

The ILO Conventions: A “major reference”

In 2002, former French trade union leader Nicole Notat founded Vigeo, a social rating agency of which she is now the President. Vigeo has three particular features: a European dimension (in contrast to the continuing national perimeter of the ten similar agencies in Europe); the presence of trade unions in its Board of Directors; and lastly a twin clientele of investors and companies. The ILO's international Conventions will be a “major reference” for its criteria according to Ms. Notat.

Nicole Notat
President
Vigeo, Paris

Labour Education: How will the Vigeo rating work and what role will trade unions play?

Nicole Notat: Declarative rating is what all social rating agencies around the world do: they inform savings and asset managers about companies from a point of view other than that of classic financial information. And this is done on the basis of public information gathered about the company. If the trade unions in a company release a series of items of information, these are taken into consideration in the same way as information provided by the other stakeholders.

In contrast, the requested rating is based on information gathered on the spot and on documentation. It is carried out at the request of the company which pays for the rating. This evaluation informs the firm about its results and also informs the stakeholders who will be notified. This rating is more in-depth: it revolves around a detailed reference system and is fed by documentary analysis, interviews and on-site surveys at the headquarters and various sites. The trade unions and staff representative bodies are heard transparently *ex officio* like all the other stakeholders.

The publication of the results of this evaluation by the company helps to enrich the information available to stakeholders.

How many trade unions will there be on the Vigeo Board of Directors?

There are eight trade unions from seven different countries (see box). My goal is not to have all European trade unions as Vigeo shareholders. The presence of a trade union body illustrates the involvement of trade unions as a player in a company's social responsibility and commitment to the creation of a European evaluation agency.

Each category of associate has three representatives on the Board of Directors, regardless of its capital contribution. Thus, there are three company representatives, three trade union representatives (CFDT (France), CC.OO (Spain) and CSC (Belgium)) and three investor representatives, who are joined by six qualified individuals.

What criteria will you use to rate companies?

We have created a reference system for six areas of responsibility: human resources; fundamental human rights at work and in society; the environment; social commitment; customer-supplier relationship; and corporate governance.

We have based our reference system on ILO Conventions and Recommendations

as well as on its major declarations, whether standardizing in scope, such as that of June 1998, or aimed at encouraging companies, such as the declaration on principles for multinationals adopted in 1977 and revised in 2000. In these areas, we have taken great care in ensuring that the ILO instruments – initially intended for States – are transposed as a reference cursor for corporate responsibility. Moreover, we incorporate the OECD guiding principles, national regulations, and everything related to agreements, sectors or groups.

The six areas are examined with regard to the 43 criteria relating to the company's policies, practices and results.

We will evaluate items using quantitative indicators. However, not everything is quantifiable; for example, the area of social relations is not an exact science. We will therefore have an approach which is also qualitative at the same time and in addition will integrate comparative and dynamic aspects. This means that we will not take stock of a company's situation in an absolute way, but will consider it in reference to the challenges facing the sector and business location. To recreate this, we look at its development in terms of trends.

Will you draw inspiration from the Global Reporting Initiative indicators?

The function of GRI, which is an interesting initiative, is to provide companies with a reference framework for building their own reporting. The GRI indicators are useful for bringing together the information required to evaluate each of our criteria.

Will you rate companies involved in so-called "unethical" activities such as arms manufacturers or tobacco firms?

We do not rate a company on the basis of the type of products with which it is involved. We will not refuse a company an evaluation rating if it wishes (regardless of its type of business). If there are ethical funds which refuse to invest in a specific or given type of sector, they are obviously free to do so and it is their responsibility.

A tripartite Board of Directors

Seven investors

Eulia, AG2R, Crédit agricole AM, Inter-Investissements (Ionis), Dexia AM, Ofivalmo and SGAM.

Eight trade union organizations

CFDT (France), CC.OO (Spain), CISL (Italy), CSC (Belgium), UGTE (Spain), UGTP (Portugal), DGB (Germany) and ÖGB (Austria).

Thirty-five companies

Accor, Axa, BNP, Carrefour, Crédit Lyonnais, Danone, Schneider Electric, Suez, Thomson Multimédias, Vinci, Air France, Airbus, Alcatel, CCF-HSBC, EADS, Edev (EDF), EGG, Financière-Lafarge, Cogac (GDF), Péchiney, Pinault Printemps Redoute, Renault, Rhodia, Thales, Total-Fina-Elf, AGF-Allianz, Arcelor, Aventis Pharma, France Telecom, San Paolo IMI, McDonald's, Royal Bank of Scotland, Saint-Gobain, Spie, Vivendi Environnement.

How will you rate a company which carries out its business in a country which does not comply with ILO Conventions such as China?

We will have to evaluate whether the company acts purely and simply within the limits of local law or if, on the contrary, it incorporates the commitments and values of its group in Europe, obviously related to the local context. If there are no commitments in the group, we will refer in any case to the principles and fundamental rights described in the ILO Declaration of June 1998, which all member States are bound to respect and which, on this basis, concern multinationals. This is a form of reference ranking which acts in favour of what is commonly accepted and instituted by the international community.

What measures do you plan for repeated violations of your criteria?

Our criteria are not meant to be violated or respected because we do not set standards and are not a verifying or certifying body. Our criteria are units for observing, analysing and measuring what is happen-

ing in the company in the areas of social, environmental and societal responsibility which interest and will increasingly interest its stakeholders. With this in mind, basic human rights comprise a completely separate area of responsibility, which we evaluate as such. Each criterion relating to this is treated with discernment and precision, and will lead to a rating which takes account of the company's real practices. We will therefore be able to highlight and to inform our clients of zones where there are violations or vulnerability, or zones of innovation or excellence.

Experts will probe the company for 30 days for the inspection. What guarantee will you have that the company will keep its commitments throughout the year?

The dynamic which we propose only makes sense if it is organized on a lasting basis. There will be continuity in our involvement in accordance with the conditions that we discuss with the company.

The resulting evaluation rating is not valid forever. We will discuss the conditions for extending a first evaluation with the company, either via a new evaluation in an area or in a zone which requires it, or by monitoring assessments.

Won't the arrival of your agency in the company disturb social dialogue?

Vigeo will not influence how the stakeholders in the company behave, and each of them will have its full role and function to play, both upstream and downstream of an evaluation. The audit we carry out will be to rate the company and not to give advice. We will take on no consultancy functions whatsoever as this would constitute a conflict of interest between the rating audit and the consultancy. We do not wish to come to carry out a rating after a company adopted a strategy we had recommended ourselves. The result we reach is aimed at informing the company as much as its stakeholders.

Who will rate the rating agencies?

I believe that an institution or body is needed, with the necessary authority, which can at least label or certify agencies in relation to their professional ethics or their transparency in their activities. In any case, we will have our own quality charter.

Can the ILO play a part?

The ILO's standardizing work is mainly geared towards governments and public authorities, even though players from organized civil society (i.e. workers' trade unions and employers' organizations) are represented on a statutory basis in the ILO authorities. At present, the ILO is not authorized to have a role in this type of agency. Perhaps this will change at some stage in the future. It is up to the ILO's constituents to decide whether they believe this is a direction it should take.

Do you want to be accredited by the SA 8000 standard?

Our approach differs from the SA 8000 both in relation to the method and the scope of evaluation. We have already met with SA 8000 and will maintain continued relations. Certifying auditors is an issue that is of concern to us both.

Will Vigeo be independent if the shareholder companies are the first clients for this rating?

The guarantees of independence are undeniable. In Vigeo's governance structure and in the capital organization, no company holds more than one per cent of the capital and together they cannot hold more than 45 per cent of the capital. On the Board of Directors, the companies' body, like each of the other two bodies, has three representatives. This is without mentioning the fact that the Board of Directors has six qualified individuals out of 15.

Alongside this, there is a scientific advisory board made up of well-known independent figures whose role is to guarantee the agency's independence, professional ethics and precision in work on a day-to-day basis, and where applicable to

arbitrate on the tensions or conflicts between a client and the company. This advisory board will function regularly, with five people from a university background. At the same time, we are very vigilant about training our auditor-analysts. A process for validating analyses and ratings has been set up within Vigeo.

Through its work, is your agency not discharging governments from their responsibility to ensure compliance with standards?

Not at all. We are not transnational labour inspectors and do not limit ourselves to an assessment of compliance with fundamental standards. Our approach examines management integration of these standards (as well as other areas of social, environmental and societal responsibility) as a strategic investment affecting the company's overall performance. The non-financial rating acts as a substitute for neither the social partners' negotiating functions

nor the standardizing and inspection assignments undertaken by the public authorities. In terms of international labour standards, our role is to observe and to inform our clients on the company's situation relative to the universally established consensus formed around the base of standards set up by ILO and UN instruments while simultaneously taking account of regional or local legislation and agreements, best practices and innovations. In this way, we are contributing to the beginnings of top-down regulation of globalization.

It is a component which may lead public authorities to assume their responsibilities. This can be seen in France and Belgium and at European Union level. Public institutions are becoming committed to promoting the social responsibility of a company.

Interview by Anne Renaut
