



About the Vigeo group

1.

Corporate structure

- Founded in 2002, by Nicole Notat, former president of union CFDT in France
- First European CSR rating agency

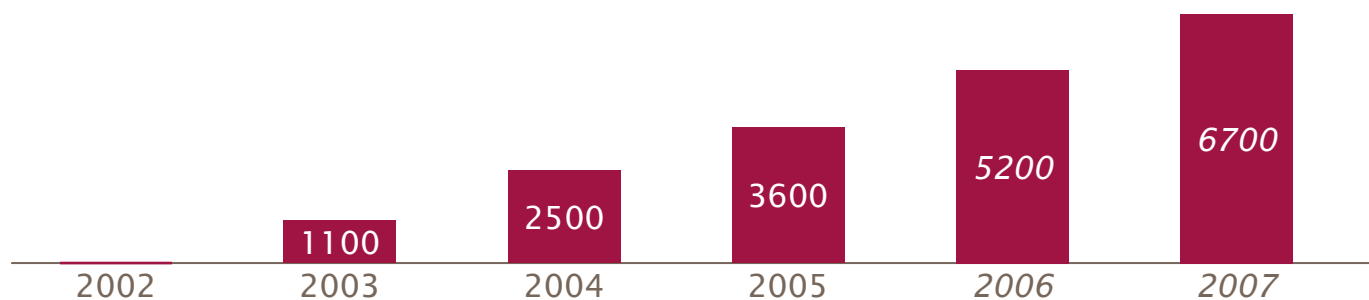
Business activities

- **For investors and asset managers** (SRI Department) :
 —————> Investment decisions tool
- **For companies and local governments** (CSR Audit Department) :
 —————> Strategic management tool

Key numbers

- **Over 1000 companies** evaluated (SRI Research)
- **100 investors and asset managers**
- **More than 150 CSR audits** carried out since 2004
- **More than 200 speeches, conferences, seminars, trainings, etc.,** since 2002

Evolution of the operating income (€ K)





2.

— CSR definition and context



What is the link between CSR and the economic crisis?

3.

- The market economy – all its actors – was dominated by the demand for quick and high financial returns
- We have forgotten that a company's reason for existing is also social: sustainably produce products and services through job creating activities
- The objectives for short term profitability has taken over the primary objectives of a company
- Sustainable development is not *per se* a cure against the crisis but its should constitute the horizon that determines and gives direction for the actions and the choices made by economic and financial actors
- The responses to challenges that sustainable development holds – ecological, social, inequalities in development and respect of fundamental rights- affects the ways to produce, consume, finance and organise a sustainable economy
- CSR is a tool that guides strategic thinking as was quality and client relations in the past



Evaluation of the CSR level of commitment

4.

REPUTATION

HUMAN CAPITAL

OPERATIONS

LEGAL

MARKET

TRANSPARENCY

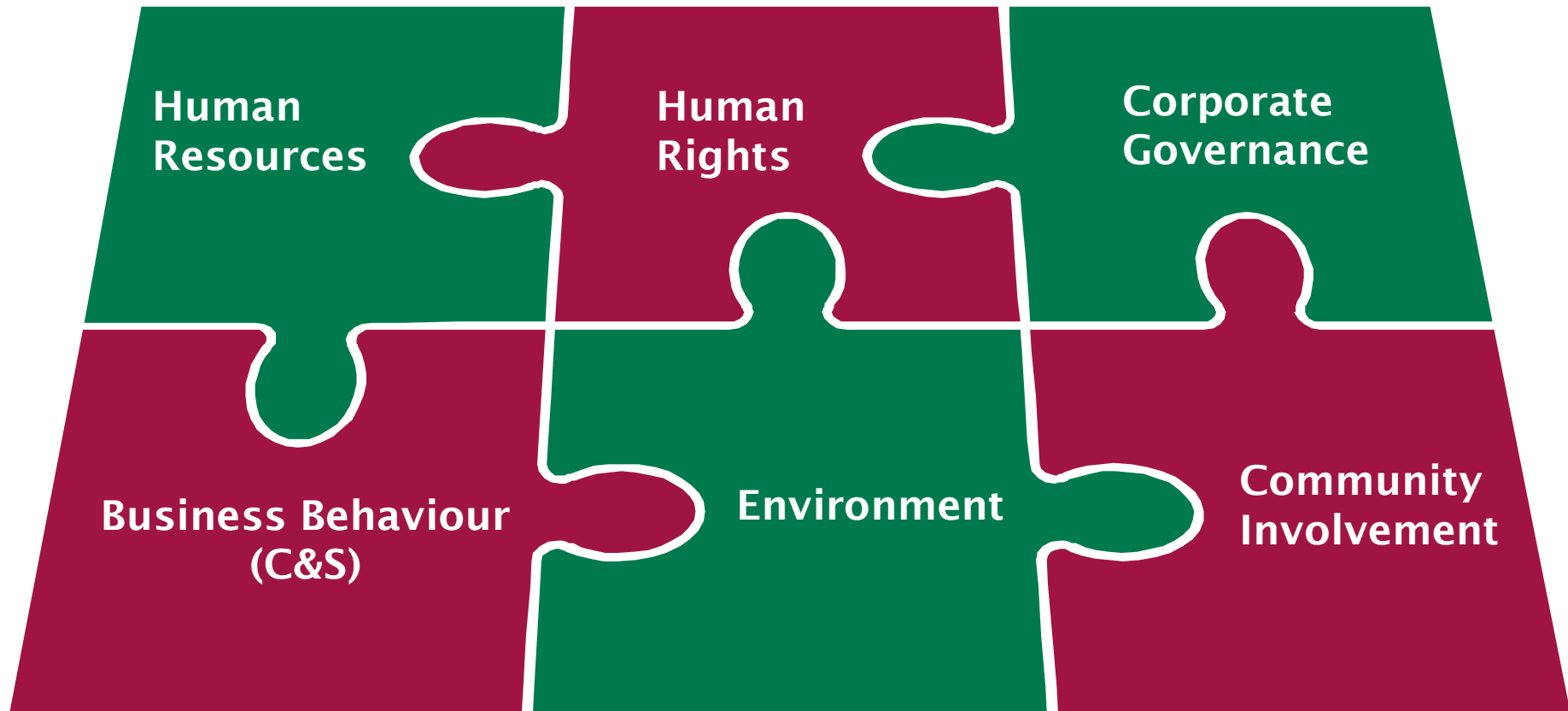
- CSR is to integrate, into the core of governance and company management, the expectations from legitimate stakeholders without which a company cannot ensure a sustainable creation of value.
- Managing impacts on stakeholders is a means to mitigate risks (reputation, efficiency, legal, ...), and ultimately is a source of opportunities and continuous improvement for the company.





6 areas under review

5.





A CSR evaluation based on internationally recognised standards

6.

UN, ILO, UNEP,
Global Compact,
OECD, etc.

(Conventions,
Recommendations,
Statements,
Guidelines)

...For Companies



CSR principles of
universal
application
translated into
action steps for
management



6 evaluation fields / 37 criteria

- Human Rights
- Human Resources
- Environment
- Business Behaviour
- Community Involvement
- Corporate Governance

Human Resources

HRS1.1 Promotion of labour relations

HRS1.2 Encouraging employee participation

HRS2.3 Responsible management of restructurings

HRS2.4 Career management and promotion of employability

HRS3.1 Quality of remuneration systems

HRS3.2 Improvement of health and safety conditions

HRS3.3 Respect and management of working hours



The methodology: Criteria of evaluation

8.

HRS3.2 Improvement of health and safety conditions

Prevent and reduce professional accidents

Implement first aid measures and fire prevention

Prevent occupational disease, reduce stress and promote well-being

Improve working conditions

Open rooms and equipments devoted to the employees' health, lavatories, access to mineral water, leisure rooms, company restaurants

Corporate with other companies working on the production site to insure the workers' health and safety



Environment

ENV1.1 Environmental strategy and eco-design

ENV1.2 Pollution prevention and control

ENV1.3 Development of « Green » products and services

ENV1.4 Protection of biodiversity

ENV2.1 Protection of water resources

ENV2.2 Minimizing environmental impacts from energy use

ENV2.4 Management of atmospheric emissions

ENV2.5 Waste management

ENV2.6 Management of environmental nuisances: dust, odor, noise

ENV2.7 Management of environmental impacts from transportation

ENV3.1 Management of environmental impacts from the use and disposal of products.services



Community Involvement

10.

Community Involvement

CIN1.1 - Promotion of social and economic development

CIN2.1 - Social impacts of company's products and services

CIN2.2 - Contribution to general interest causes



A management reference model focused on continuous improvement

11.

LEADERSHIP

Visibility - Types of policies in place ?

Content - Content of these policies ?

Ownership - Responsibility for these policies ?

IMPLEMENTATION

Means and Resources - Programs and tools in place ?

Scope - Aspects addressed by these tools ?

Coverage - Parts of the company covered by these tools ?

RESULTS

Indicators - Quantitative data ?

Controversies - Stakeholder information ?



Summary of the Results Mexico :Same company

12.

EVALUATION OF HUMAN RIGHTS

L	I	R	Global
2	2	3	2

DH1 Respect of Freedom of Association

DH1.1	Respect of Freedom of Association and promotion of collective bargaining	★★★	2	2	2	2	
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DH2 Abolition of all forms of inhuman and degrading treatments in the workplace

DH2.1	Prevention of all discriminations and inhuman and degrading treatments	★★★	2	2	3	2	
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Rating scale

- 4 Advanced
- 3 Tangible
- 2 Initiated
- 1 Non existant





Summary of the Results: Russia: Same Company

13.

OVERALL EVALUATION OF HUMAN RIGHTS

Items **L I R** Global **1** →

DH1 Respect of Freedom of Association

DH1.1 Respect of Freedom of Association and promotion of collective bargaining ★★★ **1 1 1** **1** →

DH2 Abolition of all forms of inhuman and degrading treatments in the workplace

DH2.1 Prevention of all discriminations and inhuman and degrading treatments. Promotion of equal opportunities ★★★ **2 1 1** **1** →

Rating scale

- 4** Advanced
- 3** Tangible
- 2** Initiated
- 1** Non existent

L Leadership **I** Implementation **R** Results



Business Behaviour

14.

OVERALL EVALUATION OF BUSINESS BEHAVIOUR

Items	Global
P I R	1 →

BB2 Relations with suppliers and subcontractors

BB2.1	Taking into account environmental and social factors in the purchasing process	★★★	1 1 1	1 →
BB2.2	Respect of the suppliers	★★★	1 1 1	1 →

Rating scale

- 4** Advanced
- 3** Tangible
- 2** Initiated
- 1** Non existent

L Leadership **I** Implementation **R** Results



- CSR in supplier relations: an opportunity to change the relationship pattern with this stakeholder in crisis time



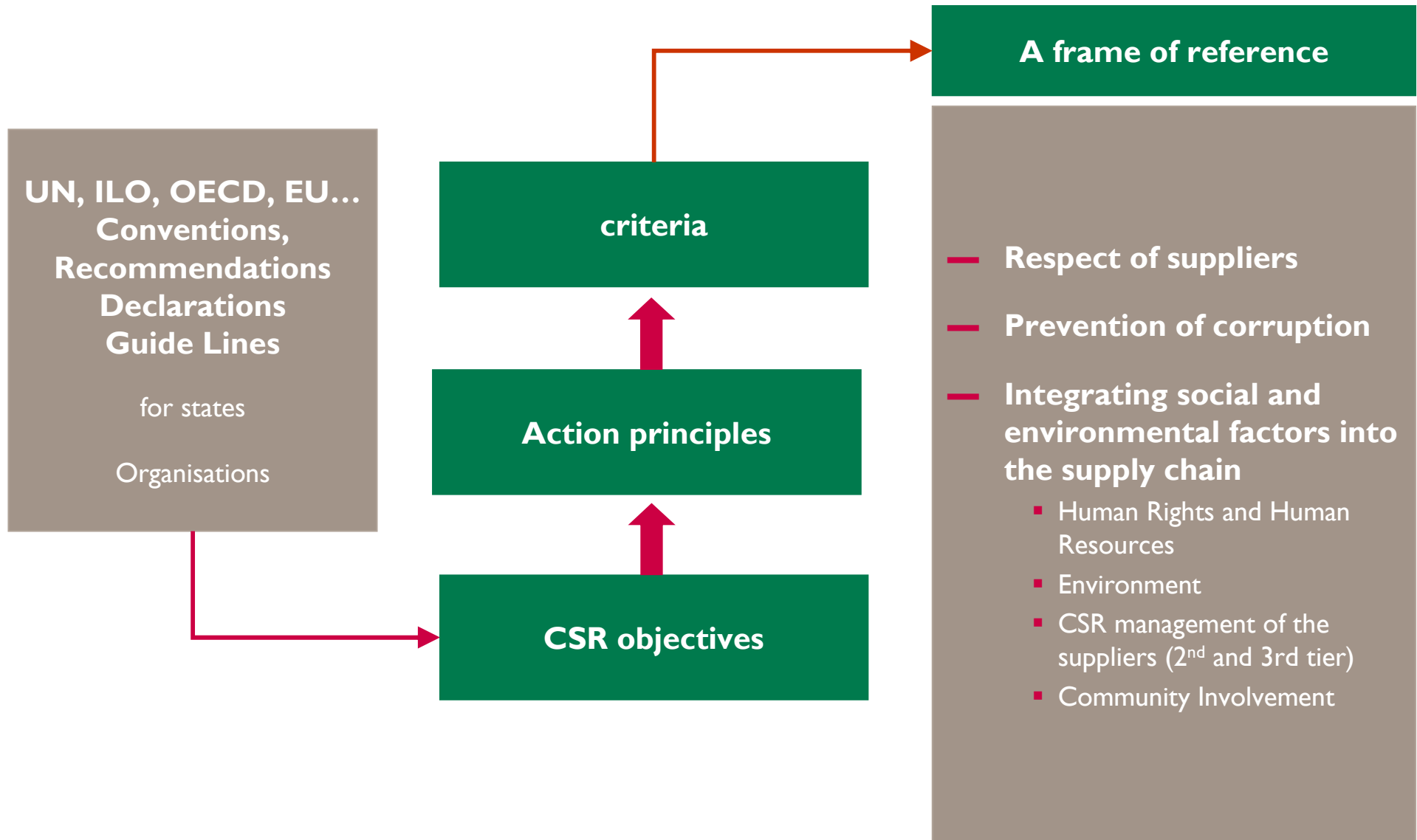
Suppliers relations and reputational risks

16.

- **Well-known brands as well as large corporations are the primary targets for controversies linked to bad CSR management of their suppliers**
- **The consequences can be very important in terms of reputation and market share. A damaged reputation needs several years to be rebuilt and it costs a lot of money.**
- **The challenges concerning supplier relations and sub contractors are more and more important, also during a crisis**
- **Suppliers are first tier stakeholders along with clients, employees and shareholders in a win/win approach.**

Refentiel based on international law and recommendation

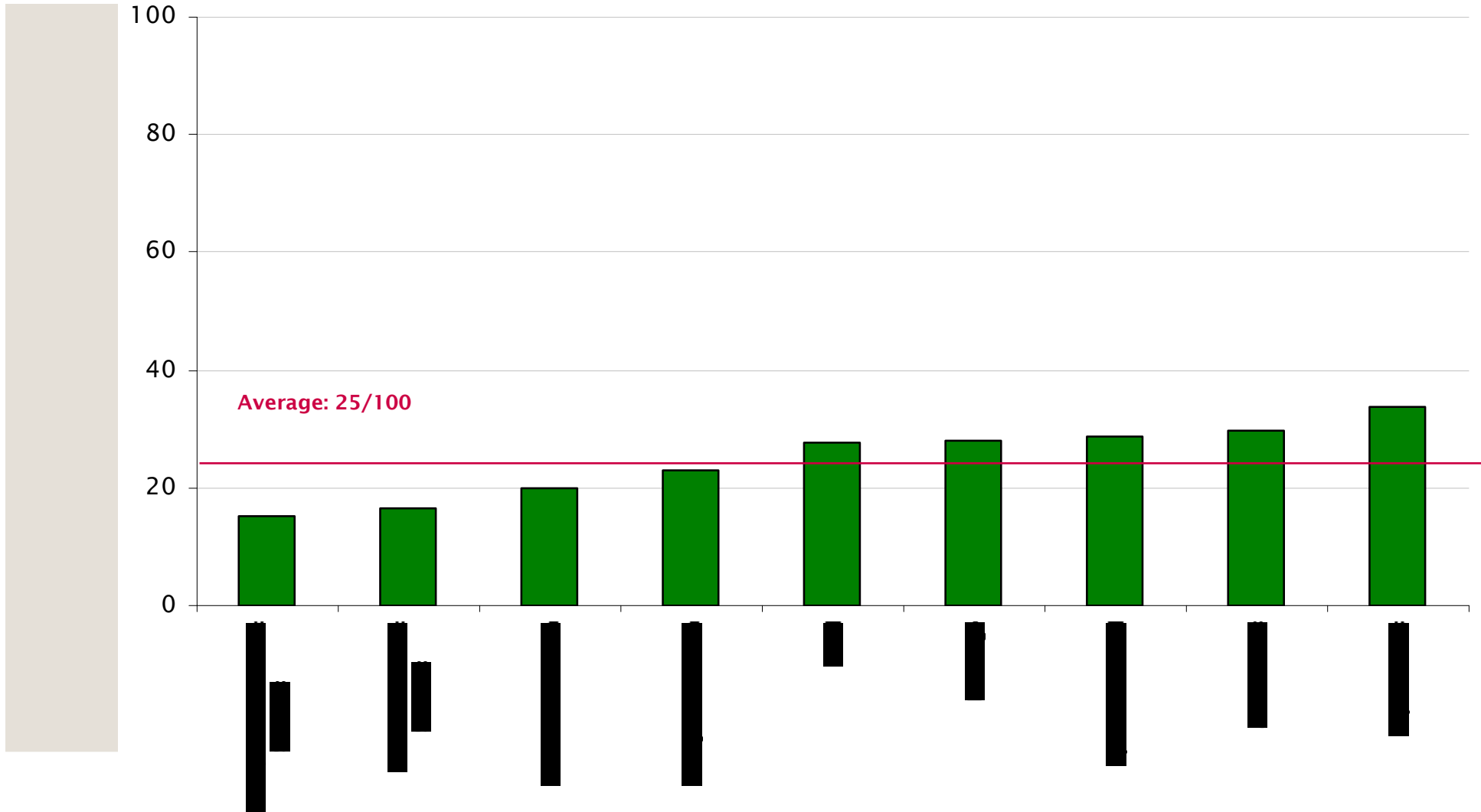
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SRI rating: Respect of suppliers and sub contractors interests

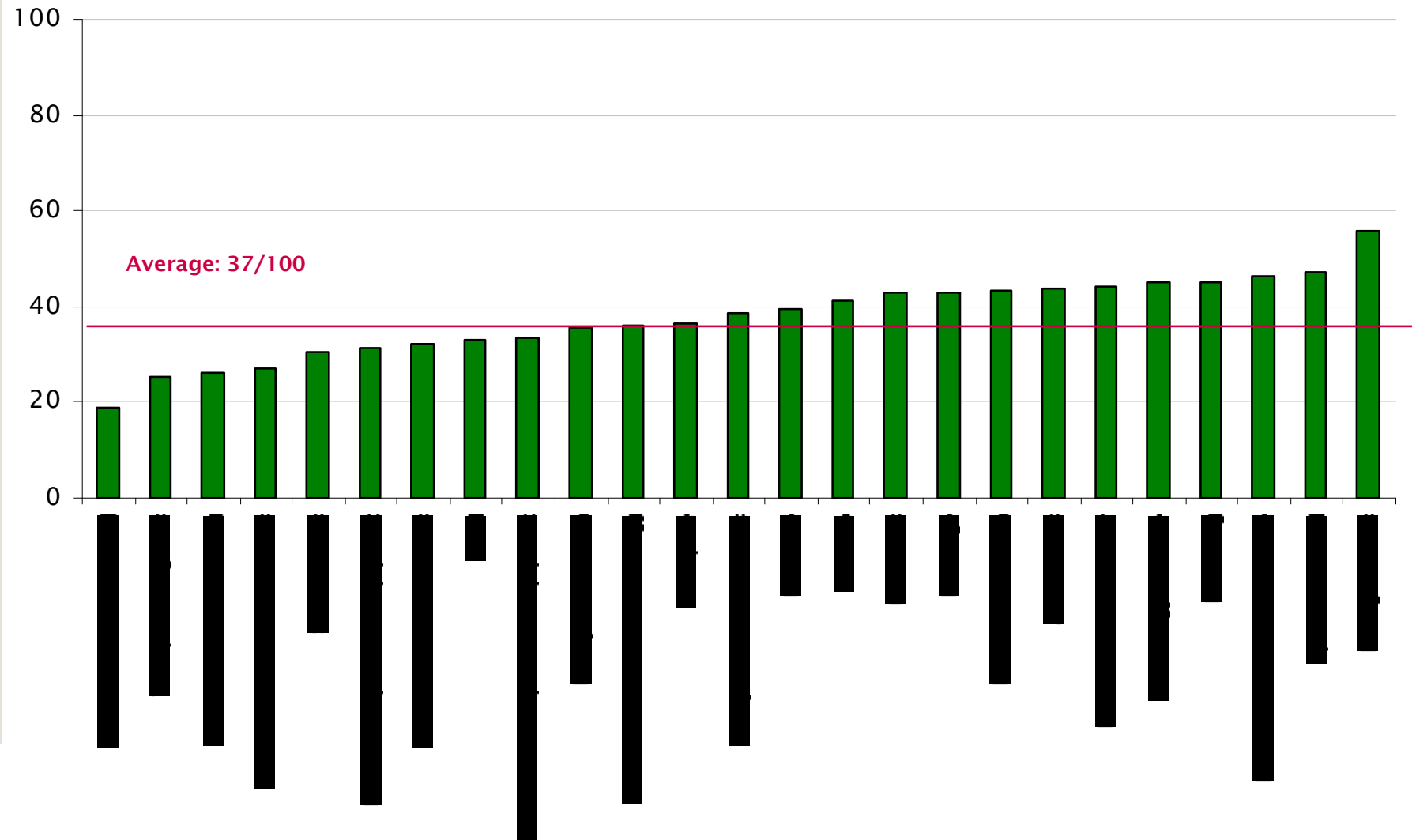
18.





SRI rating : Integration of environmental factors in the supply chain

19.





In time of crisis, The number of code of conduct, compliance audits, the lack of strategy in HR management increase the notion of personnel as a cost and not as a resource.

21.

Personal Management Department became the Human Resource Department

	Personnel Management	Human Resource Management
	Workers are a cost	Workers are a resource that needs to be developed
Training	Adapt the worker/employee to the post	Investment to develop human resources
Predictions	Short term	Long term (one year or more)
Shift in the production	Need to replace the personnel	HR managers are flexible and are able to adapt themselves to the shift



« compliance audits » are not an answer in time of crisis :
An audit focusing on purchasing policies of the buyer is
necessary

22.

- Control audits dose **only measure results** based on more or less reliable information
- The issues are of **endogen** origin (HR management, lack of internal control) and **exogenous** (request from client with regards to deadlines, quality, cost cutting)
- « Compliance Audits » as they are currently carried out cannot suggest other than **short** term solutions that cannot guarantee the respect clients CSR strategies
- Laws in the country are not implemented, no government body to control the implementation on the factories
- Paradoxical injunctions : cost, deadline, quality, code of conduct.
- Responsibility of the MNEs with the supplier are never analysed
- Audit practices focus on control and verification of separate elements and do not allow for an analysis of coherence and complexity.
- So far, this methodology of audits doesn't give the result that could allow strategy on a long run to improve the life of the workers



— Impact of crisis on CSR, audit and monitoring



Will CSR policies reach a strategic level of managerial decision making (1/3) ?

24.

- Social and economic imbalance that are shaking our world and the environmental challenges would be enough to justify a real commitment to CSR. It is an approach that has the capacity to recreate trust between citizens, in politics, economy and in finance.
- The approach is more or less advanced, and often it tells nice stories, to identify and mitigate reputation risks, it is often more of a *soft* than a *hard* company policy with regards to its integration into strategy or operational objectives.
 - These companies (without strategy) will suffer substantial cut backs during the coming recession.
- Companies that have aligned their philanthropic and broader CSR efforts with their core business are more likely to protect these initiatives, even during the crisis.
- But the fact that CSR is slowly entering the agendas of Executive Committees or even board agendas, is what raises hopes
 - After that the Board created a specific CSR committee, the general assembly of Danone adopted the principle of dedicating a part of the profits to stakeholders initiating development initiatives aiming at reducing poverty. It is worth mentioning that this was not perceived as going against the interests of the shareholders.
 - *"I got a vote through on this investment in my general assembly by explaining the interest of constructing this innovative business model", (Riboud)*



Will CSR policies reach a strategic level of managerial decision making (3/3) ?

25.

- **What one should look at, is the way that companies will manage their restructurings and lay offs but also their environmental issues and relations with suppliers , sub contractors as well as with local communities.**
 - Will they simply lay off people, applying the law and that's it? Or will they commit to dedicate means and resources to mitigate the impact of the crisis by accompanying people concerned etc? Some companies do that and are capable of saying: "x number of lay offs but zero unemployed"
 - Example: manage restructurings through developing employability of the employees: , Lafarge Morocco. The MD is personally committed to explaining all upcoming challenges on beforehand (reorganisation, closing down of a site etc.) that will impact employment. This explanation is systematically followed by a long term accompaniment (training, financial aid, follow up) of employees while involving stakeholders: qualification and employment, opportunities for mobility and reclassification in sustainable activities and a follow-up for a period of two years is offered.



Will CSR policies reach a strategic level of managerial decision making (2/3) ?

26.

— **CSR is then not only a way for companies to take part in their environmental, social and ecological sustainability: it is a way of their own sustainability. .**

- Danone communities is the outcome of the meeting between Franck Riboud, and Muhammad Yunus, winner of the 2006 Nobel Peace Prize. The business model benefits the most disadvantaged populations. The commitment of Danone issues is so closely tied to its core business that they cannot afford to abandon this as a superfluous CSR programme.
- The crisis has reinforced the ambition to extend this model and other examples now operational in Cambodia and Senegal.

CSR offers a framework that is very interesting for companies when thinking of strategy, even during and maybe especially during a crisis (decrease in revenue) . Integrating CSR in the strategy is not a issue of sensitivity or fashion. It is a very interesting lever for change management.



Will CSR policies reach a strategic level of managerial decision making (2/3) ?

27.

- ***“take care of the social and economic environment, of ones ecosystem”*** as Franck Riboud CEO of Groupe Danone said is ***“in the interest of a company...”*** ***I strongly believe that our future depends on our ability to explore and invent new business models and new types of enterprises...and take another huge step towards fulfilling our mission : to bring health through food to as many people as possible.”***
- **Franck Riboud, The commitment Danone on environmental issues is so closely tied to its core business that they cannot afford to abandon this as a superfluous CSR programme.**



One of the levers for change: Socially responsible investment

28.

- It is about integrating social and environmental factors in investment decisions when evaluating return /risks on an investment
- The current crisis reminds us that a company must create value for its shareholders as without investment there would be no economy
- The question is thus not to know if we need or need not to make profits. The question is how to build profit that is sustainable and how to invest while taking into account the constraints and interests of various stakeholders
- This is what motivates the initiatives taken by large international investors calling for « Principles for Responsible Investment ». It says that ESG factors would have bigger impact on the medium and long term, on security and profit and invites us to consider these principles in investment practices and to report on them
- In reality, this approach calls for precise responses with regards to the definition of environmental and social responsibilities that could be expected. Depending on the activity, companies will have to disclose, on ESG issues, intelligible, reliable and controllable data .

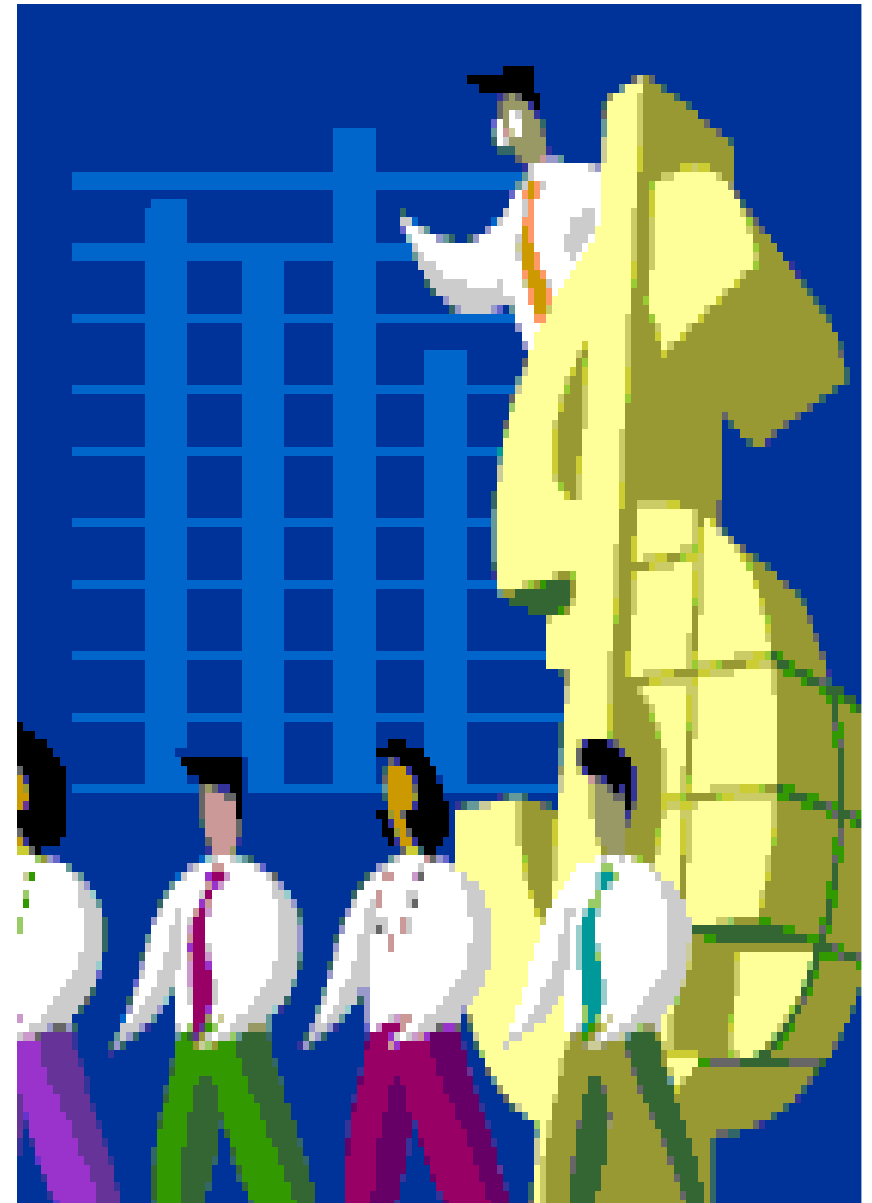


The growing weight of Social responsible investments

29.



- World : + \$4000 billion
- US : \$3000 billion
- Europe : = \$350 billion
- France : \$22 billion





Companies are more and more attentive to the opinion of rating agencies

30.

- **As rating agency, analysing the concrete commitments of companies on the stock market on social, environmental and governance factors integrated into their managerial system, one must say that the trend is for them to become more attentive to what we say about them.**
 - Some companies initiate authentic and integrated CSR initiatives. Most companies engaging in CSR do it within the framework of a strategy, based on various business imperatives: opportunity, competitive advantage, threat, environmental pressure, internal pressure, change management.
 - The issue of reporting is not a question of principles anymore, it is the contents of it that is questioned.
 - Focus is put on quality, reliability, relevance, regularity and comparability over time, data and indicators to communicate.
 - It appears that expectations of the stakeholders vary concerning information according to the use that will be made of the information. Everyone agrees that it is not the quantity that is important but the quality and the relevance.



Progress is reached but it is still limited

31.

- **These initiatives make things progress. They can seem limited today, almost trifling compared to the damages and incertitude caused by the collapse of the financial system.**
- **However, they have an echo for those demanding access to intelligible information on social, environmental and societal impacts, and demanding that company activities are matched with objectives and actions linked to these.**
- **Transparency in sustainable development has become recognised as an entitlement of the community and a governance imperative.**
- **There have been many questions in national and European seminars and conferences on the means and methods- voluntary or restrictive- to generalize the production of information called 'ESG' (environmental, social, governance.) It has been questioned if these should, and if yes, how, be authenticated by a third party. We have dreamt about developing a few key performance indicators that would be 'simple', 'relevant' and 'comparable' to allow an accessible and comprehensive scrutiny of the engagements and results of a company.**



Progress is reached but it is still limited

32.

- On the company side, after the period of ‘Ethical codes’ or ‘values charters’ meant for communication, the rhetoric around sustainable development has become more polished.
- To simply edit Charters is not sufficient anymore but it is not either sufficient to quote charts to ensure their integration into practices and individual behaviour as interpretations can be of various kinds.
- Sustainability Reports concentrate more and more energy and means. CSR Managers are included in organisational charts, companies are aware of that behind this issue there are reputation risks and risks on internal cohesion as well as legal risks. Some business leaders have taken in CSR and considers it as the way towards security and progress.
- But, let’s recognise it, the right side of the brain of these leaders has stayed focused on “maximising value” for their shareholders. Many leaders are enthusiastic about it, as they are motivated by a remuneration system to align their interests with those of the shareholders. Only a few have dared to challenge the system and question its sustainability.



CORPORATE SOCIAL RESPONSIBILITY RATINGS

- PARIS
- BRUSSELS
- MILAN
- CASABLANCA



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