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France's Attenborough

Can Hulot turn the Elysée green?

CSR heroes

Kering and L'Oréal push boundaries

Human rights in the crosshairs

France cracks down on corporate offenders

A photograph of Emmanuel Macron, the President of France, smiling and raising both arms in a celebratory gesture. He is wearing a dark suit, a white shirt, and a dark tie. The background is a solid blue color. In the foreground, there are blurred French flags (blue, white, and red) and other people's hands, suggesting a public event or rally.

En marche!

How France is stealing a march in sustainability



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Editor's letter

Welcome to the August 2017 issue

The Paris climate conference in 2015 was one of the most exciting moments of my career as a journalist, and I am sure that sentiment is shared by most of the people who were fortunate enough to be there. Hosting Cop 21 was a seminal moment for France, coming just after it had brought into law its ambitious Act on Energy Transition for Green Growth, targeting cuts of 40% in greenhouse gas emissions, bold new measures to cut packaging waste, and a mandatory requirement for companies to report on their impacts on climate change, the first country to do so.

Since he became president in May, Emmanuel Macron has signalled readiness to push French leadership on climate even more aggressively to protect the agreement that bears the name of the French capital, appointing the celebrity environmentalist Nicolas Hulot as his number three, and squaring up to Donald Trump after his announcement the US will leave the Paris Agreement. French companies, too, have taken leadership, with 12 French companies among the top 100 on Corporate Knights 2017 list of most sustainable companies.

In this single-briefing issue correspondent Stuart Buckman reports on the state of sustainable business in France. He assesses the recent legislation in areas from clean energy to circular economy and human rights, and the prospects of the Macron government pushing through with even more ambitious climate targets. We also profile some of the French companies that are working to change the global paradigm, including L'Oréal, Kering, and Danone.

En marche!

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Can Macron add green to the tricolour?

By Stuart Buckman

The appointment of ‘France’s David Attenborough’ Nicolas Hulot as environment minister has turned the Elysée’s climate change leadership ambitions up a notch. We look at whether promises to go carbon-neutral by 2050 and ban fossil fuel cars will be fulfilled

When philanthropist Michael Bloomberg launched the “We are still in” coalition in May, defying Donald Trump’s move to take the US out of the Paris climate accord, he did so during an unannounced visit to the Elysée presidential palace, flanked by its newly elected occupant Emmanuel Macron and Paris mayor Ann Hidalgo.

Ever since those heady days in December 2015, when global leaders joined hands and raised them in victory at achieving the deal to keep the global temperature rise to 2°C (and ideally 1.5°C), France has had a high profile for climate leadership. And Macron seems determined to drive that leadership forward, not only on climate but in other areas of responsible business.

His rebuke of Trump on Twitter and restating of Europe’s commitment to the climate accord won him huge kudos both at home and abroad. A government agency launched a website wooing cheesed-off US climate scientists. And Macron boasted after Trump’s visit to Paris last month that he’d managed to persuade the climate-change denying US president to have second thoughts.

Macron’s rebuke of Donald Trump on Twitter won him huge kudos both at home and abroad



Julia Haake, of the sustainability ratings group Oekom research, says public reaction to Macron's standing up to Trump on climate change was "very positive and super-proud".

Hosting the COP 21 climate talks in France created a momentum among French companies, and she is optimistic that this can be sustained, particularly since the environmental agenda might provide Macron with easier wins than other daunting issues, like labour reform.

In August 2015, in the build up to the climate conference, France passed the Act on Energy Transition for Green Growth.

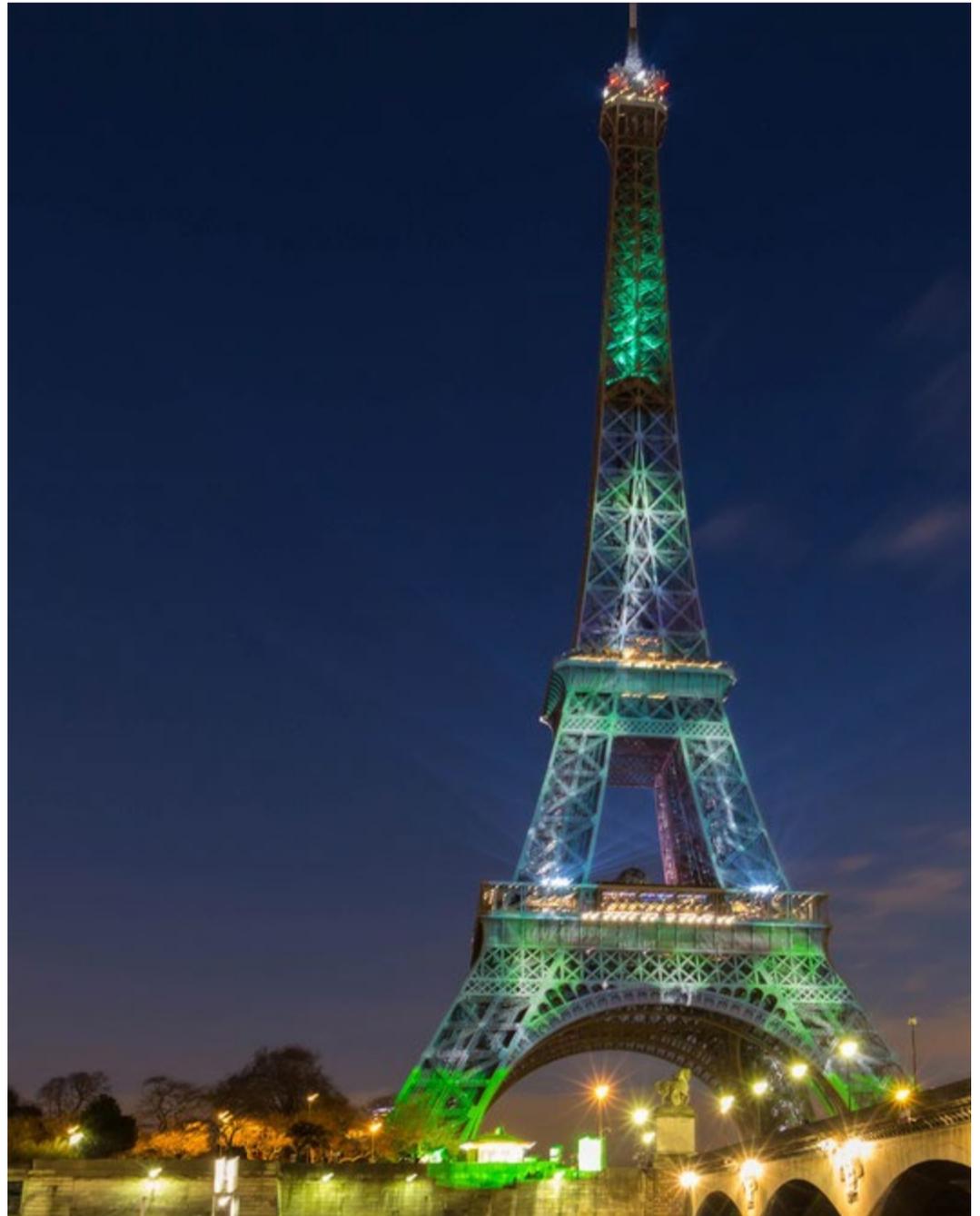
The energy transition act's stated intention was to fight global warming and reduce France's €70bn energy bill, while creating 100,000 jobs and profiting from new technologies. Social aspects include a zero-waste target, preventing fuel poverty and boosting health.

It listed six major targets: including cuts of 40% in greenhouse gases and 30% in fossil fuels by 2030; reducing reliance on nuclear power and increasing renewables to 32% of consumption and landfill waste and energy consumption halved, compared to 2012, by 2050.

The plan calls for France to raise its existing carbon tax on emissions not covered by the EU carbon market to at least €100 per tonne by 2030 (from €14.50/t today) and a doubling in the proportion of emissions subject to carbon pricing to 50%, including the refrigerant HFC.

When Macron assumed the presidency in May he signalled he would lift France's climate ambition even further by appointing the high-profile environmental campaigner Nicolas Hulot as his environment minister – in effect, number three in the new cabinet after prime minister Edouard Philippe. It's a far more prominent position than in, say, Britain.

It's also significant that Hulot agreed to accept the post. Now in his 60s, he combines the stature of Sir David Attenborough with the rock star appeal



PETR KOVALENKOV/SHUTTERSTOCK INC

Hosting the 2015 climate talks created momentum among French firms

Nuclear provides about three-quarters of France's electricity, the highest by far of any country



of Professor Brian Cox. He's been a journalist, TV presenter and documentary maker for three decades.

Hulot has advised both government and industry. In 2012, he bid unsuccessfully to be the Green Party presidential candidate. However, he has always distanced himself from being described as politically left or right. He declined posts under Chirac, Sarkozy and Hollande – even though he was closely involved with the Hollande administration both over the ambitious energy transition law and the Paris Accord itself.

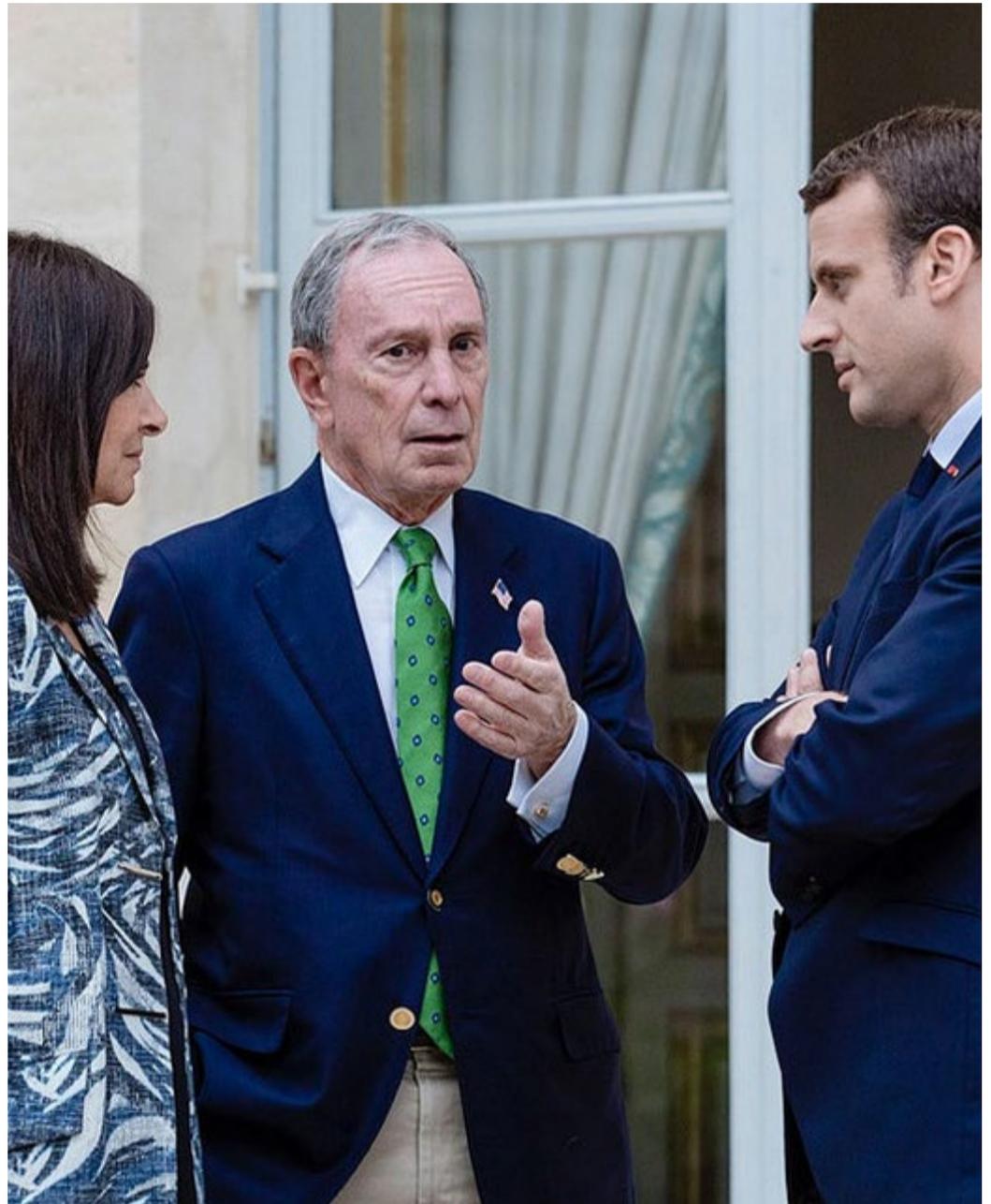
Alasdair MacEwen, of the political consultancy Culmer Raphael, says the appointment was both a surprise and a PR coup for Macron and “may be an indication of his willingness to trust those with expertise in particular areas.” He expects Hulot to press for a more radical approach to energy and environmental issues while being a reassuring presence for green minded business.

Environmentalists welcomed the appointment while questioning how much power he'd really have – a concern Hulot shared on Twitter: “I think, although I'm not sure, that the new political situation offers an opportunity for action and I can't ignore that.”

Last month Hulot set out his stall, with headline-grabbing promises that France would attain carbon-neutrality by 2050, phase out the sale of fossil-fuel-powered vehicles by 2040 and end coal-produced electricity by 2022.

Hulot also said France would halt “imported deforestation” by banning imports of unsustainably produced palm oil and soy for use in biofuels and animal feed. “We will shut the loophole that has allowed palm oil to be mixed with our diesel and vegetable proteins to be used in our animal feeds,” Hulot said.

But can France's climate promises be implemented on the ground? We look at the prospects for success in three different sectors.



FLICKR

Michael Bloomberg with Ann Hidalgo and Emmanuel Macron

Hulot accepts that the 2040 target to ban the sales of polluting cars will stretch French manufacturers



Power

France has set itself a huge challenge by committing to decarbonise the power sector, closing its remaining coal plants within five years, at the same time as it seeks to reduce its reliance on zero-carbon nuclear, which provides about three-quarters of France's electricity – the highest by far of any country – to 50%.

Nicolas Hulot said up to 17 reactors could close over eight years. The initial focus is on France's oldest plant at Fessenheim, in northeastern France. A source of tension with neighbours Germany and Switzerland, it is now expected to shut by 2020.

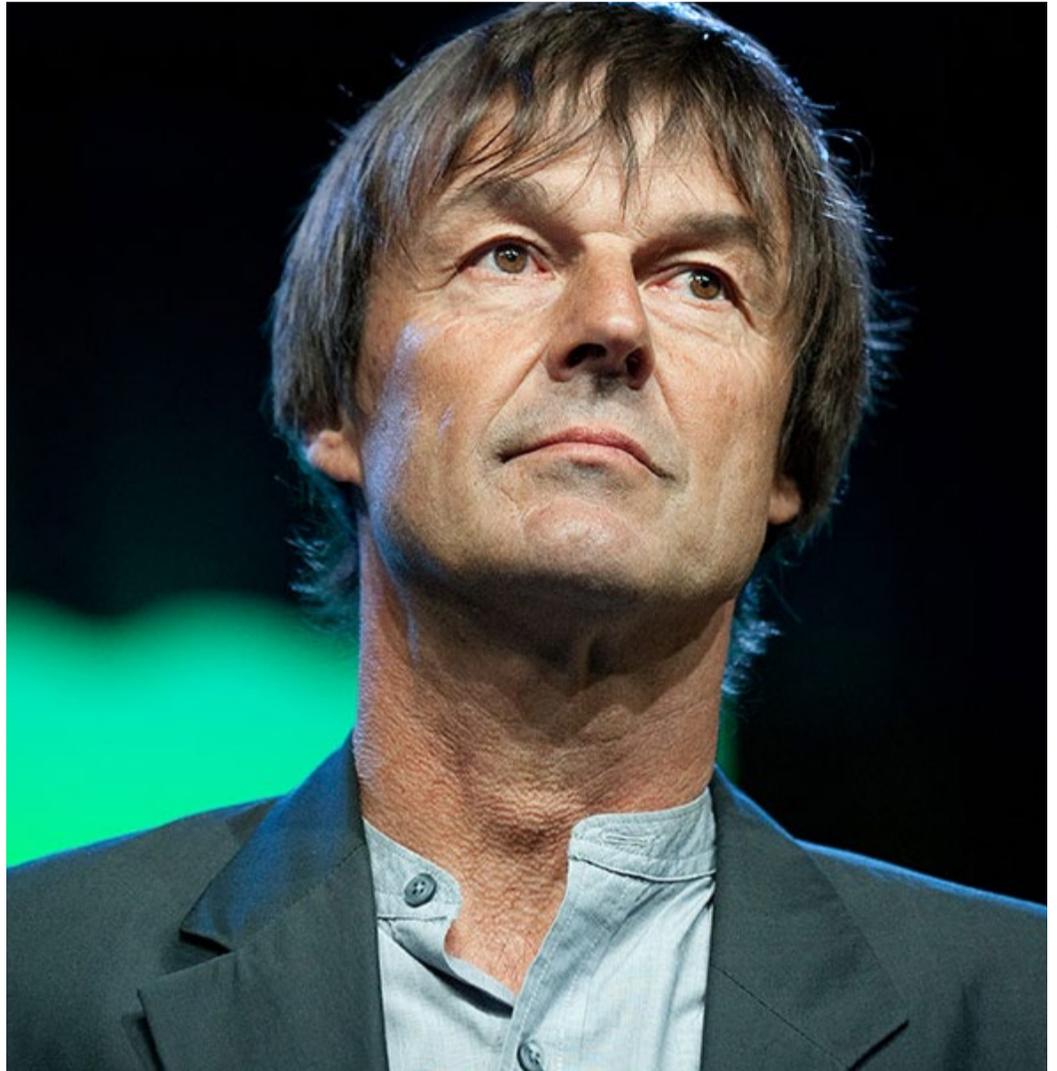
Complicating any closure plans could be the positions taken by the reactors' owners, EDF, and Hulot's cabinet colleagues. EDF is looking for compensation for losses incurred in closing Fessenheim. Hulot may also lock horns with prime minister Philippe, a former advocate for a nuclear company, who voted against the 2015 energy act.

To compensate for the closure of nuclear, the new government has a five-year target for doubling France's solar and wind power capacity to meet 32% of its total energy requirements, and is looking to mobilise €30bn in private investment.

But this target will also be challenging to meet on current form. While France is one of the world's solar leaders, with about 7GW installed, solar still meets just 1.5% of total energy demand and the rate of new installations slowed dramatically in 2016.

In wind power, targets are also slipping. France has launched three fixed offshore wind energy tenders. The first two total about 3GW and were due for completion by 2022. The European Commission is considering a complaint from a group of municipalities, environmental organisations and fishermen who say they contradict marine environment protection and breach EU law.

Details aren't public but the renewable energy trade body, SER, is concerned in particular that it could include the question of state aid. The Commission has a year to respond. Separately, there have been legal challenges to the



Nicolas Hulot has been a high-profile green campaigner

FREDERIC LEGRAND – COME0/SHUTTERSTOCK INC.

Engie and supermarket giant Carrefour are rolling out a pilot project running delivery lorries on biomethane



projects in the first round using the public maritime domain. As a result, the developers have put further investment decisions on hold.

Wind energy journalist Lisa Louis says more appeals are possible and none of the projects are clear of challenges. Hulot wants to simplify the system, with the state securing permits before the tender process.

For onshore turbines, there is a target to increase capacity from 12GW to 15GW in 2018 and almost 22GW by 2023. But this too has been hit by technical and procedural problems.

Transport

Hulot acknowledges that the target of 2040 to ban the sales of polluting cars will stretch French manufacturers. Pure EV vehicles only represented about 1.1% of new car registrations in 2016 – though that was double the EU average of 0.6%.

But there's news almost daily of new electric models, with battery prices tumbling and production booming. Volvo says from 2019 it will only make electric or hybrid models. Bloomberg New Energy Finance now forecasts electric vehicles will be as cheap as fossil fuel models by 2025. Other researchers are revising upwards their prediction for EV.

While some observers see Asian and US carmakers as having the edge in batteries and electric motors, Peugeot, Citroën, and Renault ranked first, second, and third on a 2016 list of large car manufacturers with the lowest carbon emissions, the European Environment Agency said.

And Renault, which has an alliance with Japan's Nissan, is particularly well-placed. Together the pair have 14.6% of the EU market share for battery-powered vehicles and have built 425,000 of the more than 2 million electric cars sold globally.

BNEF says that into the 2030s, charging infrastructure will remain problematic, capping growth of the electric vehicle market in Europe, China and the US. However, companies like NewMotion of the Netherlands are emerging with cloud-based smart charging solutions. NewMotion announced this month that it had expanded its French network with 2,700 new public charge points, bringing the total to 3,500.



RYAN RODRICK BEILER/SHUTTERSTOCK INC.

Hulot wants to ban sales of polluting cars by 2040

Charging infrastructure could cap growth of the electric vehicle market into the 2030s



CARREFOUR

Carrefour has 200 delivery lorries that are running on food waste in a project with Engie

On alternative fuels, Hulot's move to ban imported deforestation from unsustainable palm oil could speed up innovation in more sustainable biofuels. Last month Engie, which supplies renewable energy and alternative fuels, and supermarket giant Carrefour, announced that they were rolling out a pilot project running delivery lorries on biomethane, largely derived from food waste. Nine new natural gas filling stations will see 200 Carrefour lorries running on biomethane by the end of the year, cutting carbon dioxide by 75% and eliminating particulates. By 2025, Carrefour wants greenhouse gas emissions per pallet delivered cut by 30% on 2010 levels, largely derived from food waste.

Green finance

France became the first country to make it mandatory for companies to report on their impacts on climate change in Article 173 of its 2015 Act on Energy Transition for Green Growth. The new law, described by the European Sustainable Investment Forum as "groundbreaking", builds on legislation passed in 2009 and 2010, the Grenelle Acts, which made the production of an annual report on how companies integrate environmental, social and governance factors mandatory for all large companies with activities in France. (see [Leading the pack on CSR, page 25](#)).

France also put a rocket under the global green bond market in January when it became the second sovereign state nation to issue a green bond – at €7bn by far the biggest ever. There was no shortage of interest. Projects listed included clean transportation, eco-efficient products, pollution prevention, and sustainable management of natural resources. French local regions have been issuing their own green bonds.

France is the first country to make it mandatory for companies to report on their impacts on climate change



Julia Haake of Oekom Research says Macron is cleverly trying to pull the financial markets towards green bonds and investment to facilitate the massive investments needed to achieve the Sustainable Development Goals.

According to the Institute for Climate Economics, France has been integrating sustainability into its financial decision making, both public and private, as a result of the Transition Act and it tips France to become a green financial hub.

When he announced the new target for carbon neutrality by 2050, Hulot said the catalyst had been the US decision to quit the Paris Accord. By setting the target, France would be forced to make the necessary investments.

Christine Gobbet-Milhaud of the French Electricity Union lobby group said the 2050 target was too distant to make an impact. The UFE is calling for the whole tax system for fossil fuels to be overhauled to guarantee the transition. “We need to be given a precise course to steer,” she said.

While Greenpeace and WWF have welcomed the climate plan as a “meaningful step forward”, they too question how the carbon-neutrality goal will be met. WWF director Pascal Canfin said: “Along with the other NGOs we will closely follow the next actions to be sure all commitments are upheld.”

However, France’s biggest oil and gas company, Total, the world’s fourth-largest publicly listed energy company, has said it is looking beyond oil and gas for its future growth, an indication of willingness of French companies to embrace the carbon-neutral goal.

Patrick Pouyanne, CEO of energy giant Total, told the group’s AGM last May that he wanted to have a fifth of its assets invested in low carbon businesses within 20 years, ramping up investment in renewable energy, energy efficiency and energy storage. Among its clean energy investments Total is majority owner of American solar power company SunPower Corporation.

“The energy world is evolving. There are new areas over the next 20 years beyond oil and gas that we think can be profitable,” he told the Financial Times. “Some of our competitors are defensive [about the changing energy landscape], but we are saying we want to make a business out of it”. ■



TOTAL

Patrick Pouyanne, CEO of Total, is looking beyond oil

‘The energy world is evolving. There are new areas over the next 20 years beyond oil and gas that we think can be profitable’

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France steps up war on waste

By Stuart Buckman

Industry is awaiting details on how Hulot's announcement that 100% of plastics will be recycled by 2025 will be put into action

The new president Emmanuel Macron has put the circular economy and recycling at the heart of his government's new economic model. Nicolas Hulot, the new Minister for Ecological Transition and Solidarity, said the government was aiming for the use of 100% recycled plastics through the economy by 2025 as part of its journey to a 100% circular economy. He said companies would be expected to come up with intelligent strategies to deal with waste, and promised a road map in 2018.

Greenpeace, which has been leading the global campaign against ocean plastics, applauded the ambition of 100% recycled plastics, but said Hulot did not explain how that would be achieved. It pointed out that France is a laggard on plastic recycling in Europe, trailing Germany and Switzerland, and even the UK. According to resources group Veolia, France recycles just a quarter of its plastic waste, with one third going untreated to landfill. In the UK, one third of plastic packaging is recycled.

The plastics industry was also sceptical. Michel Loubry, from the trade association PlasticsEurope said: "The goal of 100% recycled plastics by 2025 is not realistic. On the other hand, we can target 100% recovery and no landfill."

In an interview with Ethical Corporation, Marc-Antoine Belthé, recycling branch director of Veolia, pointed out that all plastics can be recycled. The challenge is having a business model to do it sustainably and economically.

'The goal of 100% recycled plastics by 2025 is not realistic. On the other hand, we can target 100% recovery and no landfill'



Like the rest of the industry, Belthé is awaiting the new statement from Hulot in September which he hopes will give details on how France will meet its 100% plastic recycling goal.

He wants the government to set limits on what can be sent to landfill and stipulate the percentages of recycled materials manufacturers need to use in new products. He said the industry should be incentivised with lower taxes on recycled materials.

“To convince business partners, visibility [clarity] is key for the recycling industry, and also incentives because we need to be competitive with virgin materials,” he said. “That’s usually done on price, not on other considerations like carbon footprint.”

He recalls one occasion when French carmakers were encouraged to use more recycled material. The industry began making preparations, but those stalled when the government didn’t follow up with specific details.

Plastic waste ban

France has already taken robust action to reduce the amount of waste from plastics. Last September, as part of its new Act on Energy Transition for Green Growth, the government built on its total ban on supermarket plastic bags to become the first nation to ban plastic cups, plates and cutlery. The law, which will come into effect from 2020, will mean that single-use tableware, including coffee cups, must be made from 50% organic compostable materials, and this will rise to 60% by 2025.

The French Association of Health and Environment says only 1% of the 4.73 billion single-use cups produced each year are recycled.

Conservation groups have welcomed the ban but the manufacturers’ organisation Pack2Go Europe said it would challenge it as breaching EU law on free movement of goods and potentially encouraging people to leave more litter under the mistaken assumption that they are biodegradable.

“We are urging the European Commission to do the right thing and to take legal action against France for infringing European law,” Pack2Go Europe secretary general Eamonn Bates told the Associated Press. “If they don’t, we will.”



TWITTER

Brittany-based Algopack is making plastic from seaweed

Mars Inc has run a pilot scheme in France, Germany and the Netherlands making wrappers from potato waste



While debate continues about the availability of suitable alternatives to plastics, companies are already trialling steps to reduce their dependency on plastic. Mars Inc has run a pilot scheme in France, Germany and the Netherlands making wrappers from potato waste. The world's two biggest bottled water companies, Nestlé of Switzerland and France's Danone, are linking with a Californian start-up looking eventually to produce PET bottles from biodegradable materials like cardboard and sawdust.

Another innovator in this space is the Brittany-based Algopack, which is making plastics for packaging and office supplies from seaweed. ■

How France got tough on food waste

France may lag on plastic waste but it leads the world in its sustainability efforts on food waste. According to the [Food Sustainability Index](#), France is a clear global winner on food waste, with losses along the supply chain a world-beating 2.3%, way ahead of the UK, at number five.

The FSI describes the French system as a truly holistic framework covering supermarkets, expiry dates, primary education and tax incentives. France was the first country in Europe to bring in food banks. And in 2015 it became the first to impose legal sanctions for wasting edible produce after a grassroots campaign swiftly escalated within four months to produce a law.

Since July 2016, large supermarkets discarding or destroying edible food instead of sending them to charity have faced fines of up to €75,000 and potential jail sentences. Those behind the campaign want the law replicated across the EU.

However, some charities describe the law as a poisoned chalice and likely to remain ineffectual without help in handling the collection, delivery, and refrigeration of increased donations. The European Court of Auditors pointed out that supermarkets can satisfy their legal requirements if they redistribute even 1% of their surplus. France is also taking action on prohibiting unnecessary expiry dates and some supermarkets have had success in marketing the misshapen or blemished produce normally.



ANTHONY VOISIN

It now illegal for supermarkets to waste edible produce

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ROMRODPHOTO/SHUTTERSTOCK INC.

Danone CEO calls for ‘alimentation revolution’ to fix broken food system

Terry Slavin and Stuart Buckman

Emmanuel Faber says the French dairy giant’s One Planet, One Health campaign will disrupt the FMCG business model by recognising food as a human right

If we are going to deliver the Sustainable Development Goals, global food brands are going to have to radically change the way they operate, according to the head of one of France’s biggest food companies.

Danone’s CEO, Emmanuel Faber, told the Consumer Goods Forum’s annual global summit in Berlin in June the thinking behind Danone’s recently launched One Planet, One Health campaign to develop products with fewer and healthier ingredients, which he described as an “alimentation revolution” in how food is produced.

Faber gave a scathing indictment of the global food industry, saying it has created social and environmental destruction by treating food as a commodity driven by market forces, generating wealth for corporations while denying equal access to food for many.

“Wealth concentration is a huge time bomb and food inequality is part of the social injustice,” Faber said.

By irresponsibly stoking the craving for fat and sugar, the food industry has contributed to epidemic levels of diabetes and obesity, he said. By letting a dozen plant species account for 75% of the food we eat, it is responsible for

‘We are losing customers. They are getting out of our shops, getting out of our brands and finding more sustainable alternatives



destructive monoculture-based farming, water depletion, and over-use of chemicals.

“The system has reached a limit and we are pushing through the limit. Why don’t we stop?” he asked.

One reason has been lack of consumer pressure, with people disconnected from the food they eat.

But he said growing numbers of consumers are waking up to the risks brands pose to the environment and human health. He said the industry in the US has fought the labelling of genetically modified organisms in food, arguing that it would cause confusion, “although 95% of people were requesting it”. “We are losing customers,” Faber warned. “They are getting out of our shops, getting out of our brands and finding more sustainable alternatives... We either have to fight consumers or recognise as an industry that it’s our responsibility to serve people on the sovereignty of their food.”

DanoneWave

He said even Danone’s social business in Bangladesh with Grameen bank producing highly nutritious milk aimed at poor rural families is not without faults. In 2007 a villager who sells yoghurt told him she couldn’t buy it herself because she and a neighbour swapped milk for childcare.

“I’m ashamed of many of the decisions I continue to make,” he admitted. “Some of these decisions keep me awake at night. I realised that another world is possible,” Faber said. “So why don’t we start?”

In April, Danone acquired WhiteWave Foods of the US, which makes plant-based and non-GMO dairy products including Alpro, and organic fruits and vegetables. The \$12.5bn acquisition means the new unit, called DanoneWave, is now America’s biggest dairy business.

It is also America’s largest public benefit corporation, meaning it is legally obliged to balance the interests of all stakeholders, not just shareholders, and to create a positive impact on society.

Faber said the One Planet One Health campaign, which was devised after seeking the input from Danon’s 50,000 staff worldwide, will be rolled out across the entire group, not just the US operations. It will focus on “relocalising” the food system, something he says will be enabled by technological developments like 3D printing and dematerialisation. “It means we have to disrupt many more things at Danone,” Faber said.

“It could be the end of the big pyramidal multinational model. We have to create new organisations that are much closer to life, to reality.” ■



DANONE

Danone’s CEO Emmanuel Faber

‘This could be the end of the big pyramidal multinational model’

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LIVELIHOODS CARBON FUND

Investing in the future of the planet

By Stuart Buckman

The Livelihoods Carbon Fund is a private sector initiative led by Danone that uses carbon finance to restore ecosystems and improve the lot of smallholder farmers

France's leadership on climate change includes a commitment to the \$100bn Green Climate Fund and implementing the Sustainable Development Goals. In his speech last month the new ecology minister Nicolas Hulot restated those commitments, pledging \$1bn for the Green Climate Fund and another \$2bn for renewables in Africa.

France already funds such projects through the FFEM, the French Facility for Global Environment, which links several ministries with agencies in the French-speaking world, particularly in Africa. The FFEM is also supporting an innovative private-sector collaboration to raise carbon finance for smallholder farmers, the Livelihoods Carbon Fund.

The fund is the brainchild of Bernard Giraud, who started the Danone Fund for Nature in 2008, when he was in charge of sustainability at the giant food company. He was looking to make the Evian water brand carbon-neutral. Rather than simply buy carbon credits to offset emissions, Giraud set up a model that would allow Danone to work directly with NGOs and project developers. The projects are designed to deliver social and economic benefits to farmers and also to the environment by restoring ecosystems.

The fund set up the world's largest mangrove restoration project in Senegal, which led to local communities planting 79 million trees, which are expected to offset half a million tons of carbon. Realising the Giraud model could be

The fund set up the world's largest mangrove restoration project in Senegal, which led to local communities planting 79 million trees



applied more widely, the fund opened to other corporations in 2011 and rebranded it the Livelihoods Carbon Fund.

Nine other companies have since joined: Schneider Electric, Crédit Agricole SA, Michelin, Hermès, SAP, CDC Climat, La Poste, Firmenich, and Voyageurs du Monde. Giraud, the fund's president, says it's a win-win-win arrangement.

"We leverage the carbon economy to bear the upfront investment risk for project implementation and monitoring. Projects create benefits for the rural communities and for the environment. We get back the credits from the carbon that is sequestered."

It presently has nine projects in Asia, Africa and Latin America, has helped about a million people and sequestered around 10 million tons of CO₂, at a cost of €50m - €55m. The projects are set up for the long-term (10 to 20 years) to give local communities time to make the projects their own and ensure that the benefits are long-lasting.

Focus on supply chains

In 2015 a second investment fund was launched: the Livelihoods Fund for Family Farming (Livelihoods 3F). It has the same environmental and social mission of the carbon fund, however the main goal of this second fund, which has funding from Danone, Mars, Firmenich and Veolia, is to focus on sourcing for large corporations, simultaneously tapping their expertise to transform the supply chains and helping smallholders improve quality and productivity.

The newest project is a 10-year vanilla growing scheme in Madagascar with 3,000 family farms. The companies will be providing €2m in funding to Fanamby, a Madagascan NGO with extensive experience working with vanilla producers. A new farmer-owned cooperative, structured with Fanamby's support, will seek to connect producers more directly to markets.

By training farmers to collect the vanilla, cure it and export it to the project partners, it's estimated that around 60% of cured vanilla's value will go back to farmers, instead of 5% to 20% today.

The project will also tackle food security with a special focus on rice production as well as crop diversification for a more balanced daily food intake for farmers.

With smallholders providing 70% of the world's food and threatened by climate change, there's plenty of scope to scale up the model. But Giraud says this will have to be done in a manageable way. "If we were 50 corporations, that would not be easy." ■



LIVELIHOODS CARBON FUND

The Livelihoods Fund is boosting farmers' incomes

The fund will ensure 60% of cured vanilla's value will go back to farmers, instead of 5% to 20% today

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1000 WORDS/SHUTTERSTOCK INC

Taking aim at corporate human rights abuses

By [Stuart Buckman](#)

France's new corporate duty of care is similar to the UK's Modern Slavery Act, but it is broader, more rigorous and has some sharp teeth

In March this year the National Assembly, under then President Hollande, ended a three-year tussle by adopting a corporate duty of care law. The law, the first in the world to be mandatory, has similarities to the UK Modern Slavery Act of 2015, under which businesses with a global turnover of £36m must produce an annual statement outlining all steps taken to ensure they're clear of slavery.

Like the UK law, which came into force last year, the French law is expected to drive awareness and change behaviour. One criticism of the UK Act was that it lacks teeth. Although it applies to 10,000 companies it broadly allows companies to decide what format and how much detail to provide. Theoretically a company could comply with a statement simply by saying that it is doing nothing. Moreover, the only risk to companies is reputational, as there are no fines.

The French measure, yet to come into force, applies to far fewer companies, about 150, but it is broader, covering sustainability, human rights and environmental concerns. Crucially, it is far more rigorous. It mandates all companies employing 5,000 staff in France or 10,000 worldwide to disclose what they are

One criticism of the UK Modern Slavery Act was that it lacks teeth



PETR KOVALENKOV/SHUTTERSTOCK INC.

The duty of care law, adopted by the National Assembly, is broader than the UK act

doing to address those issues through their supply chains or face penalties, though what these penalties will be is yet to be determined.

Companies must make a public statement, a plan de vigilance, showing reasonable measures to avoid injury and reduce environmental impact while preventing serious violations and risks to health, human rights, and freedoms. The plan de vigilance must include risk-mapping, proposals for regular assessment – including of subcontractors and established suppliers – plus actions taken. It requires a procedure to raise alerts in association with workers' representatives. And it must evaluate the effectiveness of actions taken. The bill met strong opposition in parliament from most Republican MPs, saying European companies could face economic harm, stop using some subcontractors or even pull out of riskier countries, again hurting the poorest workers.

During its progress, elements were watered down: the number of companies affected was reduced, criminal prosecution of executives was dropped, and proposed potential fines of up of €30m were struck out. However, breaching that duty of care still carries penalties.

Important building block

Phil Bloomer, executive director of the UK-based Business and Human Rights Resource Centre, says. "Some of the sharpest teeth have been extracted but there are still a few incisors and molars left."

The law only applies to 150 large companies but will affect many more in their supply chains



Although the measure only applies to 150 companies, Bloomer says that by encompassing the whole supply chain, the influence of the act will extend further into smaller companies.

He sees the French law as an important building block towards mandatory due diligence and transparency and hopes other countries will build on the best of the French and UK laws to raise the bar for laggard companies. Similar legislation is currently being considered in Switzerland, where the necessary signatures have been collected for a referendum on mandatory human rights due diligence, while French parliamentarians have said counterparts in Spain and Belgium are beginning to discuss similar action.

But Bloomer says legislators should take steps to avoid a “spaghetti soup of incoherent or contradictory national laws. Instead they should cooperate to harmonise these laws regionally and internationally, to create powerful legal safeguards that ensure large companies’ respect for human rights.”

Bloomer points out that the French law hasn’t yet come into force and could still be changed by the Court of Administration, which is designing how the law will work in practice. There were defined tariff-ranges in the earlier drafts, but these were removed in later versions. So it remains to be seen what the fines might be.

As it is now written, the onus is not on the government but on victims, unions and civil society to ask a judicial authority to order a company to establish a plan if it doesn’t already have one. Bloomer said it is important that this role of watchdog is explicitly recognised, especially as they are the groups most likely to spot abuses in the supply chain.

Bloomer is optimistic that the new Macron administration will continue to make the human rights and business agenda a priority going forward. Macron recognises the implosion of trust in global markets, Bloomer says. “So, for pro-business internationalists like him, humanising global markets is imperative.” ■



Phil Bloomer of the Business and Human Rights Resource Centre

‘For pro-business internationalists like Macron, humanising global markets is imperative’

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20MINUTES.FR

Taking a broom to corruption

By [Stuart Buckman](#)

The Sapin 2 law, published last year, significantly increases obligations on companies with more than 500 employees to tackle sleaze

While it is a leader on sustainability, France has been a relative laggard on corruption, placed 23rd in the 2016 Transparency International Index. Some European neighbours get top 10 ratings. A 2017 poll suggested 75% of French people view politicians as generally corrupt to some degree.

There's a belief in France that powerful individuals and companies can "get away with it". Corruption was a big issue in the presidential election, and thousands demonstrated in Paris and other French cities in February against candidates Francois Fillon and Marine Le Pen, both accused of misusing public funds.

Although fighting sleaze was a key Macron pledge, it won't be easy. Corruption has dogged French public life, from presidents down. Even a minister responsible for tax fraud had undeclared Swiss accounts. Two 2017 presidential candidates were accused of misusing funds.

In June, then justice minister Francois Bayrou published a "moralisation" bill to eliminate conflicts of interest. It stops MPs and others employing family and tightens up on expenses.

Embarrassingly, Bayrou was one of several ministers caught by it and was forced to resign. As for corporate corruption, even in 2014 the OECD found no French company convicted in France for foreign bribery. Several had been convicted overseas, including Technip, Total and Alstom.

Corruption has dogged French public life, from presidents down



In 2014, US authorities fined BNP Paribas, France's largest bank, \$9bn for conspiring to violate sanctions that prohibit transactions with Sudan and other regimes. (It was also accused of complicity in the Rwandan genocide.) Société Générale featured in the Panama papers tax leak.

In 2015, the Institute of Business Ethics reported that French employees had the weakest knowledge of their organisation's culture on supporting ethical issues of any European country surveyed. Just 66% said honesty was always or frequently practised – down from 79% in 2012.

But could attitudes be changing? The Sapin 2 law, published last year, significantly increases obligations for companies with more than 500 employees to prevent and report corruption.

It will strengthen protection for whistleblowers, which has been weak. Mostly inspired by the UK Bribery Act and the new Brazilian anti-corruption regulation, Sapin 2 came into force on 1 June and provides a new set of legal obligations that will significantly impact companies operating in France and their directors.

'Wake-up call' for companies

Failure to comply with these new provisions will be harshly punished, and leave directors open to criminal prosecution. Conviction would result in up to two years' imprisonment and a fine of up to €50,000.

Another recent development is the Loi Bertrand, or Sunshine Act, where payments of as little as €10 by health care companies to professionals must be publicly listed.

The new financial prosecution service, PNF, has a reputation for tough, fast action, and an enormous workload in front of it. Under one investigation Switzerland's UBS is facing trial and a potential €4.8bn fine for allegedly helping French clients evade taxes.

IBE director Philippa Foster Back says Sapin 2 is a wake-up call for companies. She thinks growing awareness of codes of ethics and whistleblower protection will bring change and end the tendency to compartmentalise bad behaviour.

"It will take time – [but] it will be hastened by charging people and putting them in jail. They don't know they are doing wrong." ■



IBE director Philippa Foster Back

French employees have the weakest knowledge of their organisation's culture of any European country

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JELLE VISSER/FICKR

Leading the pack on CSR

By Terry Slavin and Stuart Buckman

Kering and L'Oréal are among the French brands that are working to put global business on a more sustainable footing

With 12 French companies among the top 100 on Corporate Knights 2017 list of most sustainable companies, France vies with the UK (which got 11) and the US (19) for global leadership in corporate social responsibility.

KPMG's worldwide survey in 2015 on CSR reporting showed that France leads the world on third-party verified corporate responsibility reporting, with 96% of companies reporting annually (compared to 61% of UK companies).

In 2009 and 2010, the French Parliament adopted two laws named the Grenelle Acts, the result of a lengthy open consultation process with NGOs, trade unions and businesses that established a consensus around tackling environment and sustainable development issues. Section 225 of the act made the production of an annual report on CSR matters mandatory not only for listed companies but for unlisted companies with more than 500 employees and €100m in revenue.

Marie-Claire Daveu, chief sustainability officer of luxury goods company Kering, was one of the key architects of the Grenelle laws, having held various cabinet posts, including minister of ecology, sustainable development, transport and housing, until she left government to join Kering in 2012.

In an interview with Ethical Corporation last year, she said Grenelle was transformative because for the first time all stakeholders were given an equal voice around the table. "What was very powerful was the fact that you had

Kering has a 10-year plan to cut CO₂ by 50% and environmental impacts by 40%



all the stakeholders agreeing on a diagnosis, agreeing that we had to act and agreeing on an action plan. That's how you have to do it if you want to do something on the environmental side. If it comes from the top down and people are not convinced, they will say yes, yes but they won't move."

No one could accuse Kering of unwillingness to move. Kering, whose brands including Gucci, Saint Laurent, Stella McCartney and Alexander McQueen, ranks 80th on the Corporate Knights 2017 list. With a €12bn turnover and 35,000 employees, its environmental impacts are under 45% the average for its size.

Putting a price on emissions

Early this year Kering announced an ambitious 10-year programme to go even further, and reduce its CO₂ emissions by 50% and total environmental impacts by 40% by 2025. It also said 100% of its suppliers would meet Kering's high standards for raw materials and processes by 2025.

In 2013 Kering pioneered a new natural capital accounting method called Environmental Profit and Loss (EP&L). Through the EP&L, Kering measures not only the impact of the group's core retail operations and manufacturing and product assembly but those associated with producing and processing its raw materials, which account for 75% of all its impacts. It then estimates the monetary cost to society from those activities in terms of greenhouse gas emissions, water use, pollution, waste production and land use changes.

Putting a monetary value on its impacts has given them visibility, and allowed the company to prioritise action, leading it to set up its own supply chains for, among others, ethically sourced gold, organic cotton, and heavy-metal-free tanning processes for leather.

Daveu likens the investment required to set up sustainable supply chains for raw materials as similar to renewable energy – involving higher cost at the outset, but payback in the long run. That is why Kering's sustainability programme is over 10 years, rather than three or five.

When Kering first set up its ethical gold supply chain three years ago it cost the group a 25% premium. Now, she says, through a lot of work with stakeholders, the premium for ethical gold is less than 1%.

Kering is happy to share its knowledge with competitors, Daveu says. "As Francois-Henri Pinault [Kering's CEO] says, we don't do this for competitive



Marie-Claire Daveu, chief sustainability officer of Kering

'If we want to change the paradigm, Kering can't do it alone'



L'Oréal is increasing green chemistry in its formulations

advantage. Of course it's good for our business because it stimulates innovation and creativity, but Kering isn't big enough to change the entire supply chain. If we want to change the paradigm, we can't do it alone."

Innovating in materials

Kering's EP&L is being used in the [Natural Capital Protocol](#), the new global methodology for environmental accounting, and the company has also been collaborating with the B Team and the World Business Council of Sustainable Development.

Kering has also been sharing the results of its work at a Materials Innovation Lab in Italy, which it set up to identify sustainable new raw materials and conduct research into how existing materials can be used in a more sustainable way. It has compiled a library of 2,600 sustainable fabrics and textiles, which is available to other companies as well as its own brands and suppliers. The new sustainability strategy calls for the library to be expanded to focus on materials for watches and jewellery.

Innovation in waste reduction includes working with UK start-up Worn Again on a process to separate cotton and polyester-blend materials so the cotton and polyester can be spun into new fabrics, and making new products from waste, like leather from orange peel.

One of Kering's fastest-growing brands, the eco-label Stella McCartney, for example, uses polyester from recycled water bottles in all its handbags.

But while the new sustainability strategy has "innovation at its heart", Daveu says most of her team's work is focused on making sure best practice is implemented, ensuring, for example, that the goats' wool that is used in its brands' fine cashmere sweaters are farmed in a sustainable way.

'In luxury we use so many raw materials that come from nature. If you want to continue your business, you have to make sure you take care of the planet'



While other key raw materials in the luxury industry, like cotton, silk and leather, can be produced in modified farming systems, cashmere production centres on natural grasslands in Mongolia that are especially vulnerable to environmental change.

Kering's brands are working with their suppliers to create sustainable herding practises and holistic management of pasturelands.

"We don't see sustainability as a cost, but as an investment," Daveu says. "In luxury we use so many raw materials that come from nature. If you want to continue your business, you have to make sure you take care of the planet."

L'Oréal

Another big French consumer-facing brand on the Corporate Knights list is L'Oréal, the world's biggest producer of personal products, with sales of almost €26bn in 2016.

The company has seen sales volumes grow 29% since 2005, but has decoupled CO₂ emissions from growth.

L'Oréal revealed in its 2016 update on its Sharing Beauty with All sustainability strategy that its CO₂ emissions have fallen 67% since 2005, reaching the 2020 goal of cutting CO₂ emissions by 60% four years early. Water consumed per finished product has declined 46% (against a 60% target), while waste generated has fallen 35%.

Part of the strategy is to reduce emissions in its supply chain through its "carbon insetting" programme. For example, in Burkino Faso, where L'Oreal sources all of its shea butter, an ingredient in 1,200 of its products, an investment in 1,500 clean cook stoves and training in better production practices reduced timber consumption by 800 tonnes in 2016, and avoided 2,300t of CO₂ emissions.

L'Oreal has a 2020 target for 100% of new or renovated products to have an improved environmental or social profile, mainly through the use of renewable raw materials sourced from sustainable supply chains or processed using green chemistry. In this goal it has drawn on the expertise of The Body Shop, which it acquired in 2006. By last year L'Oreal had achieved this for 82% of new products.

Bonuses for brand and country managers are linked to environmental targets, and the sustainability department reports directly to CEO Jean-Paul Agon.



Shea production in Burkino Faso

At L'Oréal bonuses for brand and country managers are linked to environmental targets



Industry leading

L'Oréal's efforts have earned it a triple A rating from the CDP – a distinction it shares only with Unilever – for its industry-leading efforts in removing deforestation from its supply chain, cutting CO₂ emissions and water management.

In May, L'Oréal announced it had signed a memorandum of understanding with French resources management company SUEZ to help it improve environmental performance and optimise resource management across the group's entire value chain. The targets include a neutral or even positive water footprint at some sites, improving the renewable energy mix and greater reuse and recycling of waste. Future plans include the creation of a “factory of the future”.

Beyond environmental improvements, *Sharing Beauty With All* includes commitments to its workforce, including access to work for 100,000 underprivileged people by 2020, and 100% access to health care, social protection and training globally for L'Oréal employees.

Another area where L'Oreal excels is in its attention to gender issues. L'Oreal tops this year's [Equileap Gender Equality Global Ranking](#), one of only

six companies, out of 3,000 assessed, to have eliminated a gender pay gap. It had a perfect rating for policies promoting equality, with 46% of its board and 58% of its brands headed by women.

L'Oréal was also the first corporate partner of the [C40's Women4Climate initiative](#), which aims to empower and inspire the next generation of climate leaders through a global programme to mentor women in C40 cities. Paris mayor Anne Hidalgo is one of the leaders of the initiative.

L'Oréal will fund university chairs to support research on gender-specific consequences of climate change, and help finance projects that respond to gender-specific challenges in fighting climate change.

Alexandra Palt, L'Oréal's chief sustainability officer, told Ethical Corporation earlier this year: “This commitment reflects two of L'Oréal's major orientations: gender equality and climate protection.” ■



L'Oréal's Alexandra Palt with Paris mayor Anne Hidalgo, right

L'Oréal has a perfect rating for policies promoting gender equality

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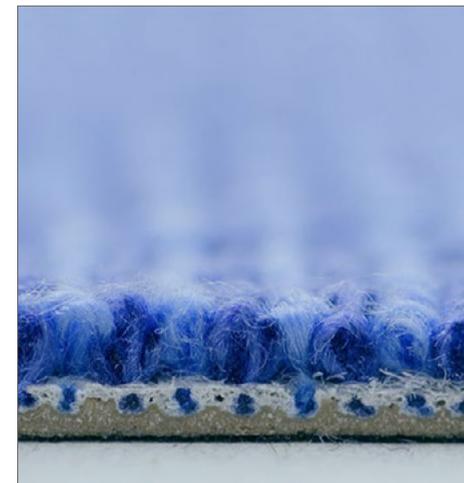




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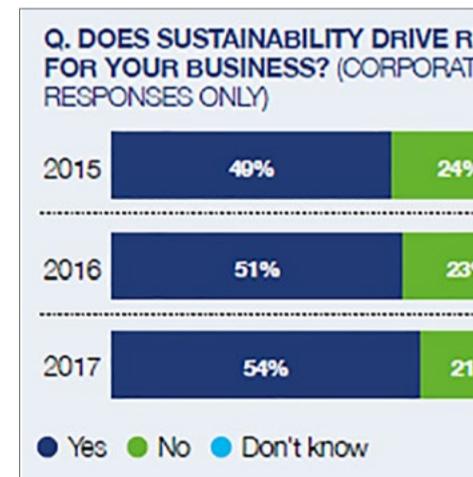
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