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Responsible businesses or greenwashing? The certification industry in support of multinationals

Profits or sustainability? What is the priority?

In March, the case of Danone made the headlines in France. After having been voted out of his job as director general, on March 1st, Emmanuel Faber, the food multinational's CEO since 2017, was simply ousted on March 14, following a movement sparked by three activist investment funds, minority shareholders each with just a few percent of Danone's capital. The three funds involved are Causeway Capital Management, based in California, Bluebell Capital from London and Milwaukee Artisan Partners, from Wisconsin.

Most observers explained E. Faber's departure by his atypical personality. During his career, he demonstrated a real social and environmental commitment [[read](#)]. He also gave up his lavish retirement plan worth an estimated 28 million euros (33 million dollars) and initiated the decision by 99% of Danone's shareholders, in June 2020, to make the multinational the first CAC40 index company to become a "mission firm" concerned by the environmental and social dimensions of its activities.



The three activist shareholders stated that it was the poor stock market performance of the group (less 25% value in one year) that caused the dismissal of the CEO. This result was said to be the consequence of a drop in sales linked to the pandemic (mineral water and baby food, in particular) and dubious acquisitions (among which that of the US

organic food giant WhiteWave, in 2017, that made Danone the organic number one in the United States) [\[read\]](#). In a way, the rebellious shareholders made their Milton Friedman's claim in the New York Times, in 1970, that "The social responsibility of business is to increase its profits » [\[read\]](#). The irony of the situation lies in the fact that two of these three activist funds have signed the UN's Principles for responsible investment that aim, since 2006, to encourage the incorporation of environmental, social and governance (ESG) factors in investment decisions!

Promoting responsible companies: the example of the PACTE law in France

The concept of "mission firm" introduced in France with the PACTE¹ law of 2019, makes it possible for businesses to have a purpose that takes into account the social, societal and environmental impacts of their activities. The idea that underpins this qualification is that the pursuit of economic performance and a contribution to the general interest can be achieved simultaneously. The objective of the legislator was to create a lever for giving a new impetus to a company (shareholders, managers and staff) and its partners around a common goal, for improving corporate identity, for innovating and for being better protected against hostile takeovers.

According to the law, the company must commit to precise objectives, the realisation of which will be measured every two years by an independent third-party body accredited by the French Accreditation Committee (COFRAC - Comité français d'accréditation). In case of failure, the firm loses its quality [\[read in French\]](#).

This concept is similar to the Certification B Corp in the US, recognised internationally. It still has many weaknesses, particularly regarding the specification of objectives and the level of the commitment required to be granted the quality, but also in relation to the benefits generated for the firm [\[read in French\]](#). For example, the law is very vague on how it will protect the company from hostile takeovers. The consequence of these weaknesses is that a substantial proportion of French public opinion believes that this law "is a joke" [\[read in French\]](#).

The PACTE law is not the only initiative of the French government for developing the private sector's concern for ethical, social and governance (ESG) criteria. In 2017, for example, the French Parliament passed a law on the duty of care (in French: Loi sur le devoir de vigilance) that obliges major French companies (with at least 5,000 staff in France or 10,000 employees worldwide) to: "Establish and implement a diligence plan which should state the measures taken to identify and prevent the occurrence of human rights and environmental risks resulting from their activities, the activities of companies they control and the activities of subcontractors and suppliers on whom they have a significant influence" [\[read\]](#). Several other countries have made similar legal arrangements.

Transition by contract?

It must be acknowledged that these steps constitute, so far, only an embryonic attempt towards what could become a powerful means for orienting the economy on the path of real transition and more sustainability.

¹ PACTE: Action-plan for the growth and transformation of businesses (Plan d'action pour la croissance et la transformation des entreprises)

To make the PACTE law more effective, it would be necessary to define concretely what is meant by more sustainability and substantiate it with specific objectives to which businesses could refer when deciding on their mission. In the field of food, it is possible to lay out the dimensions of a sustainable food system [\[read\]](#) and deduct the goals on which a “mission firm” could take commitments, thus integrating its activities in the general effort of society.

Depending on the level of commitment, which needs to be measured objectively, different ways of providing incentives, through subsidies or tax exemptions, could be imagined so as to compensate the eventual competitive disadvantage that may arise from the effort made to achieve social and environmental objectives, or, alternatively, to pay for the positive externalities that their activities might create [\[read\]](#). It may be the case that this approach by contract could be more desirable and easier to implement than taxing or subsidising goods based on the way they are produced. It would, however, require the establishment of certifying capacities that should be both fully independent and highly specialised.

The multiplication of certifying bodies

Over the last years, there has been a proliferation of private certifying bodies paid by businesses for endorsing their greening (sometimes greenwashing) process and for providing them with apparently objective facts that they can use in order to improve their image and communicate with clients and partners.

Nowadays, communication by private companies on the environment, the protection of our planet or our health has become pervasive, so ubiquitous that it could make us believe that we are dealing with philanthropic organisations whose prime motivation is altruism and the main objective the betterment of the world. A visit of the websites of the major agri-food multinationals illustrates very well this situation (see annexe at the end of this article). This is totally at odds with what happened recently with Danone!

The independence and objectivity of certifying bodies often raises doubts. In a [report](#) (in French) published in 2017, Danone discloses its performance as evaluated by five of these bodies, the credibility, objectivity and independence of which can be inferred from their affiliation or characteristics:

- [Dow Jones Sustainability Index](#), linked to the Dow Jones Index of the New York stock exchange;
- [Vigeo Eiris](#), a subsidiary of Moody's, a rating agency specialised in the financial rating of companies and countries;
- [MSCI](#), formerly Morgan Stanley Capital International, specialised in financial services and provider of decision support tools and services to the global investment community;
- [CDP](#), formerly Carbon Disclosure Project, funded by governments and philanthropic foundations, a provider of rating in the field of climate change, water and forests;
- [Forest 500](#), specialised in the rating of large businesses in the area of forest risks. Forest 500 is a [Global Canopy](#) project.

There is a multitude of such bodies that [hungerexplained.org](#) already mentioned in earlier articles. They are more or less credible, independent and transparent. Among them there are specialised bodies ([Rainforest Alliance](#), [UTZ Certified](#) and [Fairtrade International](#)) as well as several associations or foundations sponsored by large agri-food multinationals

([4C Association](#) for coffee, the [World Cocoa Foundation](#) for cocoa, the [Sugar Association](#) for sugar [\[read\]](#), [Round table of sustainable palm oil - RSPO](#) for oil palm, [ISEAL](#) and many more) [\[read\]](#)...



It is clear that this proliferation of private certification bodies would require better regulation and a supervision by an independent authority in order to prevent abuses (opacity, refusal to accept visits of experts or journalists to discuss methods of work used, client-dependency, fake certification scandals and other offences, etc.) and clean up a group of service providers that appear to largely exist for setting up a smokescreen between consumers and companies, so as to allow the latter to persist in their harmful practices for the environment, living conditions of producers and other workers, and client health.

Conclusion

For some years, the growing awareness by consumers of environmental, climatic and social issues has induced the private sector to look for ways of improving its image, as it has seriously been damaged by the revelation of harmful ecological and social practices by some firms.

It has also prompted certain states to develop a political solution to the concerns of their citizens by supporting this movement and passing laws that establish rules for singling out those businesses that make efforts and adopt better practices. Others have joined hands with multinationals with the stated goal to manage natural resources sustainably [\[read\]](#). Neither of these two approaches have so far produced convincing results and they seem, for the time being, to be more a way of communicating than really encouraging genuine efforts leading to concrete outcomes.

The proliferation of doubtful certifying bodies whose studies and labels are used by private companies to communicate with their clients creates the need for a more rigorous law that will help consumers to recognise those businesses that really respect social, environmental and health norms.

A contract-based approach between public authorities and firms may offer an appropriate solution for accelerating the transition towards greater sustainability and the end of competitive advantages of those companies that are less environmentally and socially concerned.

Annexe: A few examples of communication by multinationals on the Internet

Food

Danone: Each time we eat and drink, We can vote for the world we want.

Nestlé: Good food, Good life. A decade of progress, Supporting kids, developing communities, preserving the planet.

Mars: Reimagining our packages with innovation. Our sustainability plan.

PepsiCo: PepsiCo goes beyond. PepsiCo's new ambition. 2019 Sustainability report.

Unilever: We are saying no to "normal" and yes to positive beauty. Why we're putting our climate plans to a shareholder vote

Mondelez: Snacking made right. Introducing sustainable futures. People and planet impact with social investment and partnerships.

Agricultural inputs

Syngenta: Helping farmers. Fighting climate change.

BASF: Taking responsibility for a better climate. Net zero emissions by 2050.

Bayer: Science for a better life. We exist to help people thrive.

Yara: Partnership for a green energy transition.

Agricultural trade

Cargill: Cargill is committed to helping the world thrive. Cargill is working to nourish the world.

Louis Dreyfus: Purpose: As a global agricultural merchant and processor we help provide sustenance for a growing population, working to create fair and sustainable value for the benefit of current and future generations.

ADM: Unlocking Nature. Enriching Life.

To know more :

- A. Bris, Danone's CEO has been ousted for being progressive – blame society not activist shareholders, The Conversation, 2021.
- United Nations, Principles for responsible investment, United Nations Environment Programme and United Nations Global Compact, 2020.
- Ministère de l'Économie et des finances, Loi PACTE : Redéfinir la raison d'être des entreprises, France, 2019 (in French).
- Danone, Responsabilité sociale, sociétale et environnementale, Danone, Document de référence, 2017 (in French).
- Certification B Corp, US, website.

Selection of past articles on hungerexplained.org related to the topic:

- The real cost of food – Can the market alone guide our food systems towards more sustainability? 2020.
- Côte d'Ivoire decides to work with chocolate majors for a more sustainable management of tropical forests: should we be concerned? 2019.
- Policies for a transition towards more sustainable and climate friendly food systems, 2018.
- How the large multinational corporations in charge of our agri-food system try to earn themselves an ethical, pro-development image, 2015.