

Seventh edition of Eurosif/“Le Monde”, “El Pais” and “La Stampa” indicators for environmental and social performance of international companies

Mass retail sector faces the responsible consumer

On February 1st in London, Lee Scott, CEO of Wal-Mart, the largest retail store in the world, announced the launch of a six point strategy to make the American giant a “responsible” company over the next 10 years. This strategy, specified Mr. Scott, sets objectives for the 7,000 stores the chain runs in 14 countries as well as for their 60,000 suppliers dispersed throughout the world. The suppliers have to decrease the packaging of their products by 5%. On the other side, the stores are required to use only renewable energy sources, recycle all of their waste and offer their clients a range of “sustainable” products that come from organic farms or fair trade. The goal is to be able to significantly lower the global environmental impact of the store’s activities and encourage Wal-Mart clients to do the same in the way they consume products.

Two weeks earlier, on January 27th, the International Committee of Food Retail Chains [*Comité international d’entreprises à succursales (CIES)*] – which is really an outdated term referring to a forum of business leaders from 190 global companies in the mass food retail sector, including Wal-Mart, Carrefour, Tesco, Metro, Auchan, etc. and their main suppliers in over 150 countries – announced the launch of the Global Social Compliance Programme (GSCP).

Noting that most of their members had individually set-up “management guidelines” and audit procedures aiming to force their suppliers to respect certain principles concerning social and human rights – whether they follow the International Labour Organisation (ILO) or standards created jointly by companies and NGOs, such as the American standard SA 8000 or the GRI (Global Report Initiative) standards - , the CIES wanted to trim the fat. The GSCP does not intend to create a new standard, but to organise a consultation among its members to set up the “*best existing practices*”. For now, the GSCP, which already regroups Carrefour, Metro, Migros, Tesco and Wal-Mart, is contacting the other CIES members and NGOs in order to see what their intentions are. The GSCP

terms and conditions, as well as the list of participants, will be made public during the month of February.

These initiatives could be seen as marketing manoeuvres to soothe a public opinion wary of mass retail practices – since February 6th, Wal-Mart is the target of a class action suit for sexual discrimination. But they also correspond to the fact that external pressure is getting stronger, from investors (several companies are listed on the stock market) and public policy makers who are developing more and more drastic regulations for environmental and traceability related matters.

This seventh edition of Eurosif/Le Monde indicators, published simultaneously with *La Stampa* (Milan) and *El Pais* (Madrid), shows that the main global mass retail companies are committed to, still at a modest level, offering “sustainable” products. Of course, their market share is still very weak: in 2006 less than 1% of food products sold in Europe and in the United States were from fair trade, in the United States 4% were from organic farms, and 2% in Europe. But these figures have doubled since 2002 and are growing faster than the market. In the United Kingdom, for example, the “sustainable” products business has increased 40% between 1999 and 2003, versus 14% growth for the food business. As has happened with climate change, doubts about the true contribution of organic farming or fair trade to the causes they are supposed to defend have subsided little by little, and this type of production interests more and more investors. The companies created in the 1970s and 1980s based on “ecological” concepts are now either listed on the stock market (The Body Shop, Natura), or have been bought by mass retail suppliers. Aveda by Estée Lauder in 1997, Ben & Jerry’s by Unilever in 2000, Mother Earth by Cadbury Schweppes in 2001, Stonyfield Farm by Danone in 2003, The Body Shop by L’Oréal in 2006. “Sustainable” consumption has a good base from which to grow.

A. R.

French brands lag behind their competitors

Companies	2005 sales figures, in million dollars	Number of references from fair trade, 2005	Number of references with organic or "fair trade" forest or fishing labels, 2005	Number of social audits 2005	Quality of approach for suppliers from 1 to 4 ⁽¹⁰⁾
Wal-Mart Stores (E-U) ⁽¹⁾	315 654	n. c.	n. c.	13 600	3
Carrefour (Fr) ⁽¹⁾	110 436	248	1 884	474	2
Metro AG (Ger.) ⁽¹⁾	72 814	–	300	n. c.	3
Tesco (UK) ⁽¹⁾	65 594	90	1 200	n. c.	4
Auchan (Fr) ⁽²⁾	49 634	88	n. c.	84	2
Sainsbury (UK) ⁽²⁾	28 649	40	700	233	3
Casino (Fr) ⁽²⁾	27 110	20 ⁽³⁾	88 ⁽⁴⁾	62	2
PPR (Fr)	17 767	n. c.	n. c.	369	4
Migros (Switz) ⁽²⁾	16 358	n. c.	1 000	500	4
GAP (E-U) ⁽¹⁾	16 023	–	–	4 438	3
Karstadt (Ger) ⁽¹⁾	15 450	42	861 ⁽⁵⁾	2 % ⁽⁹⁾	4
Ikea (SW) ⁽¹⁾	14 800	–	12.19 % ⁽⁶⁾	1 012	4
Kingsficher (UK) ⁽¹⁾	14 484	–	⁽⁷⁾	606	4
Marks & Spencer (UK) ⁽²⁾	11 850	n. c.	n. c.	n. c.	3
Kesko (Fin) ⁽¹⁾	8 322	43	n. c.	24 % ⁽⁹⁾	3
Inditex (Zara) (SP) ⁽¹⁾	7 952	–	–	1 039	3
H & M (Swe) ⁽¹⁾	7 952	–	40 ⁽⁸⁾	1 997	4
ICA AB (Swe) ⁽²⁾	7 927	40	400	52 % ⁽⁹⁾	2
Waitrose (UK) ⁽²⁾	5 700	85	890	406	2
Monoprix (Fr) ⁽²⁾	3 300	47	162	25	2

(1) World (2) Domestic market (3) 2004 data (4) 62 organic, 26 Forest Stewardship Council (FSC), 2004 data (5) 725 organic, 136 FSC (6) FSC wood (7) UK: 97 % FSC, France 100 % FSC, China : 45 products (8) In tonnes of organic cotton (9) % of certified suppliers (10) Rating: 1 = Exists questionnaires to suppliers and/or lists of requirements, 2 = Audits carried out (internally or by 3rd parties), 3 = Action plan in place following audits, 4 = Measures taken following audits (de-referencing, training or support for suppliers for having set up compliance)

Source: Ernst & Young, based on information published by companies

PUBLIC DATA

Information published in this table was collected and processed by the consulting firm Ernst & Young based on documents published by companies. The companies listed are the biggest in their sector in terms of sales figures for 2005 according to *Fortune's* Global 500. Six companies were removed from the sample list due to a lack of sufficient published information: AEON, Seven & I Holding, Woolworths Group, Boots, El Corte Ingles and Eroski. The labels used are, for wood and sea products, those from the Forest Stewardship Council (FSC), the Marine Stewardship Council (MSC) and the Marine Conservation Society. SA8000 is the main standard used in terms of respect for social and human rights and "sustainable" management.

Stanislas Dupré: “Prices guaranteed by fair trade must help the poor producers face the reality of the market”

Certain agriculturists doubt the environmental contribution from organic farming by citing its weak productivity: they need twice as much surface than intensive agriculture for the same amount produced, at the expense of forests in particular. What do you think?



First of all, this is a theoretical question since organic farming today only represents 1% to 4% of agricultural production depending on the country. Furthermore, we also have to count the impact of intensive agriculture in areas beyond cultivated land (bodies of water, groundwater, the ocean, etc.), but also over time: the impoverishment of the ground means it consumes a lot more than the surface area, in the long-term, than organic agriculture. In any case there is not real reason to arbitrate between organic and intensive agriculture. Everything depends on the product, the place and the moment it is made. The “reasoned agriculture” concept, where you adapt your techniques used to the nature of the ecosystem, seems much more pertinent to me.

Economists also note that by guaranteeing a high price for the producer, fair trade is pushing farmers to favour one cultivation with the risk of over-production, which would increase the gap over time between the market price and the guaranteed price...

Even fair trade promoters explain that this way of doing things should not be generalised and only concerns the poorest producers, until they have built themselves back up and are able to confront the market. Several fair trade labels are thinking about ways to steer the transition more towards a return to a classic market system for certain of their suppliers where they have noticed an increase in their standard of living. The economists objections are, once again, theoretical and do not relate to any type of hypothesis that could happen in reality.

A British study by the ministry of agriculture and the environment showed, according to the magazine, *The Economist*, that half of the environmental impacts from transporting food products comes from customers travelling to the stores and not from the logistical chain of mass retail. Doesn't this argument refute the idea that buying locally produced products will lessen the environmental impacts related to consumption?

The economical reasoning consists in saying that the impact of thousands of cars going to buy a pack of yogurt from a small producer is greater than a truck loaded with thousands of packs of yogurts. It is also true that local production of a mango or a kilo of veal is more energy intensive in a greenhouse or in European cage farming than the transportation of these very products that come from open air cultivation or extensive farming in New Zealand. Of course this is true, but the problem isn't how to replace mass retail with buying items from a farm, but to make it easier for mass retail to allow their customers to buy locally produced products – which doesn't change anything in terms of their travel patterns– and be regularly informed about the impact their purchases have on the environment, such as products that are not in season or are from industrial farming. No one has to buy fruits out of season or veal from cage farms!

Interview conducted by Antoine Reverchon

CV

2005 Stanislas Dupré, manager of Utopies, a consulting firm in sustainable development, leads the Responsible Advertising & Communication working group.
2001 He produces an international study on extra-financial rating agencies for the Study Centre for Corporate Social Responsibility [*l'Observatoire de la responsabilité sociale des entreprises (ORSE)*] and the French Environment and Energy Management Agency [*l'Agence pour l'environnement et la maîtrise de l'énergie (Ademe)*].
2000 He joins Utopies, where he is in charge of research and methodology.