

ISO Strategic Advisory Group (SAG) on SR Update Briefing #8¹: May 2004

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| 1. SAG Chicago Meeting (Final meeting) | 14-16 April 2004 |
| 2. IISD Comment & Analysis on SAG Recommendations | |
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DISCLAIMER

This briefing does not represent the views of ISO or of the ISO Strategic Advisory Group on Social Responsibility (SAG on SR). Neither does this briefing represent the full scope of the discussions in the SAG on SR – it is a selection of information that IISD and its partners believe to be most relevant to the international sustainable development policy community. This briefing and others in this series are distributed on our own initiative, because we believe that the issue of international SR standardization is of sufficient public interest that information on the ongoing discussions should be freely available.

HISTORY

For a detailed overview of the discussions to date in ISO on Social Responsibility, please refer to the previous Update Briefings and other background information available at: http://www.iisd.org/standards/csr_documents.asp

ISO SAG ON SR MEETING 14-16 APRIL 2004, CHICAGO, USA

The SAG's final meeting was held at Motorola's headquarters outside of Chicago from 14-16 April 2004. The meeting's objectives were to:

- i) Finalize the working report
- ii) Provide input on the International Conference on SR
- iii) Reach agreement on a recommendation to the ISO technical management board (TMB) on what ISO should do in the area of social responsibility.

An attendance list for the meeting is attached as Annex 1 to this report. Kevin McKinley, ISO Assistant Secretary General, was also in attendance for the second day of the three day meeting.

WORKING REPORT ON ISSUES RELATING TO SR STANDARDIZATION

A major part of the SAG's terms of reference - as revised in March 2003 – was to prepare a report to inform ISO's decisions on SR standardization. A deadline of 30 April 2004 was given for submission of this report to the ISO TMB. As reported in previous Update Briefings, the working report was originally conceived in two parts: Part 1 would include a state of the art survey on SR and SR standardization; Part 2 would discuss issues relating to SR standardization, including an overview of different opinions and perspectives within the SAG. The compilation of Part 1 was complemented by research undertaken for the SAG by ERM Inc, a consultancy, which was paid for by the ISO Central Secretariat. The final working report was to be developed based on information from ERM, but under the exclusive authority of the SAG.

A drafting group composed of volunteer SAG members had been created in November 2003 to undertake the development of the working report. This group was expanded after the

¹ This Update Briefing has been produced through a collaborative initiative of [IISD](#), [IIED](#), [AICC](#), [RIDES](#), [DA](#) and [IUCN](#)¹, who are working together to build understanding of the implications of potential ISO engagement in the CSR agenda. The initiative is funded by the Swiss State Secretariat for Economic Affairs ([SECO](#)). This newsletter's lead contributor is Tom Rotherham, IISD, who is a member of the ISO Strategic Advisory Group on SR. Visit our project website at: <http://www.iisd.org/standards/csr.asp>.

SAG's January 2004 meeting in Munich, and worked to produce a draft of the working report that was circulated to the full SAG for comment on two occasions prior to the Chicago meeting. The Chicago meeting gave SAG members a final opportunity to comment on the working report and to reach consensus on the text.

The first day of the Chicago meeting was spent discussing the working report. A number of factual corrections and some refinements of the tone of the text were made, but a number of more substantial comments are worth noting here, including:

- Due to the comprehensiveness of the SAG's own work on Part 2 and the difficulty in gathering and analyzing information on the state of the art in SR, the SAG agreed that Parts 1 and 2 should be merged. In particular, the section titled "Origins and evolution of the concept of SR/CSR" seemed to provide a useful context for the rest of the report.
- It was noted that the term "SR" is not commonly used, and that the SAG had adopted this term in order to resolve internal disputes about the applicability of "CSR" to non-corporate, non-business organizations. For editorial purposes, the term "SR" would be used in the report except where the use of the term was clearly limited in scope to business enterprises, in which case "CSR" would be used. However, SAG members agreed that the decision to use the term "SR" was for editorial reasons alone, and does not resolve the question of the main target for SR standardization, or where the main demand for SR standardization lies.
- Several members noted that there was insufficient attention paid to the different uses of the term "standard" in the area of SR. In particular, there was a need to underline more clearly the fundamental difference between "standards" developed by intergovernmental bodies, such as the ILO and UN agencies and Conventions, and "standards" developed by private organizations. Attention should also be drawn to the fact that the processes through which "SR standards" are developed play an important role in limiting their appropriate scope and application.
- There was general agreement that the working report did not adequately address the differences with regard to the evolution and practice of SR in developing countries, or to the unique context in which SMEs operate.
- It was agreed that the section on "Definitions" should not be presented in such a way that it implies that there is a common definition, or that it may be possible to define SR/CSR at the international level. However, SAG members also noted that there is a difference between reaching a common "definition" and reaching a common "conception" of SR, and that the different definitions being used do not necessarily imply a substantially different conception of the scope of SR.

The SAG concluded discussions on the working report and agreed that most of the changes requested by SAG members would only be made if the SAG member raising the issue also provided specific text. The drafting group – led by Kernaghan Webb, representative of ISO COPOLCO – revised the working report in the week following the Chicago meeting. The final draft met the satisfaction of the full SAG and was submitted to the ISO TMB on 30 April 2004.

The working report is now posted on the ISO website (<http://www.iso.org/iso/en/info/Conferences/SRConference/report.htm>). Organizations are invited to submit comments and statements on the report, which may also be posted on the ISO website. The report will also act as a background document for the ISO International Conference on SR, to be held in Stockholm, Sweden from 21-22 June 2004.

INTERNATIONAL CONFERENCE ON SR

The SAG also discussed in Chicago the latest draft of the Conference Agenda, which had been prepared by the ISO TMB in consultation with the Swedish Institute of Standards (SIS), and based on comments submitted by SAG members. The ISO Central Secretariat representative noted that in developing the agenda a balance had to be found between attracting a wide range of participants and focusing on the specific issues of most important to ISO's decision-making process.

SAG members made the following comments, among others, during their discussions:

- There is a need to include more developing country speakers in the agenda; less than 10% of the speakers in the first draft of the agenda were from developing countries;
- A review process may be required through which ISO can vet submissions to the ISO website on the SAG's recommendations and working report from interested parties; and
- The stakeholder-based breakout sessions might be more valuable if they were held in Plenary, so that each stakeholder group could hear the impressions and opinions of the others.

It was also noted that SIS was organizing a workshop for developing countries prior to the conference, on 17-18 June 2004, also in Stockholm. Developing country members of the SAG hoped that this workshop would give developing countries an opportunity to discuss and develop common positions on ISO SR standardization.

The ISO Central Secretariat representative noted the SAG's comments and highlighted some areas of flexibility for making changes to the latest draft of the agenda, but also noted that no agenda would be perfect from all perspectives and that there was a need to finalize the agenda well in advance of the Conference. The latest version of the agenda is posted at <http://www.iso.org/iso/en/info/Conferences/SRConference/programme.htm>.

THE SAG'S RECOMMENDATIONS TO THE TMB

The most important and hotly debated output from the Chicago meeting was the SAG's recommendation to the ISO TMB on ISO's role in the area of SR standardization. It is believed that this document will have a significant influence on scope of the TMB's June 2004 decision on whether or not to proceed. The recommendation seeks 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.*

Due to its mixed experience building consensus through email and conference calls, the SAG had agreed at its January 2004 meeting that the text of the recommendation would be finalized and agreed face-to-face in Chicago. It was also agreed that, while every effort would be made to reach a consensus without reservation, the SAG would if necessary submit a consensus "minority report" that clearly outlined dissenting views.

The discussions on the recommendation focused on a number of key issues and concerns held by SAG members, including:

- A recognition that enough guidance now exists on management system standards (MSS) and that there would be little added-value in another MSS;

- A desire to avoid another wave of costly management system certification, both nationally and internationally;
- A concern that an ISO guideline document could reduce the pressure on companies to provide independently verified information – noting that this is a trend in the CSR area;
- A concern that ISO’s engagement in the area may overlap or compete with the work of other, more competent bodies, particularly as regards the development of substantive requirements;
- A need to protect the ILO’s role and the processes by which substantive social standards are developed;
- A desire to focus more on an organization’s performance than simply on its management processes;
- A need to consider the appropriateness of the full standardization process before deciding on any scope for deliverables;
- The importance of maintaining flexibility at the local level for defining SR priorities and implementation, while respecting the principle of subsidiarity;
- The opportunity cost of ISO doing nothing – and the risk that other SR standards would almost certainly be developed by other bodies without ISO’s strengths. It was noted that this risk may outweigh the threat of standardizing SR prematurely;
- The pre-eminence of “Trust” as a key component in SR implementation, including issues relating to stakeholder engagement, transparency and reporting;
- The need to expand the concept of SR past the “front-runners” and more broadly to all organizations, while recognizing that most of the need and demand is in the private sector;
- The private sector’s willingness to adopt ethical modes of behaviour as long as it brings economic value;
- There is a need for an implementation mechanism that links requirements developed by governments and intergovernmental bodies, and expectations expressed by consumers, civil society and the market, with an organization’s management process and, ultimately, performance.
- A concern that people believe that standardization is a technical solution to what is actually a political problem – CSR on its own may not solve many problems: e.g. you cannot get rid of child labour through CSR alone; and
- A desire to ensure that SR standardization in ISO does not restrict government’s freedom to define SR how they think most appropriate, or to set requirements that they think are important;

SAG members noted that there were three different types of recommendations emerging from the discussions: a) prerequisites that ISO must satisfy prior to engaging in any kind of SR standardization; b) guidance on the scope of SR standardization; and c) guidance on the SR standardization process. The resulting recommendation is structured along these lines.

At the close of the Chicago meeting it appeared that a consensus had been reached on the final text. However, during email discussions the following week and following internal discussions, WWF decided that the text of the recommendation was not explicit enough on certain issues, and therefore withdrew its support for the text². While a number of SAG members agreed that many of WWF’s requests for changes to the text amount to clarifications rather than substantive changes, the decision had already been made to halt discussions on the

² It should be noted that, although WWF was represented at the Chicago meeting, their representative had not received a full briefing on WWF’s internal discussions. As a result, while the WWF representative agreed with the consensus text at the end of the meeting, this acceptance was not made with the benefit of a full appreciation of the organization’s positions. The SAG’s deadline to submit its recommendations to the TMB made it impossible to re-open the discussion to try to address WWF’s concerns.

text at the end of the Chicago meeting. As a result, although the implicit content of the recommendation may well represent a pure consensus, the recommendation was submitted as a minority report with WWF's comments attached. The full text of the SAG's minority report recommendations is provided in Annex 2 to this Update Briefing.

IISD'S COMMENT & ANALYSIS OF THE SAG'S RECOMMENDATIONS

As noted above, the SAG's recommendation is structured in three sections:

- a) A set of prerequisites that must be satisfied before ISO undertakes any SR standardization;
- b) A set of guidance on the scope of the deliverable; and
- c) A set of guidance on the standardization process itself.

This commentary and analysis will consider each part in turn, and then conclude with some general remarks. While the recommendations are contained in a stand-alone document, any analysis of them should consider three things:

- i) The content of the SAG's working report, which outlines in more detail much of the discussions within the SAG (see www.iso.ch/sr);
- ii) The Letter from the Chair, which introduces the recommendation and provides some additional contextual information (see Annex 3); and
- iii) Differences between this recommendation and the SAG's February 2003 recommendation (see Annex 4).

SECTION 1 – PREREQUISITES

Some of the SAG's discussion in Chicago was spent considering the appropriate tone for the recommendation; there were two schools of thought: first, those that preferred a positive "Yes, ISO should proceed if..." approach, and second, those that preferred a "No, ISO should not proceed unless..." approach. In the end, the recommendation is a mix of the two. The first section sets out what the SAG sees as fundamental prerequisites that must be fulfilled before ISO engages in any work in the area of SR (I.e. "No, unless ..."). Although there are seven bullet points in this section, there are three basic issues raised.

1. ***"ISO recognizes that social responsibility involves a number of subjects and issues that are qualitatively different from the subjects and issues that have been already dealt with by ISO.***
2. ***ISO recognizes that it does not have the authority or legitimacy to set social obligations or expectations which are properly defined by governments and intergovernmental organizations.***
3. ***ISO recognizes the difference between on the one hand, instruments adopted by authoritative global inter-governmental organizations (such as the United Nations Universal Declaration on Human Rights, international labour conventions and other instruments adopted by the ILO and relevant UN Conventions) and on the other hand, private voluntary initiatives that may or may not reflect the universal principles contained in the above instruments***
4. ***ISO narrows the scope of the subject so as to avoid addressing issues that can only be resolved through political processes.***
5. ***ISO recognizes through a formal communication the ILO's unique mandate as the organization that defines, on a tripartite basis, international norms with respect to a broad range of social issues."***

Bullets 1-5 deal with the concern that ISO might get involved in areas of SR standardization that can only be undertaken by governmental or intergovernmental bodies, or in areas that fall

under the clear mandate of existing organizations. Although these bullets refer directly to UN and other bodies that set social standards, the discussion included Multilateral Environmental Agreements (MEAs) as well. In particular, bullet 5 was included as a way of ensuring that ISO does not engage in areas that fall under the mandate of the ILO. Other international organizations and Convention Secretariats may decide that they also should have formal communications with ISO. One of the concerns is that organizations might use ISO's work in the area of SR as a way to "forum shop", where they could develop competing standards of varying stringency.

Bullet 4 is somewhat ambiguous and is therefore worth treating separately. Although this bullet was negotiated in the same context as those above (i.e. that ISO should respect the limits of what standardization can address and achieve in the area of SR) it has an important subtext. The subtext is that, while the SAG's recommendation is a constructive step towards the development of a new work item proposal, it has not narrowed the scope enough to adequately segregate issues that are the rightful domain of governments and political processes. Among other things, this suggests that a process will be needed to develop a more detailed and narrowed scope of work – presumably through a structured and comprehensive process to draft a new work item proposal that can be put to the ISO membership for vote.

6. "ISO recognizes that, due to the complexity and fast-evolving nature of the subject, it is not feasible to harmonize substantive social responsibility commitments."

Bullet 6 deals with the concern that some organizations or members would hope to use ISO's engagement in this area to try to set a single, universally applicable set of SR performance standards. Not only would this be politically difficult to negotiate in any organization, it is the kind of activity that would almost certainly be the domain of governmental or intergovernmental organizations. In addition, given the national and regional differences in social, environmental and economic contexts, it is not clear that any such universal list of specific performance requirements would be desirable.

7. "ISO reviews its processes and where necessary makes adjustments to ensure meaningful participation by a fuller range of interested parties."

Bullet 7 is a stronger restatement of a recommendation already made in the SAG's February 2003 recommendation. It states that ISO should review its processes and where necessary makes adjustments to ensure meaningful participation by a **fuller** range of interested parties. This recognizes the unique nature of SR issues and the diversity of stakeholders interested in SR issues, and that this is entirely new ground for ISO. The recommendation implies, but does not state explicitly, that ISO should not be expected to revise its rules of procedure (the "ISO Directives") just so that it can develop SR standards. Discussions on this point also noted that there is a great deal of flexibility in the existing rules of procedure. It was also noted that different types of processes may be needed for the development of different types of SR standards.

Together, these seven bullets set out a checklist that must be fulfilled before ISO engages in SR standardization. While it does not explicitly indicate when or in what order these challenges must be met, or how far ISO can proceed before meeting them all, it would be safe to presume that the SAG intended for all seven prerequisites to be met prior to the submission of a new work item proposal to the ISO membership for a vote. Also, since "ISO's processes" included the new work item justification and proposal processes, Bullet 7 should presumably be initiated before any additional steps are taken. Of course, another important but unanswered question is: "who decides that the challenges have been met?" While some have obvious pass-fail criteria, others are open to interpretation.

SECTION 2 – THE SCOPE OF SR STANDARDIZATION

The second section of the SAG’s recommendation provides guidance on the scope of possible ISO deliverables on SR. It answers the question: “what should be the scope of the work and the type of deliverable?” The commentary and analysis that follows will consider each part of this set of guidance in turn. To be understood, however, the set of guidance must be considered in its entirety – it represents a fine balance between different interests with different concerns.

“A guidance document, and therefore not a specification document against which conformity can be assessed.”

This statement addresses a number of different concerns, including industry’s concerns regarding the costs of management system certification, NGOs concerns about competition for existing SR standards, and a general feeling that SR may not be ready yet for normative standardization. By restricting it to a “guidance document”, the SAG effectively rules out all possibility that there be any kind of conformity assessment against the standard itself. This does not mean, however, that the guidance in the standard would not provide guidance on issues related to conformity assessment and verification.

Without clearly limiting the possibility for certification there could have been no consensus in the SAG. Many SAG members needed to see language that restricted the possibility of conformity assessment. However, what has been slightly obscured in this language is that many of the SAG members who were opposed to independent verification of management systems were not necessarily as strongly opposed to independent verification of performance data. Some SAG members even expressed an opinion that limiting the scope in this way would ignore the obvious trend for more independent verification or assurance of SR performance.

▪ ***“for use by business and other organizations.”***

This text addresses the long-standing debate in the SAG about whether ISO should, or can, develop standards for only one type of organization: business. A number of SAG members felt that it would be inappropriate for ISO to target “business”, noting both that ISO does not generally developed standards that can be used by only one type of organization, and that all organizations have social responsibilities, whether for-profit, not-for-profit, or governments. Other SAG members felt that it would be appropriate to reflect present reality: that the demand for SR standards was most obvious in the case of businesses, and that business is ISO’s main constituency. Some SAG members were also concerned that targeting ISO’s work at “all organizations” would provide a loophole through which business could water down the type of guidance contained in the standard.

This is one of those instances where the text was kept purposefully ambiguous, but the placement of “businesses” at the front of the statement should be read as an indication that the SAG recognizes that the primary target and main *demandeur* for ISO SR Standardization is the business community.

▪ ***“that emphasizes results and performance improvement.”***

This was a relatively uncontroversial sentence, with all members agreeing that there is enough guidance on management systems and that the main objective of any ISO SR standardization must be to help guide an organization’s efforts to improve its performance – not its management systems. While the recommendation calls for the main focus of ISO’s standardization not be on management systems, this does not mean that management systems play no part in helping an organization to improve its environmental performance.

▪ ***“that adopts a common terminology in this area.”***

There are two elements to this part of the recommendation. First, any international standardization activity must use a consistent and clearly defined terminology in order to avoid misinterpretations and misunderstanding. The creation of a common terminology is a normal part of the standardization process and without a common terminology consensus will be much harder to reach. Second, all SAG members recognized that there is a diversity of terms used in the area of SR, and that there is a need to clarify exactly what ISO means when it says “SR standardization”. In particular, there is a need to clarify that “SR” includes environmental, social and economic issues, and not just “social” issues.

▪ ***“that assists organizations in effectively addressing their social responsibilities in various cultures, societies and environments.”***

This statement reflects the SAG’s common appreciation that both the prioritization and implementation of SR differs from context to context on the basis of a number of characteristics including cultural, environmental and economic conditions. There is therefore a need to ensure that an international SR standard does not impose a single vision of SR. This is consistent with Principle 11 of the Rio Convention, and also with the principle of subsidiarity. However, this statement does disguise to some degree a related line of discussion, under which many SAG members noted that there are also certain “unavoidable” obligations and expectations in the area of SR, including instruments that are developed at the international, regional, national and sectoral levels. One of the challenges of any international SR standardization will be in finding the right balance between too little and too much flexibility.

▪ ***“that can complement other relevant instruments and tools.”***

The intention of this statement is to clarify that ISO should not try to replace any existing SR standards or tools. The genesis of this statement is the concern among some SAG members that an ISO standard – and in particular, a weak ISO standard – may push other, more useful standards and tools out of the market because of the strength of ISO’s brand. It also addresses the point that some SAG members feel that, due to the relative lack of experience with SR standardization there is a value in maintaining a variety of different approaches. The problem with this statement, of course, is that international standards are generally intended to do exactly that: to replace existing standards – or, at least, to obviate the need for new standards. However, most of the existing standards that might get replaced by ISO’s work in this area include provisions for conformity assessment, or are considering such provisions, and so it would seem unlikely that a non-normative ISO SR Standard could replace normative standards developed by other bodies.

▪ ***“that stipulates it is not intended to reduce government's authority to address the social responsibility of organizations.”***

This statement arose out of the concern that an ISO standard on SR might – because of the uncertain implications of the World Trade Organization’s Agreement on Technical Barriers to Trade – restrict government’s freedom to set national SR standards. While the threat is a distant one, it was agreed that it could create significant problems. As a result, the SAG agreed to clarify that governments should not be required under international trade law to base national SR standards on an ISO SR standard.

- ***“that is of use to business and other organizations of all sizes.”***

Readers who compare this statement with the first bullet (“*for use by business and other organizations*”) will no doubt wonder what nuance is hidden in the near exact repetition. What is the difference between a standard that is “for use by” and one that is “of use by”? The first iteration implies a direct use: i.e. business and other organizations will be able to implement the standard. The second implies a somewhat less direct use: i.e. business and other organizations might find it useful for other businesses and organizations to implement the standard. This interpretation would then capture the discussion in the SAG on the fact that many market actors are imposing SR-related requirements on their business partners. This is most prevalent in the area of procurement requirements and socially responsible investment. It should be noted, however, that the SAG did discuss merging this bullet with the first, but in the end decided to keep them separate.

- ***“that provides practical guidance on methods and options for:***
 - *operationalizing social responsibility,*
 - *identifying and engaging with stakeholders,*
 - *enhancing credibility in claims made about social responsibility”*

This set of statements contains the most direct indication of the SAG’s opinion on the content that an ISO SR standard could usefully address. The first, “operationalizing social responsibility” refers to guidance on processes that can help an organization translate social obligations and expectations into performance outputs, including integrating SR into its management and operations. While this would likely include a number of elements that could be considered “management system” elements, the text was chosen specifically to avoid use of the term “management system”.

The second bullet recognizes the fundamental link between SR and stakeholder engagement. At one point, the SAG had even considered the possible value of a specific deliverable addressing local stakeholder engagement. However, because it was one of the issues on which there was relatively little disagreement or controversy, there was also relatively less detailed discussion on this point.

The third bullet is another statement that was kept purposefully ambiguous. It is also one of the main issues identified by WWF as needing clarification. The two main concepts are “enhancing credibility” and “claims”. While many SAG members agree that “claims” includes reporting, and that “enhancing credibility” would include issues related to transparency, WWF felt that the statement should be more direct and should explicitly include these terms.

- ***“that should be written in clear and understandable language.”***

This uncontroversial statement underlines the importance of developing a standard that can be easily understood and so be practical and useful to organizations. This statement also addresses the importance of using language that is easily translated into other languages.

SECTION 3 – PROCESS RECOMMENDATIONS

The seventh prerequisite in Section I of the SAG’s recommendation calls on ISO to review and where necessary make adjustments to its processes to ensure meaningful participation by a fuller range of interested parties. This prerequisite covers all of the processes involved in standards-development, including activities that take place before a technical committee or sub-committee is established. This third section of the SAG’s recommendations addresses issues related specifically to the Technical Committee under which SR standardization may take place.

- ***“ISO should make every effort to ensure that developing countries can meaningfully participate in this work.”***

Throughout all of the SAG’s discussions one issue that received consistent and unanimous support was the need to ensure that developing countries are adequately involved in any future SR standardization. Indeed, one of the justifications for ISO’s involvement in this area is that the ISO structure provides developing countries perhaps the best opportunity to be involved in setting SR standards. ISO’s efforts in the past have illustrated that it is not an easy issue to address and depends on the existence of financial, human resource and institutional capacities. Those SAG members closely involved in these issues noted that, while ISO has supported developing country participation and training in the past, there is still more that can be done, in particular in cooperation with other interested agencies and organizations.

- ***“In light of the distinctive and new nature of this work, ISO should convene a new Technical Committee to develop this work, not use an existing Technical Committee.”***

When ISO begins to develop standards in a new field of work it either allocates the work to an existing technical committee, or creates a new technical committee. The most obvious existing “homes” for SR standardization in ISO are TC176 (Quality Management) and TC207 (Environmental Management). The SAG members were unanimous in asserting that SR is so qualitatively different from previous ISO work that it deserves a new technical committee. There are three aspects to this statement: First, the focus of the SR standardization is not the management system, and TC176 and TC207 are largely management systems focused. Second, if ISO is to be successful in the development of SR standards it will have to convene expertise that it has not involved in previous standardization work. Using an existing technical committee would make it less likely that new experts become involved. Finally, SR standardization is almost certainly going to require changes in the standardization process; it was believed that there would be more freedom to develop creative and inclusive standardization processes in a new TC than in an existing one.

- ***“The new Technical Committee should adopt as part of its terms of reference all of the items contained in these recommendations.”***

This statement merely identifies a mechanism through which the SAG’s recommendations could be hard-wired into the work programme of a new Technical Committee. This statement is not driven by a belief that the SAG has unique expertise or insights into SR that could not be improved upon by others. It arises instead from the recognition that if the fine balance wrought in the SAG’s recommendations is lost then it is likely that a number of organizations will pull out of the ISO process.

- ***“The Advisory Group recommends that any Technical Committee that is convened, and any of its constituent bodies, includes the range of interested parties such as those included within the Advisory Group.”***

This statement underlines again the importance of ensuring that all stages of the SR standardization process are characterized by a balanced, multi-stakeholder group that represents all SR interests. The “constituent bodies” of a TC could include a sub-committee, a working group, a drafting group, the national member delegations, a chairman’s advisory group, or other bodies.

- ***“ISO should ensure that the work of this new Technical Committee is coordinated with that of existing Technical Committees.”***

This is standard ISO practice, and would be something that the TMB would be responsible for ensuring with or without the recommendation. The intention of this statement is to recognize that, while the SAG believes that SR standardization should take place in a new TC, there are nonetheless other TCs with expertise and existing standards that could prove useful to the development of SR standards.

SUMMARY: THE MINORITY REPORT AND NEXT STEPS FOR ISO

The strength of the SAG's recommendation is linked to its multi-stakeholder composition and its ability to reach consensus. While it is significant that the SAG recommendation is not a consensus document, it is important to put the outcome in proper perspective. The main reason why WWF's concerns could not be accommodated is procedural, not substantive. WWF left the Chicago meeting expressing agreement with the text. They only decided that they needed some changes made to the text after the deadline for changes has passed. This tied the SAG's hands, and made consensus impossible to reach.

It is also important not to presume that the issues that WWF has raised in its minority report are not addressed by the SAG's recommendations. As noted above, and as is frequently the case with delicate negotiations, the language of the recommendation was left purposely ambiguous in many cases to smooth over differences that could not be resolved in the time available in Chicago. As it was, discussions on the recommendation went literally up to the wire on the final day of the Chicago meeting.

So, while some of WWF's concerns may well stretch the language of SAG's recommendation beyond where other SAG members are comfortable, many SAG members have acknowledged that WWF's clarifications are consistent with their interpretation of the recommendation. WWF's minority opinion implicitly recognizes this by stating that they remain hopeful that ISO's work on SR will contribute positively to sustainable development, and also by committing to remain engaged in the process going forward.

The clear message to the TMB, and anyone else contemplating the next stages of this process, must be that the SAG's recommendation on its own is not a solid enough basis on which to develop a new work item proposal (NWIP). If the existing recommendations are not even clear enough for the SAG members to interpret consistently, then they cannot hope to be clear enough for the ISO membership. ISO must avoid asking its membership to vote on a NWIP that is vague on a number of important issues.

There are clearly some issues that still need to be resolved before the ISO membership is asked to vote to begin work in a new field as contentious as SR. A good place to start would be the issues outlined in WWF's minority opinion, and a good way to start would be in the context of a multi-stakeholder Justification Study (JS) process and NWIP drafting process.

So while the SAG's recommendation is not an end-point, it is nonetheless a critical element of ISO's work and a solid basis on which to develop a consensus proposal for work in the area of SR. Of course, any consensus developed during a JS or NWIP development process must be developed by a group no less representative than the SAG itself. Otherwise, it would be open to accusations of "false-consensus" between an exclusive group of like-minded organizations or people. This is an entirely appropriate test, both for ISO's commitment to involving a broad range of interested parties, and for the ability for diverse interests to reach consensus in the field of international SR standardization. Neither has been adequately demonstrated yet; both are crucial to the success of any future SR standardization process in ISO.

Although the International Conference will be a very useful input to ISO's decision-making process, the next really important stage in this process comes on 24 June 2004 when the TMB meets in Stockholm to decide what to do next. Unless the Conference is a resounding failure, it is hard to see how the TMB will turn back after having invested 3 years investigating the feasibility of developing SR standards.

If, as expected, the TMB does decide to proceed it will be bound by ISO's rules of procedure, which clearly require three things: 1. a clearly written new work item proposal outlining the scope of work; 2. a justification for the new work item proposal; and 3. a vote on the new work item proposal by the full ISO membership.

The TMB will also have to decide what to do about the SAG's seven prerequisites. In particular, it will have to consider what sort of formal communication it should have with the ILO (prerequisite #5), and how it will review and possibly make adjustments to its processes (prerequisite #7).

Regarding the communication with the ILO, it is unclear what content this communication should include, or what form it could take. It is possible that it takes the form of a formal Memorandum of Understanding, in which case it would involve in-depth discussions between the two bodies. On the other hand, it could just take the form of a formal statement of intent on SR standardization sent by ISO to the ILO, clearly limiting ISO's work in SR standardization as outlined in the SAG recommendations. Either way, it is very unlikely that ISO would be able to concede to give the ILO a veto over either the initiation of new work or the publication of new standards since this would fundamentally alter ISO's rules of procedures, which give ISO members that authority.

Regarding the review and adjustment of the ISO processes, it is likely that the TMB will want to maintain close control over anything that involves adaptations to the ISO standard-setting process. In some respects this is perfectly understandable and appropriate: ISO is, at a basic level, an institutionalized process. If the processes are changed, or weakened, then the institution itself could be weakened. On the other hand, TMB members are all representatives from national standards bodies with a long history of involvement in ISO, and who also have direct access to the seats of power in ISO. As a result, they are unlikely to be able to identify and understand the kinds of procedural restrictions that limit effective stakeholder participation in ISO. In this respect, it would seem reasonable to invite some developing countries and NGOs to work with the TMB on the review.

The final challenge will be to learn from the SAG process and to find a way to streamline the development of a new work item proposal and justification document without diluting the importance of the multi-stakeholder oversight. The balance between speed and procedural robustness is one that ISO is very familiar with, and the inclination at this point – after the SAG process has been completed – might be to focus on speed. But especially since the SAG did not reach a full consensus, it will be very difficult for ISO to proceed without some type of SAG or SAG-plus group to either develop or approve the proposal and justification document.

One possible solution would be for the TMB to establish a small group to draft both the new work item proposal and the justification document, and then to establish a larger ad hoc group to examine them before submission to the ISO membership for a vote. If this was the case, it would seem logical to extend the SAG's mandate to review and approve the proposal and justification document, and to draw on the SAG's membership to establish a smaller drafting group.

ANNEX 1: PARTICIPANTS AT SAG CHICAGO MEETING (14-16 APRIL 2004)

Participants

Mr. Daniel Gagnier	Alcan Inc (Chair)
Mr. David Hecnar	Alcan Inc (Assistant to Chair)
Mr. Takashi Hamasaka	ISO/CS (SAG Secretary)
Mr. Kevin McKinley	ISO, Assistant Secretary General
Mr. Leonardo Cardenas	Representative of Americas Region
Mr. Richard B. Johns	Motorola (Representative of Americas Region)
Mr. Marcos B. Egydio Martins	Ecofuturo Institute (Rep. of Americas Region)
Dr. Iwao Taka	Reitaku University (Rep. of Asia/Oceania Region)
Mr. Guido H. Guertler	Siemens AG (Representative of European Region)
Mr. Thomas Fischer	Alternate to Mr. Guido Guertler
Mr. Lennart Piper	Swedish Industry Association (Rep. of European Region)
Mr. Frédéric Tiberghien	ORSE (Representative of European Region)
Dr. Kernaghan Webb	Canadian Office of Consumer Affairs (ISO COPOLCO Representative)
Mr. Villy Dyhr	Danish Consumer Council (Consumers Int'l Representative)
Ms. Ursula Wynhoven	Global Compact (Alternate to Mr. Georg Kell)
Mr. Stefano Bertasi	International Chamber of Commerce (Alternate to Mr. John Maresca)
Mr. Dwight Justice	International Confederation of Free Trade Unions
Mr. Wolfram Heger	Daimler Chrysler (Alternate to Dr. Veit Ghiladi, IFAN Representative)
Mr. Tom Rotherham	International Institute for Sustainable Development (IISD)
Mr. Hans Hofmeijer	ILO
Mr. Adam B. Greene	U.S. Council for International Business (Alternate to Mr. Brent Wilton, IOE Representative.)
Mr. Lorne Johnson	WWF Canada (Alternate to Gordon Shepherd, WWF Int'l)

Apologies from

Ms. Gaesi Mophuting	Ministry Of Health (Representative of African Region)
Dr. Abdelmalek Chafai Elalaoui	Service de Normalisation Industrielle Marocaine, Morocco (Representative of African Region)
Mr. John Martin	Australian Competition and Consumer Commission (Representative of Asia/Oceania Region)
Mr. Ir Hussein Rahmat	Malaysian Standards Committee for Petroleum and Gas (Representative of Asia/Oceania Region)
Mr. Lawford Dupres	Trinidad and Tobago Bureau of Standards (ISO DEVCO Representative)
Mr. Paul Hohnen	Global Reporting Initiative
Mr. Arvind Ganesan**	Human Rights Watch

** Due to lack of staff and financial resources, Human Rights Watch was unable to participate actively in the SAG and therefore tendered their resignation from the SAG one week after the Chicago meeting.

ANNEX 2: SAG'S RECOMMENDATIONS TO THE TMB

Background

In September 2002, the ISO Technical Management Board (TMB) approved Resolution 78/2002 establishing the Advisory Group on Social Responsibility (SAG) with 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.

The SAG conducted meetings in January 2003, February 2003, July 2003, January 2004, and April 2004, and held several conference calls between meetings.

Introduction

The SAG has conducted extensive research and has held lengthy discussions reflecting the viewpoints of an extremely diverse group of experts and interested parties. We have found that the field of social responsibility is difficult to define and very complex, with many honest differences of opinion on how issues should be addressed. The SAG members have reached the following consensus (as defined by ISO Directives) with regard to the questions posed by the TMB.

Recommendations

Should ISO proceed with development of deliverables in the area of social responsibility?

ISO should only proceed if:

1. ISO recognizes that social responsibility involves a number of subjects and issues that are qualitatively different from the subjects and issues that have been already dealt with by ISO.
2. ISO recognizes that it does not have the authority or legitimacy to set social obligations or expectations which are properly defined by governments and intergovernmental organizations.
3. ISO recognizes the difference between on the one hand, instruments adopted by authoritative global inter-governmental organizations (such as the United Nations Universal Declaration on Human Rights, international labour conventions and other instruments adopted by the ILO and relevant UN Conventions) and on the other hand, private voluntary initiatives that may or may not reflect the universal principles contained in the above instruments
4. ISO narrows the scope of the subject so as to avoid addressing issues that can only be resolved through political processes.
5. ISO recognizes through a formal communication the ILO's unique mandate as the organization that defines, on a tripartite basis, international norms with respect to a broad range of social issues.
6. ISO recognizes that, due to the complexity and fast-evolving nature of the subject, it is not feasible to harmonize substantive social responsibility commitments.
7. ISO reviews its processes and where necessary makes adjustments to ensure meaningful participation by a fuller range of interested parties.

What should be the scope of the work and the types of deliverables?

A guidance document, and therefore not a specification document against which conformity can be assessed.

- for use by business and other organizations.
- that emphasizes results and performance improvement.
- that adopts a common terminology in this area.
- that assists organizations in effectively addressing their social responsibilities in various cultures, societies and environments.
- that can complement other relevant instruments and tools.
- that stipulates it is not intended to reduce government's authority to address the social responsibility of organizations.
- that is of use to business and other organizations of all sizes.
- that provides practical guidance on methods and options for:
 - operationalizing social responsibility,
 - identifying and engaging with stakeholders,
 - enhancing credibility in claims made about social responsibility.
- that should be written in clear and understandable language.

Process Recommendations

ISO should make every effort to ensure that developing countries can meaningfully participate in this work.

In light of the distinctive and new nature of this work, ISO should convene a new Technical Committee to develop this work, not use an existing Technical Committee.

The new Technical Committee should adopt as part of its terms of reference all of the items contained in these recommendations.

The Advisory Group recommends that any Technical Committee that is convened and any of its constituent bodies includes the range of interested parties such as those included within the Advisory Group.

ISO should ensure that the work of this new Technical Committee is coordinated with that of existing Technical Committees.

Minority View

30 April 2004

Dear Dan,

WWF would like to acknowledge that the SAG has accomplished an incredible amount of work and brought together through lively discussions some very disparate views. This says much for the willingness of the members to listen to and understand each other and your skills as chair.

The sheer volume of material produced alone is impressive as is the detail of the content. However the volume of material and the need to crystallise a recommendation means that the Recommendations to the ISO TMB will in effect be regarded as a stand-alone document.

WWF believes that a process of engagement between ISO and a broader range of stakeholders could make a valuable contribution to sustainable development. Therefore WWF agrees with the general thrust of the Recommendations that the ISO should proceed but only if a set of pre-requisites are met and that the deliverable should be a guidance and not a

specification document. While we understand that some ambiguity will exist where consensus is sought, **WWF considers the SAG's recommendations need to be more explicit when addressing several critical issues both in terms of the pre-conditions and the scope of the work.** Our concerns with the Recommendations document are summarized below:

Other CSR Tools, Instruments and Initiatives: We feel the document needs to more clearly state as a pre-requisite that the ISO deliverable should add value to existing CSR instruments, tools and initiatives.

The Environment: We remain concerned that the document does not explicitly recognise the importance of environmental issues. While “social responsibility” may implicitly include environmental concerns, we feel basing the document on such an assumption is not sufficient.

Scope of Deliverable: The document needs to state more clearly that the deliverable should be a guidance document to be used primarily by business though we accept it could be of potential value to other organisations. While this may indeed be the intent, it is not apparent in the formulation used in the document

Stakeholder Engagement: We feel the document needs to firmly state that any future ISO work in this area will require broader and more diverse stakeholder engagement than has characterised not only ISO’s past processes but also the process leading up to the Recommendations document. While the SAG had diverse members, there were gaps in representation that will need to be addressed for any future ISO work on CSR. This will be critical to the future credibility of this work.

Transparency & Reporting: As with diverse stakeholder engagement, we feel the document needs to more clearly state that the need for transparency and public reporting on implementation must be a critical element of any future ISO deliverable

In particular the participation and representation issues are ones with which WWF has a considerable amount of experience and which we have found to be critical to the success of establishing guidelines on environmental and social issues. And these are clearly linked to capacity and the commitment to facilitate such processes. We feel the recommendations require more to be said on these issues so that support can be gathered for them. This need is further highlighted by the confusing wording of pre-condition (4) on political processes, which may give rise to unfortunate misinterpretations.

It is our hope and belief that these clarifications are consistent with the SAGs discussions to date and that they might have been addressed without major changes to the document. We have greatly appreciated the efforts extended by some SAG members to accommodate changes however we accept that, given the process, this was not possible.

Finally, WWF hopes you can understand why we felt we had to submit this minority report and that if it is considered constructive we are willing to stay in the process to help in its development and to see if these concerns can be addressed as it moves forward.

We wish the SAG well in its efforts and WWF hopes the work it does will make a valuable contribution to sustainable development.

Yours,

Gordon Shepherd
Director International Policy
WWF International

ANNEX 3: LETTER FROM THE SAG CHAIR TO THE TMB

To: ISO Technical Management Board (TMB)
From: Chair, ISO Advisory Group on Social Responsibility (SAG)
Date: April 30, 2004
Subject: Advisory Group Report and Recommendations

As Chair, ISO Advisory Group on Social Responsibility (SAG), I am pleased to present you with our final report and recommendations. As you know, our discussions taking place since January 2003 have been in depth, and at times difficult given the diverse range of views around the table and the complexities of the issues related to potential ISO deliverables in the area of social responsibility. I am, therefore, extremely pleased that the Advisory Group, with the exception of one minority report from the World Wildlife Fund, has been able to reach the level of consensus that it did on both the report and the recommendations to ISO in terms of its future work.

Regarding the Report on Social Responsibility, the Report is intended to reflect the diversity of views of SAG members on a series of issues which SAG 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 SAG members was accurately articulated.

There is no doubt that reaching the level of consensus that we did has been facilitated by the close working relationship that has been developed during this period. In particular, the resulting respect and trust that has been built has formed a foundation upon which our report and recommendations became possible. I believe that the credibility of the recommendations made by the Advisory Group is largely attributable to successfully bringing together these diverse interests, including those from business, labour, environmental, consumer groups, civil society, UN bodies, and developing countries. The recommendations, therefore, represent an important balance and compromise amongst this range of diverse interests and perspectives, and while encompassing various components, should be considered in their entirety as a "bundled package" as a basis of support in moving forward. The extent to which ISO will be seen to be following the advice of the Advisory Group's recommendations will be based on its acceptance of these recommendations as a package, and not adoption of individual components.

While the report and recommendations are attached, I wanted to take this opportunity, in my capacity as Chair, to point out some of the key messages they contain. There is a diverse range of views with respect to how best to promote social responsibility and it is important to recognize that any ISO work on social responsibility will be qualitatively different from the subjects and issues that have already been dealt with by ISO. Furthermore, social responsibility is evolutionary, complex and difficult to define and any potential ISO work in this area needs to carefully consider these challenges.

To ensure that ISO's work and any future deliverable provide value added, a fundamental importance will be the need to avoid addressing issues that can only be resolved through political processes. The Advisory Group is in agreement that ISO has neither the authority

nor legitimacy to set social obligations or expectations that are in the purview and are more appropriately the responsibility of governments and intergovernmental organizations.

It is critical that universal principles be recognized such as those adopted by authoritative global intergovernmental organizations such as the United Nations Universal Declaration on Human Rights, international labour conventions and other instruments adopted by the ILO and relevant UN Conventions. The difference between such instruments and any potential ISO deliverable, as a private voluntary initiative, will need to be respected and emphasized. Of particular importance will be some type of formal communication between ISO and the ILO recognizing the ILO's unique mandate in a number of social areas.

My earlier point about the credibility brought about by a range of interested parties working together in the area of social responsibility is one that needs to be considered as we look ahead to how ISO might develop a guidance document. The Advisory Group believes strongly that a review of ISO processes, and adjustments as necessary, needs to take place to ensure meaningful participation by a full range of interested parties, including parties that have not traditionally been part of ISO's input framework. The acceptability and credibility of an ISO guidance document in the area of social responsibility will, at least initially, be largely based on how this process unfolds and the transparency of this process. Furthermore, as discussed in the SAG's report, transparency has been recognized by the SAG as a critical and fundamental value in the area of social responsibility and SR reporting. Future support for a potential ISO deliverable in the area of social responsibility will be tied into the extent to which the fundamental value of transparency is stressed. This is why the SAG, in its recommendations believes strongly that a potential ISO deliverable needs to provide practical guidance on methods and options for enhancing credibility in claims made about social responsibility.

Given the above context, the Advisory Group has considered the scope of the work and type of deliverable that would be feasible. In this regard, there was a consensus in support for an ISO guidance document as the most appropriate deliverable. A guidance document, by its very nature, is not a specification document against which conformity can be assessed. This will help to avoid another key concern of the Advisory Group, namely that an ISO deliverable cannot be intended to harmonize substantive social responsibility commitments, something that it views as unfeasible. That having been said, the Advisory Group does recommend that a guidance document be focused on results and performance improvements, thereby complementing other relevant instruments and tools. There is also a clear need to ensure a guidance document is of use and added value to businesses and other organizations of all sizes, and in this respect, common terminology and the clarity of the language used will be important considerations. Furthermore, the focus should be on providing practical guidance on methods and options for operationalizing social responsibility, identifying and engaging with stakeholders, and as mentioned, further enhancing credibility in the reporting of activities. The Advisory Group also believes that it needs to be made clear that nothing in the above should be intended to reduce government's authority to address the social responsibility of organizations: rather it should enhance the level of understanding and the ability of all to contribute in their respective ways to social responsibility.

In terms of the ISO process in moving forward on a potential guidance document, the need for meaningful participation by developing countries has been a recurring concern of the Advisory Group's discussions, and one contained specifically in the recommendations. You will note that the Advisory Group has recommended that a new Technical Committee be created to potentially develop a guidance document; including the active participation of a range of interested parties in this work, along the lines of those included in the Advisory Group.

With respect to the minority report issued by World Wildlife Fund (WWF), the WWF felt that the Advisory Group's recommendations need to be more explicit when addressing several critical issues both in terms of the pre-conditions and the scope of the work. In particular, WWF feels that the recommendations should: clearly state as a pre-requisite that the ISO deliverable should add value to existing CSR instruments, tools and initiatives; explicitly recognize the importance of environment issues; state more clearly that the deliverable should be a guidance document to be used primarily by business; firmly state that any future ISO work in this area will require broader and more diverse stakeholder engagement than has characterized not only ISO's past processes but also the process leading up to the Advisory Group recommendations; and more clearly state that the need for transparency and public reporting on implementation must be a critical element of any future ISO deliverable.

While a minority report, I can also say that the issues raised by WWF are largely consistent with the Advisory Group's discussions to date.

The SAG believes that the posting of the SAG's report and recommendations on the ISO website for public comment will provide another important opportunity for additional input from interested parties. Furthermore, making publicly available an outline of the TMB's decision-making process and the range of possible next steps will help increase interested parties' understanding in terms of the overall process with respect to ISO's work in the area of social responsibility, and how they are able to feed into it.

Individual SAG members continue to offer their support to you in terms of organization of the Stockholm conference, another critical opportunity to solicit input from a range of interested parties. The SAG's meeting with you on 23 June 2004 represents another important opportunity for such dialogue, and to review some of the key input brought forth at the preceding conference.

I look forward to your comments on the Advisory Group's report and recommendations, and the next steps in terms of ISO's consideration of a potential deliverable in the area of social responsibility.

Sincerely,

Daniel Gagnier
Chair, ISO Advisory Group on Social Responsibility

ISO /TMB AG CSR N9

**ISO/TMB Advisory Group on CSR (Corporate Social Responsibility)
Recommendations to TMB**

The Advisory Group agreed that it is appropriate for ISO to proceed with:

1. The development of a Technical Report that includes a survey of the state of the art in the area of social responsibility and identifies issues to be taken into account with input from Advisory Group members in further activities in this area by the ISO.
2. Upon completion of the Technical Report, the Advisory Group will develop a justification document (Guide 72) for submittal to the TMB to determine whether to proceed with a Management System Guideline Standard that specifically includes a process for self declaration of conformity, and excludes conformity assessments involving third-party certification.

To ensure the eventual broadest possible acceptance of the ISO deliverables, the ISO should review its processes with respect to the involvement of stakeholders.