
THE POWER OF ISO 26000

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INTRODUCTION

[title slide: The Power of ISO26000] I should first of all like to thank the sponsors and organisers of this conference – the Korea Economic Daily, the Ministry of Strategy & Finance, the Anti-Corruption & Civil Rights Commission, the Ministry of Health, Welfare and Family Affairs, the Small and Medium Business Administration and the Ministry of the Environment and SnCS Management – for giving me the opportunity to talk to you today about the standard for Organisational Responsibility, ISO 26000. And I must also say that I am grateful that I am able to speak English for this talk. My English is much better than my Korean! Much better.

The subject of my talk today is ISO26000. I shall also be talking about standards for sustainability and CSR more generally. I think it is appropriate to talk about standards at an event at which those companies that have performed well in terms of sustainability and CSR are being recognised. It is appropriate because thinking about standards forces you to think about not just what is good, but about what is good *enough*. I will come on to what that might mean shortly, but first I should say a few words about myself and my qualifications for talking about standards in general and this one in particular.

My background includes a number of years working in the commercial sector followed by a spell working for NGOs. In addition to teaching and research, I maintain an active interest in the developments of a number of standards. I have for example been particularly involved in the development of the GRI from its earliest days, the Global Compact and in the development of AA1000. I have also been involved with the development of ISO 26000, for which I was for some 18 months the UK NGO delegate, representing Amnesty International UK.

What I should like to cover today **[slide: ISO 26000 - Agenda]** is

- The Importance of Standards – in working with sustainability and CSR, why should we bother with standards – and why are there so many to choose from?
- The Development of ISO26000 – I will paint a picture of how ISO 26000 is being developed, which I think gives some important insights into how standards actually work
- The Scope of ISO26000 – here I will describe the standard. It currently runs to 91 pages, so I think a reasonably high level outline is what you might appreciate most!
- The Significance of ISO26000 – in conclusion, I will set out the achievements and strengths of the standard – but also describe some of its weaknesses.

THE IMPORTANCE OF STANDARDS

There are a huge number of standards for companies to follow in relation to sustainability and CSR.

First of all, we must not forget the law. Laws and regulations concerning environmental performance and social issues are almost universal. In the USA, for example, the Toxic Release Inventory is a mandatory register for designated pollutants; all companies have to inform the Environmental Protection Agency of their discharges. In the UK, it is mandatory for a company to consult its workforce if it plans to make major changes, such as redundancies. In China, as in most of the world, there are laws against corruption. The law represents one kind of standard.

In the history of CSR companies have often argued that the law and regulation is nothing to do with CSR. CSR is only what is voluntary. However it is not possible to make such a hard and fast distinction between the voluntary and the mandatory. The development of ISO 26000 was no exception. When we look at ISO 26000, you will see how that dilemma has been resolved.

On the voluntary side there are also a great variety of standards [**slide: The Variety of Standards**]. Standards range from the broad and overarching, such as the Global Compact – to the specific and detailed, such as the Rugmark standard for labour conditions relating to the manufacture of carpets from the developing world. They range from the environmental, such as ISO 14000 for environmental management to the social, such as the application of Human Rights to corporate operations. And from standards for security operations to those for making loans. Some are broad aspirational principles, some are detailed requirements for management. I did hear of one executive who apologetically said to someone who was trying to convince him to sign up to yet another standard that his company was already committed to 200 different standards - and there had to be a very good reason to think about another one!

It is worth reflecting that the profusion of standards has not come about by accident. It has come about through need. That need arises principally from the huge environmental and social problems that the world faces. But that is coupled with the relative decline in the role of the state and the accompanying rise in the scale and impact which can be traced to companies.

As a result one of the key things we need to know about any standard is: is it being followed – and is it making a difference? [**slide: How Standards Work**] It is important to note the surprising fact that here that there is very little evidence that following a management system standard actually makes a significant difference to the performance of the organisation.

A second important aspect of a standard is: is this telling me to achieve something – like how much carbon to emit, or how much to pay my staff? Or is it telling me how to do or manage something – like ISO 14000, which is about the process for managing environmental performance? The former type is a substantial standard. Many laws, such as those for a minimum wage are of this type. The latter is a process standard, concerned with the techniques and processes of management, albeit in relation to a particular issue or set of issues.

Many ISO standards are process or management standards. ISO distinguishes different types of standard – called Type A and Type B. Type A standards contain requirements. A typical requirement might be that a company must evaluate its performance – say for engaging with

stakeholders. This means that the standard provides for certification, whereby third parties will review what the company has been doing and testify to others that it is, or is not, following the standard.

Type B standards are those which only provide guidance about a management process, but do not in themselves constitute requirements. Nevertheless they can be every helpful to companies by providing systematic advice as to how to manage something. And they may also accompany a Type A standard.

It is worth spelling all this out because ISO 26000 is **not** officially a Type A or a Type B standard. In fact, ISO insists that it is not a management system standard at all! That is surprising as it looks, for most purposes, just like a management systems standard. We will return to the consequences of this peculiar status later on.

If ISO 26000 is not aimed at determining an organisation's performance or behaviour – and it is doubtful that those which are so oriented are effective – what is the point of it all?

I believe that ISO 26000 does in fact have an important purpose. It is just that that purpose is not what the developers and the users of the standard think it is.

The main impact of ISO 26000 lies in the education and awareness-raising which surrounds it. This applies to its development as well as to its actual use. It is somewhat early to talk about its use as it has not been released and is still undergoing some change. But let us now turn to the nature – and the effects – of its development.

THE DEVELOPMENT OF ISO26000

The initiative to develop ISO 26000 represents a big departure for ISO. To understand why, it may be helpful to look briefly at the structure of ISO itself. ISO is strictly speaking an NGO devoted to standard setting. It is a membership organisation; its members are the national standards-setting bodies around the world. **[slide: ISO World Wide]** Korea, through the Korean Standards Association is a member. Across the world, there are perhaps less than 10 countries which are not members or do not participate in ISO in some way – the countries in black on this slide.

The governance of ISO is complex, reflecting its global membership and reach. **[slide: ISO Governance]** One thing that is unusual about ISO 26000 is that its development was initiated by the consumer policy committee, COPOLCO, which you can see on the left of the slide – rather than by any of its members directly. This probably partly reflects the fact that whereas most standards are developed to follow some established practice, ISO 26000 is a standard for a field which is very much still in development, and far from settled. Indeed much of the debate during the ISO 26000 development process was concerned with trying to pin down exactly what the subject of the standard was! You should also notice the Technical Management Board, on the right of the slide. This committee is responsible for the development of standards.

The process for the development of the standard began in 2002. I won't go through the variety of committees through which it had to pass, except to point out that the first two years were spent by a specially convened Advisory Group on Social Responsibility to determine whether or not ISO should proceed with the development of the standard. The committee decided that it should, but there was considerable disagreement. One of the committee members was WWF, the international environmental organisation. WWF issued a minority report, which said that ISO should only proceed with the development of the standard if:

- the environment was within the scope of the standard
- there were broad stakeholder engagement supporting the development of the standard
- the standard was directed at businesses, rather than other sectors.

Although WWF did not play a significant part in the subsequent development of the standard and the target of the standard remained a contentious issue for some years, their report did bear fruit: the environment is covered by the standard and there has been broad stakeholder engagement as part of the development process.

To see just how broad an engagement was built up, we need only to consider that there have been between 300 and 400 participating experts from over 60 countries at the main ISO 26000 Working Group meetings. Moreover the composition of the sub-committees of the Working Group (some of which we will look at in a moment) are minutely scrutinised as to the representation of the developed and the developing world. The Chair of the Working Group is from Brazil and the vice Chair is from Sweden. Meetings of the Working Group have taken place in Brazil, Thailand, Portugal, Australia, Austria and most recently in Chile. About 3/5 of the delegations are from developing countries – although it must be recognised that the size of the delegations from developed countries is usually much larger.

Delegates are also scrutinised as to 'stakeholder composition'. What does that mean in this context? Well, delegates are appointed mainly through the national standards bodies of the participating countries. Each national standards body which is participating in ISO 26000 development maintains a mirror committee which should have at least one representative of each of six stakeholder groups. The six groups are: industry, NGO, government, consumers, labour and something called 'SSRO' which essentially picks up everyone else, from academics to investors. It is possible to criticize the analysis underlying these six groups, but the thoroughness with which it has been implemented not only in the delegates overall, but in every sub-committee and sub-sub-committee which the Working Group has set up, is impressive. Of course it is not always possible to find a full set of six people who have the time and expertise as well as the right stakeholder credentials – nevertheless, the attention which has been paid to the legitimacy of the process is impressive.

And this is actually very important. Because if ISO 26000 is to have the credibility which it obviously wants, and which it needs to succeed, then it must practice what it preaches. Whatever the final content, if the process is not representative, then ISO will have no authority to lay down guidelines about how organisations should pay attention to their stakeholders in discharging their responsibilities. Working with stakeholders in this way is something new to ISO, and it is to their credit that they have devoted as much thought as this to the process.

We should also bear in mind that such attention to stakeholders will have been something new for most of the delegates to the Working Group. One very important outcome of the development process will therefore have been to educate the delegates as to the importance and potential of this kind of process.

I said earlier that delegates were drawn from the national standards bodies. However in addition to that, international organisations – representing any of the stakeholder groups - can also apply to the Working Group and send delegations independently. There are some 40 such organisations present at Working Group meetings.

The administration to run such a large Working Group is also large. The governance of the Working Group is set out in this slide. **[slide: ISO 26000 Governance]**

The actual process by means of which things are decided is also complex. Given the size of the full Working Group, it is clear that a great deal of discussion must go on in smaller groups. One set of such sub-groups are derived from stakeholders. Another set is drawn from the specific tasks for which groups are formed. For example, TG4, the light green box on the slide was responsible for the development and drafting of the introductory sections of the standard. Even TG4 was several hundred delegates strong. So smaller groups were formed for some of the active work involved. As a result politics was very much to the fore – especially considering the fact that opinion within stakeholder groups was routinely divided.

Among the many other aspects of the process, two are important, reflecting the sustained attention to stakeholder needs. The first is that of the plight of NGOs. It is noteworthy, following WWF's public statement of dissent, that few large NGOs have been involved in the process. Smaller NGOs have been involved, but these smaller organisations do not usually have the funds to support their involvement fully. (All costs of attending the meetings have to be met by national standards bodies or delegates' organisations themselves.)

In response the Working Group has worked to provide some support and is actively seeking further resources for NGO input – and balanced stakeholder representation overall - into the process. Funds have been received from some companies and the government of the Netherlands.

Another source of disadvantage was quickly acknowledged to be language. The language of the Working Group is English. In response, as you can see from the slide, groups have been set up to provide translations into Spanish, French, Arabic and Russian. There are already official translations of the draft standard into some of these languages.

To complete this overview of the governance of the Working Group, there are three more points to be made.

The first is that ISO has made special arrangements for two of the organisations which are represented on the Working Group. The first of these is the ILO – the International Labour Organisation. The labour movement in general has been particularly active in the ISO 26000 development process. ISO and the ILO have signed a Memorandum of Understanding which gives the ILO a more privileged position, granting them the right to contribute to the process for longer than might otherwise be the case and committing that the final standard will not contravene any ILO Conventions. ISO has also signed a similar Memorandum with the Global Compact. While these Memoranda also give the ILO and Global Compact veto rights, it is important to remember that in all ISO Working Group, including ISO 26000, all expert delegates to the Working Group have the right to veto any proposal. This is a strong constraint on progress – but it does mean that there is real agreement on what finally emerges.

Secondly, the standard and the development process behind it is open to the public. In contrast to most ISO standards, the drafts and all working papers are freely available on the internet.

Lastly, the timetable. **[slide: Timetable]** As you can see from this slide, it is currently projected that the process will have taken about 9 years, with the standard probably finally released in late 2010. However it is important to note that at the recent meeting in Chile, agreement was reached to go to the next major stage for an ISO standard, the preparation of the Committee Draft.

So what does the standard say?

Having just looked at the development process, I am sure you will understand that since it has not been completed, any pronouncements as to what it covers are by definition premature. Nevertheless, the drafts are showing increasing stability, so it is reasonable to project what it will contain.

The standard [**slide: Structure of the Standard**] currently runs to over 90 pages and seven main sections.

The first three sections appear unremarkable, simply setting out the territory which will be covered by the standard. Perhaps it would have been unremarkable if there were a shared understanding of what it was all about. But there wasn't, and some of the most interesting discussions concerned simply trying to define what social responsibility was and whether it applied to all kinds of organisation.

There was at one stage, for example, considerable discussion as to whether the standard should apply only to companies or to all kinds of organisation. The current draft is definitely directed at all kinds of organisations.

At any rate, the definition which has emerged [**slide: What is Social Responsibility?**] refers to all organisations. It states that social responsibility is:

the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- *contributes to sustainable development, health and the welfare of society;*
- *takes into account the expectations of stakeholders;*
- *is in compliance with applicable law and consistent with international norms of behaviour; and*
- *is integrated throughout the organization and practiced in its relationships.*

The main effect of this definition, I would argue is that it is positioning social responsibility squarely in the ethical domain. Social responsibility means taking responsibility for what you do and the effects which that has. It is really no different from personal social responsibility. For organisations such as companies, however, that means being transparent as well as working towards the welfare of society overall, including the environment.

For companies that also means acknowledging stakeholders and working with them and working within the law and international norms of behaviour. The phrase 'international norms of behaviour' refers to international conventions on human and labour rights, as we shall see.

Finally it is important that social responsibility is not seen as something which is done by a CSR department, but something that permeates the entire organisation. One of the implications of this is that a few philanthropic contributions on the side do not add up to overall responsibility.

Similarly, taking good care of the environment is not enough if your workers are being treated inhumanely.

But you will also see that the second note against the definition tries to limit the effect of the main requirement. This states that the integration of social responsibility throughout an organisation's relationships is intended to refer to those which it can influence or do something about. This needs interpreting with some care, as it could easily be argued that in most situations there was nothing the organisation could do to influence some bad practice – corruption would be a good example – and so nothing need be done.

The section on understanding social responsibility provides a very short history and general outline of the nature of social responsibility. One of the interesting points it makes is that the application of social responsibility to government organisations has parallels, but significant differences to other organisations. This is because governments, at least in democratic regimes, derive their legitimacy from the democratic process. This is deemed to override social responsibilities, at least in relation to public policy. But in relation to the impacts of the organisation in discharging that policy, the standard declares that in that respect, a government organisation has just the same kind of social responsibility as a private company.

The following section on the principles of social responsibility acknowledges that there is no universal agreement on a complete list of the principles underlying social responsibility – something of an understatement!

However the standard does claim that there is agreement on the list of seven principles offered **[slide: Principles of Responsibility]**. One thing which is important about the list is that it actually suggests a baseline of actual performance, which companies wishing to be considered responsible must stay above. This is not only in respect of the rather abstract principles of accountability and transparency, but it also applies to the rule of law, including international conventions covering human rights.

The place of the law in relation to social responsibility has been a difficult question for some time. While CSR first emerged as definitely a voluntary activity, there have been increasing calls from NGOs for greater legislation to underpin social responsibility. While the European Commission, for example, has come firmly down on the side of CSR being voluntary, it has become increasingly obvious that the lack of take up and real commitment to voluntary measures is simply inadequate in the face of the scale of the problems facing the world.

Therefore the position taken by this standard is significant. What the standard is saying is that social responsibility *begins* with obeying the law – it assumes that the law and human rights are essential to social responsibility. The implication of this is that a company which perhaps gave large amounts of money to charity but countenanced corruption or flouted labour laws, cannot be considered responsible.

The next section on recognizing social responsibility is gesturing towards two things:

- an acknowledgement of the impacts of an organisation
- an acknowledgement of the stakeholders affected by those issues.

The list of impacts is in effect a rehearsal for the main subject of the following section, which we shall come to shortly and includes human rights and the environment. It is not claimed that all these issues are equally relevant to all organisations, which would be wrong, but that every organisation should work out the degree to which these issues are relevant, as a precursor to

effective action. This is similar to the impacts analysis which organisations are expected to do under ISO 14001 in relation to environmental impacts.

Interestingly, this section also points out that the responsibility of an organisation extends to all those within its sphere of influence. The standard sets the expectation that an organisation should use its influence to change the behaviour of others. One obvious example of this is the responsibility to exert pressure on its supply chain, to improve workers' conditions and environmental impacts, for example. And that of course raises the question as to the boundaries of an organisation's sphere of influence. Does it extend to influencing customers for example? The actions of de Beers in promoting conflict-free diamonds, suggests that it can.

The recognition of social responsibility also includes stakeholder identification and engagement. What does this mean? As a result of a great deal of discussion and several sub-groups to consider the matter, the standard, unfortunately, has adopted a non-standard definition of the term 'stakeholder'. The usual definition is that a stakeholder is any person or organisation which affects or is affected by an organisation. ISO 26000, in contrast, formally defines a stakeholder as 'an individual or group that has an interest in any activities or decisions of an organisation'. However the text of the section on the recognition of social responsibility actually provides several more definitions – couched variously in terms of relationship and of claims. Here a claim could be a legal claim, but it could also be, in the words of the standard, simply 'the right to be heard'.

However they are defined, according to the standard a deliberate effort to identify stakeholders is a prerequisite of social responsibility. The standard provides some suggestions for how an organisation might realize who its stakeholders were. This includes considering those to whom there are legal obligations, those affected by the value chain to those who might be disadvantaged by exclusion.

Having identified its stakeholders, a further part of acknowledging responsibility is to engage with them. After this there comes an extraordinary statement that in most situations it will not be necessary to engage specific stakeholders in order to understand the expectations for its responsibility. The reasoning behind this statement appears to be that most expectations are already known to the organisation or can readily be discovered by the organisation alone. Of course, where the issue in question is covered by laws or regulation, this may be partly true. But the idea that it is possible to discover what your employees, for example, might want, simply by introspection is absurd. They are on hand – just ask them!

This section also makes the rather less contentious points that stakeholder engagement enables an organisation to be transparent and to become more accountable. Interestingly it also suggests not only that an organisation should be responsive to its stakeholders, but that stakeholder engagement can be used to resolve conflicts between its own interests and those of its stakeholders and those of society as a whole.

At this point we come to what many will consider the heart of the standard – two sections concerning the issues to be addressed and what to do about them. The list of issues to be addressed [**slide: Core Issues**] are also those crucial to the acknowledgement of responsibility, as I mentioned a little earlier.

Now each of these issues are covered in the same way such that the structure of the relevant section covers:

- the relationship of the organisation to the issue (for example the environment or human rights)

- the issue and social responsibility
- benefits to the organisation in being responsible in relation to the issue
- principles in dealing with the issue
- a more detailed discussion of the components of the big issues such as 'the environment'.

There is not really the time here to go into all of these issues in detail. So I will highlight a few of the more interesting discussions.

One of the considerations discussed in connection with human rights is the extent to which they apply directly to individuals. Human rights are defined in relation to states, but the standard points out that certain abuses of human rights are generally deemed to be binding on all individuals; examples include torture and crimes against humanity.

Another issue is that of complicity. Whereas most companies will not do anything directly to abuse human rights, certain common practices can contribute to such abuses. A common example is the employment of security firms by mining companies to protect their property. Of course they have a right to protect their property, but as the standard suggests, they also have an obligation to make sure that the forces they employ do not use excessive force in doing so.

The standard also suggests that such issues should be considered in advance of some project going ahead. 'Due diligence' should include proactively reviewing whether a new project may be likely to lead to situations of complicity with human rights abuses, perhaps because of the instability or oppressive nature of the government of the country in which they are contemplating establishing operations.

Although the section on human rights discusses rights at work, the more detailed issues of labour practices form a section of their own. This covers for example, wages and other forms of compensation, working time, rest periods, holidays, disciplinary and dismissal practices, maternity protection, work-life balance and of course freedom of association amongst many other topics. But there is a significant overlap between these two sections.

Another of the core issues is the environment. Climate change for example is significant not only because the organisation will be contributing to it, but also because it must adapt to it in order to survive. Here one of the more powerful suggestions is the adoption of the precautionary principle in its operations. The precautionary principle requires that environmental impacts are considered in advance of an action and where there is uncertainty over the impacts this should be addressed prior to action.

Another principle, is that the polluter should pay for pollution. An organization should bear the cost of pollution caused by its activities. This seems clear from a moral perspective, but the practice of many organisations is often at variance with it. The idea of environmental responsibility is underlined in the suggestion that a life-cycle approach should be taken to identifying impacts. This means that the disposal of a product after use should be considered just as much, say, as the operation of facilities in producing them in the first place.

The section on core issues gives many examples of what companies should do in relation to the issues. For example the Fair Operating Practices issue covers bribery, political contributions and fair competition. In relation to the latter, for example, the standard says that organisations should 'confirm that the remuneration of its employees and agents is appropriate and for legitimate services only'.

From a stakeholder perspective, what this section is doing is:

- Firstly to enumerate the issues typically encountered by that stakeholder and proposing actions the company can take to remove, reduce or ameliorate the effect on the stakeholder – for example, clearly describing the nature of a product sold to a consumer
- Secondly to adopt behaviour that propagates responsible practice through that stakeholder – for example, including information in that description that makes clear the social and environmental impacts of the product.

The last core issue, 'community involvement and development' covers not only community investment and philanthropy, but the general impact of an organisation on the economic and physical health of its community. It also includes issues which are clearly important but have not found a home elsewhere, such as socially responsible investment.

The last major section, concerns guidance on implementation [**slide: Guidance on Implementation**]. This section starts by acknowledging that exactly what an organization does is dependent on many factors, such as its size, location, the nature of its business, the stage of its investment cycle and so on. This leads to a discussion of relevance – not all issues are equally relevant to all organizations, though it is better to start with an open mind and narrow it down appropriately, rather than the reverse.

Having determined relevance, an important subsequent step is to determine significance. Importantly the standard suggests that stakeholder interests as well as organisational interests are taken properly into account. The significance of an issue to a stakeholder is not usually directly related to how much money a company might be able to make out of a product, for example.

Perhaps the central element of this section is to provide guidance on how to embed social responsibility into an organisation. The central recommendation is to review all the existing management processes – from mission statement downwards, with an eye to how it might promote socially responsible behaviour. Reviewing the governance structures is critical. And this should be supplemented by communication and awareness raising about the issues. Implementing social responsibility should be treated in many ways like any other major project which management might undertake: where should responsibility lie? How many resources should be devoted to it? How should it be communicated? How can it be managed?– and so on.

The standard concludes with a short, generic discussion of the many initiatives that exist in this area. There are also two important annexes: one with a list of these other initiatives, although this is not yet completed in this draft. The other is a bibliography listing the many ISO standards, UN Conventions and other sources on which ISO 26000 draws.

THE SIGNIFICANCE OF ISO26000

So what have we discovered through this review of ISO 26000?

[slide: The Significance of ISO 26000]

I have touched on a number of issues which are questionable - and some which seem wrong. I have mentioned those areas which seem poorly written or structured. I have also pointed out that it is not a management standard, so it will not provide the close guidance which many will be seeking.

And in a sense there is nothing really new here. Yet of course that is the point: this is a standard not a research exercise.

Yet it has accomplished something new. Above all it has legitimised the idea of social responsibility. It has made it an accepted subject to discuss.

It has also set out many things which are important to social responsibility – not least a coherent definition of it. And it has, through its references integrated a wide variety of other standards, especially those with international standing.

It has also, through the very process by which it has been developed, communicated the ideas involved to a very widespread, new audience.

It has collected together the ideas of experts from across the spectrum of different organisations to produce something on which they can all (mostly) agree!

It has set a baseline for behaviour by organisations that constitute a practical schema of ethics for organisations and companies.

That is no mean achievement.

We must hope that the participants in this long process have the persistence to finish the job!

Thank you.