

Abstract of the study

CORPORATE TERRITORIAL ANCHORING: INTERNATIONAL PILOTING AND REPORTING

The full study is available upon request from IMS or ORSE (verger@imsentreprendre.com / contact@orse.org)

This report summarizes the key points raised by the IMS – ORSE working group on corporate practice concerning international piloting and reporting on territorial anchoring: dialogue with local stakeholders, support for economic development, aiding local social development and employment... The group brought together around 40 participants during the period from November 2004 to April 2006: companies (managers of sustainable development, local or territorial development, human resources, sponsorship...), NGOs, institutional experts, investors and trade unions.

The aims of the working group: achieve better understanding of the interaction between companies and the territories where they operate; and identify corporate practices and indicators to help them:

- Internally:
 - to improve their overall management of territorial anchoring in zones of operation
- Externally:
 - to develop tools for dialogue with stakeholders so as to account for the company's commitment and advances in its approach in varying operational zones.

At the heart of Corporate Social Responsibility:

More and more companies are becoming committed to respect for the community and development of the territories where they operate, whether at the suburban, town, employment area, country or regional levels.

However, this territorial anchoring action is still given little attention in the frame of Corporate Social Responsibility (CSR) policies. It is often conducted in an empirical way, rather than as an element of corporate risk and performance management.

Yet territorial anchoring is a key issue for companies. Their integration in operational markets has a direct influence on the companies' capacity to conduct activities in that region. Moreover, the expectations of corporate stakeholders increasingly favour global integration of territorial development issues by the company, through transparent piloting and reporting.

In this context, piloting, evaluating and accounting for the impact of territorial anchoring action has become a major requirement for companies.

Territorial anchoring - key themes:

- **dialogue with the local community**
(identifying affected stakeholders, dialogue processes, consultation...)
- **territorial economic development**
(subcontracting and local purchasing, development of local companies, skills transfer, supporting micro-finance)
- **management of economic change**
(preserving local employment and the economic fabric during restructuring)
- **territorial social development**
(development of local employment capacity, social and professional integration, establishment of social infrastructure...)
- corporate **respect for human rights** in relations with the local community
- **local redistribution of income and combating corruption**
(paying taxes to the government, public authorities, etc.)
- **integrated action**
(cross-cutting approaches combining the abovementioned themes, based on a diagnosis of the specific needs in the region).

For each theme, the IMS – ORSE practical guide sets out the key points discussed during debate within the working group:

- ☞ the context of corporate involvement (stakeholder expectations, strategic issues...)
- ☞ analysis of corporate reporting and piloting (based on CSR and annual reports by more than 60 advanced companies)
- ☞ corporate best practices and expert recommendations (NGOs, public institutions...)
- ☞ the indicators used by companies; and national and international standards (French law NRE, GRI...).

TERRITORIAL ANCHORING: MAJOR ISSUES FOR COMPANIES

Going beyond reputation...

- **License to operate and risk anticipation issues:** anchoring actions favour dialogue and positive relations between companies and local players. It facilitates acceptability of corporate activities by the local population. It creates opportunities for synergy with local decision-makers, who will be keener to support the company in case of difficulties, thus facilitating the long-term sustainability of its activities within the region.
- **Human resources issues:** through its social and economic development action in a region, a company helps to create pools of local workers with the specific skills they need. Moreover, territorial anchoring helps to attract and retain qualified personnel, by developing their pride in belonging to the company and thus favours a better internal climate. Anchoring actions also lead to more dynamic management by giving directors direct access to their environment.
- **Innovation and market issues:** territorial anchoring allows a company to stand out from its competitors, especially when making tender bids, and may even lead to new contracts. In addition, since anchoring action implies a good understanding of local needs, it allows a company to develop specific skills which strengthen its capacity to adjust its products/services to the requirements of specific contexts. Companies may thus respond to the expectations of a range of consumers, becoming more competitive and creating new demand.

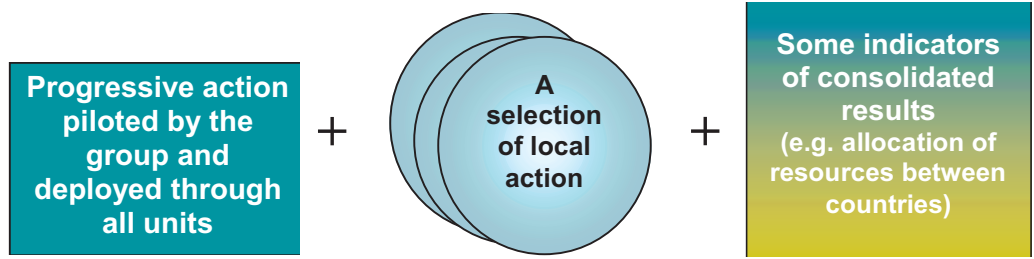
For most companies, the operation of establishing territorial anchoring strategies and a set of indicators at the international level remains embryonic. This dimension of CSR is not yet generally well defined: on the one hand, because it is a vast subject (calling for action in a wide range of areas and involving many players); and on the other hand, because it involves a complex issue for multinational companies: how to link global and local levels.

Despite this complexity, a few pioneer companies are progressively advancing towards formalisation of their practices in support of local development, using more structured, measurable approaches to progress, directed at group level and conjugated locally, based on regional specificity. Once companies have identified the expectations of their local stakeholders and specific issues, they seek to define objectives and action plans for better territorial anchoring, establish piloting structures and local relays, and developing local self-evaluation tools.

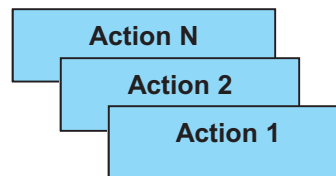
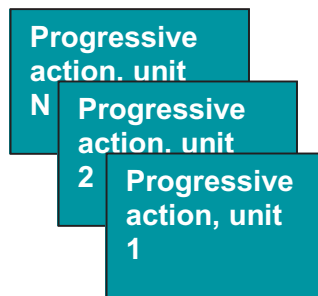
In order to account for corporate efforts in local anchoring matters, there would appear to be a general tendency towards the reporting schema set out below (the schema was established on the basis of remarks made by the working group):

At the global level

Means indicators: % of units impacted, classified by state of advancement in action (value scale)



At the local level



Contextualised results indicators, chosen on the basis of the type of action involved and the risks for the company:

- redistribution of income
- economic support
- social/working development
- etc.

Focus: the Danone Way of doing business: a key global/local tool

“In order to obtain a global evaluation of varying local integration action, one approach is to define a common reference framework: that is the purpose of the Danone Way (DW) set up by the Group in order to allow its subsidiaries to take action within their own area and maintain good relations with local players. Based on a scale from 1 (the lowest level: respect for local regulations and practices) to 4 (the highest level: excellence and/or innovation in corporate practices); each subsidiary may participate in a process of sustained progress”. François Moreau, Groupe Danone

Dialogue with local stakeholders

Suez: at the beginning of the contract, teams from Suez establish relations with community bodies and players: local unions, NGOs, consumer organisations, religious associations, corporate representatives, etc... For example, in Manaus (Brazil), in the context of a partnership with the ONG, Essor, the local subsidiary of Suez worked with locally implanted associations in order to identify local expectations and adapt the company's offer to the specific requirements of the local community. This approach led to specific accompaniment at both the technical and commercial levels, as well as local social and economic development actions.

Support for local economic development

AREVA: the group has a "re-industrialization and local economic development office" which oversees economic development in the regions where the group operates. This action is supported by AREVADELFI, which provides additional funding to support the setting up and development of companies in the group's local labour market. Since 2002, AREVA has been conducting country level research to detect project proposals and attract them to its zone (financial aid and counselling). The group has now set up a network of "local economic development" correspondents in all of its major employment areas in France (12 persons to date) in order to prepare presentations for new companies, search for partners, etc...

The contribution to local social development

Vinci: in partnership with the local public employment service, Vinci subsidiaries establish qualification processes in order to train job seekers in the works skills of the engineering and building industry. Numerous local partnerships with qualification bodies allow integration for young workers in the company without any initial training. The integrative aspect of this action is also supported by company's Foundation.

Combating corruption in countries of operation

Lafarge: Lafarge has increased the weighting of its corruption criteria for country/policy risk evaluation, from 8 to 15% (used as a basis for major investment decisions). For the second consecutive year, the group's business code of conduct and its means of implementation have been compared with the principles defined by Transparency International and Social Accountability International. It results that Lafarge must establish guidelines for charitable donations and facilitation payments. The group also intends to organize specific training for managers. Lafarge entered into partnership with Transparency International France on corruption issues in April 2004. Following that, the company intends to:

- conduct interviews in a number of operational units in order to better understand exposure to risks of corruption, taking account of the local context and the specific aspects of each of the group's branches;
- define an action plan for the group as a whole, including specific training programs and the establishment of supplementary guidelines.

**For further information: see the IMS – ORSE Guide in French
"International piloting and reporting on corporate territorial anchoring"**

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