

# Recommendations of French Companies<sup>1</sup> on the GRI-G4 Draft

## General Comments:

French companies support the recognition provided by the GRI. It allows them to promote their commitment to effective reporting to their partners and stakeholders. They recall that a good reporting should be relevant and concise. It should measure results and not just means, be based on the concept of "materiality", since this is directly related to the purpose of reporting.

The French business representative organisations consider the GRI G4 proposals too complex and unacceptable as such. Moreover, a number of French companies have made it clear that they may disengage from the GRI if the fourth version is adopted in its current state.

A review of the scheme's architecture is therefore essential to make it simpler and more pragmatic. It should aim to clearly distinguish two aspects: standardization of available indicators on the one hand, and the global reporting system on the other.

In all circumstances, this review should be accompanied by a test phase. The results of this experimentation would dictate the decision whether or not to generalize the revised scheme.

Therefore, our advice to the GRI is to:

- review the new requirements with a view to lightening and simplifying them, while maintaining high levels of standards, including a new approach to application levels in order to develop a process of continuous improvement. A progressive rating system would help to keep confirmed reporters without deterring debutant reporters from starting;
- launch an experimental version of the G4 to test the feasibility of the new requirements, whilst allowing companies to report on the GRI-G3;
- integrate the results of IIRC work in order to standardize procedures;
- ensure better convergence with the major existing standards (in particular definitions, vocabulary, thematic arrangement).

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<sup>1</sup> Advice of 4 French business representative organisations: the *Association Française des Entreprises Privées* (AFEP), *Entreprises pour l'Environnement* (EpE), the *Mouvement des Entreprises de France* (MEDEF) and the *Observatoire sur la Responsabilité Sociétale des Entreprises* (ORSE).

## Specific Comments:

### Application levels

- **As things stand, several French companies currently rated A+ have realised they would not be “in accordance” with the G4 before several years. The proposed scheme may affect the choice of French companies to refer to the GRI.**
- The A, B, C rating in the third version was not relevant because it only referred to the number of indicators. On the contrary, rating by level of progress was a factor motivating companies to engage an improvement process. Thus, the GRI must conserve stepped ratings.
- The concept of materiality must play a role in the requirements for each level. For example, stakeholder consultation during the selection of "material topics" could be included into the requirements for one of the levels.
- The system for auditing reports should be clarified in the fourth version: the GRI must clearly explain what auditing involves.
- Companies which had their report audited should be able to valorise it.

### "Materiality"

- We support the introduction of the concept of materiality; however, given variations in stakeholder expectations, the GRI should adopt an approach similar to ISO 26000, which considers all organizations are affected by the seven core subjects. The GRI should specify that each organization should provide information on each of these seven themes, or explain why it did not do so, allowing it to concentrate on material topics having a significant impact.

### The management approach

- We agree with the goal (requesting companies to work upstream to determine their "material topics"). However, the explanation of the approach is too complex and could be simplified by not referring to both Part 1 "The reporting process" and Part 4 "Technical Protocol...". Moreover, the definition of "material topic" only appears in Part 4 instead of being included directly in "Disclosure on Management Approach." The presentation of the approach should be simplified.
- The sectorial approach is not mentioned in the choice of "material topics."
- The value of consulting stakeholders when selecting "material topics" should be explained more clearly.

### Supply chain

- Publishing a new definition does not make sense. Harmonization with the ISO 26000 definition would be preferable.
- The concept of "significant suppliers" has been removed, which makes the approach too complex. The current wording implies that the organization should provide information on all its suppliers. **Many companies that use the GRI have between 10,000 and 100,000 suppliers and therefore cannot meet this requirement.** The GRI should define more clearly the suppliers (Major suppliers? Suppliers considered at risk? Tier-1 suppliers? Dependent suppliers? ...) subject to reporting, or invite businesses to decide for themselves which suppliers are material.
- The number of indicators is too large and will discourage organizations. The French companies recommend relying on “performance” indicators, as applied by EFFAS, rather than multiplying means-based indicators.
- Define "locally-owned suppliers": what is the meaning of "local" for multinational corporations?
- The concept of supplier dependency to purchasers must be developed.

## **Governance and remuneration**

- The information on compensation ratios in countries with major operations has reached a level of complexity and sophistication that will deter many companies from using the GRI.
- Publishing the names of the most and less paid individuals raises privacy issues, except for corporate officers.
- A range of information required under the governance heading is not well-adapted to the French context:
  - Committees of the highest governance body, being purely preparatory, are never decision-making bodies as suggested by point DI 40. The decision-making body is always the board of directors or the supervisory board.
  - The Board of Directors is not the appropriate body. Even though it has an interest in general oversight of risk management, the leading player in this field is the senior management. The Board cannot be responsible for the **implementation** of appropriate procedures (due diligence), as suggested by the point DI 48.

**We also request the GRI to re-activate the Biodiversity Working Group.**

## **Appendix: Presentation of the French business representative organisations**

The ***Association Française des Entreprises Privées (AFEP)*** represents 95 of the largest corporate groups doing business in France. Its aim is to submit proposals to European and national authorities promoting a legislative and regulatory framework conducive to growth and employment in a market economy. In 2011, AFEP member companies employed a total of around 5.8 million people for an annual turnover of nearly 1,500 billion euro. The market capitalization of those French listed groups that are AFEP members amounted to approximately 800 billion euro at end 2011.

***Entreprises pour l'Environnement (Epe)*** is an association of some 40 large French and international companies who share the vision of environment as a source of profit and opportunities. They work together to exchange good practices and better take environment into account in their strategies and management.

[www.epe-asso.org](http://www.epe-asso.org)

The ***Mouvement des Entreprises de France (MEDEF)*** is the leading network of entrepreneurs in France with 800,000 member firms, 90% of whom are SMEs with less than 50 employees. It defends and promotes business of every size and in every sector. MEDEF is permanently engaged in lobbying decision-makers at the local, regional, national and European levels, in order to ensure that the point of view of business is heard and its fiscal and regulatory burdens relieved. At the international level, MEDEF promotes the interests of business internationally by mobilizing its efforts in favour of competitiveness, innovation and training.

[www.medef.com](http://www.medef.com) - [www.b20businesssummit.com/uploads/Plaquette ECV-ANG-20-11-11.pdf](http://www.b20businesssummit.com/uploads/Plaquette_ECV-ANG-20-11-11.pdf)

The ***Observatoire sur la Responsabilité Sociétale des Entreprises (ORSE)*** is a network of more than a hundred members that meet to study and promote socially responsible investment (SRI) and corporate social responsibility (CSR). ORSE, a not-for-profit association, was established in June 2000. Its members include major companies, management companies and investors, professional bodies and staff / employer representative associations, non-governmental organizations, etc.

[www.orse.org](http://www.orse.org)