company's activity dependent on biodiversity? How does the company evaluate the value of the use of natural heritage in its production of goods and services?

Pollutions: How does the company reduce pollution that ensues from its activity (atmospheric emissions and transportation)?

Wastes: How does the company reduce the wastes produced by its direct and indirect activity?
The FCRSE has made this proposal following its mixed assessment of the application of the Law of 15 May 2001\(^8\). The proposal seeks to support the proactive position of France with regards to corporate reporting... yet is all the while in keeping with a changing international environment\(^9\).

Forum Citoyen pour la Responsabilité Sociale (FCRSE)\(^10\)

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\(^8\) The FCRSE asked for the harmonization and extension of social and environmental information in a framework that is more transparent and incentive (FCRSE, "Réponse du Forum citoyen au Bilan de la loi NRE", 5 May 2009).


\(^10\) Help was given in the writing of this document from Mr. Michel Capron (Université Paris 8), Miss Carole Peychaud (environmental legal expert and FCRSE coordinator), Mrs. Françoise Quairel-Lanoizelée (Université Paris-Dauphine), Mr. Ivan Tchotourian (Université de Nantes), as well as from the following FCRSE members: the Sherpa association (in particular Mrs. Sandra Cossart and Céline Etre), the CFIE (Mr. Martial Cozette), and Groupe Alpha (Mrs. Natacha Seguin). This document is mainly based on the proposal that the FCRSE submitted to the government in June 2010.
APPENDIX I

Social Indicators

**Definition of the indicator**: quantitative or qualitative data that define a changing situation and actions or their consequences, so as to evaluate them and compare them over time. The process of indicator selection goes hand in hand with that of dialogue with the stakeholders, with the goal of establishing a sort of "social contract" on the company's plan for industrial development. The indicators proposed in this appendix are based on commonly accepted international references and represent only ideas for reflection for the company that owes an obligation to give accounts.

The indicator must be appropriate, specific, valid, reliable, accurate, measurable, comparable (in time and space), and easy-to-use.

The indicators proposed below are "general" and must encourage the companies concerned to build sector-based indicators more appropriate to their specific issues.

The societal approach to reporting established by the company rounds out the social and environmental dimensions. It examines the quality of the relationship between the company and the community and evaluates as fully as possible the company's contribution to the development of the regions where its activity is established and, more generally, to human progress. Or, on the contrary, it evaluates the obstacles it encounters in achieving this objective as well as the means it implements to overcome these obstacles. The dialogue instituted with the stakeholders is a cross-sectional issue that is important to include in all levels.

We propose 13 analysis criteria and 66 indicators divided into 4 sections.

**Impact of conducting business on local development and on human rights**

The local development of an economic activity produces positive and negative effects on the development and harmony of the regions where the activity is established. The corporate report presents an objective evaluation of its contribution to the local development of the regions where its activity is established, by taking into account the specific characteristics of these regions (industrial countries, emerging countries, urban or rural zones, etc.).

**Participation in the financing and construction of infrastructures and public services, as well as in their functioning.**

The company presents its contributions—in kind, via its own financing or via co-financing—in the building of infrastructures that can benefit the community.

- Objectives pursued and rules established by the company in the matter
- Summary description of the main achievements by category (roads, infrastructure, toilets, schools, etc.) as well as the main groups of beneficiary populations and the main partner organizations
- Amount of investments made in this context and in proportion to total investments recorded by the company. It can also present a breakdown of these investments by type.
- Amount of expenditures made for the operating of infrastructures and public services of the host regions.
Development of the economic fabric (beforehand, afterwards, with regards to competition)

The company presents indicators making it possible to evaluate its impact on local economic development.

- Objectives pursued and rules established by the company in the matter
- Summary description of the main actions carried out to participate in the development of the economic actors of the main regions where the activity is established (partnership, technical assistance, purchases, etc.)
- Proportion of local purchases of goods and services compared to total purchases by the company. It especially highlights the purchases made in emerging or developing countries.
- Main types of action contributing to the capacity-building of suppliers, subcontractors, and clients of the company (long-term contractual ties, strengthening know-how, technology transfer, etc.)
- If need be, main contributions to the development or financing of activities before the company's activities, as well as an evaluation of jobs created
- A description of the main new establishments of the company and an evaluation of their impact on the competition and—more generally—on the local economic fabric
- Number of times convicted of breaching competition rules and the amounts of corresponding fines.

Respect of freedoms and individual and public goods

The exploitation of local resources or local sites as well as the construction of installations can have repercussions on the rights and the public goods of individuals and local populations. The company evaluates their impact and indicates the compensation measures it has established.

- Objectives pursued and rules established by the company in the matter
- List of international agreements and treaties related to freedoms and individual and collective rights that the company has included in its conducting of business
- Summary of the main impact studies carried out regarding respect of human rights, the main results obtained, and any corrective actions taken
- Summary inventory of the cultural heritage and the main natural resources exploited by the company or affected by the latter's activity, including in terms of occupation of land
- Measures taken to preserve cultural heritage and local cultures from the company's activities
- Number of persons displaced as a result of the company's activities (expropriations, forced displacements), the reasons for these displacements, the framework of discussions carried out with these populations or their representatives, and an indication of the compensation measures offered
- List of regions where the company exploits strategic or precious resources (hydrocarbons, gold, diamonds, coltan, uranium, etc.) that are the theater of armed conflicts
- Measures taken to ensure the safety of the inhabitants of these regions
- List of locations, worksites and installations requiring protection from armed public or private security services
- Amount of expenditures made for protecting these sites
- Measures taken to avoid any form of human rights violation by the armed security services assigned to protect the sites or installations or to acquire land to benefit to the company (control over the authority, personnel training, etc.)
- Number of incidents, complaints, and convictions resulting from a violation of the rights of indigenous populations, as well as the related costs (compensation paid, transaction procedures, provision for liabilities).

Controlling the impacts of the supply chain

The growing complexity of the supply chain and its offshoring to countries with low labor costs leads to increasingly strong pressure on companies situated along the chain. In its report, the company indicates the measures taken so that business relations generate progress for all the workers of its supply chain and so that they are protected from possible violations of their rights.

Description of the channels and of risks of human rights violations

To evaluate the main risks regarding human rights violations and to define the scope concerned and the reach of measures taken, the company provides a precise description of how supply is organized and how it evolves from one year to the other.

- Total amount of purchases, main purchase budget items and main supply countries in terms of volume
- Nature and amount of the goods and services purchased that are subject to special attention by the company (products intended for sale, products intended for incorporation into manufactured products, raw materials, caretaking/security, telemarketing, etc.)
- Description of the general organization of the various channels, in particular clarifying whether they are concerned by multi-level sub-contracting (1st level, 2nd level, etc.)
- Main evolutions observed from one fiscal year to the other with regards to the extent of subcontracting.

Respect of human rights in the supply chain (prevention, protection, correction)

The company presents the measures implemented and provides information making it possible to evaluate the effectiveness of their application, in order to protect the labor force and its subcontractors and suppliers from any forms of violation of their fundamental social rights relative to International Labour Organization (ILO) agreements.

- Objectives pursued and rules established by the company in the matter
- General principles regulating the ties between the company and its suppliers, subcontractors, and service providers (respect of a reciprocal code of conduct, delivery deadlines, payment deadlines, conditions for breaking contractual ties, etc.). Conditions in which these principles apply
- Description of the company's commitments to protecting fundamental social rights and the scope to which these commitments apply: subsidiaries, 1st-level subcontractors, subcontractors of a higher level; specific products or services, depending on the size of the suppliers, subcontractors, and service providers
- Percentage of purchases concerned by the company's agreements, by type of goods and service, by country of origin, and by nature of supplier (subsidiaries, 1st-level subcontractors, etc.),
- Description of the system established by the company to make sure that its agreements are respected (principles of selecting suppliers, providers, and subcontractors; diffusing information about respecting human rights to the companies selected, internal and external control system for parts and for sites, and degree of independence of firms in charge of such audits)
- Number of suppliers, providers, and subcontractors that have been audited during the fiscal year and percentage of purchases covered. Percentage of providers, subcontractors, and suppliers concerned by the company's agreements and that have not been audited for at least three years
- Types of violations that might be identified, corrective measures taken; assistance given to suppliers, subcontractors, and providers to provide for improvement in working conditions of the labor force; progress recorded
- Number of contracts and commercial partnerships canceled for non-respect of agreements made by the company.

Development of the solidarity economy (fair trade, etc.)
In contrast to the channels exposed to violations of fundamental social rights, the solidarity economy furthers sustainable development. Promoting it therefore represents a direction that companies can adopt. In its report, the company provides information making it possible to assess its contribution to the solidarity economy.

- Objectives pursued and rules established by the company in the matter
- Succinct definition of the criteria taken into account to qualify the company's economic partners as part of the solidarity economy or fair trade
- Amount of purchases made with companies from the solidarity-economy and fair-trade sector. Nature and geographical location of these purchases.

Impact of goods and services, communication

The goods and services offered by a company respond to a need. But on a societal level, the level of satisfaction can be limited for at least three reasons: because part of the population cannot have access to some of the goods and services that can be called essential; because in some circumstances certain goods and services can produce negative effects (on rights, freedoms, health, etc.), and because the level of the quality of the company's information does not enable its consumers, and more generally its stakeholders, to make an objective judgment on the company's offer.

Access to essential goods and services
Access to essential goods (water, health care, energy, loans, basic banking services, etc.) concerns a considerable number of people. It's up to the companies to check whether they are concerned by this issue, to explain the criteria they rely on to make this analysis, and to describe how they take up the challenge of access to essential goods and services by as many people as possible, as well as the results obtained.

- Objectives pursued and rules established by the company in the matter
- Inventory of the obstacles to access to essential goods and services by the most disadvantaged populations (investments, offer, price, distribution, etc.)
- Description of the measures set up to overcome these obstacles and to propose an offer that responds to the issues
- Number of people concerned by the solutions provided by the company, compared to the total number of customers of the company.

**Fight against the negative effects of certain goods and services**

When their consignees or usage are not controlled, some goods and services can have negative effects on their users or on third parties. This is the case of: indiscriminate weapons or weapons whose purchasers are, for example, oppressive regimes; credits (overindebtedness); financing (nature of goods financed); Internet access services (surveillance); agro-fuels (competition with agricultural land); certain food additives (sugars, salts, etc.); medicines (useless or dangerous); and certain addictive products (foods, drinks, games, etc.). The company provides information making it possible to evaluate its control of the risks that can be generated by the distribution of these goods and services.

- Objectives pursued and rules established by the company in the matter
- Summary description of the goods and services that can be concerned by this issue
- Description of the measures taken to reduce or eliminate the risks related to the commercialization of these goods or services
- Inventory of the measures for dialogue established, discussions carried out with the organizations concerned (consumer defense organizations, international solidarity organizations, etc.), progress accomplished, and new directions of progress that emerge.
- Number of complaints and convictions recorded as well as amount of fines paid and provisions for liabilities recorded in the accounting.

**Information and communication**

To ensure a good relationship with its stakeholders, the company must provide full and impartial information at all levels. It describes the rules adopted, the processes applied, and the results obtained with regards to external communication, marketing, and labeling, to make sure that the overall information of the company is full and impartial.

- Objectives pursued and rules established by the company in the matter
- Summary description of the rules adopted by the company with regards to labeling of products and services
- Summary description of the rules established by the company with regards to external communication and marketing in France and abroad, as well as the international agreements and deontological rules it adopts
- Examples of responsible marketing initiatives
- Number of complaints and convictions resulting from a breaching of rules applicable to advertising, labeling, and communication, as well as the related costs: compensations given, transaction procedures, provisions for liabilities.

**Ties with public authorities / institutions and tax contribution**

The nature of the ties maintained by a company with public authorities and local and international institutions is a decisive factor in redistributing the value created by the company. Consequently, it's fundamental to ensure optimal transparency regarding the nature and quality of these relations.

*Actions likely to exert influence on public policies*
The orientations taken by the various local, national, and international authorities can have an impact on company results. The company provides information that enables assessment of its decisions and actions likely to influence decision-makers.

- The company's policy and agreements with regards to financing political parties, individuals, and institutions that exert influence on public policies
- Amount of the payments made as well as of contributions in kind to political parties, persons, and institutions that can have an influence on public policies, in detail by country and by main beneficiary
- Amount of lobbying expenditures.

**Fight against corruption**
Corruption has many harmful effects. Not only does it distort competition, but by injecting hidden costs into production cost or by diverting income from its legitimate destination, it often generates a liability that has to be made up for by the entire population and, in particular, by the poorest. The company presents the measures set up to reduce or eliminate the risk of corruption within the framework of its operations.

- Objectives pursued and rules established by the company in the matter
- Mapping of its exposure to the risks of corruption (according to its activities and the countries where these are carried out)
- Measures taken by the company to reduce its exposure to the risks of corruption (reduction of activities in the countries and internal control system for high-risk activities, etc.)
- Participation in multiparty initiatives with an international reputation (such as EITI),
- Training of personnel on the issue of fighting corruption
- Number of incidents noted of non-respect of regulations concerning the fight against corruption, as well as the amount of penalties paid following offences and the amount of provision for liabilities.

**Subsidies and public aid received**
The companies may receive aid or subsidies from public authorities for developing a certain type of activity, for setting up in certain zones, or for creating jobs, etc. In turn, the company is expected to fulfill its commitments and reallocate all or part of this aid to the benefit of the community (impact on prices, long-term effect on employment or innovation, etc.). The company makes an objective evaluation of the aid it has received during the fiscal year and previous years, as well as of the situation of the beneficiary establishments.

- Amount of aid and subsidies received by the company, as well as their breakdown by destination and appropriate geographical area
- Description of the restructuring that took place and whose relevant sites benefited from subsidies and aid from public authorities during the previous five years before this restructuring.

**Contribution to public finances**
One of the foremost duties of the company is to contribute via taxes to the development of the regions where their activities are established. But several conditions must be met, and one of these is that the company limit tax avoidance. The company explains the measures set up to guarantee financial transparency and gives information on its contribution to public finances by country and region where its activities are established.
- Commitments by the company in terms of financial transparency and adherence to initiatives in this matter (of the "Publish what you pay" type)
- List of tax and legal havens in which the company is established, based on the broadest known lists
- Contribution by the company to the public finances of the countries and regions where its activities are established, in comparison with the net result obtained in these countries and regions.

Appendix II

Social Indicators

Professional relations

Freedom of association and the right to organize

- The company's objectives regarding promoting freedom of association (to join unions)
- Means implemented to make sure trade unionists are not discriminated against
- Means implemented to promote freedom of association
- Percentage of employees covered by a collective bargaining agreement
- Percentage of sites in which employee representation exists.

Collective bargaining

- The company's objectives regarding collective bargaining aid for employees
- Means implemented to enable collective bargaining
- Percentage of employees covered by a collective bargaining agreement
- Percentage of sites covered by a collective bargaining agreement
- Initiatives aiming to ensure signed agreements are applied properly.

Corporate governance

- The corporation's objectives regarding employee representation in the company's decision-making bodies
- Employee representation in the management or monitoring of the company
- Opinions by the institutions representing the personnel and by the national and/or international union organizations regarding the quality of the social relations in the company.

Examination of complaints

- System of collecting and/or dealing with individual appeals

Settling work conflicts

- Number of days of collective work conflicts
Working and living conditions

Wages, benefits, and working conditions

- The company's objectives regarding employee remuneration and social protection
- The company's average wage compared to the local minimum wage, to the wage of the sector, or to local living costs
- Inventory of social coverage in percentage of the workforce or in percentage of sites
- Benefits provided to employees (life insurance covering retirement and death; medical care; disability insurance; maternity/paternity leave; retirement system; profit sharing, etc.)
- Description of the means the company provides itself to ensure decent wages

Minimum age

- The company's objectives regarding abolishing child labor and promoting schooling
- Measures taken to contribute to banning child labor

Safety, health, and working conditions

- The company's objectives to make sure that its work arrangements are not pathogenic
- Work organization: number of hours worked, means implemented by the company to ensure that overtime is paid and that it respects regulations on maximum working time
- System of feedback on the state of health of employees: percentage of total workforce represented by a joint management-worker body in charge of safety/health and hygiene issues, etc.
- Rates of work accidents, occupational diseases, absenteeism, number of days lost, and the total number of work-related fatalities by geographical area
- Health and safety issues covered by agreements with the unions
- Table of all the health and safety issues concerning the company's employees
- The company's strategy and commitment regarding health and safety for its subcontractors, providers, and local communities, etc.

Employment

Promoting employment

- The company's objectives regarding creating productive and freely chosen jobs
- Total workforce by type of job (full-time/part-time), work contract (indefinite/fixed-term/temporary), employee category
- Personnel turnover by number of employees and percentage by age group, gender, and employee category
- Breakdown of employees leaving employment in percentages by gender and employee category

Equal opportunity and treatment

- The company's objectives regarding fighting discrimination and promoting equal opportunity
- Makeup of governance bodies by gender
- Percentage of local managers
- Breakdown of employees by age group, gender, ethnic group, and other diversity indicators
- Ratio of basic salary of men to women by employee category
- Means implemented by the company to ensure that it does not discriminate in the hiring and promotion processes

Job security

- The company's objectives regarding the fight against employee precariousness
- Discussion of employment policy with employee representatives and a level of discussion that enables the latter to have an exact and accurate idea of the activity and the results of the unit or, if need be, of the company as a whole
- Motives for re-organizing or restructuring, etc.
- Procedure set up by the company to anticipate the negative effects of re-organizing or modifying activity: minimal prior notification time, strategy for informing the stakeholders (indefinite and fixed-term employees and their representatives, local communities, etc.), means made available for employee redeployment, support measures, etc.
- Number of employees reorganization has an impact on, number of employees having benefited from support or redeployment measures, by geographical area

Training and promotion in the company

- The company's objectives regarding developing skills and lifelong training, and the promotion of employees
- Average number of training hours per year and per employee, gender, employment category and age group
- Percentage of the workforce having benefited from training during the year by gender, employment category and age
- Percentage of employees benefiting from evaluation interviews and periodic career evolution, by employment category and by gender

APPENDIX III

Environmental indicators

Issues and outlook of the company's activity on the environment

- Including environmental criteria in decision-making

The company describes and explains the approach for taking into account possible environmental impacts from its projects and new activities, and the objectives it has set to put analysis of environmental impacts into general use.

Examples of indicators (non-exhaustive list)

- Expenditures made (in % of the project's budget) in impact studies on the company's activities on the health and environment of the local population
- Discussion on putting environmental impact studies into general use for all projects
• **Economic estimation of the environmental risk**

The company describes its objectives to reduce the risks of damage to the environment.

*Examples of indicators (non-exhaustive list)*
- Expenditures made to prevent the consequences of the company's activity on the environment
- Amount of expenditures/reserve fund for remediation of sites that are polluted or that have ceased activity
- Means devoted to reducing risks for the environment as well as arrangements made to deal with pollution accidents with consequences that go beyond the company's establishments
- Amount of provisions and guarantees for environmental risks, except if this information may cause serious prejudice to the company in a lawsuit in process
- Total number and volume of significant accidental spills (chemical products, hydrocarbons, fuels). Indicator that measures the company's capacity to self-monitor its activities.

• **Respect of norms**

The company lists all of the legal requirements to which it is subject and indicates how it can prove that it is conforming to these requirements.

*Examples of indicators (non-exhaustive list)*
- Measures taken to ensure that the company's activity conforms to the legislative and regulatory measures applicable in this matter
- Total expenditures and investments in environmental protection, by type (indicator EN 30 2 of the GRI)
- Evaluation and conformity: setting up a follow-up process for the application of norms and their respect (framework agreements with the supply chain? Audits carried out?)
- Fines and compensations / Legal or transactional procedures / Respect of laws
- Amount of compensations given during the fiscal year as a result of a legal decision in environmental matters, and the actions carried out to repair the damages caused to the environment + EN 28
- Total number of compliance orders for non-respect

• **Dangerousness of the various sites/products**

*Examples of indicators (non-exhaustive list)*
- Number of IPPC/Seveso installations + number of sites where the company acts as manager
- Use of dangerous chemical substances classified under REACH

**Environmental management of the company**

• **Certification, evaluation, or voluntary participation procedures**

The company's strategy and objectives for setting up certification procedures
Examples of indicators (non-exhaustive)
- Evaluation and conformity: setting up a process to monitor the application and respect of standards (Framework agreements with the supply chain? Audits carried out?)
- Raw material supply from channels that are certified or sustainably managed
- Whether or not internal environmental management services exist within the company and whether the employees are trained and informed about them

**Investment**

The company's objectives in terms of investments to reduce known and potential impacts on the environment

Examples of indicators (non-exhaustive)
- Investments and expenditures related to the environment
- Amount of budgets allocated to research and development in environmental matters

**Ecodesign**

The company's objectives to include lifecycle approaches in product and service design

Examples of indicators (non-exhaustive)
- Life cycle assessment (LCA) of products
- Initiatives to reduce the environmental impacts of products and services

**What are the results of the policies set up?**

The company describes the results of its environmental impacts (the indicators presented here must agree with the proposals of the methodology).

The company describes the actions carried out to reduce the impact of its activity on the list of significant aspects identified and on the list of subjects presented below.

**Natural resources**

*Consumption of raw materials: how is the use of raw materials adapted to the overall environmental issues?*

The company's objectives to reduce consumption of raw materials

Examples of indicators (non-exhaustive)
- Total number of raw materials consumed, including those bought from external suppliers or obtained from an internal source, be it captive production or extraction
- Percentage of raw materials in the final product that comes from recycling sources
- Transformation of raw materials into products or services
- Related materials necessary for production but absent from the finished product
- Materials used for packing

*Energy: how does a company ensure good management of energy resources?*

The company's objectives for reducing energy consumption and using renewable sources
Examples of indicators (non-exhaustive)
- Quantity of energy economized through initiatives undertaken by the organization to improve energy efficiency
- Initiatives to produce and supply products and services that rely on renewable energy sources or on improved yield; reduction of energy needs obtained following these initiatives
- Initiatives to reduce the consumption of indirect energy
- Initiatives to be supplied from renewable sources

Water: how does the company manage its water resources effectively?

The company's objectives to reduce water consumption

Examples of indicators (non-exhaustive)
- Total volume of water taken, by source
- Sources of water supply significantly affected by taking this water
- Use of water, broken down by category of usage
- Percentage of water recycled and re-used
- Water losses in the transport networks
- Total discharges into water, by type and destination
- Separating waste water discharge in public systems with and without treatment, and discharges into surface waters without treatment and on-site treatment
- Economizing water: initiatives to reduce water consumption and results of these economies

Conditions of land use: how does the company ensure that land use conforms to responsible environmental management?

The company's objectives to reduce the exploitation of fragile land

Examples of indicators (non-exhaustive)
- Location and surface area of land held, rented, or managed; protected areas or areas rich in biodiversity in the vicinity

Biodiversity: how does the company ensure that its activity does not harm biodiversity?

Examples of indicators (non-exhaustive)
- Presence of IUCN / CITES protected species + presence of protected areas
- Description of significant impacts of activities, products and services on the biodiversity of protected areas or of areas rich in biodiversity outside of protected areas
  - Including the supply chain
  - Introduction of harmful species, organisms, and pathogenic agents
  - Reduction of species
  - Ecological processes changed to greater extent than by natural variation
  - Whether or not the impacts are reversible
  - Protected or restored habitats
  - Current strategies and actions and future plans for managing impacts on biodiversity
o Measures taken to limit the damage to biological balance, natural environments, and protected animal and plant species
o Number of threatened species that are on the IUCN global red list and its national equivalent and that are found in areas affected by the activities, by level of risk of extinction
o Including living matters in the corporate reports

• Pollutions

*Atmospheric emissions: how does the company manage its atmospheric emissions?*

The company's objectives for reducing discharge into air of components that are polluting, harmful to health, or that contribute to the greenhouse effect

*Examples of indicators (non-exhaustive)*
- Emissions of direct GHG in tons of CO2 equivalent
- Total emissions of all greenhouse gases in tons of CO2 equivalent and in value
- Emissions of indirect GHG in tons of CO2 equivalent
- Carbon market
  o Is the company subject to the Kyoto Protocol?
  o Quota purchases on the European market
  o Sales of quotas on the European market
  o Profits obtained from sale/purchase
  o Carbon credits: purchased or generated
  o Detail of projects allowing generation of carbon credits
- Other pollutants released into the air: list of components whose quantities must be declared
- Initiatives to reduce emissions
  o Has a carbon budget been carried out? (Specifying the extent of analysis and action plan for reducing emissions)

*Transport: how has the company reduced the effects of its transportation (raw materials, goods, employees, etc.)?*

- Environmental impact of the means of transportation used by the organization
- Impacts in terms of greenhouse gas emissions, energy used, discharges, wastes, spills
- Number of kilometers traveled, per raw material

• Wastes

The company's objectives to reduce the production of wastes and to further their reuse and recycling

*Examples of indicators (non-exhaustive)*
- Total mass of waste, by type and by method of treatment. Give the volume and percentage that this represents.
- Typology of wastes:
- Dangerous wastes (at time of production)
- Non-dangerous wastes (notion of Extended Producer Responsibility)\textsuperscript{11}
- Destination of wastes and treatment methods

Percentage of wastes:
\begin{itemize}
  \item collected
  \item recovered: recovery proceeds from a set of operations including "reuse, recycling or any action to obtain reusable materials or energy from waste"
  \item recycled (by indicating the method of recycling chosen)
  \item made into compost
  \item incinerated
  \item put into dumps
  \item injected into deep pits
  \item stocked on-site
  \item other (specify)
\end{itemize}

Indicate what organization/provider takes care of the treatment (Internally?, Externally?, Audits carried out on the elimination of wastes by external providers?)

- Total number and volume of accidental spills
  \begin{itemize}
  \item Reasons for the accident
  \item Products spilled
  \item Location of spill
  \item Volume spilled
  \item Nature of the matter spilled and details on location
  \item Impacts of the spills
  \item Procedures implemented to find a sustainable solution
  \end{itemize}

- Mass of transported, imported, exported, or treated wastes judged as dangerous according to the Basel Convention
- Percentage of wastes exported, by destination, indicating in each case the identity of the transporter, supplier, and organization that will treat it.

\textsuperscript{11} The concept of EPR, initially promoted by the OECD, seeks to involve producers in the management of their products at the end of their life cycle.