Working Report on Social Responsibility

**Prepared by the
ISO Advisory Group on Social Responsibility**

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Introduction

The ISO Advisory Group on Social Responsibility (AG) was founded in 2002 by ISO Technical Management Board (TMB) Resolution 78/2002, and given the following terms of reference:

> To determine whether ISO should proceed with the development of ISO deliverables in the field of corporate social responsibility;

> If so, to determine the scope of the work and the type of deliverable.

Subsequently, by ISO TMB Resolution 59/2003, the Technical Management Board requested the AG to produce the following deliverables:

> A working report…..presenting information on the state of the art and the range of social responsibility initiatives currently under way;

> A listing and analysis of issues for further consideration related to the need for international standards for social responsibility.

This document includes the state of art in the area of social responsibility and identifies the issues to be taken into account in further activities in this area by ISO.

For convenience, the term "social responsibility"(or the acronym SR) is used throughout the report except where context necessitates that the term "corporate social responsibility" (or the acronym CSR) is used. In the first section of the report, where the concept of CSR, its evolution, definition, and implications are explored at length, the term CSR is used extensively. In the second and third sections of the report, which explore issues related to standardization of SR, and the capacity of ISO to undertake work in the SR area, the term CSR is used less often. ***Use of either term in the report should not be taken to be an indication of a consensus preference by the AG for one or the other term.***

This report is intended to reflect the diversity of views of AG members on a series of issues which AG members believe should underlie any decision by ISO on whether to proceed with development of deliverables pertaining to social responsibility. The objective of the report was not to achieve consensus positions on the issues discussed, but rather to ensure that the full range of viewpoints exhibited by AG members was accurately articulated. Accordingly, the reader will note that throughout the report, expressions such as "one view expressed was" or "some AG members thought that" are common.

Reflective of the fact that the report was produced by a diverse group under significant time constraints and was not the subject of a professional edit, the document is not as polished nor as professional from an editing standpoint as AG members would have preferred. However, AG members do feel that it accurately conveys the range of positions held by AG members on important issues relevant to ISO decision making pertaining to the topic of social responsibility.

Section 1 – Conceptual Issues: What are we talking about when we refer to CSR/SR

1.1 Origins and Evolution of the Concept of CSR/SR

1. Although the phrase "corporate social responsibility" was coined in the 20th century, individual companies have engaged in initiatives that furthered the interests of workers, the general community and the environment, from as far back as the 18th century. For example, in the 1790s, following a boycott from English consumers concerning sugar produced using Caribbean slave labour, the East India Company changed its practices and purchased its sugar from "slaveless" producers in Bengal.[1] In the 1800s, the Quaker Lead Company built towns in England for its workers, schools and libraries for families, and used water pumps to recycle water as part of its industrial processes.[2] Other companies such as Cadbury's and Rowntrees in the United Kingdom, Guinness in Ireland, and Hershey's in the United States introduced programs with a strong social responsibility dimension in the 19th century. In the United States, the Better Business Bureau, which is devoted to ethical consumer-oriented marketplace practices, had its origins in merchant "vigilance committees" first created in the late 1800s.[3] In India, Tata Steel has been engaging in CSR-type activities since its creation in 1909.[4]

2. Many of these early "beyond law" initiatives of the corporate sector had their origins in or were strongly influenced by religious values, and focused on ethical conduct revolving around three main aspects:
   - ethical treatment of customers and business relations – i.e., honest and fair treatment of those one does business with -- not because it is legally required, but because it is right thing to do;
   - philanthropy – the idea of wealthy businesspersons sharing with the community some of their wealth;
   - stewardship and paternalism – especially with regard to the welfare of employees, the notion of paternalism embodies the idea that those in society who are in positions of privilege or wealth should make decisions on behalf of and engage in activities in what they believe to be the interests of those who are less fortunate or powerful.

However, these early examples of something resembling the modern conception of corporate social responsibility appear to have been the exception rather than the rule, not part of any self-evident and identifiable concerted movement by corporations to be socially responsible. The ideas associated today with corporate social

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[1] The Economist, "Corporate social responsibility: Lots of it about" December 12, 2002.
[2] Per A. Raistrick, *Two Centuries of Industrial Welfare: The London (Quaker) Lead Company, 1692 – 1905* (Kelsall and Davis, 1988).
[3] D. Clarke and K. Webb, *Market-driven Consumer Redress Case Studies and Legal Issues* (Canada: Office of Consumer Affairs, 2002), downloadable at: http://strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/vwapj/Redress_Case_Studies_eng.pdf/$FILE/Redress_Case_Studies_eng.pdf
[4] One quarter of Tata's profits is invested in a trust fund that cares for education, health and research. This social responsibility is integrated in Tata and its employees. Employees work on social projects during their weekends or holidays. Also their families are involved in these projects. Tata Steel is based on the Gandhi values: 'everything is owned by the people, based on trust'. As described on website of the Interchurch Organization for Development Co-operation, at www.icco.nl

responsibility reflect attitudes and experience in what became the developed industrial democracies.

3. The legal concept of the corporation has evolved from its original role as an entity chartered by the State for specific purposes, to the present conception as a "legal person" recognized by the State with certain freedoms, entitlements and protections, akin to those associated with individuals.[5] As a vehicle for undertaking activities (such as the provision of goods and services), the corporation possesses certain key characteristics:

- particularly through the concept of limited liability of shareholders which was introduced in the mid-1800s, the corporation is well-suited for the raising and pooling of capital needed to finance a particular activity;[6]
- the corporate form of organization allows those who run it to more easily and efficiently coordinate a range of activities towards a particular objective than is possible if that same work were to be undertaken outside such an organizational structure;[7] and
- because it is a separate legal entity from those who own or manage it, the corporate form to some extent protects owners and operators from being held personally liable for corporate activities.[8]

These characteristics make corporations efficient and effective organizational structures for the undertaking of commercial projects, but also raise significant questions about the extent to which a corporation can and should take into

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[5] Santa Clara County v. Southern Pacific Railroad Company (1886) United States Supreme Court.

[6] The liability of shareholders has been limited since the mid-1800s.[6] (for example, the UK *Limited Liability Act*, 1855. By curtailing the liability of individual investors to the value of their shares, shareholders do not stand to lose all their wealth if a company for whatever reason goes bankrupt. Limited liability of shareholders has played an important role in facilitating the raising of capital and in risk sharing. While their liability is limited, shareholders maintain certain privileges such as the right to vote, although day to day operation of the firm and long term policies are controlled by a firm's board of directors and subordinate managers. Starting in the 1960s, shareholder proposals pertaining to the employment, environmental and other social-oriented practices of firms became increasingly common. .This trend toward shareholder activitism on social issues is discussed below.

[7] This is the fundamental insight of Ronald Coase, in "The Nature of the Firm,' published in 1937. In this article, Coase argued that aside from production costs, firms faced a wide variety of significant "transaction costs" of preparing and monitoring various agreements. Corporations exist to economize the costs of buying and selling..

[8] As legal persons, corporations are subject to the law, and depending on the jurisdiction, can face penal or civil legal actions in cases of wrongdoing. Celia Wells, "International trade in models of corporate liability," Cardiff Law School and Centre for Business Relationships, Accountability, Sustainability and Society (2002). It is possible for a single corporation to create various related entities or subsidiaries (for example, in the different jurisdictions in which they operate). E.g., as is evidenced in a number of U.S. and U.K. court decisions concerning liability of parent vs. subsidiary corporations where the incident giving rise to the litigation occurred outside the United States and the United Kingdom.. This can make it difficult to determine which corporate entity is responsible for which activity. Depending on the jurisdiction and the law, individual officers within corporations can also be held liable in criminal or regulatory law in cases of wrongdoing. For example, pursuant to s. 280 of the *Canadian Environmental Protection Act, 1999*, corporate officers, directors or agents may be held penally liable if they acquiesced, authorized or assented to activity contrary to the Act. In the United States, under federal Securities law, directors are held personally liable for false and misleading statements made in prospectuses used to sell securities. If a corporate prospectus contains a material falsehood and investors suffer damage as a result, investors can sue each director personally to recover the damage.

consideration the interests of those other than the owners, operators, and others with whom it has commercial relations.

4. In other words, these characteristics raise questions about the business corporation's broader obligations to society. The corporation is a legal creation that requires state approval (a form of licence) in order to be brought into existence. The question is whether there is, in addition to the obligations to respect applicable laws and regulations, a broader "social contract" that includes expectations concerning corporate behavior that are not mandatory but nevertheless implicit with the granting of this corporate licence. The social contract concept[9] can be considered an underlying element in the evolution of the idea of individual responsibility of wealthy industrialists to an idea of corporate responsibility. .It is also an underlying idea in the shift away from a philanthropic concept involving activities external and extraneous to a companies' purpose to activities, both internal and external, that focus on the regular activates of the corporation. To some extent, the developments described below can be seen as attempts by a variety of different institutions and actors to articulate the social responsibilities of corporations.

5. The rise to prominence of consumer, worker, and environmental protection legislative and regulatory regimes starting in the 19th century and continuing to this day is evidence of widespread recognition by governments and societies around the world of the inadequacy of purely voluntary philanthropic based approaches and the need to put in place legally binding requirements for business practices that protect societal interests.[10]

6. This movement to regulate business within countries was paralleled by similar activity at the international level. The need for an international organization devoted to promotion of legislation to improve the conditions of workers was advocated in the 19th century by two industrialists, Robert Owen (1771-1853) of Wales and Daniel Legrand (1783-1859) of France. The organization was also advocated by employers, workers and governments around the world. Toward the end of the First World War, the Paris Peace Conference set up a labour commission at the request of trade unions in several countries. Under the leadership of Samuel Gompers, President of the American Federation of Labor, the commission agreed on a document which became part of the Peace Treaty of Versailles. It embodied the principle that universal and lasting peace can be founded only on the basis of social justice. With amendments, it remains to this day the charter under which the ILO operates.[11] With its distinctive tri-partite form of governance involving governments, business and labour, the ILO represented a significant turning point in the effort to articulate global standards of acceptable employee practices.

7. The ILO reflected the importance attached to the emergence of organized labour that took place in the late 19th century. Corporations were seen not only as consisting of management but also of workers whose interests could be collectively represented through organizations of their own choosing. Industrial relations – that is, the relations

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[9] See later discussion of UNCTAD's work in this area, below.

[10] See e.g., description of the rise of regulatory passenger, factory, sanitary, food, and other regulatory legislation in I. Paulus, "Strict Liability: Its Place in Public Welfare Offences," (1977-78) 20 *Criminal Law Quarterly* 445.

[11] Per http://www.ilo.org/public/english/about/history.htm

between management and the workforce organized into trade unions – came to be seen as an essentially private means by which the positive social impact of a business could be increased. Collective bargaining was considered an important way of influencing corporate behaviour that complemented legal approaches although collective bargaining most often took place in some kind of legal or institutional framework promoted by governments.

8. The idea of social dialogue between management and organized workers (with the two parties often referred to as "social partners") became an important feature in the rebuilding of the industrialized world following the Second World War, particularly in Western Europe. The ILO's tripartite nature, with governments, employers and workers having equal voice in all its organs, reflected this partnership. As the principal organization in the United Nations system responsible for social issues, the ILO amended its constitution to reflect that lasting peace can only be achieved through social justice. ILO conventions of freedom of association and the right to collective bargaining were adopted during this period. The right to join and form trade unions and to collectively bargain was also expressed in the Universal Declaration of Human Rights (discussed below), in the International Covenant on Economic, Social and Cultural Rights and the International Covenant of Civil and Political Rights.

9. The impact of trade unions and industrial relations on the civil and political development of the industrialized countries was widely recognized. Trade unions played important roles within many countries during the period of decolonization following the Second World War. With the exception in some countries of political parties and organized religion, trade unions have almost always been the largest civil society organizations within their respective countries.

10. In the post World War II period there was considerable legislative and regulatory reform pertaining to employment. This included both labour protection – for example, regulations governing working time and health and safety – and also social protection (for instance, state-supported retirement provision or unemployment compensation schemes). In important respects, collective bargaining, industrial relations,[12] social security, labour, consumer, environmental and health and safety protection laws and other programs of the 19th and 20th century can be seen to be based on recognition that traditional reliance on paternalistic and philanthropic impulses of a few corporations was insufficient to address the problems of the industrial era.

11. The creation of the United Nations and a range of related institutions at the end of World War II represented a concerted attempt to create a new international order organized around the three interlinked and mutually reinforcing pillars of:
- democracy and free elections,
- respect for human rights, and
- economic development and trade liberalization.

To an important extent, the modern conception of corporate social responsibility can be seen as attempting to build on the foundation of the latter two of these three pillars.

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[12] Industrial relations refers to management-employee relations where the employees are organized.

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12. The International Monetary Fund (IMF) was conceived in July 1944 at a United Nations Conference held at Bretton Woods, New Hampshire, when representatives from 45 governments agreed on a framework for economic cooperation intended to avoid a repetition of the disastrous economic policies that had contributed to the Great Depression of the 1930s. The World Bank Group was also founded in 1944 at Bretton Woods. The World Bank initially helped rebuild Europe after the war although today its focus is on economic growth and poverty reduction. In 1946, the Commission on Human Rights was established by the UN Economic and Social Council (ECOSOC). In 1948, the General Agreement on Tariffs and Trade (GATT) was drawn up by 23 countries. This would later evolve into the World Trade Organization (WTO).

13. Since that time, the UN and its agencies have played a major role in reinforcing a wide variety of human rights (and eventually, environmental protection). In 1948, the United Nations adopted the Universal Declaration of Human Rights. The Declaration states that "every individual and organ of society" has the responsibility to strive to "promote respect for these rights and freedoms" and "by progressive measures, national and international, to secure their universal and effective recognition and observance."[13] The Declaration notes that implementation relies not only on States but also on other members of society. It would eventually lead to other instruments such as the 1966 convenants on civil and political rights and more recently, instruments concerning the protection of minority rights, of children and certain nations. These instruments form integral components of the international legal regime and complement national law.

14. In the immediate post-World War II period, as the United Nations and related institutions were being established, the International Organization for Standardization (ISO) was formed. International standardization had initially started in the electrotechnical field with the International Electrotechnical Commission (IEC), established in 1906. Pioneering work in other fields was carried out by the International Federation of the National Standardizing Associations (ISA) which was set up in 1926. The emphasis within ISA was laid heavily on mechanical engineering. ISA's activities came to an end in 1942. In 1946, delegates from 25 countries met in London and decided to create a new international organization, of which the object would be "to facilitate the international coordination and unification of industrial standards." [14] Today its mission is described as "to promote the development of standardization and related activities in the world with the view to facilitating the international exchange of goods."[15] Unlike the inter-governmental institutions of the United Nations, ISO was and is a non-governmental body, although many of its national standards members are affiliated with their governments. Whereas the focus of the United Nations and related institutions tends to be on the development of instruments which will be implemented by governments, the focus of ISO is more on standards and other instruments which can be directly adopted by organizations in society, be they state-based or otherwise. ISO standards are voluntary and market-

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[13] Available at: www.un.org/overview/rights.html
[14] Information in this paragraph derived from: ISO, *ISO in brief* (Geneva: ISO, 2002).
[15] From www.iso.ch

driven, although some have been adopted in some countries as part of their regulatory framework.[16]

15. Taken together, the establishment of all these institutions (and others which would follow, such as the United Nations Environment Program) represent an attempt to develop a global rule-making and rule implementation infrastructure. The long-term objectives of this infrastructure can be seen to include the protection of human (including worker) rights, the eradication of poverty, environmental protection, encouragement of democracy and free elections around the world, economic development and trade development including the free flow of goods and services across borders. In a way, the fact that these long term objectives remain very much a "work in progress" is a major explanation for why the concept of corporate social responsibility has risen to prominence. Corporate social responsibility attempts to address most of these same objectives through non-State, private sector actors and approaches. This approach is controversial. Some are concerned that the effect will be to create inadequate substitutes for the proper role of governments. Others do not share this concern and deny that CSR activities constitute any intent to usurp State-based roles or institutions, but rather to supplement them. CSR has risen to prominence in the latter part of the 20th century and the early years of the 21st century in apparent recognition that up until now the international institutions put in place to address these issues have not been entirely successful.

16. Outside of the creation and operation of these new international institutions of the 20th century, there continued to be a number of other significant developments relevant to corporate social responsibility that occurred in the early period of the 20th century. For example, the Pioneer Fund, the first socially responsible mutual fund, was founded in 1928.[17] Reflecting the fact that it was established by evangelical Protestants who opposed consumption of alcohol and tobacco, the fund avoided investment in companies that made liquor, cigars or cigarettes. Socially responsible investing experienced a rise in popularity during the 1960s and 1970s over issues such as environmental protection and promotion of equality rights, and continued to grow through the 1980s with the debate over investing in South Africa, and into the 1990s over a range of issues including the anti-tobacco movement, treatment of workers, and environmental protection. .According to a report issued in 2001, assets in professionally managed, socially-screened investment portfolios in the United States rose by 36% from 1999 to 2001, totaling $2.03 trillion.

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[16] ISO, together with the IEC and the International Telecommunication Union or ITU (a U.N. body) has built a partnership with the World Trade Organization with the common goal of promoting a free and fair global trading system. The political agreements reached within the framework of the WTO require underpinning by technical agreements. ISO also liaises with some 550 international and regional organizations interested in aspects of ISO's standardization work. These include the 28 or so international standards-developing bodies outside the ISO/IEC system. Each of these bodies works in a specific area, usually with a United Nations mandate; an example is the World Health Organization.
[17] Per Eric Becker and Patrick McVeigh (of Trillium Investments), *Social Funds in the United States: Their History, Financial Performance and Social Impacts* (Washington: Second National Heartland Labor-Capital Conference, 1999). Note that the history of social investment stretches back hundreds of years and is rooted in Jewish, Christian and Islamic traditions. Per: Social Investment Forum, *2003 Report on Socially Responsible Investing Trends in the United States* (Washington, SIF, December, 2003), at p. 5.

17. Throughout this same period, there continued to be individual instances of corporations proactively engaging in what we would now describe as socially responsible behaviour.[18] There were also academic writings on the CSR topic. In the 1940s, Stanford Business School Professor Theodore Kreps used the term "social audit" for the first time in relation to companies reporting on their social responsibilities,[19] but social responsibility of corporations was not systematically or broadly supported by governments, private sector actors or civil society organizations during this period. In 1949, German work councils were established in West Germany, with worker representation on company boards and participation in decision-making.[20] In Howard Bowen's 1953 book *Social Responsibilities of the Businessman*, the author argued that businessmen have an obligation "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."[21] In the 1960s, George Goyder, in his book *The Responsible Corporation*, further elaborated on the concept of socially responsible corporations.[22]

18. The 1960s saw an awakening in public conscious concerning environmental issues, with the publication of Rachel Carson's *Silent Spring* book concerning use of DDT in 1962; the passage of the *Convention on International Trade in Endangered Species* in 1963; the passage of the U.S. *Clean Air* in 1963, the U.S. *Wilderness Act* in 1964; the passage of the *Nuclear Non-Proliferation Treaty* in 1968, and the passage of the *National Environmental Policy Act* and creation of the U.S. Environmental Protection Agency in 1969.[23] The 1960s also saw a surge in public interest in issues involving civil and political rights including equality of treatment that resulted in the creation of Amnesty International in 1961, the passage of the U.S. Equal Employment Opportunity Commission in 1964, and the holding of the First World Conference on Human Rights in Tehran in 1968. During the 1960s, a number of corporations operating in the US hired black workers from inner city communities in response to public and political pressure for business to take positive measures to overcome discrimination and its deleterious effects. Eastman Kodak took these actions following shareholder resolutions critical of Kodak's hiring practices. This was one of the first times when shareholder resolutions had been used to successfully drive corporations to change their social practices.

19. A number of significant developments on both the environmental and social fronts which were relevant to CSR took place in the 1970s. In 1961, WWF was founded and in 1971, Friends of the Earth and Greenpeace.. For the next three decades these and other NGOs played a significant role in Europe and North America in particular in the development of legislation and standards on environmental and social issues. During

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[18] For example, according to the Economist in footnote 1, "Procter & Gamble pioneered disability and retirement pensions (in 1915), the eight-hour day (in 1918) and, most important of all, guaranteed work for at least 48 weeks a year (in the 1920s)." Another example is the Heinz company paying for worker education.

[19] Per RMIT University, Global Sustainability: The History/Time Line of an Idea (September, 2001), downloadable at: http://www.global.rmit.edu.au/resources/historyofanidea_25.07.01.pdf

[20] Per Iain Ferguson and Caspar Henderson, Corporate Timeline (12-03-2003), downloadable at: http://www.opendemocracy.net/themes/article-7-1035.jsp

[21] Howard Bowen, *Social Responsibilities of the Businessman* (New York: Harper, 1953).

[22] G. Goyder, *The Responsible Corporation* (Oxford: Basil Blackwell, 1961).

[23] Per RMIT University, Global Sustainability: The History/Time Line of an Idea (September, 2001), downloadable at: http://www.global.rmit.edu.au/resources/historyofanidea_25.07.01.pdf

this period effective environmental and social groups started to emerge in developing countries notably the "Third World Network," while "northern" NGOs began to establish local and sometimes autonomous branches in the developing world and in countries with economies in transition.. By the late 1980s and early1990s there were literally thousands of NGOs globally working on the three pillars of sustainable development social, environmental and economic issues. In 1972, the United Nations Conference on the Human Environment was convened in Stockholm, Sweden and sparked global debate on environmental issues. This led to the Stockholm Declaration on the Human Environment. Following the conference, the United Nations General Assembly established the UN Environment Programme (UNEP) to act on the recommendations of the Stockholm meeting. This led to the development of a wide number of environmental treaties as well as follow up UN environment conferences and conventions in subsequent decades (as discussed below). On the human rights front, investors in many jurisdictions put economic pressure on South Africa to end its apartheid regime. .A number of companies reacted by endorsing initiatives such as the Sullivan Principles that promoted notions of gender, racial, and other types of equality.[24] The 1970s was also a time when newly independent countries became alarmed by the perceived threat to their sovereignty posed by the power wielded by large multinational enterprises.[25] This led to the creation of the United Nations Group of Eminent Persons to Study the Role of Multinational Corporations on Development and on International Relations, and was followed by the establishment of a United Nations Centre for Transnational Corporations and work on a UN Code of Conduct for Transnational Corporations. Work on the UN Code became bogged down (although not over the social provisions) and was later formally abandoned. That same era saw the promulgation of the OECD Guidelines for Multinational Enterprises (first adopted in 1976),[26] developed in the context of facilitating foreign investment. The OECD Guidelines reflect the consensus by all of the OECD member governments as to what constitutes responsible business behaviour. Its adoption was fully supported by representative employers and workers organizations having consultative status with the OECD. In the revision of the OECD Guidelines that took place in 2000 it was explicitly indicated that enterprises should apply the Guidelines wherever they do business – not just in the OECD area. It is interesting to note that the first item in a list of eleven items in the chapter on General Policies concerns sustainable development.

20. Adopted in 1977, the ILO Tripartite Declaration concerning Multinational Enterprises and social policy represented the first comprehensive and universally applicable international instrument explicitly dedicated to the social responsibilities of business[27] . The ILO Declaration received the support of both developed and

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[24] In 1977, Leon Howard Sullivan, the first black member of the board of the General Motors Corporation, secured GM's support in the development of the Sullivan Principles, a code of conduct for American businesses operating in South Africa. The princples were later widened for universal application.

[25] The involvement of the multinational ITT in Chile in the 1970 overthrow of the Allende government seems to be regarded as a key event which demonstrated the sort of threat that could be posed by large MNEs. For discussion of the role of ITT, see Paul Sigmund, "The "Invisible Blockade" and the Overthrow of Allende," *Foreign Affairs* Vol 52, No. 2 (January 1974).

[26] The most recent version of the Guidelines can be downloaded at: http://www.oecd.org/document/28/0,2340,en_2649_34889_2397532_1_1_1_1,00.html

[27] The Declaration can be downloaded at: http://www.ilo.org/public/english/standards/norm/sources/mne.htm#added

developing country governments as well as that of employers and workers. As a declaration, it is not an international treaty or convention, but rather a part of international "soft law". One of the most significant aspects of the ILO Tripartite Declaration was its understanding that although ILO Conventions and Recommendations addressed the behavior of governments and were intended to be ratified by governments, the underlying principles of many of these instruments could be applied to other parts of society including business.

21. The 1980s saw continued developments on a number of CSR-relevant fronts. On the environmental side, the United Nations Charter for Nature was passed in 1982. Among other things, the Charter stipulated that "[s]tates and, to the extent they are able…corporations shall co-operate in the task of conserving nature through common activities and other relevant actions, including information exchange and consultations; establish standards for products and other manufacturing processes that may have adverse effects on nature, as well as agreed methodologies for assessing these effects." A Union Carbide chemical factory in Bhopal exploded in 1984, killing 4000 people and raising questions about multinational corporations operating pursuant to differential corporate standards of care in developed and developing countries. In 1987, the UN Montreal Protocol to phase out use of ozone depleting chemicals was signed by 24 countries. Research investments by the private sector proved crucial in developing substitutes for the ubiquitous CFC family of chemicals which had been identified as major ozone depleting sources . Public-private partnerships were formed to find ozone-friendly solutions for products and processes where it had never been thought possible.[28]

22. In 1981 UNEP, IUCN and WWF published the World Conservation Strategy which established the first principles and guidelines for conservation and sustainable development.[29] In 1987, the UN Brundtland Commission published its report ***Our Common Future*** which popularized the notion of sustainable development (development that meets the needs of the present generation without compromising the ability of future generations to meet their needs."[30] The report highlighted three fundamental components to sustainable development: environmental protection, economic growth and social equity. Its prescriptions were as relevant to corporations as they are to governments and other organizations. In 1988-89, the UNEP Basel Convention concerning the transboundary movement of hazardous waste was adopted. The year 1989 was also the year that the Exxon Valdez spill took place off the coast of Alaska, which lead to consumer boycotts, and the development of the "Valdez Principles" (a ten point code of corporate environmental conduct to be publicly endorsed by companies as an environmental mission statement or ethic) by a coalition of socially responsible investment firms and public pension funds, in alliance with environmentalists called CERES.[31] This Coalition would eventually re-name the Valdez principles the "CERES principles."

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[28] Per Richard E. Benedick, "The Indispensable Element in the Montreal Ozone Protocol," (Columbia Earth Institute, 1999), downloadable at:
http://www.earthinstitute.columbia.edu/library/earthmatters/sept1999/pages/page4.html
[29] This was followed in 1991 by "Caring for the Earth" which set a blueprint for implementation of the World Conservation Strategy.
[30] For more information, go to: http://www.brundtlandnet.com/brundtlandreport.htm
[31] Per http://www.ceres.org/about/history.htm

23. Corporate activity outside of the environmental context also attracted international public attention. In 1984, Nestlé met with the organizers of a consumer boycott staged over its promotion of baby milk formula. It marked one of the first times an international movement of ordinary people stimulated a transnational corporation to change its behaviour over a social issue.[32] Nestlé agreed to abide by the WHO's Code of Marketing for Breast Milk Substitutes, although pressure groups maintained that violations continued, and so did the boycott. Throughout the 1980s, issues such as foreign direct investment (FDI), and their connection with globalization, started to attract increasing public attention. Many governments adopted export-led growth models and actively sought to attract FDI. Related to this, the World Bank and other international financial institutions encouraged developed and developing countries to put in place policies of privatization, deregulation and trade liberalization.[33] Policies of foreign direct investment, privatization, deregulation, and trade liberalization all facilitated transnational private sector activity, and in so doing, increased attention on what role corporations could play in ensuring that their activities were conducted in a socially responsible manner.

24. During this period, public concern about, and business response to, questions concerning private sector impacts on workers and communities, the environment, and issues associated with "corporate ethics" (encompassing notions of legal compliance, shareholder relations, corporate governance, and good practices towards customers[34]), which had been attracting attention as individual "streams," started to come together to be treated as a cohesive whole. .Increasing numbers of corporations began to make concerted efforts to report and demonstrate to consumers, communities, workers, investors, non-governmental organizations, and others, of socially responsible activities that they were undertaking.[35]

25. In 1992, the UN Earth Summit was held in Rio de Janeiro, Brazil. Building on the theme of sustainable development, the "Rio Summit" led to the Rio Declaration, a Framework Convention on Climate Change, a Framework Convention on Biodiversity, the UN Convention to Combat Dessertification, the establishment of the

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[32] Information from Iain Ferguson and Caspar Henderson, Corporate Timeline (12-03-2003), downloadable at: http://www.opendemocracy.net/themes/article-7-1035.jsp

[33] The push for reforms in these and other areas came to be known as elements of something called "the Washington Consensus." For more information, see John Williamson, "What Should the World Bank Think about the Washington Consensus?", in World Bank Research Observer, voll 15, no. 2 (Aigust 2000), pp. 251 – 264.

[34] The first corporate ethics office was created in 1985 by General Dynamics, which was being investigated by the U.S. government for pricing scams. Under pressure from the Defence Department, a group of 60 or so defence companies then launched an initiative to set up guidelines and compliance programmes. In 1991, federal sentencing rules extended the incentive to other industries: judges were empowered to reduce fines in cases involving companies that had rules in place to promote ethical behaviour, and to increase them for those that did not. Per The Economist, "Doing well by doing good," April 20, 2000.

[35] In 1989, Ben & Jerry's (B&J's) commissioned a "social auditor" to work with the B&J staff on a report covering the previous year's activities at B&J. The social auditor recommended that the report be called a "stakeholders report) and that it be divided into the major stakeholder categories; communities (community outreach, philanthropic giving, environmental awareness, global awareness), employees, customers, suppliers and investors. Per: Alice and John Tepper Marlin, "A brief history of social reporting," An Article from Busiensss Respect, Issue Number 51, dated 9 March 2003, downloadable at: http://www.mallenbaker.net/csr/CSRfiles/page.php?Story_ID=857 In 1989, the Netherlands was the first country to offer a "FairTrade" (Max Havelaar)label to denote that producers were receiving an equitable share of the profits from the goods supplied.

World Bank's Environmental Grants arm the Global Environment Facility, and a 21 point agenda for action.[36] Although governments (especially those of developed countries) were to lead the way in reducing poverty and minimizing environmental impact of economic activity, the agenda emphasized that all parties can play a part in tackling non-sustainable practices. Through the creation of the Business Council for Sustainable Development, the business community acknowledged its responsibility to contribute to the dialogue concerning environmental, economic and social issues. An "Earth Charter" was launched in Rio, promoted vigorously by Mikhail Gorbachev and Rudd Lubbers (Prime Minister of the Netherlands) with the objective "to bring forth a sustainable global society founded on respect for nature, universal human rights, economic justice, and a culture of peace."

26. The United Nations also held world meetings on major social issues during this period. In 1995 the United Nations World Summit for Social Development held in Copenhagen reinforced the link between economic and social development and pledged governments to work for full employment, with quality jobs and respect for the relevant ILO Conventions. Both the World Conference Against Racism held in Durban in 2001 and the Fourth World Conference on Women held in Beijing in 1995 adopted declarations and action plans that called upon business to address specific social problems.

27. Beginning in 1992 with the adoption by Levi Strauss of its Global Sourcing and Operating Guidelines, companies involved in the manufacture or marketing of brand name goods produced through international outsourcing began to adopt codes of labour practice intended to be applied by their suppliers and sub-contractors. These companies were responding to negative publicity surrounding reports of inhumane hours, starvation wages, unsafe and unhealthy working conditions and the use of child labour in the garment, footwear, toy as well as in other sectors involving labour-intensive manufacturing. Throughout the 1990's and beyond there was a proliferation of these codes. The codes produced considerable controversy and raised many questions concerning their provisions such as how they could be implemented and how claims made about their implementation or compliance could be verified. In addition to many unilaterally adopted codes by sourcing companies, these codes were promulgated by industry associations and by "multi-stakeholder initiative" involving non-governmental organizations and sometimes trade unions.[37] The implementation and verification challenges of these supplier codes gave rise to a new industry of commercial services offering private inspection services, and code compliance certification including those involving some form of private standard-setting and accreditation. These developments had significant influence on the concept of corporate social responsibility. Some of the most well known organizations associated with this issue were formed in the late 1990's and include the Ethical Trading Initiative,[38] the Fair Labor Association,[39] and Social Accountability International (SAI). [40]

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[36] Per sustainable design: Sustainable Development Timeline, downloadable at: http://www.a420.com/design/SD-timeline.htm

[37] There is a discussion on the meaning of the term "stakeholders" and the importance of stakeholders to social responsibility below.

[38] The U.K. Ethical Trading Initiative was established in 1998. For more information, go to: http://www.ethicaltrade.org/

[39] Created in 1998. Per http://www.fairlabor.org/all/about/index.html

[40] Founded in 1997. For more information, go to: http://www.cepaa.org/

28. Similar questions of implementation, verification and certification were encountered by various fair trade organizations seeking to address the trading relationships between small producers of mainly commodity products of developing countries (such as agricultural products) and consumers in developed countries through the use of "fair trade labeling schemes. .As an umbrella organization for these initiatives, the Fair Trade Labeling Organization (FLO) was founded in 1997 to set Fair Trade standards for various National Labeling Organizations. [41]

29. In 1993, driven in part by the failure of an inter-governmental process to develop a global sustainable forestry convention, the Forest Stewardship Council (FSC) was created by environmental organizations, businesses, and others.[42] The FSC has developed principles, criteria and standards to address environmental, social and economic aspects of forestry harvesting. There are now more than 42 million hectares of forests which have been certified as meeting FSC standards.[43] Competing sustainable forestry initiatives have been created by a number of other bodies.[44] There is now also a Marine Stewardship Council that certifies sustainable fishery practices. .An alliance of international standard-setting, certification and accreditation organizations that focus on social and environmental issues, the International Social and Environmental Accreditation Labelling Alliance (ISEAL) was established in 2000, and includes FSC, MSC, FLO, SAI, and others.[45]

30. In 1995, the multinational energy corporation Shell was the subject of allegations of complicity in the death of Ken Saro-Wiwa in Nigeria, and was also criticized by Greenpeace concerning its plans to sink the Brent Spar oil platform in the North Sea. This would lead Shell to adopt a global approach to sustainability/corporate social responsibility which is still evolving to this day. . A number of other companies and industry associations have now developed CSR oriented codes of conduct.[46]

31. In 1996, ISO introduced its ISO 14000 environmental management systems series of standards.[47] The ISO 14000 series emerged primarily as a result of the Uruguay round of the GATT negotiations and the Rio Summit on the Environment held in 1992. While GATT concentrated on the need to reduce non-tariff barriers to trade, the Rio Summit generated a commitment to protection of the environment across the world. The environmental field had seen a steady growth of national and regional standards. After the rapid acceptance of ISO 9000, and the increase of environmental standards around the world, ISO assessed the need for international environmental management standards. They formed the Strategic Advisory Group on the Environment (SAGE) in 1991, to consider whether such standards could serve to:

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[41] In 1997, a group of organizations devoted to fair treatment of producers came together under the umbrella "Fairtrade Labelling Organization"in order to better coordinate their activities. Per http://www.fairtrade.org.uk/about_history.htm
[42] Information from: http://www.fscus.org/about_us/
[43] Per FSC News+Notes, March ,2004.
[44] Such as the Canadian Standards Association's sustainable forest management standard, and the sustainable forestry initiative of the American Forest and Paper Association. See discussion in : http://www.codesofconduct.org/company.htm
[45] For more information concerning ISEAL, go to: http://www.isealalliance.org/
[46] For more information, go to: http://www.codesofconduct.org/industry.htm
[47] The following information is from: http://www.quality.co.uk/iso14000.htm#history

- Promote a common approach to environmental management similar to quality management;
- Enhance organizations' ability to attain and measure improvements in environmental performance; and
- Facilitate trade and remove trade barriers.

32. In 1992, SAGE's recommendations led to the creation of a new ISO Technical Committee, TC 207, for international environmental management standards. The committee, and its sub-committees include representatives from industry, standards organizations, government and environmental organizations from many countries. The new series of ISO14000 standards are designed to cover: environmental management systems, environmental auditing, environmental performance evaluation, environmental labeling, life-cycle assessment, and environmental aspects in product standards. Today there are close to 50,000 firms around the world that have obtained ISO 14001 registration, in addition to well over 500,000 firms which have obtained ISO 9001 certification.[48]

33. Another area of private standard-setting to emerge in the late 1990's concerned social or sustainability reporting. In response to demands for greater accountability and transparency companies began to publish "social reports" or "sustainability reports." This type of reporting was also being driven by investors concerned with the growing importance attached to various non-financial and often intangible aspects of a corporation such as reputation that affected the value of a company. Investors were also concerned about evidence of risk management in terms of the liability of companies. .In responding to these demands some companies, together with elements of the financial accounting industry, began to promote the idea for internationally agreed reporting standards in this area. The most significant development in this regard was the Global Reporting Initiative (GRI) which was established to develop and disseminate globally applicable Sustainability Reporting Guidelines for reporting on the economic, environmental and social dimensions of activities, products or services. The GRI is a multi-stakeholder standard-setting organization whose Sustainability Reporting Guidelines reflect many of the internationally recognized environmental and social standards.[49] The GRI began as a project of a US environmental organization CERES (discussed earlier) with support from the UN Environmental Programme. In 2002, GRI became independent, and is an official collaborating center of the UNEP. GRI works in cooperation with UN Secretary-General Kofi Annan's Global Compact. Today over 400 companies in over 40 countries use the GRI reporting guidelines. A private standard concerning accountability assurance for sustainability reporting, and for stakeholder engagement has also been developed.[50]

34. In 1999, at the World Economic Forum in Davos, Switzerland, UN Secretary General Kofi Annan called on business to embrace, support and enact a set of core values in the areas of human rights, labour standards and environmental practices. In July 2000, theUN Global Compact was launched as a voluntary corporate citizenship initiative involving business, labour, civil society organizations and governments. The Global Compact is based on nine universal principles derived from the Universal

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[48] Per http://www.iso.ch/iso/en/commcentre/pressreleases/2003/Ref864.html
[49] Per http://www.globalreporting.org/about/brief.asp
[50] See discussion of AA1000 and related initiatives, per http://www.accountability.org.uk/

Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the Rio Declaration on Environment and Development. Participating companies agree to internalize the Compact and its principles and to engage civil society and labour in dialogue in order to facilitate cooperation and resolve problems. The Global Compact involves five core agencies: the International Labour Organization,, United Nations Environment Programme and United Nations High Commissionrer for Human Rights, the United Nations Development Programme and United Nations Industrial Development Organisation. The Global Compact provides an interface between business and the UN, and receives its license to operate from the UN Global Assembly.

35. In 1999 the UN Sub-Commission on the Promotion and Protection of Human Rights established a working group that began work on a new international instrument concerning business and human rights. In August 2003, the Sub-Commission approved the text of the Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights and transmitted it to the United Nations Commission on Human Rights for consideration. The Sub-Commission is a subsidiary body of the UN Commission on Human Rights (CHR) comprised of 26 experts nominated by governments and elected by the Commission on Human Rights but who act in their personal capacity. The Sub-Commission's function is to undertake research studies. Unlike the inter-governmental Commission on Human Rights, States are observers at meetings and are not in a position to negotiate texts of documents and resolutions of the Sub-Commission.[51] . In April 2004 the Human Rights Commission asked the Office of the High Commissioner for Human Rights to prepare a report setting out the scope and legal status of existing initiatives and standards relating to the responsibility of transnational corporations and related business enterprises with regard to human rights, including, the draft Norms, to consult with all relevant stakeholders in compiling the report, and to submit the report to the 2005 session of the Commission.

36. In 2000, the OECD completed a revision of its Guidelines for Multinational Enterprises. In a statement of the Chair of the OECD Committee which developed the Guidelines, the Chair noted "[t]he ongoing support and involvement of the business community, labour representatives and non-governmental organizations will be crucial if the revised *Guidelines* are to be a useful reference point and tool for promoting corporate
social responsibility."

37. In 2000, the ILO published a revision of its Tripartite Declaration of Principles concerning multinational enterprises and social policy. Among other things both the revised OECD and ILO instruments were changed to incorporate all of the human rights principles that were identified by the ILO in its 1998 Declaration on Fundamental Principles and Rights at Work and its Follow Up.

38. The UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters - known as the Aarhus Convention after the Danish city where it was adopted in June 1998 - seeks to

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[51] They may offer short comments but, because there is very little time available for this purpose, most States tend to refrain from actively participating in the discussions and simply observe what the experts have to say on a particular topic.

strengthen the role of members of the public and environmental organizations in protecting and improving the environment for the benefit of future generations. Through its recognition of citizens' environmental rights to information, participation and justice, it aims to promote greater accountability and transparency in environmental matters. While the Convention is an instrument to protect the environment, it may also be seen as an instrument promoting democracy. Specifically, it aims to:

- allow members of the public greater access to environmental information held by public authorities, thereby increasing the transparency and accountability of government;

- provide an opportunity for people to express their opinions and concerns on environmental matters and ensure that decision makers take due account of these;

- provide the public with access to review procedures when their rights to information and participation have been breached, and in some cases to challenge more general violations of environmental law.

In practical terms, this means, for instance, that local residents must be given a say in new road schemes or in the siting of household waste incinerators. It enacts the principles of Pollution Release Transfers allowing public access to information on toxic inventories. Members of the public also have a right to know what state their environment is in and, in some circumstances, to sue governments or polluters that attempt to cover up environmental disasters.

39. In 2002, the UN World Summit on Sustainable Development was held in Johannesburg.The important role of the private sector in contributing to sustainable development was emphasized on a number of occasions. The political declaration stated the following:

> We agree that in pursuit of their legitimate activities the private sector, both large and small companies, have a duty to contribute to the evolution of equitable and sustainable communities and societies. We agree that there is a need for private sector corporations to enforce corporate accountability. This should take place within a transparent and stable regulatory environment.[52]

In the Plan of Implementation, both ISO and the Global Reporting Initiative were explicitly referenced, in a call for States to

> ….enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to…encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization (ISO) standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development…..[and]

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[52] Per
http://www.johannesburgsummit.org/html/documents/summit_docs/1009wssd_pol_declaration.doc

encourage dialogue between enterprises and the communities in which they operate and other stakeholders….[53]

40. A final factor influencing today's debates concerning CSR has been the spate of corporate governance, wrongdoings and scandals around the world, from Enron and WorldCom in the USA, to Parmalat in Europe, to Snow Brand in Japan. Although issues associated with corporate governance have received critical attention from as early as the 1920s, these issues re-surfaced in the 1990s through initiatives such as the Cadbury Report in the U.K., and has taken on renewed prominence in light of the corporate scandals of recent years.

41. In addition to the interest in promoting private voluntary initiatives associated with corporate social responsibility there has been increased interest in intergovernmental co-operation in relation to the legal and institutional frameworks that countries establish to hold management accountable. This has included work on corporate governance, on corruption in business transactions and on standards of accounting and reporting. To date, much of this work has taken place at the OECD but has also involved the United Nations organizations which at the end of 2003 adopted a Convention against corruption.

42. With this background, an analysis of the current conception of CSR can now be discussed. What seems clear is that the present form of CSR emerged in the 1990's and represents a convergence of ideas and developments many of which are relatively recent. These ideas and developments do not have the same origins. Several of the most important developments and influences on the current concept of corporate social responsibility are described below:

- globalization
- trade liberalization, regulatory reform
- environmental/sustainable development dimensions
- labour/supply chain/codes of conduct dimensions
- accelerating environmental degradation in spite of many initiatives
- marginalization of large sectors of society as a byproduct of development

1.1.1 Globalization

43. One reason why CSR/SR has come into prominence is the confluence of factors associated with *globalization*. Globalization can be seen as a complex process of interdependency or convergence resulting from the dramatically increasing exchange in goods, information, services and capital. In his now famous address to the World Economic Forum in 1999 UN Secretary General Kofi Annan stressed the unevenness of the benefits of globalization and its fragility and the need to give globalization a human face.

44. Increasingly, companies have global supply chains which link them to many communities around the world. Such global supply chains can facilitate the ability of firms to "outsource" both work and responsibility and be flexible in a highly

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[53] Per http://www.johannesburgsummit.org/html/documents/summit_docs/2309_planfinal.htm The WSSD also called for legislation in support of sustainable development.

competitive market. A number of multinational firms have adopted codes of conduct concerning their social, economic and environmental activities around the world. Codes of conduct covering labour practices of suppliers can be seen as a method for firms to take on some degree of responsibility over workers throughout the supply chain. Accompanying the process of globalization has been a growing belief, particularly among citizens of Western nations, that corporations are societal actors whose activities have significant impacts in the communities in which they operate, and that they should exercise high standards of care wherever they operate. It is increasingly seen to be no longer acceptable for corporations to behave well "at home" while violating basic norms of consumer, worker, environmental and community protection elsewhere.[54]

45. Consumer, environmental, human rights, worker, religious, and other non-governmental organizations have taken an increasingly important role in promoting the concept of corporate social responsibility and sustainability, particularly through their efforts to develop standards and certification programs, as discussed earlier. Aided by advances in telecommunications and information technology, it is now possible to better track corporate misbehaviour wherever it might be, and to communicate monitoring information around the globe virtually instantaneously. CSR can be seen as one of many responses to well-publicized incidents of apparent corporate misbehaviour such as Shell in Nigeria, the Exxon Valdez oil spill off the coast of Alaska, the Snow Brand scandal in Japan, Enron in the United States, , the issue of child labour in production of sports shoes, apparel and other products, which have been reported around the world. The modern CSR phenomenon can be seen be part of the response to these incidents.

1.1.2 Trade Liberalization and Regulatory Reform

46. Another important influence shaping the current conception of CSR can be traced to the consequences of trade and investment liberalization, regulatory reform and privatization policies of governments in the last twenty years. The United Nations Conference on Trade and Development (UNCTAD) has observed the following:

> Privatization, deregulation and liberalization create more space for firms to pursue their corporate objectives. Should this expansion of action, space and rights be accompanied by an increase in corporate responsibilities? In the international context, this question attracts particular attention because transnational corporations (TNCs) are one of the principal forces for advancing the virtues of globalization. They are also seen to be the most important beneficiaries of the liberalization of investment and trade regimes, with rising influence on the development of the world economy and its

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[54] In late 1999, Environics International conducted a poll of 25,000 consumers in 23 countries which indicated the increasing importance consumers are putting on the social responsibility leadership of companies. 67% of consumers in North America and Oceania had "punished" (or considered doing same) a company seen as not socially responsible in the year 1998-1999, or rewarded a company which had behaved in a socially responsible manner. For the purposes of the survey, punishment was defined as consumers avoiding a product or speaking out about the company. This compared with 53% of consumers in Northern Europe, 40% of those from the Mediterranean region, 37% of Africans, and 31% of Latin Americans and Eastern Europeans. Per Environics International News Release, "Consumers Worldwide Expect Business to Achieve Social as Well as Economic Goals," (September 30, 1999).

constituent parts. The concept of "social responsibility" captures the search for an answer to this question. It implies that firms have obligations that go beyond what countries require individually, and agreements prescribe internationally. The assumption of greater social responsibility by TNCs would be particularly important in light of the economic and social disruptions that accompany the globalization process, which – if not tackled – could threaten the very framework within which firms build their international production systems.[55]

47. CSR can be seen to fit well with governmental initiatives seeking less costly means of governing or at least supplementing conventional regulatory approaches, such as engaging in and promoting public-private partnerships, and using non-governmental organizations as service providers. However, these developments have not always been viewed positively by those concerned that neither non-governmental organizations nor businesses can substitute for the role of governments.

48. In important ways, the modern phenomenon of CSR seems to have arisen due to an apparent lack of capacity of many governments to effectively provide social services and enforce their laws (especially in countries with low economic development).[56] In fact, some would argue that a key driver behind many recent CSR initiatives has been civil society's frustration with the ability of governments to adequately address the world's growing social and environmental problems. There have also been ongoing concerns expressed by some sectors of society, and in particular developing countries, over ensuring a more equitable distribution of the economic benefits of trade liberalization and globalization. In this challenging environment, some firms are voluntarily undertaking CSR initiatives which are designed to demonstrate to citizens, consumers, workers, communities, partners in the supply chain, governments and others, their commitment to meeting laws and societal norms, by showing that they are complying with laws, meeting societal norms and making positive societal contributions.[57] CSR often also involves firms making social and environmental commitments and implementing programs which exceed anything required by laws. Governments are also showing an increasing interest in supporting self-regulation initiatives and partnerships which further or support public policy agendas.[58] When firms take the initiative to publicly demonstrate that their operations meet or exceed requirements stipulated in laws and societal norms, they are in a better position to communicate to interested parties that they are engaging in systematic approaches to risk management, and thus protecting their reputations and potentially opening doors to new commercial opportunities. The public reporting and communications aspects of corporate social responsibility and sustainability emerged as an important trend from the 1970s onward.

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[55] UNCTAD, *The Social Responsibility of Transnational Corporations* (NY and Geneva: United Nations, 1999), at p. 1.

[56] Although government incapacity to enforce laws is a particularly acute problem in many developing countries, it is also an issue in developed countries, where many governments are attempting to minimize tax burden by reducing their budgets, which in some cases is leading to a lessening emphasis on enforcement.

[57] Note that while compliance with laws is mandatory, public reporting by businesses on systems they have put in place to ensure compliance with laws is usually not required by law.

[58] For example, over 250 "type 2" international government-industry partnerships were launched in the run up to, at, or after the 2002 Johannesburg World Summit on Sustainable Development.

1.1.3 Environmental/Sustainable Development aspects

49. Particularly from the 1960s onward, the environmental performance of corporations emerged as an area of considerable public concern, and lead to many different initiatives. One very important influence has been the rise to prominence of the concept of sustainable development, particularly as articulated in the U.N. Brundtland Commission (1986), the U.N. Rio Conference on Sustainable Development (1992)[59] and the Johannesburg World Summit on Sustainable Development (2002). Sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their needs." It is considered to refer to three pillars of development, economic, social and environmental. Sustainable development is as much directed at governments as it is at business and civil society actors. As such it is a broader concept than social responsibility initiatives directed solely at businesses. Indeed, CSR has been described as "the business contribution to sustainable development."[60]

50. Initially, the social dimension of sustainability received less attention than the environmental dimension, and it is only in recent years that social aspects have become more prominent in the sustainability debate. Social dimensions are often more difficult to quantify than environmental aspects, and very few sustainability initiatives have been able to integrate in a meaningful way social, environmental and economic indicators. There is also potential for confusion between *societal* sustainability and the sustainability of a business enterprise in terms of its ability to survive and make a profit.. While a business could be profitable in the narrow short-term sense through ruthless practices in terms of workers, customers, the environment, etc., some stress that making a short-term profit may not make an enterprise sustainable over the long term. Businesses that strive for "business sustainability" recognize that, just as with societal sustainability, they must take the long-term view. Many proponents of CSR advocate that in order to remain in business over the long term, and to make continuing profits for future generations of shareholders, businesses should implement policies that coincide with the interests of society.

51. An underlying basis for CSR is the idea that there is a "business case" (or business justification) for corporate responsibility, revolving primarily around the idea that measures that are good for the environment or other societal interests can also be good for the financial performance of a company. There are, for example, cost savings to be gained by being more energy efficient. The notion that "doing good can reap economic benefits" emerged largely from the environmental context and has also influenced the concept of CSR. In particular, the belief arose that the non-financial performance of an enterprise could be objectively managed, measured, reported, audited and certified in ways similar to management, measurement, reporting, auditing and certifying takes place with respect to financial performance of a company (witness the development of financial sustainability indexes such as that of Domini, and of non-financial performance rating. This thinking seems to lie behind

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[59] The ISO 14000 environmental management series of standards can be seen as part of the business response to the 1992 Rio Conference.

[60] E.g., see statement to this effect by Anna Diamantopoulou, Employment and Social Affairs Commissioner to the European Commission, at
http://europa.eu.int/comm/employment_social/news/2002/oct/173_en.html

rapid and widespread acceptance of the term "triple bottom line" which links financial, environmental and social performance of companies.[61]

52. Yet another aspect of the environmental influence was the ecological approach to social issues represented in the concept of stakeholders. The concept of stakeholders is discussed in greater detail later in the report. In its broadest sense, stakeholders can be considered to be anyone affected by the activities of an enterprise, or whose activities affect the enterprise. The introduction and acceptance of concepts such as the "polluter pays" and "precautionary principle" have both been influential for CSR and have been promoted by NGOs as such. It should be emphasized that the triple bottom line is not in itself an assurance of good behaviour when, for example, the environment may be used as a free dump for toxic waste, etc.. Stakeholders generally expect corporations to approach social issues by identifying the "impact" of their activities just as environmentalists expect corporations to identify the corporate impact (their "footprint") of their activities on the environment. . Additional pressure for change is emerging from re-insurance companies and concerns arising from the imminent implementation of the Kyoto Protocol. Companies with large carbon budgets are likely to find business increasingly expensive and legal challenges, linked to financial liability, to ongoing excessive releases of greenhouse gases are becoming more likely.

1.1.4 Labour/Supply Chain/Codes of Conduct Dimensions

53. The focus of discussion here is on labour-oriented codes of conduct only, and is not intended to diminish the role of importance of codes of conduct that address other issues relevant to social responsibility. The adoption by companies of codes of labour practice meant to be applied by their suppliers had a profound influence on the development of the present concept and practice of social responsibility. The supplier codes are important to the evolution of the CSR concept because they address questions of business responsibility raised by two significant and long term developments:
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-    the impact of the new forms of business organization and relationships brought about in large part by outsourcing and subcontracting (supply chains). This may make it easier for business to avoid responsibilities it would otherwise have to undertake, at the same time as various pressures may be making it difficult for some governments to fulfill their responsibilities. Companies adopted supplier codes in an attempt to assure that their suppliers were observing labour standards even where the authorities had not adopted or were not enforcing compliance with them.
-   recognition of the increasing importance of intangibles including brand names and reputation in determining the value of an enterprise. The supplier codes have become a means of "risk management" for brand reputation. Codes and management systems addressing other reputation risks, such as possible bribery and corruption scandals, were also developed. Risk management became a strong

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[61] However, experts are beginning to turn their attention to the business justification for the full triple bottom line, and are finding it promising: "The return on investment from aggressively improving company-wide sustainable development knowledge and initiatives can make other traditional investment opportunities seem trivial." Per Bob Willard, *The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line* (British Columbia: New Society Publishers, 2002).

component in the "business case" or justification for business engaging in social responsibility activities, as did codes of conduct.

These codes raise questions concerning how companies that are adopting them could implement them and demonstrate to the public that the terms of the codes are actually respected. The search for answers to these sorts of questions has led to a number of private standard-setting initiatives in the social area, as well as an industry of private labour inspectors, or social auditors, and related multi-stakeholder initiatives which have had a profound impact on the CSR phenomenon.

54. Another influence on the present concept of CSR stems from human resource development (HRD) ideas concerning the retention or training of the workforce. Existing thinking and practices in this area fit well with the CSR concept. Companies have come to describe their HRD policies as an aspect of their social responsibility towards their employee "stakeholders." Industrial relations and collective bargaining are rarely mentioned, even when the subject is the company's relations with its employees. It should be noted that employee retention is less of an issue for companies that outsource much of their work. Moreover, these kinds of HRD policies do not have much of a role in environments where basic human rights are not well respected.

1.1.5 Conclusions Regarding Origins and Evolution of the CSR Concept

55. In conclusion, while CSR has had a growing profile since the 1990s, it is not an entirely new phenomenon, and indeed has its roots in earlier times. Whereas the early forms of what would now be called CSR often had strong religious, paternalistic and philanthropic aspects, the modern conception of CSR more directly focuses on day to day business practices and their impact on a range of stakeholders. The modern conception of CSR has been developed against a backdrop of domestic legal instruments and international norms, responds to new ways of conducting business in the global marketplace (such as the use of global supply chains), as well as changes in government capacity and different approaches to regulation. A number of modern "soft law" inter-governmental instruments target corporate behaviour directly, such as the ILO Tripartite Declaration, the UN Global Compact, and the OECD Guidelines for Multinational Enterprises. CSR in its modern form also seems to reflect a heightened public desire to assure that firms behave in a socially responsible manner in all jurisdictions where they do business, and report publicly on their behaviour.. Investment interests, multinationals, and non-governmental organizations in developed countries have played significant roles in promoting the CSR concept.

56. Key aspects of what is now referred to as corporate social responsibility have been identified and managed by some members of the business community for some time. Policies and business practices have been developed in the areas of worker, consumer, environmental and human rights protection, sourcing guidelines, codes of conduct, ethics and compliance, community engagement, and corporate philanthropy. Indeed, developing and implementing policies and strategies in these areas have become part of what is generally considered sound management. The concept of corporate social responsibility integrates these complexes and evolving activities into a single framework that supports business objectives, promotes dialogue with key

stakeholders, and can advance a social public policy agenda.

1.2 Key Trends and Catalysts for Social Responsibility

57. Social responsibility in its current form is a reflection of a number of trends in recent years. Future developments are likely to be shaped by a number of identifiable forces or catalysts. Both trends and catalysts are briefly discussed here.

1.2.1   Recent Social Responsibility Trends

58. Apart from what has been said above, some key trends have affected the development of the concept of social responsibility:

- the growing number of international instruments of inter-governmental bodies such as the UN, ILO and OECD which articulate at a global level basic societal norms of acceptable conduct;
- advances in communication technology and in media, which enhance the ability to track corporate activities around the world and to quickly disseminate information concerning these activities;
- the increasingly significant role of multinational corporations in the exchanges of goods, services and in investment;
- increased public disclosure by corporations on economic, social and environmental aspects of their behaviour;
- increased recognition of the importance of intangible assets in the balance sheet of corporations, and increased recognition of the importance of reputation in determining the value of a business.

1.2.2 Catalysts for Social Responsibility

59. Future developments in social responsibility are likely to be shaped by a number of identifiable forces or catalysts or drivers which are already in play, including:
- the rise in significance of globalization, increased trade in goods and services across borders, the importance of multinational enterprises, and the prevalence of global supply chains;
- the development of international instruments of inter-governmental bodies such as the UN, ILO and OECD which articulate at a global level basic social norms of acceptable conduct;
- advances in communications technology such as the Internet, which enhance the ability to track corporate activities around the world and to disseminate information concerning these activities;
- a widely professed expectation by citizens in many countries that corporations should meet standards of social and environmental care no matter where they operate, not just in their "home' jurisdictions;
- recognition, by business, of the potential business benefits of good CSR practices, such as improved employee morale, increased efficiency, enhanced ability to attract and retain qualified staff, etc…
- recognition that government capacity to enforce laws is in many cases inadequate (even though citizen expectations of good behaviour are high) so that corporations are taking it on themselves to demonstrate that they are meeting high standards of social and environmental care.

- the expectation that business will take on increased responsibilities as government engages in regulatory reform exercises which rely on public private partnerships and less intrusive regulatory approaches;
- the development of a socially responsible investment community, and with it, shareholder proposals on social responsibility issues;
- the increased action of non-governmental organizations through a range of activities including standards and certification initiatives;
- the perception in some quarters that good CSR practices may decrease the need for new regulations;
- the desire by businesses wishing to conduct commercial activities in jurisdictions where governments are unable or unwilling to protect human rights or the environment, and where governance institutions are not fully functioning;
- increasing understanding by businesses that voluntary implementation of social and environmental commitments developed with input from key stakeholders can reduce risk of commercial and other disruptions, and enhance brand reputation;
- the creation of a "social responsibility industry" of consultants and enterprises offering services to companies, including those involved in certifying compliance with management system and other standards, and providing advice on how to comply with such standards. This industry in combination with two other established industries (accounting and investing) have become a major catalyst for CSR activity, funding and sponsoring conferences, publications, initiatives and organizations whose purpose is to create markets for reports and their verification, for socially responsible investment funds, and for company information on CSR activities;
- the social responsible investment community, including shareholder activism through pension funds and otherwise;
- consumer demand for more responsible consumption (as evidenced by fair trade programs, sustainable forestry and fishery programs, environmental labeling, etc.)
- increased pressure from non-governmental organizations through a range of activities including development and implementation of standards and certification initiatives;
- action of governments to address environmental, social and economic issues;
- the willingness of some businesses to make commitments on social responsibility issues, with input of others, in order to reduce the risk of commercial and other disruptions, to gain market recognition, and to enhance brand reputation;
- increased recognition of the importance of intangible reputation-based aspects in determining the value of a business and the desire for investors to be assured or informed on the reputation risk aspects of companies.

60. At a micro-level, a wide range of parties are also stimulating firms to adopt CSR practices, including consumers, supply chain partners, insurers, banks, investors and shareholders, communities, workers, NGOs, governments, and inter-governmental bodies.

1.3 Terminology

61. While the term "corporate social responsibility" seems to be the most widely used term by a large margin, a number of other terms are also used. Others include "corporate responsibility," "corporate citizenship," and "corporate integrity." Each of these terms puts a slightly different emphasis on one or the other aspect of CSR. Some prefer "corporate responsibility" on the apparent belief that the word "social" excludes environmental, even though others suggest that societal responsibilities extend to include environmental aspects. "Corporate citizenship" is sometimes used to convey the notion that an enterprise should be regarded like individuals in the sense that it has both rights and responsibilities or to indicate that responsibilities extend beyond addressing social and environmental concerns. However, others object to the notion of corporations being treated as "citizens."

62. The terms "organizational responsibility" and "social responsibility" are preferred by some because these terms do not single out any particular type of organization. As discussed above, a review of the origins and evolution of the concept of CSR indicates its focus on business, and not on other types of organizations. The social responsibility of business has been the focus of attention in light of the significant impact which businesses have had and continue to have on society in the course of their wealth creation activities.

63. The concept of corporate social responsibility is often associated with the concept of "sustainable development" developed by the Brundtland Commission and accepted by the RIO Earth Summitt in 1992. Many of the (areas) of social responsibility are organized to reflect the three dimensions of sustainability – economic, environmental and social associated with the concept of sustainable development. "Corporate social responsibility" has been described as the "business contribution to sustainability" and at times "CSR" and "sustainability" are used by some to express similar ideas . However, the nature of sustainable development is considerably broader than what is usually meant by CSR. For example, sustainable development is typically considered to encompass both voluntary and non-voluntary approaches and involves actions and policies that can only be taken by governments or intergovernmental organizations.

64. It should also be noted that "social" is used in two senses in much of the discussion concerning both sustainability and corporate social responsibility. "Social" is sometimes contrasted with other areas such as "environmental" and "financial" and in this sense groups responsibilities with respect to subjects such as human rights, the workplace, the community issues and consumer protection etc. "Social" is also used in a broader sense to refer to the society in general and would therefore encompass responsibilities in economic, environmental as well as areas considered to be social. The term CSR and the subject of this report is intended to refer to society and to be inclusive of , among other things, responsibilities toward the environment.

1.4 Definitions

65. In a recent European Commission Green paper, corporate social responsibility was defined as:

….essentially a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.[62]

66. The United Nations Conference on Trade and Development (UNCTAD) defined corporate social responsibility as follows:

> Corporate social responsibility concerns how business enterprises relate to, and impact upon, a society's needs and goals. All societal groups are expected to perform certain roles and functions that can change over time with a society's own evolution. Expectations related to business enterprises, and particularly TNCs [transnational corporations], are undergoing unusually rapid change due to the expanded role these enterprises play in a globalizing society. Discussions relating to TNC social responsibility standards and performance therefore comprises an important component of efforts to develop a stable, prosperous and just global society.[63]

67. The World Business Council on Sustainable Development (WBCSD) defines CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life."[64] According to the WBCSD, CSR is the third pillar of sustainable development, along with economic growth and ecological balance.

68. Business for Social Responsibility (BSR) states that, "[w]hile there is no single, commonly accepted definition of ....CSR, it generally refers to business decision-making linked to ethical values, compliance with legal instruments, and respect for people, communities and the environment."[65] More specifically, BSR defines CSR as:

> ....operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. CSR is seen by leadership companies as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management.

69. The Conference Board of Canada defines CSR as:

> ….the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and

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[62] Per http://europa.eu.int/comm/employment_social/soc-dial/csr/greenpaper.htm
[63] UNCTAD, *The Social Responsibility of Transnational Corporations* (NY and Geneva: United Nations, 1999), at p. 1.
[64] See www.wbcsd.org/projects/pr_csr.htm
[65] See www.bsr.org/resourcecenter/

maintenance of employment, environmental stewardship and financial performance.[66]

70. The United States Council for International Business states that corporate responsibility….

> …involves a commitment by a company to manage its roles in society – as producer, employer, marketer, customer and citizen – in a responsible and sustainable manner. That commitment can include a set of voluntary principles – over and above applicable legal requirements – that seek to ensure that the company has a positive impact on the societies in which it operates. Strategies related to production and marketing of goods and services, business ethics, environmental practices, treatment of employees, approach to human rights and community engagement are all inherent to a comprehensive corporate responsibility approach.[67]

71. The International Organization of Employers defines CSR as "initiatives by companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their shareholders." [68]

72. The International Chamber of Commerce proposes the following definition of corporate responsibility from a business perspective: "the voluntary commitment by business to manage its activities in a responsible way." ICC adds that a growing number of companies approach corporate responsibility as a comprehensive set of values and principles, which are integrated in business operations through management policies and practices and decision-making processes.[69]

73. An official in the Canadian Centre for Philanthropy states that CSR "...or Corporate Citizenship can most simply be defined as a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts."[70]

74. The Corporate Social Responsibility Newswire defines CSR as "the integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, and the environment are reflected in the company's policies and actions."[71]

75. In its early deliberations, the ISO Advisory Group on Social Responsibility adopted the following working definition of Organizational Social Responsibility (OSR):

For the purposes of this advisory group OSR is taken to mean a balanced approach for

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[66] Per Canadian Centre for Business in the Community, Conference Board of Canada.
[67] Per USCIB Statement, "Advancing Corporate Responsibility," December 2002.
[68] Per International Organization of Employers, "Corporate Social Responsibility: An IOE Approach," March, 2003.
[69] Per ICC paper "Business in society: making a positive and responsible contribution", March 2002.
[70] See www.ccp.ca/Imagine/Team%20China%20-%202001.htm
[71] See www.csrwire.com/page.cgi/about.html

organizations to address economic, social and environmental issues in a way that aims to
benefit people, communities and society.

Characteristics and Underlying Principles of OSR: (not exhaustive and not in any particular order)
- • Based on compliance with laws & regulations
- • Includes voluntary commitments
- • Principle of inclusiveness and engagement of affected or / and interested parties
- • Accountability
- • Transparency
- • Ethical Behavior
- • Flexibility to reflect diversity and needs
- • Part of sustainability / Sustainable Development

OSR Issues include (not exhaustive and not in any particular order)
- • Human rights (Universal Declaration of Human Rights, ILO Core Conventions)
- • Workplace and employee Issues (incl. Occupational Health & Safety)
- • Unfair business practices including bribery, corruption and anti-competitive practices (all organizations)
- • Organizational governance
- • Environmental aspects
- • Marketplace and consumer Issues
- • Community involvement
- • Social development

76. Although this definition reflected the perspectives of many of the AG members at the time it was intended to be a working definition and was not a consensus. One reason for this is that this definition contains some normative / aspirational elements that would not be consistent with an objective description of a concept or, more importantly, the phenomenon and activities, that the term seeks to describe.

77. As several of the definitions listed above note, there are strong linkages between the concept of sustainability and that of CSR. CSR is a product of the amalgamation of a wide range of interests and its content dependent largely on the range and adequacy of stakeholder involvement.

1.4.1 Common Elements

78. While the terms and the definitions used to describe the phenomenon of corporate social responsibility vary somewhat, several key points emerge:[72]
   - CSR is about the role of business in society and the expectations of society concerning firms;
   - CSR is seen as a voluntary concept and is about activities that assume or include compliance with the law and also societally beneficial activities that are beyond compliance with the law;

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[72] These are not necessarily shared elements, and so this summary here should not be taken to be a CSR definition or compilation of CSR definitions.

- CSR is concerned with the role of management and management initiatives, managing social impact, and management systems;
- CSR includes a major focus on the impact of business activities and the results of those impacts, both positive and negative, on society
- CSR is about the ongoing or regular activities of a business, and not unrelated philanthropic activities. However, some question whether philanthropy even qualifies as CSR[73];
- CSR is about measuring and improving performance on social, environmental and economic dimensions and can contribute to furthering the goal of sustainable development;
- CSR is about identifying, engaging and reporting performance to those who are impacted by the activities of the business.

1.4.2 National, Regional and Local Variations

79. CSR practices are diverse and can reflect the national, regional and local context including the legal regimes, existing institutions, social and cultural attitudes, environmental conditions, and other factors. Some of the expectations with respect to the social responsibility of business are universal – e.g., respect for human rights. There are clearly defined international "soft law" norms that relate and inform socially responsible practices. These come from instruments of inter-governmental bodies such as the UN, the ILO, and the OECD. Through its formal advisory status at the OECD and through the tripartite structure of the ILO, business has been involved in and has supported the formulation and adoption of the two most general and comprehensive instruments addressing the social responsibilities of business developed by these bodies, the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy, and the OECD Guidelines for multinational enterprises. Business, as employers, also have a role in formulating the Conventions and Recommendations of the International Labour Organization.

80. However, there is no agreement as to all of the activities expected of companies that would be consistent with universally applicable norms. Some believe that CSR activities or social responsibilities must be defined with a consideration of the local context, in conjunction with local stakeholders. According to this view the prioritization of issues/activities/responsibilities cannot be done without some connection to the local context. Although there is diversity in terms of application at the local level, the situation is not much different from the situation with respect to environmental protection, where the exact nature of the obligations vary from firm to firm, sector to sector, country to country, and region to region, but each firm puts in place a framework for operationalizing its environmental policies.

Others do not share these views. Local practices and even legal frameworks, can be inconsistent with universally applicable norms. It is especially difficult and controversial to depend on "local" organizations to "interpret" the meaning of human rights in countries where the governments are repressive of political rights. Moreover many "stakeholders" will have a commercial interest in redefining or reinterpreting social responsibilities that are already well defined or understood. Other stakeholders who are more affected by the negative aspects of a particular business practice may be

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[73] See, e.g., UNCTAD, *The Social Responsibility of Transnational Corporations* (NY and Geneva: United Nations, 1999), at p. 3.

overlooked or avoided. Moreover. many of these norms, including all of the Conventions and Recommendations of the International Labour Organization come with procedures to interpret their meaning in various situations.

81. It was pointed out that one over-arching issue in both environmental and social terms is the need to measure actual effect rather than simply existence of internal management systems or general behaviour. This is often critical for local communities and indigenous peoples and requires close stakeholder involvement to define issues, measurements and responsibilities.

82. How a company organizes itself to address its social responsibilities is influenced by its history, culture, philosophy, customer and societal feedback, business sector and the laws and regulations of the countries in which it operates. These factors have led companies to adopt a wide range of approaches. Internally, companies manage corporate responsibility programs and activities in a variety of ways, but generally include developing policies in a number of areas that are implemented through action plans at various levels of the company.

83. Many companies that have integrated social and environmental aspects into their business plans have found that they can improve relations with legal and political entities, effectively address the concerns of external stakeholders, and discover areas of strategic advantage. Integrating such aspects into its operations has also helped businesses focus on improving the lives of the people involved in its business operations. Improved performance in these areas is frequently cited as generating intangible assets, such as employee commitment and customer brand loyalty, that may lead to improved financial performance. Companies that actively manage these issues may also be better able to improve relations with other key stakeholders such as regulatory agencies, the financial community, local communities and the general public.

1.4.3 Implications if No Agreed Definition

84. Some AG members believe that an agreed definition of the subject is a prerequisite for any standard setting. Others believe that, at the very least, a common set of elements or components which are included within CSR, would have to be agreed upon. These views reflect the idea that standard setting requires reference points and that where there are no limits to a subject everything is possible but little can be especially meaningful.. The absence of a commonly agreed definition would impede the ability of parties to communicate with each other, and to interact.

85. Other members of the AG do not share these concerns. Definitions of ambiguous and difficult concepts such as "quality", "occupational safety and health" and "the environment" have all been developed for international standards. In each case, the definitions are very basic (e.g., quality is defined as "fit for the purpose" and safety is defined as "the absence of danger"). While these definitions are not free from ambiguity, they have proven to be useful starting points upon which elaborate standards have been developed. At the same time, although an agreed definition may be possible, it may be too broad to be useful.

86. Some are of the view that a definition would have to at the very least resolve some questions in order for ISO work in this area to be acceptable. One of these questions is whether CSR is a voluntary concept concerning activities that assume compliance with the law. If this is the case, as it appears to be with most definitions of CSR, then it is necessary to distinguish CSR from a broader concept of the social responsibilities of business as defined by society through legally binding and other ways, including custom. In this view a definition that made this distinction would be an important limit on the subject that would be necessary for ISO involvement. On the other hand if the meaning of CSR is not limited in this way than the subject in effect involves determining the proper role of government. For those holding this view, this would make ISO activity unacceptable because it would involve resolving questions that can only be legitimately settled through the political process. This concern, which is about limiting the definition of CSR, is not the same as the question of whether CSR standards should include performance standards or how CSR activities or standards should relate to established social or environmental standards. It should be noted that is not the objective of this report to develop a definition of CSR which could be used for the purposes of standardization, but some members put forward some suggestions which could be further developed should ISO proceed with any SR standardization work.

1.5 Subjects Falling under SR

87. The current conception of SR is heavily influenced by the concept of sustainable development. Sustainable development is most often broken down into three dimensions: economic, environmental and social (or what has been described by some as "profit, planet, and people"). These dimensions have a wide range of aspects that make the scope of SR very broad. SR can involve many different subjects and issues which can be referred to as components or aspects. Drawing on various instruments and norms concerning social responsibility, the literature of sustainable development and other sources, it is possible to develop an indicative, non-exhaustive list of these components or aspects. This list would include: legal compliance, environmental protection, consumer protection, labour practices and industrial relations, human rights, health and safety, ethics and anti-bribery, community relations, philanthropy,[74] and outreach. For a more complete listing of subjects possibly falling under SR, see the attached listing.

88. One view is the "complexity" of SR can only be sufficiently addressed by taking into account:
- which components belong to SR (and which do not)
- which could be standardized (and which can not)
- what are the relationships between one component and the other components
- at what level would each component apply (international, regional, national, industry sector (like textile, or steel), local (e.g. city) or organizational (any entity employing people).

89. For some this suggests that questions concerning the scope of SR can be addressed most effectively at the local or organizational level. Others do not share the view that

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[74] As noted earlier, CSR has evolved to focus more on the day to day business practices and less on paternalistic gestures towards the community. For this reason, some believe that philanthropy does not fit within the modern conception of CSR.

everything including what it means to be socially responsible is relative or capable of being determined by business alone or in conjunction with stakeholders that it chooses to engage. There are functioning CSR initiatives (e.g. the Forest Stewardship Council that have developed globally applicable performance requirements that are then further regionalized and interpreted through stakeholder consultation processes. For those holding this view he regionalization and measurement of effectiveness of standards should indeed occur at the local level however standards intended to alleviate many of the world's pressing environmental and social issues benefit from guidance by globally applicable principles and criteria.

1.6 Other Key Concepts for SR

90. The concept of social responsibility involves other concepts. These include the idea of "stakeholders," an understanding of the difference between accountability and responsibility, and the business case or business justification for firms engaging in social responsibility activities. Some difficulties associated with these concepts are outlined below so that they can be taken into account.

1.6.1 Stakeholders

91. The idea that companies are not only responsible to their shareholders (owners), but also to a broader set of stakeholders is one of the key ideas associated with the CSR concept. In fact, CSR could be described as a form of business ethics that is based on identifying and taking into account the impact of business activity on others. Much of CSR is about how management should identify and "engage" stakeholders and how managers should determine, measure and report the impact of company activities on stakeholders. In the ideal version of the CSR concept, there is a link between these activities and the financial performance of a business. By taking into account the interests of others, firms can decrease the likelihood of problems arising that could impede profitability, and can also potentially identify new commercial opportunities.

92. Of course, identifying and engaging each and every individual stakeholder is impossible and so firms may and have identified and engaged non-governmental organizations (NGOs) who serve as proxies for the real stakeholders. To a certain extent this practice is understandable and acceptable. Some stakeholders are not organized or otherwise capable of being consulted or engaged (for instance "nature", the "environment" or "future generations"). It is clear however that a blurring of the distinction between NGOS on one hand and civil society on the other can occur in CSR activities.

93. In the CSR world NGOs are often considered to be spokespersons for civil society – but there are significant differences among NGOs, and not all NGOs are part of civil society. Indeed, many of the most important civil society organizations are often not considered to be NGOs. For example, depending on the situation and how they function, organized religion and political parties are key civil society organizations.

94. As a concept, civil society is more than the relationship between the individual and the state and is more about the relationship of individual members or sectors of society to each other. Genuine civil societies require respect for the rule of law but

also consist of a wide array of institutional arrangements that not only protect the individual but also allow individuals to join with others to solve mutual problems, advance their interests and to protect themselves from arbitrary power and abuse of power. Many of these institutions are related to civil and political rights and include, among others, such institutions as independent press and collective bargaining. An argument can be made that the growth of some kinds of NGOs results from attempts to substitute for the failure of societies to be civil societies and to develop or keep the institutions that genuine civil societies require. . In this view the dramatic growth in the number and importance of NGOs is not a reflection of civil society but are being created or used as a substitute. Thus the visibility of NGOs may be increasing in situations where conventional civil society institutions are not functioning or weak.

95. The term "stakeholder" should be distinguished from both the term "NGO" and from "civil society organizations." In the CSR concept, the term stakeholder refers to anyone impacted by the operations of a business. This could include organizations and individuals not considered as either civil society organizations or as NGOs. It could include other businesses (suppliers, business customers and partners, competitors, investors and businesses in the financial sector) and it could also include governments and various communities which can be broadly defined.

96. There are some conceptual difficulties with the stakeholder idea. One is that not all stakeholders are equal in their impact or importance to different businesses. Another is that not all stakeholders have a legitimate claim on the behavior of a company that arises from an interest of society. There may not be any relationship between the number of "stakeholders" that can be identified and the amount of responsibility a company may have. Indeed, there are some stakeholders whose existence do not add to the responsibilities of the company and may even reduce them. Consider situations where a company has outsourced work to other enterprises. In such cases the number of "stakeholders" has increased but the responsibilities of the company have not changed or may have decreased

97. The term "stakeholders" is increasingly being used outside of a relational sense and when this happens the term obscures more than it clarifies. One should only refer to an organization or an individual as "stakeholder" where the intent is to emphasize a relationship between that organization or individual and another organization such as a company, or perhaps an industry. Where this relationship is not important or where it cannot be made explicit, organizations or individuals should be described as what they are and not by using an inappropriate relational term. Consider the problem of using other words that require a certain relationship to make sense (father or mother for instance) and then consider the problem caused by using such relational words where there may be no such relation, where any relationship is meaningless, where the relationship is not clear. The inappropriate overuse of the term stakeholder has had some other unfortunate consequences. Originally developed to contrast with the term "shareholder" the term "stakeholder" is especially inappropriate to apply to the constituents of democratic governments where the term 'shareholder" would be a more accurate analogy.

98. The concept of CSR calls for companies to identify and engage their stakeholders. However, problems can arise when there is inappropriate engagement of stakeholders – where the process of consultation is not genuine. Problems can also arise from

engagement of inappropriate stakeholders – that is, with organizations that are not truly interested parties. Inappropriate stakeholders can take the form of organizations that have been created or are supported by business and are not really independent. Some organizations are not stakeholders but are really service-providing enterprises. Other organizations do not have sufficiently representative structures to be appropriate interlocutors with companies.

1.6.2 Accountability

99. If CSR is to be a voluntary concept then it is necessary to distinguish CSR from other concepts concerning the relationship between business and society. Many are now using the term "corporate accountability" to refer to the legally binding obligations on corporations imposed by governments and to the corporate governance systems designed to hold management accountable to shareholders and, in some countries, to others. Others believe that the term "accountability" can also refer to moral obligations to report or be answerable for something. In any event there is a need to distinguish voluntary from regulatory concepts. Some believe that CSR activities do not settle the question of what business activities should be subject to legal and institutional frameworks, since this is a question that can only be legitimately settled through political processes and by governments. It is widely accepted that regulatory and corporate governance frameworks shape business behavior more than CSR principles and practices. Indeed, one of the catalysts for CSR is the demand for greater accountability of business in this regulatory sense. However, it is also recognized that voluntary initiatives and regulatory approaches may be complementary and reinforcing. Voluntary initiatives and regulatory approaches have different approaches. Regulatory approaches are frequently focused on securing compliance with minimum standards. While some voluntary initiatives, like the Global Compact, try to inspire innovative and practical solutions.

100. A separate accountability issue relates to the need of stakeholders and consumers for independent verification of conformance with voluntary standards. This is considered by many to be critical to ensuring public confidence in voluntary processes and standards.
Clearly, voluntary initiatives should never undermine regulatory frameworks but there is room for voluntary frameworks which exceed regulatory requirements.

1.6.3 "Business Case" or Justification for Social Responsibility Activities

101. There are conflicting schools of thought on the question of whether there exists a business case or justification for businesses engaging in social responsibility activities. One school says that the need to justify on financial grounds why a firm should engage in social responsibility activities bespeaks of the fact that SR is either unnecessary or unethical. According to this view, SR is unnecessary if there is a financial justification for firms undertaking social responsibility activities, since in time, with proper functioning markets and full information, businesses will undertake these activates anyway of their own accord. If however there is no financial justification for firms undertaking social responsibility activities, then these activities may constitute an inappropriate use of shareholder money.

102. Another school of thought is that the financial justification for engaging in social responsibility activities rarely applies to many of the most important social issues. According to this view doing the right thing can put a business at a competitive disadvantage, at least in the short term. Those making this case point to the paucity of studies establishing a business case for most SR activities and to the negligible impact SR activities have had in addressing the social problems aggravated by inappropriate or inadequate legal or institutional frameworks. According to this view, business competition and other competing interests within societies mean that many social issues can only be effectively addressed through regulation and institutional mechanisms that are not dependent on voluntary behavior. Implicit in acceptance of the business case is also an argument against regulation that many do not accept. One closely related concern is that the need to make a business case has led to the reinterpretation and redefinition of already established norms in the social area. According to this view some private standard-setting activity associated with SR includes this purpose. Yet another view is that there is a justification for firms engaging in SR activities that is realized for those taking a long term perspective. One thing is clear is that no single accepted view has emerged, although such a view may emerge over time, for example, through public and private reference to standards in their purchasing and investment policies.[75]

1.7 SR Applicability to businesses and/or other organizations

103. The AG has grappled with the question of whether SR applies only to business organizations, or to other organizations as well, from its initial meeting. Some AG members considered that including the term "corporate" could limit the types of organizations to which an ISO deliverable would apply. The thinking was that an ISO deliverable, once developed, should enable any organization to use the standard or other deliverable and that a broader term such as "Organizational Social Responsibility" would be more appropriate. Other AG members considered that the term "Corporate Social Responsibility" was widely understood to concern the behaviour of business enterprises and that changing the scope and the term would effectively change the subject and character of the eventual ISO deliverable. In their view it seems self-evident that, while the term "corporate social responsibility" was developed with businesses in mind, any form of organization could have societal impacts on workers, communities, the environment, and others.

1.7.1. Implications

104. The view that holds that standards should be useful for any kind of organization whatever its purpose or activity is consistent with other standards that have been developed by the ISO. Organizations could select the components and aspects of the deliverable that are applicable through a "tailoring process." If the focus is narrowed to business enterprises from the outset, it may be difficult to apply the deliverable in the future to other types of organizations. While existing ISO standards usually do not indicate in their title the type of organization to which the standards apply, this does not seem to have negatively affected the rate of adoption by profit-oriented

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[75] One of the first comprehensive studies of the impact of voluntary CSR initiatives is currently being undertaken by the Global Compact. Available in June 2004, one of its findings is that the Global Compact has been successful in accelerating and easing change in many companies.

businesses, or the understanding that profit-oriented businesses would be the prime users of the standards.

105. The other view is that, if the deliverable covered all types of organizations, it may be more difficult to provide sufficiently specific guidance to be of use. Defining a "target market" first should make it possible to develop a more useful deliverable.

106. The question of whether a deliverable should cover all organizations or not requires distinguishing the various kinds of organizations that would be covered before it can be answered. For this purpose, one can distinguish two types of organizations: (1) organizations that produce goods and service for profit; and (2) organizations that do not. The first can be described as "business enterprises", whether they take the form of corporations, partnerships, individual proprietorships, or other types of enterprises.   Businesses encompass the full range of economic activities and sectors and involve the full range of work, trades or professions. Businesses need not be privately held as there are also state-owned businesses.   The second type can also take a number of different forms. For example: government agencies and local authorities (producing "public" goods and services), political organizations and parties, NGOS, organized religions, and other private organizations, clubs or societies established for numerous, but essentially non-economic or non-commercial, purposes.

107. For some account needs to be taken of the fact that "public" goods and services are defined differently by different governments and may include activities that would be undertaken for profit in some cases, such as certain municipal, utility, financial, and other services. And even when provided by government agencies the provision of these goods and may be profit-oriented or least organized on a cost-recovery basis. Others however consider the difference between activities undertaken by government in its role as the state (producing public goods such as the justice system or national defense), from other activities that do not fall within a generally agreed understanding of the role of the state. This would include most state-owned enterprises.   This distinction is even more important in that the nature of responsibility is qualitatively different for governments than for other forms of organization. For example, although all organizations and individuals should respect human rights, only the state has the obligation and capacity to create the legal and formal institutional frameworks that enable human rights to be enforced and protected.

108. One argument for adopting a deliverable that covers all types of organizations is that it would focus on the nature of the activities undertaken rather than the type of organization that undertakes them. While it is clear that business enterprises impact significantly on society, other organizations can also impact on society. The focus should accordingly be on whether the impact is positive or negative. The counter-argument to this view is that the economic activities that have the greatest impact on society are those of profit-oriented business enterprises and that their impact is qualitatively and quantitatively different because of their wealth and power.

109. It is unlikely that there would be support for an ISO deliverable in this area that addresses other than technical issues and could impact on political processes. The nature and content of legislation and regulation can only be decided by political processes. The scope or role of the state in defining, advancing or protecting the

interests of society is also a purely political issue that would be widely considered to be beyond any legitimate ISO process. This is becoming an increasingly sensitive issue with many business enterprises as well as civil society organizations arguing that business should not assume the responsibilities of the state. Equally this does not mean that standards could not be set through stakeholder engagement that would encourage behaviour beyond minimum legislative requirements. Indeed some see this as precisely the role of CSR and while not directly addressing political processes it would be disingenuous to believe that there are not political implications.

110. In recent years, there has also been a growing interest in the transparency and governance of NGOs, particularly those that are involved in influencing public policy. Many NGOs are associated with the demands for business to be more socially responsible and concerns exist regarding the nature of their funding, their representativity and their governance structures.

111. The questions raised are similar to questions on corporate governance or on accounting and reporting practices and are less concerned with the economic, environmental and social impacts addressed by most CSR/SR initiatives. For example, as NGOs take on increasing public interest oriented functions, there have been calls for them to be subject to codes of conduct which would enhance their transparency and accountability, just as there have been calls for businesses to be subject to such codes.[76] And clearly, like business organizations, NGOs can have a similar impact on their workers and the communities where they operate as those of business enterprises, although the scale of their impacts are usually smaller.

112. Another important argument against covering all types of organizations is that the subject of CSR/SR is widely understood to be about business activity and that the interest in CSR arises out of an interest in business activity. There is little or nothing in either CSR literature, practice or in the evolution of the concept, to suggest that the subject concerns activities other than those of business enterprises. The term "corporate social responsibility" is, by far, the most widely-used. This focus is also explicit in alternative terms such as "corporate citizenship."

113. Although the origins of and catalysts for socially responsible behaviour reveal that the concept has been developed in the context of profit-oriented organizations, the concept could of course evolve. However, the current interest in social responsibility in large part arises from the increase in the power of business relative to that of governments and other institutions in society. The interest in social responsibility is also linked to questions of justice arising out of the creation and distribution of wealth, good and services. Some believe that since business activity can potentially have a greater impact on the environment, on working relations, on the general economy and on power relationships within society than the activity of any other organization. It can be argued therefore that the responsibilities and the respective roles of the different types of organizations are not sufficiently comparable to allow for similar treatment. Others are concerned that business will seek to redefine its social responsibilities by promoting the idea that these are no different from the responsibilities of other elements in society, even though they are quantitatively and qualitatively different.

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[76] See, e.g., A. Adair, *A Code of Conduct for NGOs: A Necessary Reform* (London: Institute of Economic Affairs, 2000).

114. Others hold the view that, if only businesses are covered by an ISO deliverable, the impression will be created that other entities do not have to be as concerned about their impacts on society. The concern has been expressed that business will seek to redefine its social responsibilities by promoting the idea that these are no different from the responsibilities of other elements in society, even though they are quantitatively and qualitatively different. The potential role for ISO in the area of corporate social responsibility may be affected by the perception of whether the organization is dominated by business interests. Changing the name and scope of the subject can diminish the credibility of ISO if this is seen as a way of redefining the social responsibilities of business enterprises.

115. At the same time it is worth noting that the word "corporate," as short-form for "corporations" is not in fact limited to profit-oriented enterprises but also applies to government agencies and other organizations that are not-for-profit. CSR is primarily focused on wealth-creating organizations. The implications of ISO working on a standard which is not directed to all organizations need to be considered.

1.7.2 Effect of resolving business/any organization question on nature of SR deliverable

116. Some AG members consider that the scope of CSR/SR does not depend on the resolution of this question. All organizations will, in one way or another, have to address the issues commonly identified as components of CSR/SR. CSR/SR concerns universal principles, the application of which will involve the same sorts of issues, regardless of the type of organization involved. These issues include the existence of local cultural variables, the identification of interested or affected parties, the development and application of methodologies to reduce negative and increase positive social impacts and so forth.

117. Other AG members emphasize that almost all, if not all, of CSR/SR related tools, initiatives and programmes either explicitly or implicitly concern business activity. For example, one large area would include the socially responsible investment (SRI) industry. This industry includes fund managers offering SRI funds as well as numerous other enterprises established to provide investors with information and indices concerning the "social performance" of businesses. However, similar information services and indices could also be developed to provide data on NGO and other non-business activities. This might include, for example, information on the percent of funds raised by a non-business organization spent on SR activities as compared to internal administration (overhead); the actual versus advertised impact of an organization's activities with respect to improving human rights; the employee or worker treatment policies and activities of non-business organizations, and indices concerning other "social performance" indicators.

118. There is also a view that the CSR concept involves ideas that cannot be separated from business activity. These would include ideas such as the "Triple Bottom Line" and the "business case", or financial justification for businesses engaging in social responsibility activities. On the other hand, similar concepts could also apply to non-business entities. These might involve, for example, a triple bottom line issue relating to the economic viability of non-business entities to continue

operating through their sources of funding (without regard to "profitability"), just as the economic aspect of the triple bottom line relates to economic viability for business entities to continue operating by making a profit. And one could also envisage the application of ideas similar to the "business case for social responsibility" to non-business entities. For example, every organization must provide some type of service or benefit to its stakeholders, and must justify any social responsibility activities it undertakes by showing that there is a good reason for doing them. This is exactly what businesses do for their shareholders, and the justification is in some circles referred to as the "business case". Other types of organizations have similar obligations to their stakeholders.

119. While most initiatives, programmes and practices identified with CSR/SR involve business enterprises, most NGOs, religions and charitable organizations are also involved in social responsibility activities. Indeed, this may be their primary purpose. Many "multi-stakeholder initiatives" involve the participation of both business enterprises and other types of organizations. Some argue however that while all "public-private partnerships" involve business, few CSR/SR tools, initiatives and programmes would make much sense if applied only by other types of organizations. These tools, initiatives and programmes cannot therefore be usefully considered as part of a "broader" concept. According to this view, CSR/SR cannot be redefined or otherwise evolve into a "broader concept" encompassing all types of organizations. Expanding the concept to include all types of organizations would change the character of the deliverable to something that is of less importance and completely change the priority of the process.

120. The contrary view is that expanding social responsibility concepts to include non-business organizations would create significantly more support for improving human rights and the quality of life of many more people; and that social responsibility precepts would become much more important – and much more widely applied – than if they were limited to only one type of organization. In fact, those who hold this view would argue that every organization, of whatever type, has the responsibility to honor the same basic human rights and other SR principles as they have to honor the basic environmental principles that have become part of the common framework of society. The tools and programmes for implementing these concepts will quickly evolve to encompass all organizations that participate.

1.8. Interests and Expectations of Society

1.8.1 Ensuring SR activities of organizations are consistent with the interests of society

121. One of the key challenges to addressing the area of social responsibility is that there is no single "society" that acts in a unified or uniform manner to protect its interests. Hundreds if not thousands of societies exist around the globe, each with its own value set derived from its particular history, language, religion and culture. Many societies can trace their existence back thousands of years while others originated only a few hundred years ago. While global communications networks and modern travel have vastly increased interaction between different societies, many fundamental differences remain across societies. These differences in turn lead to the development of different social attitudes and priorities.

122. Additionally, how societies are organized varies widely across the globe. Many countries have unique political structures derived from indigenous institutions. Countries vary in relation to the power of the state vs. the rights of the individual, legal systems (civil law vs. common law), parliamentary vs. executive governments, centralized vs. decentralized control, federal vs. republican sub-national structures, and free-markets vs. state-controlled economies. The ability of societies to change governments and policies through democratic processes is a critical factor in whether or not social responsibility interests can be determined and protected.

123. Such social and organizational differences make it clear that no single system exists globally by which "society" ensures that organizations operate in a manner consistent with the interests of society. In general terms, however, societies – themselves comprised of a variety of groups with varying interests – protect their collective interest through the enactment of laws. Societies, using a variety of constitutional frameworks and political processes, enact laws that reflect social norms and set minimum standards of behavior.

124. While they vary in many important aspects, most national legal frameworks address freedoms or limits on all key elements of society and often are established to meet internationally agreed standards and ratify international agreements: citizenship, suffrage, civil rights, criminal behavior, religious freedoms, commerce, education, labor rights, environmental standards, etc. Most national frameworks have also established systems of courts in which societies uphold these standards and prosecute violators.

125. However, laws and even legal frameworks have changed over time to reflect evolving or changing social values and standards of behavior: what is unacceptable at one point in time may be widely accepted later, and what is accepted now in one society may remain unacceptable in another. Indeed, changes in social values – and the corresponding changes in legal frameworks – are neither always clear nor consistent. Specific issues may be the subjects of wide social debate for considerable time before any new social consensus is codified in national law. Thus, there is usually a delay between the evolution and incubation of generally accepted social values and their codification in law, where appropriate.

126. Societies also have values developed through history and culture that result in shared expectations as to what constitutes socially responsible behavior beyond those written into law. These social values are determined and transferred through a variety of means including education and literature.

127. The issue of social expectations, therefore, does not fall completely within the realm of laws and regulations. What constitutes socially responsible behavior depends on a wide variety of factors and actors, and varies widely within and between countries. Key social institutions – governments, religious institutions, private associations, civic leaders – all have an effect on an understanding of what is acceptable behavior. Additionally, the impact of these social institutions is continuous and dynamic. As "society" does not have uniform expectations, certain elements of society may push for change before broad social consensus has been

reached on the issue, using a variety of cooperative and confrontational means to effect such change.

128. Organizations can evaluate whether their behavior conforms to social expectations and define social responsibility within the context of their own knowledge and experience. Many organizations voluntarily set standards for themselves that are not required by law. To the extent that such self-defined standards of behavior exceed legal requirements, some feel that it is appropriate for organizations to define their own SR policies and practices. However, others believe that social responsibility involves responsibility to others, and it is therefore not possible to accurately define social responsibility without reference to the views of these others. The question of "how" the views of others can be gauged can be answered in a multitude of ways. There is perhaps no single answer, and no single process, for all organizations, particularly as the expectations and interests of various groups may differ or even conflict with each other.

129. In addition, sub sets of society have developed a range of mechanisms to express their individual expectations. Components of society, including governments, are increasingly using mechanisms other than laws or regulations – codes of conduct, standards, guiding principles, procurement policies, etc. – to express their view of generally accepted behavior. Such expectations may eventually become more widely shared with other elements of society and possibly even become enshrined in law.

1.8.2 Extent to which organizations can define their social responsibilities

130. Different elements of society have different views on what is and is not socially acceptable behavior. Insofar as many of these expectations may be competing, a single set of "social expectations" cannot be defined. What can be defined is the particular views of many interested parties: the organization itself, the people and groups it interacts with, regulatory and governmental bodies, the communities in which it operates, etc. Social responsibilities are also articulated by a number of means: laws, international conventions and declarations, customs and tradition, ethics, morality, community values, fiscal incentives, taxes etc.

131. Societies as a whole do not treat all their respective elements the same with respect to their responsibilities. Clearly, where different elements of society differ on whether certain behavior is acceptable or not, they will subsequently differ on whether an organization is socially responsible or not. Just as one organization cannot set the expectations of another organization, it cannot define socially responsible behavior for other actors.

132. However, views differ on whether an organization can define socially responsible behavior for itself. One view is that (at least with regard to non-legal obligations), organizations need only meet expectations that are "defined" by the organization itself, under it's sole responsibility. This may or may not be based on agreement with affected stakeholders, depending on whether the organization chooses to involve stakeholders. In this view, organizations are responsible for their own actions and it is unnecessary or even inappropriate for someone else other than the organization to define what the responsibilities of the organization are.

133. To that extent they must be given the responsibility to define their social responsibilities themselves as well as the freedom to decide whether or not to put into place the processes needed to work with others to define their priorities and hence their social responsibility. In many ways this mirrors the feeling by many individuals that they are free to choose the voluntary social activities they will participate in based on their own interests and priorities rather than the interests or priorities of other parts of society.

134. An alternative view states that individual organizations do not have the political legitimacy to define their own responsibilities. Organizations can outline the range of issues that society may be concerned with (i.e. "social responsibility"), but they cannot define their own social responsibility by themselves because this requires prioritization based on the interests/concerns of others.

135. However an organization's knowledge may be limited, which is why the involvement of stakeholders in ascertaining expectations and hence responsibilities is a factor to be considered.

1.8.3 Extent to which governments define social responsibilities of organizations

136. Governments play a crucial role in setting social responsibilities through laws that embody the social expectations within each nation. Indeed, given the fact that most societies are comprised of many competing interests, it is critical for representative governments to balance these various interests and reach a generally accepted consensus that satisfies the majority while protecting the rights of the minority. In addition, governments can influence social responsibilities through incentive programs, fiscal policies, and other incentives. However, the ability of governments to set social expectations depends on the degree to which it accurately represents the will of the people; unrepresentative governments may well set responsibilities that conflict with social values. Further, one government's definition only applies locally or nationally, and many differ in content due to different social settings within countries. Governments also help define social expectations though international coordination with other governments.

137. But while governments set important parameters for social responsibilities, other actors also play important roles in shaping social responsibility. In cases where there is no social consensus on an issue, and thus no laws or other governmental guidelines, some elements of society will continue to include the issue in their set of expectations.

1.8.4 Extent to which non-state actors can define social responsibilities of organizations

138. Non-state actors can play a very important role in ascertaining the expectations of the community, the marketplace, and broader society. As stated above, different elements of society have different views on what is and is not socially acceptable behavior. Thus, non-state actors have and will continue to define social responsibility according to their various priorities and interests. Indeed, some hold that non-state actors always define social responsibility and that governments simply codify social expectations once broader consensus has been reached.

139. However, while most agree that non-state actors should be encouraged to participate actively in local SR promotion activities, there is continued debate regarding whether all non-state actors – interest groups, enterprises, consumers, trade unions, investors, etc. – have equal standing in defining social responsibility.

1.8.5 Extent to which social responsibilities are defined locally, nationally, regionally

140. This is a central question on which there is currently no consensus. Even basic expectations such as respect for human life (e.g. by abolishing the death penalty) may not be universal. Even internationally agreed principles, such as those contained in UN documents are not universally applied. Further, various and different responsibilities are defined at all levels.

141. Some hold that the full range of social responsibility can only be defined locally. This view states that responsibilities concerning issues such as treatment of workers, treatment of the environment, treatment of the community, or treatment of consumers would vary somewhat, depending upon the level of economic and social development, as well as cultural and religious conditions and other factors. These responsibilities can usefully be gauged against norms set in documents agreed to by the nations of the world such as those of the UN and UN/ILO. Thus action in any one place may be different from any other, embodied in the expression "think globally and act locally".

142. This issue is complicated by the challenges of identifying social responsibilities, prioritizing them, and defining how to respond to them. Additionally, one can identify different categories of social responsibility: universal expectations that must always be addressed regardless of the national/local circumstances (e.g. torture); universal expectations that can be addressed in a variety of ways depending on the national/local context (e.g. child labor); and non-universal expectations that are defined at the national/local level consistent with the relevant context.

1.8.6 Extent to which universally applicable expectations or norms define social responsibilities of organizations

143. Over the years a number of international instruments have been adopted by multilateral bodies that led to set of universally accepted norms and principles. Examples of such instruments include the Universal Declaration on Human Rights, ILO Conventions and other instruments, and similar international agreements. However, even these universal norms and principles are implemented in different ways from one country to the next depending on the form of government or social priorities.

144. Some take the view that universal expectations set through international forums are the basis to any international consideration of SR and should set the benchmark for local action. This view states that organizations should adopt lesser standards of conduct from these expectations only if they can demonstrate that appropriate stakeholders want them to.

145. Others state that international declarations can only be applied according to local or national conditions and cultural traditions. According to this view, internationally agreed documents should be considered as another set of expectations, along with those of all other stakeholders, although account also needs to be taken of the fact that some governments, while referring to internationally agreed norms and principles, show no evidence of having any intention of implementing them domestically.

1.8.7. Relationship between diversity of expectations/norms and SR

146. There is a large diversity in expectations depending on different local priorities, and this diversity allows common understanding on an abstract level only. SR practice must take into account diversity and local contexts, which means that a "one-size-fits-all" approach is not possible, feasible or practical. . However, some members point out that international experience has shown that principles, guidelines and criteria can be agreed at the international level given sufficient stakeholder involvement. Actual interpretation and implementation of those principles, guidelines and criteria can then be done at a local level with local stakeholder involvement.

147. For the most part, organizations attempt to live up to what they believe are the expectations/norms of those with whom they interact. When they stray from this credo, they risk negative reactions. Although there is a diversity of norms, not all are applicable or always applicable.

1.9. Voluntary versus Legally-Mandated Activities

1.9.1. Does SR only pertain to voluntary activities/commitments of organizations?

148. The issue of whether social responsibility concerns only voluntary activities or whether it also concerns legal obligations is a critical factor in understanding the development and complexity of the issue. For the purposes of this report, voluntary SR activities or commitments are those which are not legislatively required. Social responsibility is often divided into two general spheres: preventing or minimizing harm on the one hand, and maximizing benefits on the other. By their very nature, legal frameworks tend to address the former. Legislation and regulations set minimum standards of behavior for individuals and organizations (both public and private), "floors" below which no one is permitted to fall. Legislation and regulation defines what actions are deemed harmful to others (fraud, corruption, theft, etc.) and prohibit them. At an absolute minimum, all actors in society, individuals, organizations and governments are required to comply with the laws and regulations of the countries and jurisdictions in which they operate. Failure to do so may result in exposure to civil and/or criminal penalties.

149. In contrast, social responsibility can include aspirational objectives – maximizing the positive activities and impacts of an organization. These actions include the many voluntary actions undertaken by organizations designed to benefit society and come in a wide variety of forms: philanthropy, community development, voter registration drives, adoption, mentoring, etc. While some local and national laws have been developed in these areas, they normally provide incentives for individuals or

organizations to undertake such actions but do not punish those who do not. Rather than setting a floor, this aspect of social responsibility relates to raising the ceiling of what is possible and expanding the number of people or organizations engaged in such activities.

150. Thus, social responsibility includes elements related to both legal obligations and voluntary actions.

1.9.2. Relationship between SR activities/commitments and those arising from legally binding obligations

151. As noted above, all individuals, organizations and governments are required to comply with the laws and regulations of the countries and jurisdictions in which they operate. The most basic responsibility of citizenship is compliance with the law. Thus, social responsibility is inconsistent with non-compliance with legal obligations.

152. However, there is disagreement on an important aspect of the question of whether social responsibility relates to both legal obligations and voluntary actions or not. One view states that there are only two options; either something is legally binding and thus not voluntary, or it is not legally binding and thus is voluntary. If an action or activity is prevented or mandated by law, it is not voluntary and all individuals and organizations that fall within the scope of the law must comply. Alternatively, if an action or activity is not prohibited or proscribed by law, individuals and organizations may voluntarily chose to engage in such activity or not based on their own judgment and discretion. Another view states that there are three options. In addition to voluntary and legally binding actions there exist obligations and expectations concerning behavior that society sets in non binding instruments and customs that are always applicable and therefore not really optional. "Applicable" in this sense means that it would be fair, legitimate or appropriate for anyone to assert or otherwise maintain that a specific individual or organization behave in a way consistent with the non binding expectation even where the individual or organization has not accepted or recognized the obligation to do so. For example the OECD Guidelines are not dependent on the acceptance by individual companies for their provisions to be applied to these companies or to be considered legitimate public expectations with respect to the behavior of all companies falling with the scope of this instrument.

153. Whether international law is binding on non-state actors and under what circumstances depends on the context of the law, as well as national laws and constitutions which determine the effect of international in domestic contexts. One view holds that there are three options: that between legal obligations and voluntary actions exist a set of "non-legally binding" norms that, while not established in law, derive standing and legitimacy from the processes that developed them, mainly at the international level. This view holds that such non-legally binding instruments are not voluntary even when they are not codified in law. Examples of such non-legally binding instruments include many internationally agreed documents that seek to set out a global consensus on a particular subject or issue.

154. Those that state there are only two options note that all international agreements, even when they are legally binding, only impact private actors when they are implemented and enforced through national laws. Different states may implement the

same international agreement using very different national laws and institutions. Thus what is legally-binding can only be defined relative to a particular country and not by the underlying international convention. This is even more applicable when the international document is not legally-binding, as such documents leave considerable – indeed infinite – room for interpretation and flexibility at the national level.

1.9.3. Relationship between SR and the institutional/legal framework

155. Social responsibility has a clear link to legal frameworks and institutions. Additionally, some important aspects of what is currently considered social responsibility are directly related to the inability or unwillingness of governments to implement and enforce their own laws and regulations.

156. The vast majority of countries around the world have constitutions and laws that cover most major elements of citizenship: human rights, civil rights, environmental protection, labor rights, anti-corruption, etc. However, many countries lack the capacity to implement and enforce these laws effectively or consistently. This lack of action or inability to act by governments has had a major impact on the evolution of social responsibility in the form of the development of non-governmental initiatives to ensure or encourage business partners to comply with laws.

157. Some of the most notable examples of such programs are the supply chain management initiatives in the textile/apparel and toy industries. Faced with a situation where many suppliers are based in countries with few resources to effectively implement and enforce existing national laws, customers have instituted extensive programs for private auditing of suppliers against national labor and environmental laws. Other examples include anti-corruption programs designed to identify and prevent solicitations of bribes.

158. Where there is adequate capacity in public institutions, government enforcement and legal liability tend to ensure a certain level of compliance with national laws so that individuals and private organizations can assume that other organizations are in compliance with the law. And should these other organizations be in violation of laws, it is organs of the state which bear the primary burden of ensuring that legal compliance is achieved, not private actors.

159. Thus, the effectiveness and capacity of the legal framework in a given country is a primary determinant of what will and will not constitute social responsibility in that country. In countries with weak institutions, limited capacity to enforce laws, or official corruption, non-governmental programs to ensure conformity with national laws may be particularly useful.

1.9.4. Relationship between purely private SR initiatives/activity and that taking place pursuant to legal/institutional frameworks

160. A very clear distinction should be made between the appropriate role of the state and what should be the role of private actors. A critical function of governments is to establish, implement and enforce national laws. Government cannot shift these responsibilities to private actors that have neither the mandate nor the democratic processes required for that role.

161. The role of private organizations is to comply with all relevant legal requirements and engage in additional voluntary actions that they deem appropriate . . However there are examples where initial voluntary action has led to regulation -- health and safety standards in European countries being one example.

1.9.5 Effect of resolution of legal/ non-legal SR debate on scope of SR deliverables

162. If SR only addressed voluntary activities, the overall categories of SR would still be the same (e.g. human rights, workplace issues, environmental behaviour, business practices, and so forth). However, these categories would only apply to responsibilities beyond legal obligations in the particular jurisdiction involved. Of course, legal obligations vary from jurisdiction to jurisdiction, so the voluntary activities in each category would also vary. Thus, it seems that the overall scope of an organization's responsibilities would be the same, whether or not SR principles included legal obligations.

1.9.6 How does society ensure that the SR activities of enterprises or organizations are consistent with the interests of society?

163. Societies, comprised of a variety of groups with varying interests, protect their collective interest through law. Societies, organized as nation-states, have developed a variety of constitutional frameworks and political processes for the purpose of establishing laws that reflect social norms and set minimum standards of behavior. Laws and legal frameworks change over time to reflect changing social values and standards of behavior. While they vary in many important aspects, most national legal frameworks address all key elements of society: citizenship, suffrage, civil rights, criminal behavior, religious freedom, commerce, education, labor rights, environmental standards, etc. Most national frameworks have also established systems of courts in which societies uphold these standards and prosecute violators.

164. However, changes in social values – and the corresponding changes in legal frameworks – are neither always clear nor consistent. Specific issues may be the subject of wide social debate for some time before any new social consensus is codified in national law. Thus, there is usually be a delay between the evolution and incubation of generally accepted social values and their codification in law, where appropriate.

165. The issue of social expectations, therefore, does not fall completely within the realm of law and legal standards. What constitutes socially responsible behavior depends on a wide variety of factors and actors, and varies widely within and between countries. Key social institutions – governments, religious institutions, private associations, civic leaders – all have an effect on an understanding of what is acceptable behavior. Additionally, laws can not effectively apply different requirements on behalf of different parts of society (i.e. consumers, employees, suppliers). As "society" does not have uniform expectations, certain elements of society may push for change before broad social consensus has been reached on the issue, using a variety of cooperative and confrontational means to effect such change. Thus an organization may be in full legal compliance but still be not meeting the

social expectations of all elements of society.

166. Organizations can to evaluate whether their behavior conforms with social expectations and define social responsibility within the context of their own knowledge and experience. Many organizations voluntarily set standards for themselves that are not required by law. To the extent that such self-defined standards of behavior exceed legal requirements, it is appropriate for organizations to define their own CSR policies and practices. However, by its nature, social responsibility involves responsibility to others. It is therefore not possible to accurately define social responsibility without reference to the views of these others. The question of "how" the views of others can be gauged can be answered in a multitude of ways. There is perhaps no single answer, and no single process, for all organizations, particularly as the expectations and interests of various groups may differ or even conflict with each other.

167. In addition, sub sets of society have developed a range of mechanisms to express their individual expectations. Components of society, including governments, are increasingly using mechanisms other than laws – codes of conduct, standards, guiding principles, procurement policies, etc. – to express their view of generally accepted behavior. Such expectations may eventually become more widely shared with other elements of society and possibly become enshrined in law.

1.10 Relationship between SR and development

168. In the context of corporate social responsibility, the concept of "development" is mainly associated with developing countries and countries in transition, but in fact even so-called "developed countries" engage in significant efforts to encourage "development" in regions considered to be disadvantaged. It is important, therefore, to recognize at the outset that "development" is an elastic and variable term, likely to vary from one context to another, and that perspectives of local stakeholders are of critical importance with considering CSR and "development". All enterprises wherever they operate should be sensitive to local customs, views and concerns. Implementation of CSR approaches without consideration of local needs and perspectives could have negative impacts on local communities.

169. Widespread poverty in many countries exacerbates the difficulties faced by governments in attempting to devise appropriate solutions that protect the public interest. In addition to problems associated with poverty, some governments may also have longstanding issues concerning historical legacies, dependence of economies on single industry and lack of financial resources, all of which may put them at a particular disadvantage in terms of government capacity to effectively regulate in the areas of environmental, labour, human rights and consumer policy, as well as to provide health security and education services.

170. Businesses cannot and should not be expected to take on the role of governments in protecting the public interest, and in providing the legal frameworks to ensure the health, education and security of citizens. But through their practices and activities, businesses – particularly those that operate in many jurisdictions and can therefore exercise leadership based upon their broad experience – can contribute to the social,

economic and environmental advancement/improvement of communities in which they operate. This point is enshrined in one principle of the Caux Round Table:[77]

> Businesses established in foreign countries….should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalization of the countries of the in which they operate. Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications.

171. Placed within the context of development goals and objectives, CSR activities can affect the formulation and application of particular standards will affect the distribution of costs and benefits among companies, industries and countries. Firms need to be careful to avoid imposing particular substantive requirements on communities who do not wish them. As has been noted earlier, CSR/SR activities need to be sensitive to and respectful of local laws, cultures and concerns, and in this regard dialogue or engagement with local stakeholders can play an important role. An internationally agreed-upon framework for integrating social, environmental and economic responsibilities could give firms guidance without pre-determining the substantive obligations that a firm must meet. In this regard, guidance concerning local stakeholder engagement could be particularly important. *:* The ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy already provides ample guidance in this respect, encouraging multinational enterprises to work closely with domestic enterprises, local government and workers' organizations to improve the situation in the areas of employment, skills development, working conditions (particularly occupational safety and health) and industrial relations.

Section 2 – Issues related to standardization of SR

172. The first section provided an overview of issues related to the concept and evolution of SR. This section focuses on issues relating to SR standardization and, in particular, international SR standardization. It will start by discussing the different types of initiatives that are variously referred to as codes, guidelines, standards and norms (section 2.1). It will then present a range of issues related to whether international SR standardization is needed (section 2.2), providing a framework for assessing whether international SR standards are needed, and will then consider a range of themes, including: an overview of the types of SR standards being developed; a discussion of whether SR standardization and international standardization is feasible or desirable; the kinds of problems that an international SR standard could solve or create; and the possible content of an international SR

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[77] The Caux Round Table is a network of leading businesses from developed and developing countries, which has developed its business principles as a foundation for dialogue and action by business and leaders worldwide. See www.cauxroundtable.org

standard. Section 3 will then focus on whether ISO has the capacity to undertake work on SR deliverables.

2.1 SR and the field of Standardization

173. ISO's field of work has traditionally been limited to technical standards and test methods for products, with ISO using the term "standard" to refer to a specific technical "deliverables". In the field of SR, however, the terms "standardization" and "standard" are used by many other organizations to refer to a wide variety of different types of SR instruments and initiatives, including norms, guidelines, codes of conduct and partnerships. Most of these instruments and initiatives are quite different in nature and scope from ISO standards. As a result, people outside of the ISO community have expressed concern over the possibility that ISO might get involved in areas of SR standardization since they consider that ISO does not have either the competence or legitimacy to address the whole range of SR issues. It is therefore important for ISO to recognize this difference and not to become engaged in areas that it cannot and should not be. Similarly, parties external to ISO must also be made to understand that, when ISO considers its possible role in the area of SR, most of the ISO community is not referring to engagement in areas beyond its competence.

174. To avoid any misunderstandings in Section 2 an attempt is made to outline the different types of SR standards and initiatives that have been developed. For the purposes of this report we have differentiated between two main types: those that define what it means to be socially responsible; and those that address a specific problem. There are a number of different criteria and methods for categorizing SR instruments and initiatives but none is perfect and none are completely distinct. While there is a degree of overlap between these two categories, one of the key perspectives through which the differences can be assessed is their development process.

2.1.1 Standards that define social responsibility

175. The first broad category of SR standards defines what it means to be socially responsible, and includes two basic sub-sets:

176. a) Governmental and inter-governmental standards that are developed through representative processes and that define what it means to be socially responsible by setting universally applicable substantive performance expectations, guidance or requirements. At the intergovernmental level, this includes instruments such as the ILO Conventions and other instruments, the UN Universal Declaration of Human Rights, and the UN Convention on Biological Diversity. Other intergovernmental instruments include the OECD Guidelines for Multinational Enterprises. At the national level, this includes national and sub-national laws and regulations.

177. Some of these instruments are developed to be implemented at the national level through domestic legal frameworks and the creation of national institutions. This is the case for most of the ILO and UN Conventions on economic, environmental and social issues. Others, such as the OECD Guidelines for Multinational Enterprises are based on existing national regulations but outline a list of common expectations across different countries. Probably the most important instrument of this type for SR

purposes is the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Adopted on a consensus basis by the ILO's Governing Body where governments, employers and workers are equally represented, it sets out universal social expectations that are directly applicable to business. It is also useful to recall here that the ILO is the only intergovernmental body that was created specifically to develop international labour standards.

178. b) Private standards developed by non-governmental bodies that also set out socially responsible expectations, which may or may not be based on existing governmental and intergovernmental standards. In most cases, these private standards prioritize a selective set of existing governmental or intergovernmental standards that are applicable to a specific sector or range of activities. In others, they prioritize and set guidance or requirements that go beyond the existing governmental and intergovernmental standards, or complement existing requirements, e.g. the ICC Business Charter for Sustainable Development. In some cases they redefine or reinterpret standards for various reasons including to make compliance less burdensome or easier. Some of these types of standards are general statements designed to be applicable to and adopted by the organizations that develop the standard, e.g. the Caux Roundtable Principles. Others are designed to set socially responsible expectations for other organizations. This is the case for the many different supply chain codes such as FSC, SA8000 and FLA. The latter often include certification and accreditation processes, and some also integrate management system requirements similar in nature to existing ISO 9000 and 14000 standards. In other cases, the standards are used to guide other kinds of commercial decisions, such as the criteria on which assessments are made for the Dow Jones Sustainability Index or FTSE4Good Index.

179. While many of the private bodies that develop this type of SR standard include broad participation by diverse interests, they do not have the same legitimacy as the standards set by intergovernmental bodies. The Global Compact is a special case, in that it consists of a set of universal principles covering human rights, labour and environment, derived from existing international instruments adopted by intergovernmental bodies. Generally, though, the competence and legitimacy of a body that defines substantive social expectations is intricately linked to the process through which the standards are developed. While many private bodies base their requirements on existing governmental or intergovernmental standards, they cannot legitimately create new substantive standards. In addition, there is a danger that these bodies may "pick and choose" among, or interpret, governmental or intergovernmental standards in such a way that reduces or obscures their full scope.

180. While it has broad national body membership, ISO is not an intergovernmental organization and therefore cannot define on its own substantive expectations in the area of social responsibility. At the same time, ISO must recognize and respect the legitimacy and competence of existing bodies that have been setting SR standards for many years or decades - in particular the ILO and other UN bodies. There is a delicate balance that must be maintained between recognizing and promoting the existing, universally applicable standards for SR, while not reducing or obscuring their intent, scope and applicability. At the heart of efforts to reach a balance in this area is the need to ensure that standard-development processes reflect the nature of the subject matter. ISO's processes are addressed in Section 3 of this report.

2.1.2 Standards that address specific problems

181. The second broad category of SR standards includes those that are developed to address a specific problem. There is a large degree of overlap between this category and the private standards and initiatives described above. Some of the problems that SR standards address are very specific – for instance, the Fair Trade labeling organizations address the imbalance in global supply-chains and seek to ensure that farmers in developing countries receive a fair price for their products. In some instances, the specific problem that is addressed by SR standards is the credibility of an organization's SR-related claims. For example, the SA8000 standard was developed along with certification and accreditation processes to help organizations to demonstrate their SR and the SR of their suppliers in a way that could be deemed credible by consumers and stakeholders. The AA1000 and AS standards were also developed to address issues of accountability and credibility.

182. Many of the standards that address specific problems are dependent on the substantive SR standards developed by intergovernmental or governmental bodies, although many also go beyond them. Others do not integrate any specific requirements. The GRI, for instance, outlines a commonly accepted SR reporting framework that helps address the problems created by multiple enquiries for SR-related information, credibility of SR claims, and the specific needs of the investor community. While GRI recommends reporting against specific indicators, it does not set substantive performance expectations - leaving it up to the organization itself to decide on these.

183. Other types of SR standards address more general management problems, or are intended to help an organization to operationalize the SR expectations defined by other standards processes. These standards tend to be more process-oriented, and focus on helping build an organization's capacity to understand and manage SR issues. For instance, the ISO 14000 Series of standards are all process standards that an organization can use to improve their environmental management systems, environmental performance evaluations, development of ecolabels, or assessment of the impacts of its activities across the full life-cycle of the product or service.

184. While these standards address a wide diversity of different problems, none of them seek to develop new substantive requirements that define when an organization is, or is not, socially responsible. Many of the standards and initiatives that address general management issues do not incorporate any substantive SR performance requirements; those that do generally incorporate substantive requirements that already exist in governmental or intergovernmental standards. Because ISO is not an intergovernmental body and therefore lacks the legitimacy and competence to define in substantive
terms the SR of organizations, it is in this latter category of SR standards that ISO could become engaged

2.2 Are International SR Standards Needed?

185. While it is often asserted that any international standardization of SR should be avoided if it results in fewer or less comprehensive regulations, there are also a range

of opinions on how the costs and benefits of international SR standardization should be assessed. For some, it should be assessed in the same way as any other type of international standardization. For others, SR is a pubic policy issue and therefore the opportunities and threats posed by international SR standardization should consider the overall public policy objective. This section will provide some background to these two different perspectives, and present some of the different positions for and against international SR standardization.

2.2.1 The Standardization Policy Perspective

186. When ISO was created in 1947, its objective was essentially to provide recommendations to its members aimed at harmonizing national standards. For the first 25 years of its existence, the results of ISO's technical work were published as ISO Recommendations. It was only in the early 1970s that ISO began to publish its own International Standards, which coincided with the beginnings of the expansion of international trade.[78]

187. The early history of ISO was associated primarily with the harmonization of national standards, and so from the perspective of standardization policy, a costly and unnecessary proliferation of standards is still seen by many as the strongest justification for the development of international standards. Some members of the AG believe that an unnecessary proliferation of SR standards is the most important criteria for assessing the need for international SR standardization. Others highlight that ISO has recognized that there are other criteria for justifying the development of international standards, and that international standardization is sometimes the first locus for new standardization activity.[79] They note that while proliferation of national, regional, and other standards is still an important criterion, it is not the *only* one. They recommend considering other criteria under which international SR standards might be justified.

2.2.2 The Public Policy Perspective

188. Some AG members believe that the most important concern when addressing the need for international SR standardization is whether they can help to promote more and better SR. They note that, while there may be appropriate and inappropriate definitions of SR, and reasonable and unreasonable expectations, generally speaking, the promotion of SR is an important public policy objective. As highlighted in WSSD Plan of Implementation[80], it is increasingly being recognized that standards and other voluntary initiatives can play a role in promoting public policy objectives.

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[78] Smith, Mike 1998; "You know ISO...but what are PAS, TS and ITA?"; in ISO Bulletin, November 1998, p. 12.

[79] For example, in an article outlining ISO's range of deliverables, Mike Smith, the Secretary of ISO's Technical Management Board (TMB), writes: "By the early 1980s, it was starting to be accepted that ISO standards had their own validity in the market place and by the latter part of the decade we saw the first signs of what has come to be known as the globalization of markets. Not only were ISO standards starting to establish their own validity in the marketplace, but in many instances ISO was being asked to prepare the first standards on particular topics, and was consequently moving away from its original mission of harmonizing national standards." Smith, Mike 1998; "You know ISO...but what are PAS, TS and ITA?"; in ISO Bulletin, November 1998, p. 12.

[80] Insert reference to paragraph 17(?), which refers to ISO.

189. The WSSD Plan of Implementation represents the most up to date statement by the international community on the role of SR in promoting sustainable development. Key paragraphs include[81]:

190. 18. [Call upon governments to] Enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to:
   a Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization (ISO) standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development;
   b Encourage dialogue between enterprises and the communities in which they operate and other stakeholders;
   c Encourage financial institutions to incorporate sustainable development into their decision making processes;
   d Develop workplace-based partnerships and programmes including training and education programmes.

191. 49 [Call upon governments to] Actively promote corporate responsibility and accountability, based on Rio Principles, including through the full development and effective implementation of intergovernmental agreements and measures, international initiatives and public-private partnerships, appropriate national regulations, and continuous improvement in corporate practices in all countries. (Paragraph 45ter)

192. 140(f) Promote corporate responsibility and accountability and the exchange of best practices in the context of sustainable development, including, as appropriate, through multi-stakeholder dialogue, such as through the Commission on Sustainable Development, and other initiatives;

193. The Johannesburg Declaration on Sustainable Development also includes the following paragraphs:

194. 27. We agree that in pursuit of its legitimate activities the private sector, including both large and small companies, has a duty to contribute to the evolution of equitable and sustainable communities and societies.

195. 29. We agree that there is a need for private sector corporations to enforce corporate accountability, which should take place within a transparent and stable regulatory environment.

196. ISO's Strategic Vision is consistent with the WSSD vision for voluntary SR standardization. In its recently published document, "ISO Horizon 2010 – Standards for a sustainable world; Consultations to update ISO's strategy for 2005 – 2010", ISO outlines several new challenges that it must respond to, including:

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[81] Taken from: Royal Institute for International Affairs (RIIA), 2004; "Following up the World Summit on Sustainable Development Commitments on Corporate Social Responsibility", Interim Report by RIIA Sustainable Development Programme, www.riia.org.

150.   "the urgency of a responsible approach to sustainable development, covering economic, social and environmental aspects, where all actors in society have a role to play and all companies and organizations have new commitments to make, as underlined at the World Summit on Sustainable Development held in Johannesburg in 2002;" (Page 2)

197. Some AG members have noted that there are two basic ways to get organizations to undertake more or better SR. First, by helping organizations to understand SR and implement it more easily; and second, by finding ways to link SR with economic incentives. They point to possible roles for standards under each approach, while at the same time noting that standardization of some elements of SR would be counterproductive. Other AG members point out that, while standardization may help promote SR, it is not clear why *international* standardization is needed. They suggest that there is little evidence that the existing national, regional, sectoral and issue-specific standards and voluntary initiatives are not working.

2.2.3 Summary: a framework for assessing the need for international SR standards

198. When considering the need for international SR standardization it should be noted that there are at least two different perspectives that each approach the issue in different ways. From the perspective of standards policy, the benefit of international SR standards would be most obvious in a situation where there is a proliferation of national, regional and other standards – and where this proliferation created more costs than benefits. From the perspective of public policy, the benefit of international SR standards is related more to their value in promoting more and better voluntary SR actions, including by helping organizations to more easily undertake SR actions; and by creating links between SR actions and economic incentives.

2.2.4 Is there an unnecessary proliferation of SR Standards?

199. As outlined in Section 2.1, there is a great diversity of CSR initiatives with a wide variety of objectives and characteristics, including management systems, reporting frameworks, international norms on labor and human rights, and sector and company-specific codes of conduct, just to name a few. They have also been developed by a wide range of bodies, including NGOs, industry associations, national standard bodies, governments, intergovernmental organizations, and multi-stakeholder coalitions.

200. The different types of SR instruments that exist on all of these issues presents a problem for anyone considering whether there is a proliferation of SR standards: what to include in the count? Some AG members believe that limiting the analysis to consider only the SR-related initiatives approved by ISO and its member bodies would seem to ignore the majority of SR initiatives, and underestimate the proliferation. Others believe that the designation of "standard" is less important than the impact that the initiative has, and therefore suggest that it would be advisable to focus on where there seems to be an overlap or proliferation of different SR initiatives, and assess costs and benefits of proliferation on this basis. Others have also pointed out that proliferation is not the only risk – that incompatibility,

inconsistency and incomparability should also be reduced particularly if public confidence in standards is to be maintained.

201. Two additional caveats should be added at this stage. First, as some AG members have noted, international standardization is not the only way to reduce the costs of proliferation. Technical equivalence agreements, although rarely negotiated, are also a mechanism for promoting harmonization and reducing the costs of proliferation. Others suggest that, given the failure of technical equivalence agreements to date, this is an unlikely solution.

202. Second, some AG members have notes that not all SR initiatives have the same approach or objective. They advocate for taking a more nuanced approach, and distinguishing between different types of initiatives when considering whether there is a proliferation. They claim that, while 100 separate SR initiatives might not in itself suggest that there is a problem of proliferation, 100 separate SR initiatives focused specifically on the forestry sector probably might suggest that a problem exists. The next section will present an overview of the AG's discussions on the differences between types of SR initiatives. While it is not in the remit of this report to provide a comprehensive methodology for categorizing different types of initiative, it is nonetheless worth noting some key characteristics. Generally, SR initiatives can be distinguished on the basis of a) the nature of their guidance and/or requirements; b) their focus; and c) their objective. These are not exclusive categories, and most SR initiatives exhibit a combination of characteristics from each of these categories.

2.3.1 The Nature of the Guidance or Requirements

203. The first distinction highlighted by the AG's discussions is based on the nature of the guidance and/or requirements contained in the initiatives. Most SR initiatives exist along a continuum between two poles. At one end are initiatives that seek to define "substantive requirements". These initiatives can contain a combination of general guidance – often in the form of "Principles" – and specific requirements, criteria and indicators that must be used and complied with. While they can include process-based requirements, they generally tend to be more focused on performance outcomes.

204. At the other pole are initiatives that develop "tools" that help organizations implement substantive guidance or requirements. These help with the mechanics of SR – such as reporting, stakeholder consultation or management systems – and, at the extreme, do not contain any guidance or requirements related to "ethical standards". ISO 14001 is a good example of this latter type of initiative.

205. In reality, most SR initiatives lie somewhere in between these two poles and contain both "substantive requirements" and "tools". While some SR initiatives are only limited to "tools", almost all of the existing SR initiatives contain substantive requirements. As suggested by Part 1, the SR initiatives developed by ISO's member bodies tend to follow more of a pure "tools" approach, and have relatively fewer substantive requirements than non-ISO initiatives.

2.3.2 The Focus of the Initiative

206. The second distinction identified in the AG's discussions is based on the focus of the initiative. There are at least four different foci for SR initiatives, including:
    i)   state or non-state;
    ii)   geographic;
    iii) sectoral; and
    iv)   issue-based.

207. There is a large number of international instruments that concern SR addressed at State actors. These are intended to guide the development of national policies or national regulatory frameworks; although some AG members have noted that some international norms, such as the UN Declaration of Human Rights, are recognized as being directed to all parts of society, including private, non-state actors. Others note that international agreements do not impose obligations on their own, but only through the domestic legislative process – which often provides a degree of flexibility to accommodate for unique national economic, environmental or social characteristics.

208. Some AG members have stated that the comparison of SR initiatives developed through the UN with other SR initiatives developed by industry associations or civil society is dismissive of the fundamental legitimacy and competence of UN bodies. Others note that many organizations have very little awareness of the UN's Agreements, and some countries have not ratified or implemented their requirements. Others still claim that this is largely immaterial to the discussion because a small exporter is not likely to care if the source of a supply-chain requirement is a UN Agreement, a domestic law or an NGO-based initiative: what may matter most is that compliance with the standard has become an economic imperative: they have to comply with it to continue to stay in business.

209. Some AG members have noted that the application of many issue- or sector-specific SR initiatives is not limited by geography, even when they have been developed within a specific country or region. Rather, the limit of applications is defined by the commercial relationships that integrate the SR initiative. An example of this is supply-chain requirements. Some AG members have underlined the need to ensure that standards are appropriate to the context in which they are applied, and have suggested that SR requirements developed in OECD countries are not necessarily suitable for application in non-OECD countries. Because many types of SR initiatives reach across borders, while there may not be a proliferation in "source" countries, their may be a proliferation in "destination" countries.

2.3.3 The Objective of the Initiative

210. The third distinctive characteristic discussed by AG members is the objective of the SR initiative recognizing that the overarching goal of all SR initiatives is to improve social and environmental performance. For the purposes of this working report, these have been grouped in two general categories:
    a) Defining the terms of commercial relationships; and
    b) Building internal capacity to manage SR.

211. AG members have noted that some SR initiatives seem primarily intended to help parties engage in commercial activities (e.g. buy and sell goods, raise capital,

negotiate contracts). This is a widely recognized role for standards and for international standards in particular. For example, the ISO standards for paper-size make it easier for buyers to communicate important compatibility specifications to producers of photocopiers, printers and fax machines. From the SR-perspective, and as illustrated in Part 1, a growing number of commercial relationships are increasingly being defined by SR issues. Examples of these sorts of commercial relationships include public procurement policies, supply-chain requirements, criteria required by institutional and private investors; criteria required by public export credit and investment assurance bodies; and others.

212. While AG members note that there is not enough data available on which to base firm conclusions, it seems that, at the moment, most of the SR initiatives that include performance requirements are being used to define the terms under which commercial relationships are conducted – and therefore the terms under which economic rewards will be granted. A central objective of many of these initiatives is to promote informed consumer choice in the marketplace. Of these, perhaps the most pervasive is the use of codes of conduct as market segmentation tools (i.e. final consumers) or in supply-chain requirements (i.e. public and private procurement policies). A central question, then, is: Does a proliferation of SR codes of conduct and standards create the barriers to market access in the same way that technical standards do?

213. The evidence on this is mixed. While some companies raise the alarm about the proliferation of SR supply-chain requirements and the threat of increasing costs and barriers to market access, most of the evidence to date is anecdotal and difficult to quantify. Two recent studies, however, by the ILO and the World Bank, have concluded that there are problems associated with the proliferation of supply-chain requirements, but that the root cause is not an inconsistency between the substantive requirements, but rather the fact that different codes have different proprietary conformity assessment procedures. While there may be a number of ways to reduce the cost of multiple conformity assessments, some AG members note that one possible solution would be to harmonize the standards for which the different conformity assessments are designed to assess compliance. They note that, if there are few inconsistencies between these different codes or standards, the rationale for harmonization would be relatively strong. Other AG members state that there does appear to be costs associated with the proliferation of requirements, above and beyond the costs associated with multiple conformity assessments.

214. There are a wide range of issues relating to the use of SR initiatives to define the terms of commercial relationships that are just not well-enough understood. As a result, there is no consensus among the AG on whether there is an unnecessary proliferation. Some AG members note that – because of the differences between the priorities and implementation of SR in different sectors and countries – there may always be a need for different SR initiatives. Others assert that it is possible to provide flexibility while promoting more harmonization, and that an international template standard could help. A comparison of the existing initiatives, their requirements and their conformity assessment procedures, would be needed before any firm conclusions are drawn.

215. A second category of objective discussed in the AG is initiatives which aim to build internal capacity to manage social responsibility. There seem to be two sub-sets

of this category: a) management tools; and b) awareness raising tools. Management tools include reporting frameworks, management systems, performance evaluation and auditing tools. Management tools help organizations to implement their own conception of SR, but they do not usually provide substantive SR requirements or guidance. Awareness-raising tools, on the other hand, seek to inform and educate organizations on the substantive elements of SR, including prioritization. While there are few purely awareness-raising SR initiatives, many exhibit this characteristic. For example, the Global Compact, which raises companies' awareness through its 9 Principles, could be considered an awareness-raising initiative. Some AG members, however, have expressed concern that, even though they do not require specific SR performance, some of these capacity-building SR initiatives are mis-represented as implying good performance on SR issues.

2.3.4 Summary: Different Types of SR Initiatives

216. The intention of this section was to provide and overview of AG discussions on various different types of SR initiatives and to provide a rudimentary framework for distinguishing between some of the main characteristics. These issues were presented in the context of whether or not it is possible to determine of there is a proliferation of SR initiatives. On the whole, there is no consensus in the AG on whether or not there is an unnecessary proliferation, although there seems to be a general agreement that any assessment of proliferation must be approached in a more nuanced way, and should distinguish between, among other things, the nature of the requirements contained in, the focus of, and the objective of existing SR initiatives.

217. There are a number of other broad trends that can be drawn from this analytical framework, although care should be taken not to treat these as conclusions. More detailed information is needed before any firm conclusions can be made.

218. First, it would appear that, whether or not it was the original intention, a majority of existing SR initiatives are being used to define the terms of commercial relationships. This trend is perhaps most obvious in the case of supply-chain requirements, which are increasingly integrating sustainability and SR criteria. Some AG members believe that this suggests that any SR initiative should be developed with a careful concern for the potential impact it has on commercial relationships.

219. Second, it would appear that the least prevalent type of SR initiative is the development of management tools that have no substantive requirements at all, although this seems to be the focus for most of the SR standards being developed by ISO's member bodies. Whether this should be taken as indicative of a need for more work in this area or, alternatively, that this type of SR initiative is relatively less needed cannot be determined on the basis of this report alone, and opinions amongst the AG are split. Some AG members have thought it noteworthy, however, that there seems to be a correlation between the scope and detail of specific performance requirements and the degree of multi-stakeholder involvement in the development process. Others believe that many multi-stakeholder initiatives that do not include strong industry tend to lack market relevance and support.

220. Third, it would appear that the nature of the requirements or guidance in an SR initiative plays an important role in defining how it can be used. For example, it

would appear that the stronger the link between the initiative and SR performance, the more likely that it will be used to define commercial relationships. Some AG members suggest that, as the growing importance of SR reporting – including GRI – in the financial community demonstrates, this does not mean that the initiative must actually define specific performance requirements, but just that it must provide performance-based information that interested parties can use.

221. Fourth, it would appear that SR initiatives that create the biggest problems for market access are those that contain the most specific performance requirements and those that include proprietary conformity assessment procedures. This is, of course, one of the great dilemma's of SR initiatives: the stronger a link to performance, and the more independent the assessment of conformity, the greater the likelihood of economic reward and the greater the likelihood of barriers to market access or capital. Other AG members have suggested, however, that the examples of ISO 14001 and OHS18000 demonstrate that process-based SR initiatives can also become important components of commercial relationships, and hence barriers to market access or capital.

2.4 The Benefits of International SR Standardization

222. As outlined in section 2.2, the costs and benefits of international SR standardization can be assessed according to either a standardization policy perspective or a public policy perspective. From a standardization perspective, international SR standardization is desirable if it facilitates trade, in particular by harmonizing an unnecessary proliferation of overlapping national, regional and other SR initiatives. From a public policy perspective, international SR standardization would be desirable if it could help to increase SR actions by i) leading to the development of better SR regulations; ii) helping organizations to implement SR more easily; and iii) help to create economic incentives to undertake SR actions.

223. ISO has clearly stated that it does not consider the role of international standardization to be limited to the harmonization of existing standards. It has also clearly stated that it sees a role for itself in addressing the challenge of pursuing and promoting sustainable development. The assessment in section 2.3 suggests that many types of voluntary SR initiatives are playing an increasingly important role in the promotion of sustainable development, and in the facilitation of commerce, including trade. Although the growing number of SR standards would seem to suggest that many organizations have concluded that SR standardization of some kind is needed, , some AG members argue that it is not enough to demonstrate that SR standardization is needed; what must be demonstrated is that national, regional, sectoral, issue-specific, and other kinds of standards are not enough: that international SR standardization is needed. They suggest that there is little or no evidence that there are any short-comings of "non-international" standardization. The next section will review the AG's discussions on this issue in more detail. The proceeding section will then review discussions on the feasibility of international standardization, highlighting some specific challenges that must be overcome.

224. As suggested in Section 1, it is difficult to separate the need for internationally recognized SR standardization from the reality of globalization, including the liberalization of trade and investment, and the dispersion of production facilities and

suppliers throughout the world. For some AG members, the extent that an organization's employees, consumers, suppliers, investors and regulators are dispersed around the globe, and to the extent that they are individually and collectively interested in SR issues, suggests a need for internationally recognized SR initiatives. They state that one way to develop internationally recognized SR initiatives is through international standardization. Others believe that there are other approaches that should be considered and that the market will eventually decide which are, and which are not, recognized.

225. It is generally accepted in the AG that when one is considering the desirability of international SR standardization it is important not to confuse the costs and benefits of *international* standardization with those of standardization in general. Indeed, many of the benefits that are often identified in discussions are not specifically linked to international SR standardization. For example, some of the benefits that have been identified by the AG include:
- Providing a common understanding of which issues are important to society (although others believe that this can only be done through political processes);
- Providing accepted guidance on common processes for developing and implementing SR programs;
- Providing a common understanding of performance indicators so organizations and their stakeholders can judge the effectiveness of SR programs (although others believe that many of the social issues cannot be quantified in indicators); and
- Providing guidance on acceptable methods for reporting SR aspects, impacts, and activities.

226. These benefits would result from any kind of standardization, and might be fulfilled, for example, at the national or regional level. They do not necessarily support claims that international SR standardization is necessary.

227. Potential benefits of international SR standardization include:
1. It would provide a "common understanding" of SR issues on a global basis, thereby creating a common reference point that is appropriate, understood, accepted and distributed in all countries;
2. It could give marginalized voices a platform on which to participate in the development of requirements that will affect them. This is particularly relevant for countries with less economic development, who have very little involvement in the development of existing SR initiatives, and therefore cannot ensure that their priorities and concerns are satisfactorily addressed;
3. It would level the playing field at the global level, not just for business organizations, but also for developing and developed countries, and for stakeholders of all types;
4. It could bring a broader range of experience and expertise to bear on SR than is the case at present, and result in deliverables that can replace relatively less effective standards. This can help to promote good-practice and technology transfer; and
5. If it was broadly recognized, it could reduce transaction costs, improve communications and facilitate trade at an international level. The benefits of

national and regional standardization are limited to national and regional communication and trade.

6. If it was developed and implemented on a credible manner, international SR standardization could add some trust in this area, including with content.

228. Most of these benefits are relatively straightforward and do not need further discussion. But it would be worthwhile to expand briefly on three of these benefits. A consideration of the costs of international SR standardization will follow.

2.4.1 Giving All Countries a Role in Developing SR Requirements

229. One of the trends discussed in section 2.3 is that many types of SR initiatives seem to be driven by commercial relationships across national boundaries. Whether or not a country was involved in the development of ISO 14001, OHS18000 or SA8000, there is a good chance that some of its companies will have to comply with their requirements. Some AG members have suggested that, where these requirements are based on universally accepted norms, this is perhaps not such a big problem. Others note that, in cases where SR initiatives address other issues, or go beyond existing international norms, this can create problems. In particular, they express a concern that if the requirements are developed without any knowledge of the domestic circumstances, priorities and challenges, the requirements may be inappropriate, and counter-productive.

230. In this instance, some AG members have highlighted Principle 11 of the Rio Declaration, which states:

> "Environmental standards, management objectives and priorities should reflect the environmental and development context to which they apply. Standards applied by some countries may be inappropriate and of unwarranted economic and social cost to other countries, in particular developing countries."

231. They argue that the basis behind this Principle is also applicable to social and economic standards, and that it implies a need to focus on equity, and the expectation that countries should have a role in the development of requirements that are applied within their own borders. This links directly to the objective of sustainable development and adds a responsibility for SR standardization to take account of transboundary effects and the need for international cooperation, including among stakeholders. Other AG members refer to this more directly as sovereignty, and question how a developing country can limit the application of an SR initiative within its borders. Some AG members suggest that it should seek to engage in the development of the initiative, and thereby try to influence its requirements. Others not that, given the large number of initiatives being developed, the difficulties inherent in trying to influence distant processes, and the frequent lack of formal procedures that give external parties a role in the development of SR initiatives, it is unlikely that this will be successful.

232. Some AG members also suggest that, if it is concerned about inappropriate SR requirements being imposed from outside, a developing country can develop a national standard that is more appropriate to their domestic context. Other AG members suggest that this ignores the reality that most developing country are

standards-takers, both because they lack the market power to gain recognition for their standards and because they have limited institutional, technical and human resources. The question of identification of stakeholders is critical in this debate, and it has been noted that national standards bodies have few existing relationships with the stakeholders or the consultation processes needed for SR standardization.

233. At least theoretically, then, international SR standardization in ISO could help in two ways. First, because developing countries have a formal role in ISO, supported by a network of national standards bodies some AG members believe that SR standardization in ISO could lead to relatively more developing country involvement than would be the case in other private standard setting bodies. Second, some AG members believe that international SR standardization could create an international reference document that developing countries could implement, or could adapt to better suite domestic circumstances. They note that this is consistent with the concept of "technical equivalence".

2.4.2 Creating a level playing field for all organizations

234. AG members have identified a variety of ways in which a single international SR standard could help by creating a level playing field. First, it could help organizations with operations and suppliers in many different countries to implement a consistent SR policy. Second, it could help employees, consumers, investors and other parties interested in an organization's social responsibility to compare and contrast different companies in different countries, and also the same company's SR in different countries of operation. Third, where there are economic rewards associated with implementation of SR initiatives, an international standard could make sure that all organizations are competing on an even playing field – that is, that a consistent level of SR is achieved before competitors gain rewards.

2.4.3 Reduce transaction costs, facilitate communication and/or facilitate trade

235. In principle, a single international standard will – by its very existence – reduce transaction costs, and facilitate communication and trade. But in practice, this will depend on two issues: First, will the international standard be able to communicate the necessary information effectively? In this case, "effectiveness" is assessed in terms of consistency, credibility, clarity and comprehensiveness. Second, will the international SR standard replace existing SR standards? Will it be accepted or recognized? There are a variety of reasons why an international standard might not replace existing standards, including because it seeks to fulfill a different objective or it does not have the support of other standardizing bodies. This issue is of fundamental importance: if an international SR standard does not reduce the need for new SR initiatives, or in some cases replace existing ones, it is unlikely to provide many benefits. On the other hand, if existing standards require a higher level of responsibility than international standards, or serve different objectives, international standardization may lead to relatively weaker forms of SR. Of course, it is important to note that an international standard can also reduce transaction costs, and facilitate communication and trade if it leads to a harmonization of existing standards. This is consistent with the concept of "technical equivalence".

2.5 The Costs of International SR Standardization

236. Just as in the case of the benefits of international SR standardization, some AG members note that some of the costs identified in discussions are also not particular to international standardization, but are equally relevant to national, regional or sectoral standardization.

237. The evidence from existing initiatives has created some concern that any type of SR standardization could lead to some negative collateral impacts. The AG has identified six main areas of concern.

238. First, there is a general concern that, because SR is a relatively new concept, standardization could lead to a reduction in innovative approaches, and cement in an imperfect understanding of what works and what does not. The main argument behind this concern is not that SR standardization is impossible, but that it is premature – and that lessons from current experience are rare and ill-understood.

239. Second, there is a concern that SR standardization would reduce the flexibility that organizations need to ensure that SR policies and programs are appropriate to specific circumstances. The fundamental belief behind this concern is that SR depends on subtle local and organizational differences that could not possibly be accommodated in generic standards, particularly at the international level.

240. Third, there is a concern that SR standardization could create barriers to market access and capital, particularly if they are integrated into public and private procurement policies. This concern arises out of the belief that SR standardization would increase the integration of SR issues into commercial agreements but, at the same time, might impose inappropriate or unjustified requirements on organizations, in particular SMEs and organizations in developing countries.

241. Fourth, there is a concern that SR standardization would impose inappropriate models of development on countries that have not been actively involved in the standardization process. This concern is grounded on the well-recognized fact that developing countries – and least developed countries in particular – play a relatively small role in all types of standardization activity.

242. Fifth, there is a concern that SR standardization could be detrimental to the public interest if SR deliverables were used to convince the public that something was being addressed that was not in fact being addressed (i.e. "to cover up" problems).

243. Finally, there is a concern that SR standardization will distort the debate on SR by creating the impression that there is a source of expertise that does not exist. It is suggested that this will result in the creation of bodies of false authority in order to redefine or reinterpret already established expectations, or to convince others that there are technical solutions to political problems.

244. The AG has also identified some costs specific to international SR standardization, including:
- squeeze out existing SR initiatives that are better suited to specific countries, issues or sectors;

- restrict innovation in the area of SR implementation;
- overlap with and weaken national legislation;
- mislead organizations and interested parties by implying that compliance with internationally agreed minimum requirements is enough;
- it might provide a disincentive for governments, particularly in developing countries, to establish an appropriate national regulatory framework;
- it could create conflicting requirements with national legal obligations, for companies and organizations;
- if it focused purely on process, it has the potential to force out other approaches that seek to integrate normative criteria with management systems approaches; and
- it could be used to create a false authority or be used as an inappropriate arbitrator of issues.

2.6 Discussion on the Costs and Benefits of International SR Standardization

245. Some AG members contend that international standardization of generic guidance on SR would fail to reflect the national and local economic, social and environmental characteristics that are integral to priority-setting and implementation of SR. They conclude that national- or sectoral- SR standards would be more effective than a generic, international SR standard. Others note that an international SR deliverable could nonetheless act as a template on which different but comparable national or sectoral SR standards could be developed. It has also been noted that an international SR deliverable could be based on existing internationally-recognized and universally accepted norms. Although this is qualified by the warning that it would be inappropriate for standardization to be used to addresses issues that can only be addressed through governmental negotiations

246. In theory, then, an international SR deliverable could provide a more effective approach for understanding and implementing SR than do existing nation-, sector- or issue-specific SR initiatives. But given that nation-, sector- or issue-specific SR standardization can more easily provide detailed and useful guidance to organizations, it is unlikely that the greatest value of international SR standardization will be in its ability to provide more effective guidance.

247. It is generally agreed that there already exist a wide variety of tools available in the form of guidelines etc to help organizations understand and implement various aspects or components of SR. While some AG members believe that some of these tools would benefit from the increased credibility and legitimacy offered by the designation of an international standard, others believe that the costs associated with international SR standardization would not be justified by this benefit alone.

248. One of the main areas of contention is whether SR is mature enough to make international standardization possible, and to avoid restricting innovation. On one hand, some AG members assert that international standardization is not appropriate for areas without clear definition of the scope, where understanding can be expected to continue to evolve over time, and for issues where appropriate performance is defined on a local basis. They note that international agreement even on the individual elements of SR, such as environmental management, has taken many years, and suggest that it will take even longer to arrive at international understanding and

agreement on SR. In addition, given that many of the issues related to SR may have to be addressed through political processes or regulations, there is a concern that premature standardization could also pre-empt the treatment of these issues through other processes.

249. On the other hand, it is suggested that the problem may not be that the concept of SR is changing, but rather that organizations' understanding of, commitment to, and management of SR is evolving. They contend that, as long as an international SR deliverable has enough flexibility to enable companies to adapt their application of the standard over time to fit their evolving understanding/commitment/management of SR, there is not likely to be a problem. They also suggest that any generic international standard that has enough flexibility to accommodate any sector and any country will also have enough flexibility to accommodate any "conception" of SR. They also note that ISO's processes are designed to deal with evolving issues, since all deliverables must be reviewed at least every 5 years, at which point they may be revised or revoked if they are deemed out of date.

250. Some AG members believe that, ultimately, a response to the question "Is international SR standardization desirable" can only be given in relation to a specific type of SR standard. They believe that the feasibility of international SR standardization also depends on the specific scope and type of deliverable being considered. The next section will consider some general issues relating to the feasibility of international SR standardization.

2.7 Is International SR Standardization Feasible

251. It is generally agreed that SR is a topic of significant interest that deserves attention from the international community. There is also a general agreement that voluntary SR initiatives, including formal standards, have a role to play in promoting SR. That said, there is less agreement on the need for international SR standardization; while this is partly due to the failure to agree on the primary objective of international SR, or at least a starting point, there are also some more fundamental challenges. These challenges reflect on the feasibility of different types of international SR standardization, and can be summarized in 6 key questions:

1. Can international SR Standardization be undertaken in the absence of a commonly accepted definition of SR?
2. How specific does the objective have to be?
3. Is it possible to integrate performance requirements into international SR standardization?
4. How can a balance be struck between flexibility and consistency?
5. Is verification needed, and are there alternatives to third-party certification? and
6. To what extent should international SR standardization be guided by the economic incentives and pressures for SR?

252. It is important to note that there are a number of tests for feasibility, including political, technical, and logistical feasibility. This is not a straightforward issue, and there may be a trade-off between these elements. To a certain extent, however, the fact that there already exist a number of SR standards would suggest that SR

standardization is feasible. There are at least 10 ongoing or completed national SR standardization initiatives, as well as a large number of issue- or sector-specific SR standards already published. AG members have qualified this evidence with two points.

253. First, some AG members have noted that all of the existing national SR standards have focused on developing "tools" with almost no guidance or requirements on "ethical standards". As a result, they claim that the existence of these standards should not be taken as evidence that all types of SR deliverables can be developed.

254. Second, some AG members have stated that the existence of SR standards should only be taken as evidence of the feasibility of SR standardization if there is accompanying evidence that they are effective at achieving their objectives. They claim that, at present, there are no commonly accepted indicators for assessing the effectiveness of SR standards. In addition, they aver that it is unclear in some instances what the specific objective of the SR standard is. As a result of these two points, Some AG members conclude that the simple fact that SR standards exist should not be taken as evidence that SR standardization is feasible. There are a number of other issues that need to be considered to assess the feasibility of SR standardization.

2.7.1 Common Definition for SR

255. It is generally accepted that the feasibility of most kinds of SR standardization depends, at a fundamental level, on whether there exists a commonly-accepted vision of what SR entails. A review of existing SR initiatives suggests that there is no commonly held definition of SR, nor a common understanding of its components. This suggests that it may be difficult to reach a single, commonly accepted outline of what constitutes good SR practice. Alternatively, it suggests that standardization would have to be undertaken in a way that is not dependent on a specific definition. It is unclear, however, how standardization can be successful in defining a commonly-accepted vision of SR unless it is based on a common definition.

256. Some AG members have made the point that the absence of an existing internationally agreed definition of SR does not mean that it one would be impossible to reach. They note that, although the AG did spend some time compiling a list of preliminary issues relating to SR, it has to date made relatively few efforts to reach a common definition of SR. Some sticking points include the balance between voluntary and legal requirements, the specific components of SR, and more fundamentally, the amount of detail that is needed when describing specific components and sub-components.

257. The feasibility of standardization also depends on whether the provisions required to achieve the common vision of CSR can be communicated effectively. Effectiveness is judged in terms of clarity, comprehensiveness, consistency and credibility. To a certain extent, and particularly with an issue as complex as SR, the clarity and consistency of the information being communicated will depend on the diversity of the target audience: the more diverse the audience, the more likely that each interested party has its own perceptions and interpretations of what SR means, and also of what the provisions in a SR standard means.

2.7.2 A Specific Objective

258. Just as there is no single definition of SR, there is also no single objective of SR initiatives. While the common goal of most SR initiatives is to promote social and environmental responsibility, they seek to fulfill this goal in different ways. As mentioned above, some SR initiatives seek to link economic rewards with SR actions; other seek to provide tools to help organizations manage or report on SR; others seek to define baselines of what can be considered SR, usually in the context of specific issues or sectors.

259. Either way, it was noted that it is not possible to develop a single deliverable to achieve all objectives, and that different characteristics are required for different purposes. Some key differences in characteristics include: the nature of the requirements or guidance (process- or performance-based); the focus (geographic-, sector- and issue-specific); and the incentive structures behind it. Until there is a common agreement on the objective of international SR standardization, it is unlikely that there can be agreement on the type or content of a specific international SR deliverable. At the moment, however, there is no agreement on what the primary objective of international SR standardization should be. Indeed, there are also some AG members who cannot see any role for ISO in this area.

260. Of those that do see a possible role, some believe that the focus should be on internal management – to help organizations improve the implementation of SR. In this context, some think that the definition of SR should be left entirely up to the organization, while others suggest that the definition of SR must reflect existing international norms, and the interests and priorities of communities, workers, NGOs, governments and others. On the other hand, there is a feeling among some AG members that the primary objective should be to facilitate the establishment of commercial relationships that integrate SR conditions by establishing a commonly accepted baseline for what SR means – a sort of "safe harbor" for organizations that want to demonstrate their commitment to SR. This would, for instance, be consistent with ISO's mandate to develop standards that facilitate trade. Another view is that international SR standardization should be avoided if it simply delays the implementation of more useful measures, including government regulation.

2.7.3 Integrating Performance Requirements

261. While AG members are generally in agreement that the most significant element of an organization's SR is not how it manages it, but what it actually achieves, there is a diversity of views on the feasibility of integrating performance requirements into an international SR standard.

262. On one hand, some AG members feel that, because the international SR standardization would have to accommodate such a diversity of different interest groups, it could only ever result in a generalized distillation of internationally recognized and universally applicable principles. This view suggests that, although generally desirable, SR standardization would not be helpful because it would create only a lowest common denominator that would not challenge any organization

enough. If this was the case, then international SR deliverables would simply add yet another document to the many that already exist.

263. Other AG members reach a different conclusion. They suggest that international SR standardization could be performance-relevant without necessarily integrating specific performance requirements directly into a standard. They draw on the example of the FSC model, which includes an international standard built on Principles of sustainable forest management, and complemented by criteria and indicators. This international standard is treated as a template with which other, more refined and specific standards are developed at the national, regional or eco-system level, as appropriate. Proponents of this approach note that, strictly speaking, international standards are adopted through a national review and consultation process. This process could be used to refine and adapt an international template SR standard to better suite domestic conditions, and to better reflect domestic priorities. In this way, international SR standardization would not create performance requirements, but would create a template from which countries, sectors, regions, etc… could develop different but technically equivalent SR standards.

2.7.4 The balance between flexibility and consistency

264. As mentioned, the definition of "standard" refers to documents that are developed for "common and repeated use". One of the touchstones of international standardization, then, is to ensure that the requirements are communicated in a clear and consistent fashion, so that any organization anywhere in the world can read it and understand the same message. If there was no consistency, then the value of the international standard would be reduced because organizations would not know if they were complying with its requirements, and interested parties would not know if an organization had complied with the same requirements that they expected it to. From a certain perspective, there is a real value in consistency.

265. On the other hand, it is also recognized that there is a need for flexibility in SR initiatives – including in terms of both the prioritization of the components of SR and the approaches to achieving the requirements in SR initiatives. In particular, there is a need to ensure that international SR standardization is sufficiently flexible to accommodate differences at the local level. AG members concerned about inflexible SR initiatives suggest that there are a number of ways that this flexibility could be achieved without sacrificing the clarity, consistency, comprehensiveness and credibility of the relevant provisions.

266. One approach would be to focus on the management system elements needed to understand and manage SR issues. In this respect, it is noted that ten different national standards bodies are developing or have already developed SR standards that take the form of management systems. However, there is a general agreement that a Plan-Do-Check-Act (PDCA) model would add relatively little to SR without a stronger focus on performance – including perhaps by referencing existing international SR norms. Another approach could be to build on what appears to be the only truly common thread to all SR initiatives – stakeholders – and to standardize the process of helping organizations identify, address and respond to local, national and international concerns. Again, it is recognized that this approach would also have to have a focus on performance – perhaps again by referring to, or distilling, existing international

norms. It has been suggested, however, that any focus on stakeholders would have to avoid inappropriate consultation processes, and also avoid consultations with inappropriate stakeholders (that is organizations that do not really have a genuine claim that arises out of the interests of society). It has been noted, though, that stakeholder-based processes tend to focus more on outcomes than processes, and therefore require a some measurement and communication of performance impacts.

2.7.5 Verification and Alternatives to 3rd Party Certification

266. There are a number of different views expressed on the issue of 3rd party certification. Some feel that 3rd party certification is a useful soft-policy tool that has been a catalyst for improved social and environmental performance and that facilitates informed consumer choice. Others feel that there is a need to re-consider the role of third-party certification. Although the issue initially was raised in the context of Management System Standards and process requirements, there is a general agreement that – while the opportunity to obtain some kind of assurance on the implementation of SR initiatives is probably needed – there has not been enough consideration of alternatives, and perhaps improvements, to 3rd party certification. There are three elements to this point: first, certification is often prohibitively costly for small and medium organizations, although new approaches to group or phased certification are still evolving; second, the quality of oversight provided by certifiers is not always consistent; and third, there may be other, more constructive ways to provide assurance. That said, it was also noted that there will undoubtedly be a supply of certification services available – and also a good chance that some organizations will continue to see a value in certification.

267. The AG reached consensus in February 2003 that an SR Management System Guideline standard should exclude third-party certification. While the AG did not go into the alternatives to 3rd party certification, the feasibility of finding alternatives and assessing the relative merits and potential inter-related roles was generally seen as an important component in assessing the overall feasibility of international SR standardization. There also seemed to be relatively less concern about independent verification of data, as opposed to independent verification of systems, because data-verification was deemed of relatively more value to the organization. Some members felt that the unique nature of SR and related standards calls for greater verification and transparency in order to ensure credibility and public confidence, and that reporting on actual organizational performance and progress could be an important determinant of public and consumer confidence.

2.7.6 Economic Pressures and Incentives for Socially Responsible Behaviour

268. Another issue that remained just under the surface of many of the AG's discussions was the degree to which international SR standardization should be guided by the economic incentives and pressures for socially responsible activities. This manifested itself in a number of ways, including in terms of the role that parties with an interest, but not an expertise in SR, such as socially responsible investment funds, should have in international SR standardization processes. At a very basic level, this question has to do with the extent to which international SR standardization should reduce barriers to trade and investment, and the extent to which it should seek to create new economic incentives and pressures. For instance, if SR requirements

based on international SR standards could be integrated into government procurement policies with less risk of running foul of international trade rules, should this be an argument in favour of, or against, international SR standardization?

2.8 Evidence from existing SR initiatives

269. Given the fact that any international SR standardization could be expected to draw on some of the existing initiatives, it would be useful to consider some of the lessons learned from their development and use. There are two general categories of information: first, information on the scope and objectives of existing SR initiatives; and second, information on their effectiveness.

2.8.1 Scope and Objectives

270. It is worth noting that most of the SR standards being developed through ISO's national member bodies have adopted a systems-approach that enables the organization to define SR in its own terms. There is a degree of uncertainty whether this approach is appropriate, or even credible, in the context of SR; some AG members have expressed their doubts on this.

271. Almost all of the SR initiatives being developed by other non-governmental bodies address issues of concern to specific interest groups, or they represent the views of specific groups on how SR should be managed. Some have taken this to suggest that conceptions of what SR means, and how it should be addressed, are so dependent on the specific perspective of the interested parties that it may be difficult to find common ground. Others note that it is wrong to presume that different interests necessarily imply an inconsistency in the conception of SR. For example, just because someone is interested in the labor conditions in a textile mill and another is interested in the preservation of wildlife does not necessarily mean that they have different definitions of SR – just that they have different priorities. Often the individual objective can not be assured in the long term without consideration of the other priorities. This would seem to support the view that, even if some kind of common ground can be found, some parties may want to continue to address their specific issues in their own ways separately from other issues and other interest groups.

272. Not only do the existing initiatives have different conceptions of SR, they also use different sources for the guidance or requirements that they contain. Some of the initiatives have relied upon already established and widely accepted standards, norms, guidelines and codes, such as the Fundamental Conventions of the ILO or the Universal Declaration of Human Rights. In other cases there has been a redefining or reinterpretation for the purpose of applying these international norms in unanticipated situations or for changing – and often reducing – the relevant obligations. However, because many SR initiatives make no specific reference to the sources of their guidance or requirements, it is not always easy to ascertain the degree to which existing international norms are being used.

273. There appears to be a general agreement that the differences between many of the existing initiatives can be explained – to some degree – by the nature of the interest groups involved in creating them. In some cases this has led to the evolution of

private standard setting (often imitating the ISO process) to fill vacuums or to address the needs of stakeholders that are not involved with, or not content with, traditional standard-setting bodies. Perhaps the best example of this is the evolution of the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance – which is an institutional association of some of the main NGO-led SR initiatives, including Social Accountability International (SAI), the International Federation of Organic Agriculture Movements (IFOAM), the Forest Stewardship Council (FSC), the Marine Stewardship Council (MSC), the FairTrade Labelling Organizations (FLO), and others. Some national ecolabeling programs are also run by non-governmental bodies – although often under a government-issued mandate.

274. While the evolution of these non-traditional standards-bodies has been welcomed in some quarters, others consider that many of the SR initiatives developed by NGOs have been produced without sufficient involvement of private sector interests, and contend that the non-involvement of business leads to the fact that some of these initiatives do not have much market relevance. Others have noted that there is sometimes also a lack of relevant NGOs involved in these initiatives. There are also some serious concerns with respect to the possibility that private standard setting in the social area is based on questionable processes that lack legitimacy, and may therefore actually undermining more legitimate norms. These objections reflect the belief that setting of social expectations really requires *representative* and not just *participatory* structures, and note that the consultation processes involved in these standard setting processes may not always be genuine and the real decision making processes may lack necessary transparency.

275. A review of the existing initiatives suggests that they have a number of different objectives, including to guide behavior; define the terms of commercial relationships; provide incentives for changes in behavior; and to bring credibility to SR claims. It has also been suggested that some of these initiatives were elaborated by the SR industry – consultants, auditors, or certification bodies – to serve their own commercial purposes.

2.8.2 Effectiveness

276. Given the large number of existing SR initiatives, it would be useful to consider whether these have been successful, and to draw some lessons for different types of SR standardization. Unfortunately, there is a serious lack of tangible, independent data on the effectiveness of SR initiatives. There are no commonly accepted assessment criteria with which to monitor and judge the effectiveness of SR initiatives. As a result, the most common way in which their effectiveness is portrayed is in terms of the number of signatories and certifications, or the number of products on the market or sites under SR management. Few of these indicators actually indicate the effectiveness of the SR initiative in helping a company to understand and implement SR, or its effectiveness in helping to promote better SR performance. As a result, opinions on existing SR initiatives are largely based on personal experience.

277. On that basis, some AG members consider that the effectiveness of SR initiatives varies between some impact and relatively little impact. They also contend that the most useful initiatives are those that have been developed in response to a specific

instance or pattern of misbehavior. They also believe that the degree of impact is clearly related to the degree of participation of all affected stakeholders during the development of the initiative. Some concern has also been shown for the possibility that voluntary SR initiatives may actually act as a substitute for more meaningful actions or responses, including regulation, and thereby delay more substantive progress on some issues. On the other hand, it was suggested that some SR standards have evolved specifically because of a resistance to develop legal measures or failure to implement existing laws. Some AG members have also concluded that the benefit of SR standardization may be less a factor of the information that is being communicated (i.e. the guidance) than the incentive mechanisms that they enable (e.g. socially responsible procurement and investment policies).

2.9 What type of international standard is needed?

278. Ultimately, any decision to proceed with international SR standardization must be based on a clear impression of what is needed. The final part of Section 2 will review the AG's deliberations on this issue. The intention of this section is not to reach a conclusion on what type of standard is needed, but rather to highlight the kinds of issues and debates that characterize any effort to focus on a single type of international SR deliverable.

279. Overall, opinions on the need for a new process of international SR standardization are quite mixed, ranging from general support to general opposition. Common to all these positions is the recognition that the need depends on the objective of the standard being developed. It has also been suggested that there is no existing international SR deliverable that is comparable to what is presently being discussed (i.e. generic, international). So the question might not be "Is a new international SR standard needed?" but rather "What sort of international SR standard is needed to achieve what sort of objective?"

280. Support for new international SR standardization tends to focus on the value of creating a common language or framework that organizations from any jurisdiction can use, which would also overcome problems caused by the evolving multiplicity of national, regional, sectoral and other standards. These proponents suggest that the large number of existing standards may demonstrate the viability of standards in this area, and may also provide various methods of proceeding at the international level. However, this presumes that either: (1) significant differences in culture, national characteristics, prioritization of topics, definitions, and other issues could be identified and an approach could be agreed upon to accommodate them; or (2) a standard could be developed that would be flexible enough to allow for differences between countries, sectors, and sizes and types of organization.

281. There is a great deal of doubt as to whether another PDCA management tool would add much on its own – or whether it would be substantially different for SR than it is for environmental management. When considering this, it is important to consider what purposes another PDCA management tool would NOT serve? Experience to date suggests that ISO 14001 is rarely used for external purposes and so an ISO 14001-model for SR would on its own not solve any of the "external" problems. In particular, an ISO 14001 model would not facilitate the establishment of relationships that are defined in terms including SR. This school of thought suggests

that there may be a value to an ISO 14001-style tool if companies need an internal tool for internal purposes, but go on to note that the economic incentives and pressures for socially responsible behaviour do not appear to be entirely, or even mostly, internal in nature. However, others point out that an ISO SR management system standard could create a new certification system with high costs and no added value to society, and that an ISO SR management system standard would detract from promoting SR by imposing compliance to a minimum set of internal, process-type requirements.

282. This does not suggest that the PDCA model is without merit, just that it is unlikely to be effective on its own, or as it has been developed in the past without a stronger focus on performance. This view is consistent with other comments that claim that many organisations are apprehensive about establishing another standard that is incompatible with what they have already established, especially in the quality, safety and health and environmental areas. An ISO standard could be designed to be compatible with all of these.

283. Skeptics of the need for new international SR standardization suggest that a market demand by organizations is not visible. According to this view, multiple SR initiatives may address local or national SR issues more effectively because they are more specific by their very nature. Similarly, internal organizational initiatives may be more effective in addressing the specific issues of concern for an organization and its stakeholders. From a broader perspective, different approaches can be useful and might generate more and better solutions to the challenges facing businesses, while standardization might stifle innovation. International standards would be so basic, that they would not help to solve societal issues. More appropriate would be a process which would identify where universally binding rules/regulations are not in place or violated – e.g. in specific countries.

284. There is a difference of opinion on whether the existence of multiple SR initiatives creates problems that need to be resolved. The most commonly referenced problem is the potential negative impact on market access for developing countries and SMEs that must satisfy a variety of different, sometimes contrasting, requirements.

2.9.1 What should be standardized in an International SR Standard?

285. Much effort has been made to agree upon a common definition of SR, and on the relevant issues and dimensions of SR . Many are of the opinion that this should be agreed upon first before any standardization of SR can take place. However, although the concept and the definition of SR are not cast in stone, many organizations already address SR aspects (issues) that are relevant in their specific context.

286. Some AG members said, as a general statement on *international* SR standardization, that in regard to *elements* of SR, an international standard can only present the globally applicable and/or recognized components of SR, and in regard to *process* related aspects of SR, a framework could be standardized how to come from a SR requirement - or set of requirements - on the front end side to an assessment/self assessment/reporting at the back end.

287. Further, it was stated that global issues can at best provide a direction and that in specific situations these issues can become more concrete based on analysis and in consultation with stakeholders, without losing sight of the 'big picture'. As such, an international SR Framework could possibly provide a structured approach and the best practice on how an organization should manage its SR aspects (issues), encouraging them to think globally and act locally while complementing other standards and guidelines that are already in use.

288. Others point out that there is a need for a common international framework to help organizations coordinate the implementation of SR using existing tools, although others note that this would be of little value to organizations that already have a management system framework in place. One tool that could be usefully developed is guidance on stakeholder involvement, although it would have to be flexible enough to allow for local and national cultural variations. Also, although guidance already exists on performance indicators and reporting of SR performance, some AG members believe that they are extremely complex and not practical for most organizations. As a result, international standardization could conceivably provide simpler guidance on how to report SR results.

2.9.2 Integrating Social, Environmental and Economic Issues into a Single Standard

289. A variety of views was expressed in the AG, from desirable to non-desirable. One view said that such an integration of environmental, social and economic aspects is possible only on a theoretical basis, and would result in a very generic standard with low practical relevance. Another view expressed that there is no reason to think that an integrated or at least an aligned international standard could not address environmental, social and economic issues. The fact that ISO already has developed standards pertaining to economic (quality) and environmental (14000) aspects would appear to demonstrate its desirability and feasibility. However it has also been noted that 14000 does not include the kinds of universally applicable performance requirements that characterize other SR standards, and that audits of ISO 14001 do not consider the actual environmental impacts of an enterprise in terms of the health of ecosystems or abundance of natural resources, species etc. A further statement was that it would need to be respected that there are significant qualitative differences between the economic, environmental and the social issues and that, in general, the "social" ones involve more intangibles and are less capable of being quantified and compared, and that this has important implications for management processes.

290. Another view stated that it is possible for an international standard or guideline to apply to several subject areas as long as they have a _common foundation_, such as "an impact on quality of life". However, this common foundation would have to be defined. General sub-categories could also be integrated into the common foundation, for example, the eight areas in the AG's preliminary working definition of social responsibility, which are:
- Human rights
- Labor practices and industrial relations
- Unfair business practices
- Organizational governance

- Environmental Aspects
- Marketplace and consumer issues
- Community involvement
- Social development.

291. But it is unclear whether there is in fact a common foundation for all these sub-categories that would support international standardization. Environmental aspects are already covered by extensive standards (though it is noted that degradation is still accelerating in many areas); and economic issues seem to be separate from social issues (depending on how the two areas are defined). Any attempt to internationally standardize should focus first on whether or not there is a *common foundation* for the elements involved. There could then be a step-by-step process for such integration.

292. Further, it was said that it would be very difficult for a standard to apply to several subject areas. Subject areas, in themselves, can be very complex and a standard that applies to several of them may be pitched at too general a level.

293. Another view expressed that, in practice, many organizations are already addressing economic, environmental, quality, OH&S (Occupational, Health and Safety) and social aspects of their activities, and in some cases they have to cope with trade-offs between these different aspects. SR implies an even broader range of issues, and it is argued that it is up to an organization to set priorities in dialogue with stakeholders to address the most significant issues, based on its own values, legal and other normative frameworks and its actual impact (direct and indirect) on society. A more acute concern is that, if CSR is defined as voluntary actions beyond legal requirements, then organizations will determine both the stakeholders who they will work with, and the expectations or values that they will address in their CSR activities.

294. A fundamental concern which has been recognized by all AG members is that there is a danger of presuming that all SR issues can be treated equally within the same framework. In particular, it is noted that "social" aspects are more intangible and sometimes difficult to quantify compared to other aspects, such as environment and quality. As a result, a framework that does not recognize the differences between the various aspects – by, for instance, presuming that indicators exist and are equally relevant for all types of SR issues – will be unlikely to succeed in promoting a balanced and holistic approach to all SR issues.

2.9.3 Integrating legal or other requirements into an international SR standard

295. Again, a variety of views, some of them complementary, were expressed. One is that difficulties may occur because of the wide variety in nature, origin and status of legal and other normative frameworks related to SR, with at least two different dimensions:

> **252.   International Norms**. While most international conventions are written for governments and not for companies or organizations, a number of legitimate instruments have also been created that have obvious and direct implications for organizations. These include, for example, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social

Policy, and the OECD Guidelines for Multinational Enterprises. Other instruments have also been recognized as containing universally applicable principles; for instance, the UN Declaration on Human Rights is recognized as being applicable to "every individual and organ in society", even though only roughly 30% of its articles are directed at companies. It is therefore necessary to carefully separate the responsibilities of companies from the responsibilities of other actors. In some cases, even those instruments that are directed at governments may contain principles that are commonly accepted as bearing implications for other organs of society, regardless of the national regulatory process. In other cases, international norms have no bearing unless they are incorporated by national governments into domestic regulations. It is also important to note that some internationally negotiated norms have a degree of flexibility built into their provisions to accommodate countries at different levels of development.

253.   National Legislation. Companies should always follow national legislation. But this may be problematic if:
- National legislation or adaptation to national legislation, or enforcement capabilities are lacking.
- Local social practices or moral values are in contradiction to fundamental principles, such as human rights.
- Local legislation is contrary to fundamental principles, such as human rights.

296. Another view remarked that, currently, legal regimes in several jurisdictions - implicitly or explicitly - refer to and draw on ISO 9000 and ISO 14000 standards in support of their legislative regimes, that ISO 14000 demonstrates the potential of an international standard to work in a compatible manner with different legal regimes, and that there are no apparent barriers to an ISO SR standard operating in a compatible and supportive manner with different legal regimes, particularly if it were a process oriented standard.

297. This was more differentiated by another view, saying that legal requirements – whatever their source – could be incorporated into a standard. However, this would be nothing more than what already exists in every culture: an expectation of compliance with legal requirements. (Whether the laws are effectively enforced is another question.) This view was complemented by saying that an international standard could only address internationally applicable and/or recognized requirements, and that legal requirements beyond (e.g. UNDHR or ILO) naturally vary from country to country according to differing societal needs and differing degrees of local development.

298. Another view emphasized that (1) it will be difficult for a standard to avoid reference to other (also legal) norms, and it is also difficult to see how a standard could avoid indicating the importance of distinguishing some norms as being more legitimate or authoritative than others; (2) there is a lack of experience in the use of performance indicators in the social area. Social reporting as it is developing is more related to the interests of investors concerned about risk and intangibles than it is about the broader interests of society; and (3) there are questions with respect to

compliance verification in the area of labor practices and at the workplace.

2.9.4 International Standardization of Processes or Performance

299. One view was: Given the range of different opinions on what is exactly covered by SR and what are acceptable performance levels related to SR issues such as environmental protection, healthy working conditions, fair wages etcetera, a system approach could be one alternative for organizations to manage their activities in a sound way to maximize societal benefits and minimize negative social, financial and ecological impacts. Processes related to, and being part of, such a system approach might also be subject to standards/guidelines (providing good/best practice), such as stakeholder identification, consultation and involvement, monitoring and assessing results, reporting, identification and assessment of SR issues.

300. Another view expressed that it is possible to provide a standard on management systems, and simply leave it to each organization to address the specific SR issues that are important to it. The real question is, however, whether this is desirable. The answer to this depends on whether such a standard would achieve the desired results: enhancement of social responsibility activities. Opinions differ on this. Some argue that management system standards would indirectly enhance SR by helping organizations to focus on the issue. Others argue that other approaches would be more effective, particularly if they increase transparency and the quality of data and communications. These other approaches might include guidelines on stakeholder involvement, designation of performance indicators, or public reporting of SR results.

301. Further thoughts were that the existence of some 10 different national SR standards which seem to follow the process oriented management system approach seems to demonstrate that it is both possible and desirable to create SR process standards. However, some AG members noted that credibility of or demand for these standards has not yet been established, and neither the standards themselves nor their implications are widely known or understood. In terms of performance based standards, one view is that there does not appear to be any evident design obstacles to developing performance elements (e.g., indicators), which are sufficiently flexible to work in different contexts. However, other AG members believe it could be very difficult to do this effectively.

302. Another view made strict differentiation between process and performance related questions and said that, (1) if internationally applicable and/or recognized social issues can be identified that are process based, standardization of the process, maybe in a PDCA approach, may be possible; and (2) if internationally applicable and/or recognized social issues can be identified that are performance based, standardization of a performance analysis may be possible, but both process and performance based standardization must be based on an agreed definition of SR which is not available so far.

303. Another view expressed support by stating that it is possible and desirable to develop a management system standard, and that this has been proven not only in the previous standards that ISO has published but is also used for strategic planning. In particular the planning methodology called "policy deployment".

2.9.5 Treating performance requirements in an international standard

304. Here also, the opinions varied between "not possible/desirable" and "possible/desirable".

305. Some AG members suggested that, due to different expectations in different cultures, it may not be possible to set common international performance requirements. The exceptions would be: (1) an expectation of compliance with legal requirements (already the case even without a standard); and (2) an expectation of compliance with internationally recognized and universally applicable principles (assuming that agreement could be reached on universal principles). In regards to process, they say that it is possible to design a *process* that will help organizations set their own performance requirements, but that the real question is whether this is desirable or even necessary. All organizations must already have their own processes for setting performance requirements since this is inherent in accomplishing the organization's goals. Thus, process-based standards would have limited value.

306. They add that performance requirements should better be set at a local level in agreement with all affected stakeholders and that an international document (not a standard) could describe how best to organize a local stakeholder dialogue (in regard to participation, identifying locally relevant SR components and priorities, agreeing on actions and who undertakes them, etc.).

307. Others said that it would be possible to design an "ISO framework for SR operationalization standard", which was designed to operate alongside specific performance requirements as set in law or in international norms, or elsewhere, particularly if key international institutions such as UN and ILO and domestic governments participated in its development to ensure its compatibility. However, they add that this would need to define performance requirements in terms of how SR is implemented rather than performance measures which should be reported as performance indicators. They say that performance indicators could be used, taking ISO 14031 (Environmental Performance Evaluation) as a reference, that mechanisms could be built in which stimulate improvements, and that these mechanisms could serve for benchmarking.

308. As a bottom line, it seems useful to establish a clearer link between *'global'* principles/values on SR issues and organization-specific performance objectives. The Global Compact might serve as an example. It describes nine universally applicable principles in the field of Human Rights, Labour and Environment. Companies that participate in the program commit themselves to uphold these principles so that they become part of their strategy, culture and day-to-day operations. Others expressed concern about the degree of flexibility and interpretation in the Global Compact's Principles, noting that such issues need to be addressed by any standardization of SR.

2.9.6 SR Standards and Conformity Assessment

309. Any organization that runs an effective SR program will generate information to monitor and assess what it actually achieves, and will verify whether planned arrangements are indeed implemented and effective. Internal reporting, monitoring and internal auditing/assessments are logic tools. Taking this as a generally agreed

view, the ways and means on possibly standardized compliance verification mechanisms differ substantially.

310. On the one hand, the view is that:
- Compliance verification implies there is a requirement that must be complied with. If a standard includes a requirement, then of course it is possible to link this with a verification mechanism. In fact, even if it were a guideline rather than a requirement, it is still possible to link the guideline with a verification mechanism.
- The purpose of any verification mechanism is ultimately to determine whether the desired results are being achieved. In this case, the *desired results* are presumably *environmental and social performance*. One then must ask: what is the best way to verify that social and environmental performance are being enhanced? And, can the enhancement of socially responsible activities or programmes be considered a proxy for direct measurement of environmental and social performance? The latter can be done indirectly with a mechanism to verify whether a *process* is in place to address social responsibility issues. The former can be done directly with a mechanism to verify the social responsibility results actually being achieved. The latter type of mechanism would seem to have more value to organizations and their stakeholders, and to have a better chance to provide for public confidence in the standard.
- A robust verification mechanism would need to rely on factual data, not opinions. A robust mechanism would also focus directly on results, not on indirect indicators such as processes. Thus, the most robust and effective mechanism would be one where an organization reports the results of its activities, backed up with factual data that can be verified.
- A Compliance verification mechanism could be bound to clear criteria (pass or fail), but such clear criteria are not available in SR when going beyond the core elements like UNDHR or ILO; and compliance cannot deal with intangible issues.
- The linkage of SR with compliance verification will create fundamental opposition from business because it would bind resources that are better invested into SR means.
- It was added that if product labels concerning such issues as content, safety or environmental protection can be verified, other areas, including labor practices, are more problematic. At this point, only Belgium has implemented at a national level social labeling and its verification process is still controversial.

311. On the other hand the view was that there is compliance verification at the level of "systems" and there is compliance verification at the level of meeting "substantive normative social responsibilities". Quite different compliance verification approaches may be used by one or the other but both appear to be achievable. It was added that compliance verification involving professional "registrar" third parties should not be considered the only option, particularly for small firms and particularly as pertains to issues of verification of compliance with substantive norms. Here, local stakeholders could play a key role. And further, this side remarked that evaluation could be handled compatibly with ISO 14031, and reporting compatibly with ISO 14063 and GRI. As a bottom line it can be said that a key issue in compliance verification is stakeholder identification, dialogue/consultation and involvement, at the local level.

2.9.7 The Application of SR standards at the sectoral level

312. The question of sectoral standards was not answered unanimously but with a considerable level of consensus:

- Current practice seems to support the sectoral approach. A number of industry sectors have developed their own guidelines addressing specific issues of concern to the specific industry and its stakeholders. NGOs and industry associations have also developed their own guidelines for specific groups of issues; and national standards bodies are developing their own deliverables for their own specific groups of issues.
But, common, consistent approaches are not yet evident.
- It is quite possible, and may be desirable that regional or sectoral versions of an international SR standard could be developed. This is happening with respect to quality and environmental management in the automotive sector. There is much to be said for development of sectoral approaches on a base international "framework".
- A sector approach takes into account a good part of the necessary SR inherent *flexibility.*
- An analysis of commonalities between different sectors can be helpful to allow sectors to learn from each other (good practice sharing among sectors and among the organizations acting in the sectors).

2.9.8 At what level should a SR standard be applied?

313. A number of different views were expressed on the question of the standardization level, as follows.

314. As regards the <u>*international*</u> level: If the objective of further ISO work is to apply a standards-based approach to SR, ideally all components of SR should be taken into account. However, the view could also be taken that existing ISO standards already cover some elements of SR, environmental management for example – although only from a management "systems" approach, which some critics have deemed inadequate. Therefore, the purpose of further ISO work in this area could be to address only those elements of SR not already dealt with by ISO, i.e. the social component of SR.

315. It should be borne in mind though that "social issues" would probably be the most difficult element of SR to deal with through a standards-based approach at the international level. Setting international performance-based requirements risks creating barriers for companies, SMEs especially in developing countries who already lack resources and capacity. In this regard, as mentioned further up, it would again not be desirable to link SR standards with compliance verification mechanisms. However an alternative could involve a phasing in of compliance verification, starting with capacity building and following a step-wise adoption and verification process.

316. Transparency and reporting should be encouraged but the extent to which organizations wish to report and communicate on their social responsibility performance with external parties should be left to them. Nevertheless, some particularities have to be taken into account: the desire of social responsibility

investors to be able to compare the performance of listed companies belonging to the same sector on an international basis, the multiplication of domestic laws imposing reporting obligations upon listed companies or pension funds. In short, for some organizations, transparency and reporting may be essential for the process to gain public support and facilitate market decision making. .

317. As regards the *facility and product* level: some say that if the ISO 9000 or 14000 experiences are any indication, there would appear to be value in adopting the *facility-by-facility* application model also for SR, but this does not rule out other approaches, including on particular product lines or at the corporate level (i.e. *all-or-none* of the facilities). Some AG members believe that, independent of the existence of a standard, SR is most relevant and should be applied at the facility level. This is also consistent with the need to fine-tune SR programs to suit local conditions. Nevertheless, a multi-level implementation approach can probably not be avoided. If the facility level corresponds to certain needs, a national level is often required to implement social policies, and the international level is required by SR investors who are interested in global/international results.

318. As regards the labeling of products, different views were expressed. One says that labeling of products will expectably lead to opposition from business. Others are in favor of giving guidance for product labeling, or considering the conditions under which compliance with an SR standard could give an organization the right to label their products. It would be necessary to ensure that the communications on any product made very clear what was being attested to. Some also suggested that SR application on product line or product level should be clearly limited to products with special impacts. Others believe that developing SR related guidance and/or requirements for products could hinder innovation.

319. One important criticism of social product labeling relates to the fact that – for this sort of non-product related process and production methods – there is no tangible difference in the product and so the only way to assess compliance is through what have been to date relatively unproven and ineffective or controversial workplace inspection processes. It has also been suggested that labeling of this kind should come with an associated mechanism whereby companies could be held liable for making false claims in order to gain market advantage.

Section 3 – Capacity of ISO to undertake work in SR area

3.1. Does ISO have the competence to develop a credible SR deliverables?

320. One aspect the AG discussed was the need to consider the question of ISO competence in relation to the process that it would use to develop a CSR deliverable, including the question of whether ISO should focus on process-oriented work. One view held that if CSR deliverables become process oriented then ISO might not need to get outside experts deeply involved in standard making processes. Furthermore, if SR deliverables become result-oriented then ISO might need to get outside experts deeply involved in standard making processes. In the first case deliverables would probably include general normative objectives such as ILO conventions and universal human rights so that ISO might need some help from those international

organizations. In the second case deliverables would include details on normative objectives which each of outside SR bodies has pursued. Therefore, the ISO might have to ask international organizations, NGOs and other public organizations to participate in standard-making processes. In this second case three issues are involved: First, whether ISO directives are flexible enough to establish processes and procedures suitable to CSR and acceptable to CSR practitioners. In this context it is important to keep in mind that CSR is a very broad concept involving a range of specific components. Second, the willingness of the ISO Council, the Technical Management Board as well as ISO member bodies to use the flexibility built into ISO directives. Third, the availability of the resources needed to support participation by interested parties (particularly from developing countries) who have no underlying commercial interest in CSR standardization and who may need funding to participate effectively. Some AG members pointed out that while certain types of work could be done using existing ISO processes, other types of work would require reviewing ISO processes and still other types of work would need to involve completely different modalities. In the end, the general view was that before starting with the development of a CSR deliverable, it would be necessary to review ISO procedures and their suitability for the type of standard being considered (process-oriented or performance-oriented).

321. Some AG members considered that ISO had no competence to set normative standards on CSR components in the areas of human rights, labour and community development and should not enter an area that has potential implications for the legal and institutional frameworks by which management is held accountable, or treat questions and issues that can only be resolved through legitimate political processes. Others felt that ISO is uniquely placed to do this work including because other organizations like the UN and the OECD do not have ISO's technical capacity.

3.2. Range of expertise needed by ISO to undertake work in SR area

322. A variety of views were expressed with respect to which expertise ISO would need in CSR. The first area of agreement was that ISO would need expertise. However there was no agreement on the types of expertise needed. It is important to note that most of the expertise does not necessarily concern controversial ideas and rather complement each other. One view was that ISO processes would be particularly challenged when taking the cultural differences into account that would need to be respected: the more experts are invited from outside the ISO community, the more likely the ISO creates very complicated, rigid and heavy SR deliverables, which could eventually ignore subtle differences of culture, value, tradition and ways of thinking.

323. One view was that ISO would need to bring a wide range of perspectives including governmental, civil society and developing country views. This view emphasized that legitimacy in SR standard setting depends not only on technical expertise but also on representation. Simply making sure all perspectives are present around the table is not enough and it is necessary to consider the weight that is accorded to the different perspectives. For example, it may not be legitimate for business to have the strongest voice when societal values are under discussion (i.e. a broader SR deliverable is being discussed), while, if business is the primary "user group", its views become significantly more important.

324. Another view was that it would be more appropriate to think in terms of expertise related to the components of CSR. For example, there are experts in environmental protection, human rights and industrial relations, and other labour issues, which all are components of CSR, but these same individuals, may not be "CSR experts". This question needs further discussion since it also has relevance to the question of how to differentiate between expertise and interests. Indeed the more important question may not be whether experts exist but rather whether ISO has the capacity to organize appropriate stakeholder engagement to fill the perceived expertise gap.

325. A discussion further took place on how ISO would treat the expertise it obtained, something that would be particularly important when dealing with expertise on the same CSR component from different organizations. One possibility would be to rely on expertise from inter-governmental organizations such as the UN but expertise may also be obtained from interested parties groups, in which case the political processes at work need to be considered.

3.3 Credibility of ISO standard setting process for SR deliverables

326. A variety of views was expressed on whether the ISO standard- setting process was adequate to address social issues and be credible. Some AG members felt that the consensus driven nature of the ISO process would result in a standard reflecting the lowest common denominator and that any attempt to modify the ISO standard-setting process to cover SR could undermine the reputation of ISO as a technical standardization body. Others argued that these risks could be minimized if the question dealt with in section 3.1 was resolved satisfactorily.

327. A number of AG members argued that the ISO standard-setting process was inadequate for a number of reasons; including the fact the interests of the different parties may not be adequately secured by the ISO standard-setting process. Related to this is the view that where technical standard setting involves taking positions on social issues, as in the case of SR, representative structures are needed. ISO does not possess such structures and thus should not engage in this kind of standard setting. Addressing these challenges also requires a transparent standard setting process.

328. Other views emphasized that national delegations may result in overrepresentation by consultants and that the ISO standard setting processes lack substantive participation from all parts of society. All the options described above are standard-making processes. But if it was agreed that CSR should be oriented towards societal expectations by local communities where organizations operate, one might better think of structured stakeholder involvement in objective making processes within each actors such as corporations. In this case, one of the difficult problems is how to select adequate representatives, how to incorporate their opinions into organization's SR objectives, how to report the results to them, and how to improve the objectives and measures to pursue them. In a sense, in order to create such a stakeholder engagement framework, the ISO might need expertise.

3.4. Should ISO engage others in the SR development process?

329. ISO could engage other interested parties, organizations and institutions in the process in a variety of ways. Some AG members recommended that this be done through national standards bodies. National committees would be requested to ensure representation of different groups in their national delegations, as is already happening with some national committees that use a "balanced composition" approach. Other AG members expressed concern at this approach because national standards bodies would not necessarily be able or willing to set up appropriate and representative delegations. Another view held that national standard setting bodies could be restructured to include different interests in their work. This would involve a process to set guidelines for this restructuring and rules on how national standard setting bodies should take into account different interests. Yet another view was that national bodies would not work very well for the development of a SR deliverable.

330. Some AG members suggested that ISO should work in partnership with inter-governmental organizations (such as UN bodies), akin to the Global Forum a few years ago that brought together ISO, UN, and other global bodies. Other AG members pointed out that this would risk politicizing the process and might fundamentally change the status of any deliverable in terms of international trade law, for example WTO's Technical Barriers to Trade (TBT) agreement.

331. A suggestion was made to collect feedback and views through seminars and conferences. One source of advice on this can be found in the paper "Increasing the effectiveness of NGO participation in ISO TC207." This paper makes a series of recommendations for increasing NGO participation, some of which are relevant for a SR deliverable. For example, the paper recommends that national standards bodies should be encouraged to make an effort to have balanced stakeholder representation at international meetings. The paper also recommends that the committee review its implementation of ISO Directives with the purpose of identifying where refinement or additional specific guidance is warranted to achieve more balanced stakeholder involvement.

332. Some AG members considered that the currently available liaison options would ensure sufficient inclusion of relevant organizations in the ISO process. Therefore, ISO rules would not need to be changed or amended to develop a SR deliverable. Others pointed out that ISO rules may not be sufficient with respect to liaison organizations since liaison organizations do not have a vote and have no right of appeal regarding the non-application of ISO directives.

333. Whatever the process and or mechanism used to engage other interested parties and organizations, it was necessary to distinguish between participatory processes and representative ones. Participatory decision making processes, while inclusive, often leave the actual decision making processes open-ended. Representative decision making processes assign weight to different interests and expertise and include them in the process.

3.5. How should ISO relate to others developing SR initiatives?

334. There was broad agreement within the AG that if ISO proceeds, it will be necessary to consider the activities of other bodies that have developed or are developing SR standards, norms, guidelines and tools. Some felt that the United

Nations (Global Compact) and other inter-governmental organisations, e.g ILO, OECD, OHCHR and UNEP, would need to be included in the process, in view of the fact that they already have or are developing international standards. With respect to the wide range of existing non-governmental international SR initiatives such as the Global Reporting Initiative (GRI), the Forest Stewardship Council (FSC), the Fair Labor Association (FLA), one view held that these be involved since their standards could be affected by the introduction of an ISO deliverable. Some of these initiatives might also have expertise of use to ISO. Building on this, another suggestion was that an ISO SR deliverable should be compatible with and/or complementary to other standards and preferably add value. Another view emphasized that it was important to distinguish private standard setting bodies from those that are public or inter-governmental, and in not treat them as equivalent or give them the same recognition as democratic and public institutions such as international organisations and governments. This view emphasized that the United Nations and its agencies had universal legitimacy and were subject to democratic decision-making processes, which was mostly not the case for the private initiatives.

335. A proposal was made to leave actual standard-setting on SR to inter-governmental bodies but for ISO to develop a different type of SR deliverable, possibly in the form of an ISO guidance document that would also bear the logo of the international organizations on whose standards it was based. Another proposal was that to develop such a guidance document it would be useful to consult with business oriented organizations that develop and promote CSR via their business excellence models, such as the European Foundation for Quality Management (EFQM and Malcom Baldridge) or comparable initiatives in Japan. There was no consensus on these proposals however and some AG members had serious doubts about the desirability and feasibility of any joint approach to an ISO SR deliverable.

3.6. Capacity of ISO to develop performance requirements on SR issues

336. AG members held widely differing views on the capacity of ISO to develop performance requirements in SR. Some believed that this could be dealt with through national delegations, assuming the national standards bodies have the necessary expertise. Others emphasized that the ISO process provides ways to engage the necessary experts and organizations for the development of performance requirements. Yet others believed that ISO did not have this capacity and were skeptical that this expertise even existed. They stressed that there was a fundamental difference between measuring social issues and measuring technical or quality issues. They asserted that society dealt with the social behavior of business not through social performance requirements but through regulation, corporate governance, freedom of speech, the competitive marketplace, and collective bargaining. Others believed that performance requirements – in contrast to performance expectations - can only be applied for measurable values and limits, and that such values and limits will be very difficult to find since there is neither a common understanding nor an agreed definition of SR, nor a common understanding of the relative importance of different SR components.

3.7. Ability of ISO to accommodate sector- and issue-specific SR deliverables

337. Some AG members considered that ISO could accommodate sector- and issue-specific standards and other tools. Others expressed certain concerns about sectoral standards. One concern was that sector-specific standards might limit cross-sectoral initiatives. Another concern was that often the operations of one business enterprise are not limited to one particular sector and involve different products, production processes or services. Therefore, some companies would have difficulty managing sector-specific standards.

Annex A -- Possible Social Responsibility Components

Note that this is a non-exhaustive list and was not the subject of consensus

SR Component	Most common understanding	Relation to Government Regulation[82]
Trade Practices		
Fair trading		
Ethical advertising		
Avoidance of the abuse of market dominance		
…others		
Anti-competitive behaviour		
Rules of Origin		
…others		
Corporate Governance		
Regulatory compliance systems		
Board composition and integrity		
Transparent reporting and accountability		
Risk management		
Internal audit systems		
Protection of intellectual property		
Anti-fraud mechanisms		
Protection of Whistleblowers		
… others		
Employment and Industrial Relations		
Equal opportunity		
Fair wages and conditions		
Right of freedom of association		
Non-discriminatory employment and advancement		
No child labor		
No forced labor		
Reasonable disciplinary practices		
Reasonable working hours and conditions		
Protection of individual privacy		
Fair, non-discriminatory dispute and issue resolution mechanisms		
Internal communication mechanisms		
… others		
Product Stewardship		
Design for recycling/re-use		
Energy efficiency		
Non-hazardous materials and manufacturing processes		

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[82] Relations to governmental regulation can only roughly be judged at the international and/or regional level (like respect of human rights), but needs to be specified at the local level, i.e. the site of an organization

Minimization of environmental impacts		
Product recycling		
Product disposal/waste management		
… others		
Business Relationships		
Ethical purchasing		
Non-colusive tendering		
Avoidance of price fixing		
… others		
Health and Safety		
Safe working practices		
Safe working environment		
Occupational hygiene		
Workplace facilities		
Control of hazardous substances and dangerous goods		
Ergonomics		
Emergency preparedness		
Fair worker's compensation, rehabilitation and return-to-work programmes		
…others		
Environment Protection / Sustainability		
Sustainable production		
Energy reduction		
Waste and discharge management		
Protection of flora, fauna and cultural heritage		
Stakeholder consultation/communication		
…others		
Good Corporate Citizenship		
Contribution to societal well-being		
Philanthropy		
Organizational accountability		
SR reporting		
Rejection of bribery and corruption		
….others		