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A synopsis of the key strategic developments in corporate responsibility around the globe over the last quarter

Responsible tax management

The fallout from the western financial crisis continued to bring government back into the picture in respect to how business–society relations should unfold. In April, leaders of the world’s 20 largest economies met in an attempt to revise the rules of global finance and reform the world’s financial institutions. One of the key agenda items at the G20 concerned one basic corporate contribution to society: the payment of taxes. Leaders sought agreement on controlling tax havens and exchanging tax information—no doubt one attempt to recoup the large borrowings necessary for bailing out the banks. The outcome was an official communique with a commitment by the G20 ‘to take action against non-cooperative jurisdictions, including tax havens’ and to deploy sanctions to protect public finances and financial systems.1 While the G20 leaders can be congratulated for publicly taking a stance against jurisdictions that lack transparency in respect to the exchange of tax information, and demonstrating a willingness to act at a political level, it raises the question of what is the ethical responsibility of the corporation when it comes to using tax havens. As deputy director of the Centre of European Reform Ms Katinka Barysch questions, in commenting on the G20 agenda prior to

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the meeting, is addressing tax havens the real issue, or should it be improving global economic governance? For instance, the day before the summit, the French justice department announced a preliminary investigation into the possible fraudulent activity of the French oil giant Total. According to Le Parisien, Elf Trading SA which is a subsidiary of Total, was suspected of laundering money via tax haven accounts in Liechtenstein. Total has since refuted the claims by acknowledging that the French government is aware of the tax havens in which they operate, none of which is in Liechtenstein.

Irrespective of the outcome of the investigation, this particular example highlights the fact that, for some corporations, using tax havens is a normal part of everyday business, permitted by the government, and supported by a legal framework that enables their use. So should corporations be taking advantage of such jurisdictions just because they can? Corporate social responsibility (CSR) has long been framed by the notions of social justice and environmental responsibility, but what about the ethical dimensions of a business’s financial obligations to society through government taxes? If corporate governance is management’s balance between economic and social goals, what is the scope of each of these concepts? Can economic responsibility be simply defined as a corporation’s duty to produce goods and services while providing appropriately paid employment and still earning a profit for its stakeholders? Is it democratic for an organisation to privately define what its economic responsibilities are, and to use whatever tax management vehicles to accomplish them? As taxation is the major source of revenue for governments in maintaining social cohesion, do companies have the right to exempt themselves from paying tax for the benefit of private interests?

Questions relating to tax justice and CSR are not new. In the 2004 Lifeworth Annual Review of Corporate Responsibility, Mr John Christensen, coordinator of the Tax Justice Network, argued that . . . curiously the CSR debate, which has touched on virtually every other area of corporate engagement with broader society, has only recently begun to question companies in the area where their corporate citizen-
ship is most tangible and most important—the payment of tax.6

In a 2007 KPMG discussion paper entitled ‘Tax and Corporate Social Responsibility’, Mr David Williams of KPMG’s Tax Business School stated that

The application of CSR to tax issues, however, is an area that has not as yet received a great deal of attention . . . [partly because] . . . the payment of tax liabilities is, to a great extent, a non-discretionary matter . . . [as companies] . . . can deal only with public authorities, and only on the terms laid down by them.7

With governments now making a stoic attempt to clamp down on tax havens in light of the G20, there is a renewed impetus for corporations to reflect on the ethical dimensions of their tax strategies, and this to be assessed in terms of CSR. The difficulties facing governments in achieving international cooperation on taxation makes it important for business leaders to voluntarily explore what a responsible approach to tax management could involve, and encourage ways for governments to generate tax revenues from companies in ways that do not undermine the relative competitiveness of certain firms.

The importance of progressive business people engaging in this debate became clear as the first governmental initiatives regarding the new focus on taxation were already appearing flawed in 2009.

Triumphant claims by the G20 that ‘the era of banking secrecy [was] over’ were somewhat premature due to the political and administrative barriers in enforcing transparency under the current arrangements. For example, the G20 agreed to name and shame those countries and jurisdictions that are yet to comply with the international standard for exchange of tax information, according to the Organisation for Economic Cooperation and Development (OECD). The definition of a secrecy jurisdiction or tax haven is important to note. The central feature of a haven is that its laws and other measures can be used to evade (the illegal and deliberate failure to pay tax), or avoid (the minimisation of tax liability by lawful methods), the tax laws or regulations of other jurisdictions. According to the OECD, tax havens have four characteristics that facilitate both tax evasion and tax avoidance:

- Low or zero tax rates, as an indicator to determine situations in which analysis of the other criteria is necessary
- Lack of tax information exchange with other countries
- A high degree of bank secrecy
- And lack of real economic activity associated with the income generated8

However, in a Tax Justice Network (TJN) report to identify tax havens and offshore finance centres (OFCs), they conclude that there is no precise definition of either concept and suggest that OFCs are a purer form of tax haven.9 This is because the regulatory criteria such as that of the OECD

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above, may not be consistent with other organisations and they are based on different methods and indicators to identify such jurisdictions. The City of London in the United Kingdom is a case in point as it has a preferential tax regime that exempts foreign source income from resident-country tax. This means that, by residing in Britain, wealthy internationals can find tax solace to avoid taxation on their foreign earnings.10 According to OECD criteria it is not a tax haven but, according to the International Monetary Fund (IMF)’s criteria, it is.11 Judging by the number of wealthy individuals having flocked to London, in practice the IMF’s definition appears closer to the mark.12

The ironic corollary, of course, is that the ‘name and shame’ game being played by the G20 powers is not being applied in a universal sense, so it is not surprising that, with the large influx of wealth coming into Britain, the City of London is considered the world’s largest OFC. The City of London is not a borough of London per se, but a defined geographical area within London that is home to Britain’s largest ‘offshore’ financial district. It is managed by the City of London Corporation which is also the political representative body. According to TJN, it is the most powerful lobby in Britain and possibly the world and, as a result

...exerts enormous political influence to resist regulation and extract tax exemption. It has fostered crimi-

nality by ensuring that the City ranks amongst the least accountable of financial centres on the face of the Earth.13

This kind of power is not surprising because the City of London Corporation is in effect the provider of services that would normally be fulfilled by the local authority and is thus an example of a private company operating under the auspices of a public service.14 Promoting sustainability is a part of the corporation’s ‘offer’ and this is outlined in a partial sustainability policy.15 That policy makes no mention of tax justice, nor is there mention of human rights, labour or anti-corruption issues as per the Global Compact. For such a powerful institution that attracts so much international money, could it set the standard by implementing these principles themselves? The anti-corruption measure alone would mean that they would be engaged to work against corruption providing a potential barrier to the investment of corrupt money. Being a financial district, it could promote the UN Principles for Responsible Investment. While the City has put in place the London Principles in conjunction with Forum for the Future, the principles are only a guide to the conditions to enhance the financing of sustainable development; the integrity of their own operations is not in question.16

This may be the explanation as to why the corporation limits their reporting to community activities through the London

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Benchmarking Group, with no social and environmental report ever being published by them.\(^\text{17}\)

The City of London was not the only jurisdiction that escaped the OECD list. Hong Kong and Macau did not make it either, distorting the progress that needs to be made by China, nor was there mention of the US states Delaware, Wyoming or Nevada. With the French pushing hard to combat tax havens, it was also a little ironic that they let one of their own *paradis fiscal* (tax haven), namely French Polynesia, slip away unannounced.\(^\text{18}\)

While Hong Kong and Macau have committed to the internationally agreed tax standard, but have not yet substantially implemented it, the omission gives the impression that China is well on its way to implementing the standard; yet, in actual fact, two of its biggest financial centres are far from being ready. By calling these jurisdictions ‘Special Administrative Regions’, those that write the rules are manipulating language and in turn deflecting the attention towards tax havens other than their own.\(^\text{19}\)

But what constitutes progress, or substantial implementation of the international standard is in itself questionable. The subjectivity of the OECD’s method is demonstrated in a letter from the OECD Secretary-General Angel Gurría to the Luxembourg Justice Minister prior to the summit.\(^\text{20}\) Mr Gurría stated, ‘the OECD noted that a good indicator of progress was whether or not a jurisdiction [had] twelve or more agreements that [met] the OECD standards’ which the OECD subsequently confirmed in their June 2009 progress report on countering offshore tax evasion.\(^\text{21}\)

What form an agreement takes is important to note because there are two types: Double Taxation Agreements (DTAs) and Tax Information Exchange Agreements (TIEAs). A DTA is a treaty between states to avoid the double taxation of income and thus indicating that taxation is a structural part of each nation’s economic stability. But, for jurisdictions with no or low taxes, this type of agreement is not considered appropriate and the preferred type of treaty is a TIEA. TJN estimates that there are anywhere between 50 and 72 secrecy jurisdictions in the world, yet there are well over 100 countries with which they could negotiate information exchange agreements. With only 55 TIEAs having been signed between OECD countries and secrecy jurisdictions prior to the G20, the so-called indicator of progress is

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17 One author’s personal correspondence with the City of London Corporation’s CSR Team, 25 June 2009.
clearly not applicable in any universal sense.\textsuperscript{22}

So, having satisfied the OECD requirements, do these agreements enforce a greater transparency? In a Financial Times (\textit{FT}) article in April, Raymond Baker of Global Financial Integrity explained that without serious reforms to undermine the vehicles used to ensure secrecy, these agreements will be ineffective.\textsuperscript{23} Firstly, countries such as Switzerland have laws that prevent such exchanges so, without changes to these laws, an extremely time-consuming process, the agreements will have little effect. Secondly, in the event that there is tax evasion, according to OECD guidelines there must be proof of the fraud to authorise any exchange of information. Such a course of action is an impediment because a detailed case must be made, with the criteria set out in a lengthy legal document.\textsuperscript{24} Furthermore, in light of the many jurisdictions that require absolutely no traceability to set up accounts, how will it be possible to establish fraudulent activity?\textsuperscript{25} In May, a political scientist at Australia’s Griffith University, Dr Jason Sharman, demonstrated just how rife the problem is by circumventing prohibitions on banking secrecy and forming seventeen anonymous shell companies and five secret bank accounts with only AUS$20,000 and the internet.\textsuperscript{26} Thirteen of these shell companies were in OECD countries and, of the secret bank accounts, four were in the United States and Great Britain.

In an article from Tax Analysts they say, Before deterrence of evasion can begin, a haven must negotiate bilateral tax information exchange agreements, enact legislation, and—usually after a multiyear transition period—set up and maintain the bureaucratic machinery to enforce the agreements.\textsuperscript{27}

Again the poor lose, leaving a question mark over the political feasibility of the G20’s confidence to eliminate tax havens.

\textsuperscript{22} OECD, ‘Tax Information Exchange Agreements (TIEAs)’, 2009; www.oecd.org/document/7/0,3343,en_26493-33745-38312839_1_1_1_1,00.htm.
\textsuperscript{27} Sullivan, op. cit.
Ultimately, for the agreements to work, the blockages to effective exchange need to be removed. Raymond Baker puts it succinctly in his *FT* article:

> What needs to happen now is for the G20 to broaden its dialogue on information exchange agreements, international co-operation and international financial protocols. Most effective in curtailing the massive illicit outflows from developing countries would be a requirement for automatic cross-border exchange of tax information on personal and business accounts and country-by-country reporting of sales, profits and taxes paid by multinationals.  

The emphasis on automatic cross-border exchange is imperative if the G20 are serious about tax exchange and ensures a level playing field in respect to transparency. Exchange upon request is simply too burdensome on an administrative and cost level. In an Internal Revenue Service (IRS) study on compliance, the IRS observed that the compliance rate is 96% when there is comprehensive information reporting requirements as in the case of US dividends and interest, which is analogous to automatic information exchange. When there is little or no information reporting required, the compliance rate drops to 46%, suggesting that the ‘upon request’ approach is not sufficiently coercive in assuring the exchange of tax information.

If the G20 had the political will, there are a variety of ways to economically coerce tax havens into exchanging tax information, including restrictions on providing financial services such as wire transfers, or the refusal of deductions related to transactions with listed tax havens, to name two. Sanctioning tax havens is not the only solution either. The revenue lost by governments is significantly more than the fee and service income that tax havens earn so there is also scope for incentives to ensure that tax-haven economies do not crash. Regulatory measures such as the adoption of a General Anti-Avoidance Principle (GAAP) as tabled in the British parliament by Mr Michael Meacher MP in May 2009, could also provide recourse in tax avoidance issues. Such legislation would give courts the power to decide on whether certain tax practices are being used to avoid paying tax and thereby also assisting directors in understanding their duties on the payment of tax.

More poignantly, however, the tragedy of the G20 was not the superficial statements that did not recognise the systemic complexity underlying the tax haven and secrecy jurisdiction problems. The tragedy was that the G20 leaders missed their opportunity to create a new financial system: one that incorporates responsible governance, the environment and the social well-being of every citizen; a financial system no longer focused on short-term gain but rather long-term sustainability; one that seeks a cooperative role between corporations and governments for the benefit of society instead of the accumulation of private wealth; and one where worth in monetary terms is secondary to the values that encapsulate the greater good. Moreover, it was an inevitable outcome when the very committee advising the G20 comprised some of the biggest names in banking orthodoxy, in turn lim-

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28 Baker, op. cit.
29 Sullivan, op. cit.
iting any possibility of an alternative dialogue.\textsuperscript{33}

The implications for the CSR movement are many. In an April 2009 report, the French magazine *Alternatives Economiques* (*Economic Alternatives*) reported that apart from four companies in the CAC 40 (the French equivalent to the Dow Jones or FTSE), for which information was not available, all companies had subsidiaries in a tax haven or secrecy jurisdiction of some sort, many in the City of London. The admission by Total that the French government was aware of their activities in such jurisdictions reduces this number to three. While illegal activity cannot be implied by this observation, it nonetheless shows the ubiquitous use of such jurisdictions by large companies—the localational smoke to the tax avoidance fire.

Topping the list was BNP Paribas with 189 subsidiaries, with another three French banks making the top ten. While BNP asserts that it uses such jurisdictions for the purposes of its international branches, and states it in its 2007 and 2008 CSR reports, it does not mention why there is such a large concentration (40% in the City of London) nor their purpose.\textsuperscript{34}

There are also repercussions for responsible investment (RI) managers and indeed banks offering socially responsible or ethical investment products. In the case of BNP Paribas, which has a number of funds dedicated to ethical and responsible investment, should there be more detailed disclosure in respect to tax havens, not only for the funds themselves, but for the very institution promoting them?\textsuperscript{35} Such disclosure could include the purpose of the tax havens, and their contribution to the profitability of the group, which would be a measure of the legitimacy of such subsidiaries. Similarly, the ratings agencies that analyse environmental, social and governance (ESG) performance could verify how the tax havens are used to ensure the ethical integrity of the funds and the institution. According to Mr Robin Edme, President of FrenchSIF, and Vice-President of EuroSIF, current rating agency practices do not address this issue explicitly, but it is an area that is now a strong point of discussion for investors, and hence examining the financial industry sector is already a major concern.\textsuperscript{36}

But questioning the effectiveness of a tax agreement or justifying the purpose of a tax haven are side issues to the essential question underlying all the systemic complexity of tax transparency: are corporations actually paying the tax they should be paying and what are the appropriate levels of tax management? What about the ethical dimension of tax avoidance? Is not tax avoidance totally incompatible with the claims of good corporate citizenship? A 2005 survey on ‘Tax, Risk and Corporate Governance’ conducted by Henderson Global Investors showed that most companies did not address the questions related to tax strategy and CSR, while some perceived that there was a tension between the two.\textsuperscript{37} How this in turn can be measured will be another dilemma for the rating agencies as it represents an overlap


\textsuperscript{35} Novethic, ‘Chercher un Fonds ISR’; www.novethic.fr/novethic/developpement-durable/liste-fonds-investissement-socialement-responsable_isr/?societe=23214 [in French].

\textsuperscript{36} One author’s personal correspondence, 26 July 2009.

between ethics and the claimed objective notions of accounting, a subject already raised in Issue 6 of *JCC* following the Enron scandal.  

As an example, PricewaterhouseCoopers has developed an initiative ‘Total Tax Contribution’, a tool for companies to demonstrate their effective tax contribution to society and improve transparency in recognition of this nexus. But, as Mr Richard Murphy of Tax Research LLP cautions, transparency is far from improved as the PwC framework is simply the addition of various different taxes such as VAT, national insurance and employee payroll tax, and thus not a reflection of whether a reasonable amount of tax is being paid. The individual components in the computation have no value either because the reporting framework has no requirement to state the underlying base data: that is to say, for example, the profit or employee payroll on which the tax calculation was based; nor does it take into consideration the location of where the profits were made. John Christensen calls it a ‘crock of nonsense’ and has recommended that corporations looking for a more prudent approach to tax justice should consider the ‘SEE What You Are Buying Into’ labelling scheme, which incorporates tax justice issues as part of their matrix of social, environmental and ethical issues.

The SEE scheme’s approach incorporates the base data necessary to determine whether an appropriate amount of tax is being paid, where the ‘Appropriate levels of tax’ are the rates stipulated by the relevant tax authority within the country where the company’s tax liability falls minus 3%. [The 3% is recognition that accounting and taxable profits are not always identical.]

To become SEE-listed, companies are required to respond to 35 closed questions on a range of social, environmental and ethical (SEE) issues. *SEE What You Are Buying Into* Ltd initiates a dialogue with companies in the event that there is a question mark over their responses or they are unclear. To answer the tax question, co-authored with TJN, companies must declare the date of publication of their financial statements for the last two financial years, the applicable tax bracket for their business, and the percentage of tax that they paid. If they are not paying the defined appropriate rate, they must additionally explain and justify why not. All details are housed on the *SEE What You Are Buying Into* website where they are available for public scrutiny, comment and rating. Thus businesses participating in the scheme offer a transparent picture of their performance on tax, among many other material corporate responsibility matters.

SEE Company’s approach could indicate a change in the wind for an area of CSR that remains undeveloped, but the issue of tax havens and secrecy jurisdictions has a long way to go because what it demonstrates is that the law, in the interim, is not sufficient. When the legal undercurrent supports the corporate machine for the purposes of gain, it is very

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easy for corporations to hide behind the law without actually breaking it. As a result, questions of legitimacy, social responsibility and managerial discretion are difficult to challenge. But, if the law is not equal for everyone, then values are the ultimate guide in determining how a business person understands their role in society, and whether they should adopt a more political role. What the tax haven agenda questions, from a CSR perspective, is: are companies willing to be transparent so that they are whole participants in society? It also raises the issue of whether both ethical and practical considerations could lead more business people to push for more effective intergovernmental action on tax matters, so their own companies can make a fair contribution, without being unfairly disadvantaged by those who avoid taxes more actively. These issues have been in the background of CSR for some time and, after the economic crisis, they are set to become even more important.

Francophone CSR

Interest in French approaches to capitalism and economic management has grown in some circles as a result of the Western financial crisis. Pointing to the deregulation of the financial services sector, many commentators regard the crisis as emanating from an Anglo-Saxon model of capitalism, where the government is meant to enable market forces, rather than curb them. Experience of business–society relations in France may become increasingly relevant to discussions of the role of government and business across the West. Therefore the French experience of voluntary corporate responsibility, and its connection to government, is worth reflecting on.

In May 2009, HEC Paris hosted their sixth annual Social Business Conference in conjunction with Net Impact, bringing together mostly MBA students and some professionals. The session on Sustainable Finance proved to be an interesting indicator on how mind-sets, with respect to responsible investing, are changing in France. Jean-Philippe Desmartin, the SRI Research Manager from Oddo Securities (France’s largest independent investment broker), stated that the socially responsible investment (SRI) market was in an exciting transition phase. In respect to their own client base, the number of institutional investors that required investment services that incorporated ESG criteria had increased from approximately 150 in 2005 to 350 in 2008. More importantly, he added that there had been a shift in paradigm because, out of their responsible investment client base, 80% selected a predefined product with ESG criteria as part of their portfolio in 2005 but, by 2008, 50% were using their own ESG criteria to select their whole portfolio.

Supporting this trend, in June 2009, Novethic, the French government-sponsored research centre for CSR and SRI, released their annual review on responsible investment in France. They stated that, for the first time since their inaugural 2002 review, there was more money invested according to ESG criteria, directly tailored by institutional investors’ ethical...
needs, than in predefined products. This subtle change represented an ethical reflection within the investment selection process on the buy side that went beyond mere portfolio diversification in the interests of spreading risk, to incorporating values other than profit-making. In a country where the public has traditionally looked to the government as their guiding force, it was also a sign that the French are mobilising in respect to issues related to the broader dimensions of sustainable development.

France is also an interesting case as it is one of the world’s largest economic powers and has a presence right around the globe. Apart from their European neighbours, the French also have departments (administrative divisions of the state) that neighbour Australia, Brazil, Venezuela and Canada, and so their economic influence is a genuinely global phenomenon. France is also characterised by a public sector that supports a centralised political system which in turn influences relationships between business and society. So, in a country where the roles of business and government are defined differently, the discourse around CSR will naturally be impacted.

The concept of ‘corporate social responsibility’ (CSR) is a source of confusion for linguistic reasons because in the French language there is no distinction between the word ‘responsibility’ and the legal concept of ‘liability’. In French, ‘responsibility’ can also be likened to ‘accountability’. In the same vein, the word ‘social’ in English integrates society as part of its meaning which therefore includes external stakeholders. In French, however, ‘society’ is translated to société but it has two adjectives, sociale and sociétale. The adjective sociale is traditionally linked more directly to labour-related issues. Conversely, the word sociétale focuses on broader matters relating to society at large and hence external stakeholders. Using one and not the other, however, risks excluding certain aspects of CSR that would normally be implicit in the English definition. An added confusion is that the French translation of CSR, responsabilité sociale de l’entreprise (RSE) is the same acronym for responsabilité sociale et environnementale, which makes no explicit reference to a corporation, raising the question of whether such concepts should be simplified to accommodate international dialogue. The terms ‘corporate responsibility’ and ‘responsible enterprise’ would be better alternatives for this reason.

It is worth noting, however, that not all francophone territories reflect these distinctions. The French Canadian province of Québec shares the Anglo-Saxon definition of CSR, probably due to the influence of the surrounding anglophone provinces embedded within a federation, and the United States. Québec is nonetheless active on CSR issues with a social network called Cataléthique, previously the Montreal chapter of Net Impact, and a research centre dedicated to CSR and sustainable development at the University of Québec in Montréal. Québec also boasts a political party, Québec Solidaire (Solidarity Québec), which seeks to address systemic issues relating to the financial crisis.

In their May 2009 manifesto, ‘Pour Sortir de la Crise: Dépasser le capitalisme?’ (‘Resolving the Crisis: Going...
Beyond Capitalism?'), they propose an economic platform that is a vehicle for promoting social and environmental values and they openly challenge the laissez-faire approach to markets, specifying that, without systemic change, the moralisation of the financial sector will simply be a short-term solution, in turn raising the same questions of the financial triumphalism of self-regulating markets as in the Winter 2008 issue of *JCC*.49

Beyond the linguistic challenges of a French CSR, there are also particularities related to history and culture. The French recognise the essential role of government, which is expected to exercise its influence, and so it is of no surprise that there is a considerable body of legislation relating to CSR. Two examples are mandatory corporate social reporting, introduced in 1977, and the 2001 legislation requiring listed companies to include some 40 social and environmental indicators in their annual reports to shareholders which impacts some 700 companies.50 This legislation is nonetheless not without its flaws because there are neither sanctions nor external audit requirements. In a 2004 report submitted to the French government, most small to medium listed companies were found to provide inadequate information, perhaps explained by the lack of sanctions.51 This document also highlighted that publishing the reports had little effect because the public discourse linked to social and environmental reporting was undeveloped. This may be linked to the historical context of the initial social reporting guidelines created in 1977 which were submitted to a government agency rather than being open to public scrutiny. So, while the legislation is not necessarily well applied due to the above factors, and also because of the traditional understanding of ‘social’, at least the government has underlined the legitimacy for the concepts of CSR.52 It also means that French corporations will be looking toward the government for continued guidance in the future.

A more recent example is France’s Grenelle de l’environnement which is the French equivalent of a commission for the environment. The initial phase, ‘Grenelle I’, provided the general objectives and the second phase will outline in more detail its application. While the redrafting of the initial phase was still being debated in the National Assembly as of June 2009, one of the agenda items for the second phase is governance with respect to carbon emissions.53 According to the French Energy and Environmental Management Agency (ADEME in French) in their May 2009 *Grenelle II* report, the legislation will oblige all companies with high emission levels and more than 500 employees to report on their carbon footprints by 2011.54 The same legislation will also require that all non-SMEs (small to medium enterprises) will be subject to the same environmental and social reporting requirements as that of listed companies, levelling the playing field in respect to the original 2001 law.

The legislation will also address the low number of companies with environmental certification. ADEME estimates that there are around 6,000 French compa-

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nies that have been certified to ISO 14001, and that such programmes remain inaccessible for smaller organisations. As a result, the legislation will provide fiscal incentives for SMEs to improve environmental reporting. It is worth noting that there is a proportional increase in the number of French companies being ISO 14001-certified with an approximate doubling between 2006 and 2008 based on ADEME estimates. The long-awaited guide to social responsibility, ISO 26000, may prove to be more accessible as it provides guidance rather than a certifiable standard. Seeing that French municipalities have already developed an application guide for its implementation based on the drafts, this may serve as an example for French companies, irrespective of their size. Furthermore, there promises to be a ripple effect as ISO 26000 will affect the procurement and tendering processes when dealing with the state departments.

The low number of environmental certifications is also reflected in the number of directors that are wholly responsible for CSR issues. In a March 2009 study, Cadre Emploi (the French job search engine for managers) estimated that there were around 100 directors in total dedicated to CSR within French corporations. However, these positions are not necessarily answerable to top management, indicating that CSR for some of these companies is not a strategic issue but merely an exercise in communications.

But, while the French look to the government for guidance, a number of initiatives indicate that the French public is alert to the CSR agenda. The Sustainable Luxury Fair in May offered a novel perspective on how luxury goods can contribute to a more sustainable world and how contemporary art can be a catalyst in raising awareness with respect to sustainability issues. The fair featured a number of eco-inventions and eco-luxury goods as well as an exhibition called ‘Consumer’, an artistic interpretation challenging participants to look at the systemic cycle of consumption. The fair was also an indicator that various sectors and communities in France are now taking it upon themselves to promote sustainability rather than relying on government intervention.

The academic community has not been silent either. In contrast to the aesthetic aspects of the Sustainable Luxury Fair, a more sober approach to CSR was evident at the Symposium for CSR Indicators in Lyon held the following month. Organised by the Socioeconomic Institute of Firms and Organisations (ISEOR in French), the symposium led an academic reflection on the harmonisation of the plethora of norms and standards available to organisations in order to provide better measurements for CSR. What was interesting to note, however, was that, while being organised by a French institute, the symposium was conducted in French, Spanish and English, reflecting not only its international character, but also indicating a possible convergence in respect to CSR concepts.

In a rather innocuous article in the Financial Times in June, there was further suggestion of this convergence with Groupe JCC

59 ‘Indicateurs d’Evaluation de la Responsabilité Sociale et Environnementale (RSE) des Entreprises’, iaelyon, 10 June 2009; ia.univ-lyon3.fr/1227194956090/0/fiche_04__actualite [in French].
ESC Rouen, announcing a name change to Rouen Business School in an attempt to diversify internationally. While Rouen Business School is not necessarily renowned for CSR, this rebranding reflected a continuing trend towards opening up French schools to international perspectives and students to the French experience. As Antal and Sobczak have observed in their study on CSR in France, historically the orientation of French management researchers has been limited to a national focus, with some exposure to other francophone territories such as Belgium, Canada and Switzerland through conferences and publications. So, while French business schools were providing international training, they had little influence on global research and theories because of the language barrier. While not directly linked to CSR per se, the promise of more articles in English from French management schools with an international focus will continue to reduce the gap between different concepts of CSR, including the role of government.

These changes also represent a cultural shift for the French. For historical reasons that date back to the Revolution, some claim that the French have a relatively higher distrust of private actors to provide the general good, and hence their faith in the government. Albeit a small percentage, with the French public becoming more and more active with respect to sustainability issues, these examples illustrate that not all the French are willing to wait for the government to always take the lead. More importantly, though, the government has been willing to explore different ways of using its influence. Encouraging voluntary initiatives, such as ISO 26000, are a testament to the fact that the French government sees room for mandatory approaches and voluntary initiatives. It also indicates that there is a new openness in accepting CSR definitions that are traditionally not a part of French culture.

This is also reflected at policy level. A January 2007 release by the Ministry of Sustainable Development as part of the government’s National Sustainable Development Strategy stated that,

> Although sustainable development is a growing concern, the ways in which companies act are very diverse. In order to facilitate their efforts towards sustainable development, a consensus was reached on the necessary balance between voluntary efforts and legal and regulatory measures.

In her analysis of EU, UK and French CSR Policy, Dr Jenny Fairbrass of the University of Bradford observed that this is an adjustment to the French government’s contribution to the 2001 Green Paper defining the EU’s CSR policy. At the time of writing, the French government saw voluntary initiatives as useful in assisting corporations in going beyond the law, but the principles of CSR should be embedded in the law as opposed to being mainstreamed in line with market forces. It stated,

> The Green Paper . . . affirms that voluntary instruments [. . .] are neither a substitute nor an alternative for regulation. The legal and regulated framework is, in effect, indispensable for world review.
guaranteeing equality of treatment of all workers.66 [Fairbrass’s translation]

As there are strong parallels between UK and EU policies in respect to voluntary initiatives, Fairbrass concludes that this is a sign of convergence in approaches to CSR at a national level. Seeing that the French government has taken the lead on harmonising their sustainable development strategy with that of the EU, continued Europeanisation of French traditions will no doubt lead to a progressive merging of CSR concepts in the future.67

The question is whether actors from other countries can draw on French concepts of CSR. What the French CSR experience has demonstrated is a willingness to let the government play a role in guiding business and its relationship to society. So, while the government intervention is far from being perfect, it has legitimised the concept of CSR and mainstreamed it through a regulatory framework, as opposed to market-led initiatives. This interaction with public authorities may prove a useful model for stakeholders in other countries in attempting to further the dialogue around CSR.

In the same vein, French CSR has been driven by the internal dimensions of business as it relates to labour issues. This has been, and remains, a traditional focus within France. The regulations around labour could also be a source of debate but, more importantly, how non-francophone actors could learn from the traditional processes that embed such regulation.68 The ISEOR conference in Lyon is an example of how thinking is going beyond borders and also how researchers are trying to tap into the French experience. As France begins to develop its own field of corporate responsibility, it stands ready to exert greater influence on the international field of corporate responsibility.

Francophone African CSR

May 2009 also marked the seventh meeting of the ISO 26000 working group in Québec City. In conjunction with the meeting, a public conference was organised with the objective of helping stakeholders to understand the implementation and the organisational impacts of ISO 26000.69

One of the sessions was dedicated to ‘How Africa Puts Sustainable Development in Action in its Industry’, which analysed an Ivory Coast corporation, Sifca. Sifca is a private agro-industrial company of over 11,000 employees with a presence in the Ivory Coast, Liberia, Nigeria, Ghana and Benin, and has several strategic partnerships including Michelin.70 Its principal areas of industry are sugar, palm oil and rubber.

Sifca’s focus is an interesting one as it highlights the community-oriented nature of its CSR, also confirming a Global Compact impact study in 2007 which concluded that African CSR projects were primarily aimed at local communities and poverty reduction.71 Sifca’s focal point is to meet workers’ immediate needs through health and safety. To do this, each site has a working group dedicated to sustainable development, suggesting that suppliers and workers are conscious of social re-

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66 Ibid.
68 Antal and Sobczak, op. cit.
sponsibility and that they are being integrated at the beginning of the supply chain. Furthermore, it also demonstrates that CSR is understood as a participative process whereby the structure allows workers to initiate continuous improvements to respond to social needs. An example is Sifca’s response in adapting to the rural nature of the supply chain: redeployed workers are provided lodging and, according to Mr Franck Eba, Sifca’s head of sustainable development, the company pays for the electricity and water costs as well.72

At a governance level, the company has also undergone a pre-audit based on SA8000, ISO 14001 and OHSAS 18001, which was conducted by the Belgian CSR consulting specialists Cap Conseil, and they plan to issue their first sustainability report in July 2009.73

However, Sifca is the exception in francophone Africa. While Sifca is actively embedding CSR as part of its strategy, it has assumed large levels of responsibility that the state would normally provide. Its active conviction to meet the needs of workers to make up for weak state welfare is commendable, but it stresses an urgent need for institutional development at a government level.74 Quoting Mr Eba, ‘We just can’t do it all.’

African concepts of CSR also reflect this as the philanthropic side is prioritised, due to its immediacy in providing economic welfare, over the more governance-related ethical dimensions of CSR and the environment.75 As Wayne Visser, CEO of CSR International, has observed . . . economic responsibilities still get the most emphasis. However, philanthropy is given second highest priority, followed by legal and then ethical responsibilities.76

Dr Ulf Richter, Assistant Professor for Political Economy at the International University of Grand Bassam in the Ivory Coast also confirms, ‘. . . most see it [African CSR] as quality management and the fight against poverty’.77 ISO statistics would lend support to these statements. In a 2007 report, francophone countries including non sub-Saharan nations had proportionately higher numbers of ISO 9001 quality assurance certifications to ensure trade with developed countries, with only a handful of ISO 14001 certifications, potentially ignoring environmental considerations.78

There are also other complicating factors at play. While the same Global Compact study concluded that the role and interest of governments in respect to CSR is lacking in sub-Saharan countries, conditions for funding require that governments focus on poverty reduction, and so CSR is understandably not a primary focus. It would also be easy to look at the number of Global Reporting Initiative (GRI) reports from 2006 to 2008 and conclude that francophone Africa was completely inactive with respect to CSR, as there were none.79 But the landscape of French-African economic activity in general is not geared to respond to an initiative such as the GRI because most businesses are SMEs and there are few TNCs of

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73 One author’s personal correspondence with Cap Conseil, 13 July 2009.
75 Kallinowsky, op. cit.
77 One author’s personal correspondence with Dr Richter, 23 April 2009.
French-African origin. The Global Compact may actually be a better measure due to its accessibility and less onerous reporting requirements. According to the Global Compact 2008 annual review, of the French sub-Saharan countries, Senegal and the Ivory Coast had a Global Compact network with another emerging network in Cameroon.

The case of Sifca shows there is an opportunity for TNCs to learn from a French-African company and its activities within local communities. An analysis of its local working groups dedicated to sustainable development could provide insights into traditional ways of embedding social responsibility at the bottom of the supply chain and, more importantly, potentially open doors to a better understanding and respect of the French-African CSR experience.


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