

ISO Social Responsibility Standardization

An outline of the issues

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Highlight: IISD's recommendations to the ISO Technical Management Board (TMB) on next steps in the process

Recommendation 1: At the joint TMB-Advisory Group meeting planned for June 23, 2004, the Chair of the TMB should assess the degree to which WWF International's minority position can be accommodated into a full consensus position. The TMB should then either accept or reject the "package" of the Advisory Group's recommendations without altering them.

Recommendation 2: ISO must address the seven prerequisites outlined in the Advisory Group's recommendation. ISO should immediately initiate discussions with the International Labour Organization (ILO) and other inter-governmental bodies that set universally applicable standards in the area of social responsibility. Before putting a proposal for an SR standard to the ISO membership, ISO should establish an ad hoc, multi-stakeholder group to review its processes and to report back with recommendations on how the processes can be amended to ensure meaningful participation.

Recommendation 3: The TMB should reconvene the Advisory Group to clarify and refine the text of the recommendation in order to reduce its ambiguity, including a clear statement of the objective of the standard. This could be done within the context of a justification study and new work item proposal drafting process.

This document has been prepared to provide input to both the International Organization for Standardization (ISO) Social Responsibility Conference (June 21–22, 2004) and to the ISO Technical Management Board's meeting (June 24, 2004). It is presented in three parts:

- i) an introduction to IISD's perspective on SR and standardization;
- ii) issues related to ISO's role in sustainable development standardization; and
- iii) recommendations related to the next steps in the ISO SR standardization process.

The document has been developed with the benefit of 10 years of experience working within ISO, active membership on the ISO Advisory Group on Social Responsibility, and our partnership with five key sustainable development NGOs: the International Institute for Environment and Development (IIED); IUCN – The World Conservation Union; Recursos e Investigación para el Desarrollo Sustentable (RIDES – Chile); the African Institute for Corporate Citizenship (AICC – South Africa); and Development Alternatives (DA – India). The opinions expressed in the document are IISD's alone.

1. Introduction

What is social responsibility (SR)?

SR is a term that means different things to different people, complicated further by the use of different terms in different languages. Before asking its membership to vote on SR standardization, ISO must clarify what it means when it refers to SR. The work of the Advisory Group on SR has demonstrated that it may not be possible to reach a universal agreement on a specific definition with a comprehensive list of individual components. Efforts should instead be turned to reaching broad agreement on a general characterization of SR, including perhaps a negative list of components describing what SR *is not*.

The International Institute for Sustainable Development (IISD) interprets the term SR in the context of sustainable development. For us, the “social” refers to society, and all of its constituent parts and their often competing concerns and priorities. In this respect, we expect SR standards to address an organization’s contribution to the balanced promotion of all three pillars of sustainable development: economic growth, social development and environmental protection. A fundamental part of any internationally-relevant definition of SR must be the UN’s Millennium Development Goals. SR also entails activities ranging from purely altruistic, one-off behaviour, to long-term efforts to address stakeholder expectations, ethical obligations, legal requirements and universal principles. Fundamentally, an organization cannot define its social responsibilities on its own—an active dialogue with other parts of society is critical.

What is the link between standardization and social responsibility?

There are two main groups of challenges involved with SR: understanding society’s expectations; and implementing activities to deliver on these expectations. Standards can play an important role in promoting these two general objectives, although it is not certain that one standard can serve both equally.

Standardization is about making rules. While regulations are rules that must be followed, standards are rules that organizations voluntarily adopt. There are a variety of internal and external reasons why an organization might voluntarily adopt a standard. Externally, there are many incentives to adopt standards. For instance, a buyer might demand compliance with a standard as a condition of sale. In many cases, compliance with standards may be an economic imperative,

particularly for small, medium and micro enterprises (SMMEs) and companies in developing countries. Internally, standards can also be effective tools to raise capacity and provide consistent guidance on best-practice across all parts of an organization.

Standardization also engages the private sector in a way that no other process is doing. Indeed, in many cases the private sector is driving SR standardization. This is a rarity, and a dynamic that must be captured for the benefit of sustainable development. However, just as no organization can define its social responsibilities on its own, the private sector cannot define SR standards on its own either. SR standardization must be undertaken in a transparent, multi-stakeholder process, engaging not just new expertise, but also new stakeholders.

2. ISO and Sustainable Development Standards

In its recent strategic planning document, “ISO Horizon 2010 – Standards for a Sustainable World,” the ISO Central Secretariat identifies as a key driver “the urgency of a responsible approach to sustainable development, covering economic, social and environmental aspects, where all actors in society have a role to play and all companies and organizations have new commitments to make.”

This is consistent with evolving international sustainable development policy, which highlights the role of voluntary, market-based tools to promote sustainable development. Paragraph 17 of the World Summit on Sustainable Development (WSSD) Plan of Implementation states:

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

IISD supports ISO’s willingness to consider extending the scope of its standardization activities further into the area of sustainable development, including into the area of SR. Globalization and the associated increase in inter-connectivity between countries and regions have led to a situation where

international standards are increasingly important. ISO is one of the most important international standard-setting bodies and has for over 50 years helped to ensure that standardization is an effective tool that does not create non-tariff barriers to trade.

It would be appropriate for ISO to address sustainable development issues where it can do so effectively. However, sustainable development is a substantively different area of work than ISO has undertaken in the past. IISD believes that ISO will not be effective in developing sustainable development-related standards, including SR standards, if it pursues a business as usual approach. ISO needs to consider three sets of issues in particular:

Respecting the limits of private standardization

Unlike other international standards bodies, such as the Codex Alimentarius Commission, ISO is a private, non-governmental body that does not involve formal governmental representation. This is significant, and limits the scope of work that ISO can credibly undertake in areas with significant public policy implications. The question is: what is the limit? There is no obvious line dividing acceptable and unacceptable, and so each area of standardization must be addressed individually. But there is a need to address head-on the growing uneasiness regarding the role of private, industry-dominated organizations in establishing standards that impact on public policy.

In addition, there is a need to ensure that ISO's sustainable development-related standards do not restrict the ability of national governments to develop and enact sustainable development policies appropriate to their domestic context. While there is a lack of jurisprudence in the area, and so a lack of certainty, many trade law experts believe that the World Trade Organization's (WTO) Agreement on Technical Barriers to Trade (TBT Agreement) places such a focus on the adoption of International Standards that the development of international standards can limit the policy space available to governments. The recent WTO Appellate Body report in the Chile-Sardines case demonstrates the importance of International Standards in trade law. Similar concerns have been raised with respect to ISO's development of standards on water services management.

Increasing the influence of developing countries

There is no weakness more universally recognized in all areas of international standardization than the lack of adequate developing country participation. While this is gravely unfortunate for the development of technical standards, it is

entirely unacceptable for sustainable development standards with immediate public policy implications. IISD believes that developing countries have both the most to lose and the most to gain from international standardization in the field of sustainable development. To date, the larger SR agenda has been driven by OECD countries. ISO's membership is overwhelmingly from developing countries. Both the decision to develop international SR standards and the scope of these standards must give priority to developing countries' needs and concerns. Given that only two of the TMB's 12 members represent developing countries, it is unclear how the TMB will adequately reflect their views in its decision to proceed (or not) with SR standardization.

While ISO has established a number of mechanisms for increasing developing country participation in standardization, it would be more appropriate and cost effective to focus on the more fundamental issue: increasing developing country *influence*. ISO should establish an ad hoc group to propose mechanisms for ensuring that developing countries have adequate *influence* in the development of sustainable development standards, including issues such as twinning, technical committee governance, proactive funding mechanisms, technical equivalence and others. This issue deserves much more attention in the context of sustainable development-related standards, which are fundamentally different in nature than technical standards of the kind ISO usually develops.

Reaching out to the sustainable development community

IISD believes that sustainable development standardization in ISO will be unsuccessful—and perhaps disruptive—unless ISO also extends the scope of its partnerships and the flexibility of its processes. There is a large and growing community of international, regional and national organizations working on sustainable development issues. ISO needs to proactively reach out to this community and find ways to ensure that they can participate effectively and consistently in all stages of the standardization process. This will not be easy. Most of these organizations will have never heard of ISO and will have never collaborated with its national standards body members.

For its part, the sustainable development community must recognize that ISO has a 50+ year history of developing international standards through well-established rules of procedure. While there is a need for ISO to improve its procedures in the area of sustainable development, institutions evolve over time and changes are not always easy or immediate. At the same time, the sustainable development community must realize that if voluntary standards are to play a more central role in promoting sustainable development—as outlined in the WSSD Plan of

Implementation—then it too should make greater efforts to involve the standardization community in “our” discussions.

If ISO is serious about addressing “the urgency of a responsible approach to sustainable development,” as outlined in the “ISO 2005–2010 Strategy – Standards for a Sustainable World,” then it should establish an ad hoc committee consisting of high-level representatives from the standardization and sustainable development communities to oversee the development and implementation of a proactive strategy to establish meaningful and cooperative relationships. This is relevant not only for SR, but also for the evolution of a wide range of existing ISO standardization processes.

3. Recommendations for Next Steps

The ISO Technical Management Board (TMB) will decide shortly after the ISO SR Conference whether to proceed to the next steps of the ISO SR standardization process. Importantly, a decision to proceed does not mean that ISO will begin to develop SR standards. Standardization in a new field of work must be approved by a vote of the full ISO membership. Recognizing this, IISD believes that the TMB should decide to proceed to the next steps in this process. In particular, this would include four steps, each of which should be undertaken with appropriate multi-stakeholder input:

- fulfillment of the prerequisites outlined in the Advisory Group recommendations, in particular the communication with the ILO and the review of the ISO processes;
- a formal justification study to present to the ISO membership a clear outline of the need for a specific scope of international SR standard(s)—something that has not yet been done;
- a formal new work item proposal, clarifying the objective and scope of the SR standard(s) being proposed; and
- active outreach by the ISO Secretary General to seek input on the new work item proposal from international, regional and national bodies involved in sustainable development.

Specific recommendations

ISO’s credibility in any area of standardization derives from its ability to identify and include experts willing and able to volunteer their time to help develop standards. IISD congratulates ISO on its successful efforts to date to include a diverse, multi-stakeholder group of experts in internal decision-making on international SR standardization. We believe that the establishment and operation

of the Advisory Group on Social Responsibility has been instrumental in increasing understanding of the complexities involved in SR standardization, and of the priorities and concerns of different interest groups. This should set a marker against which all future stages of the process are judged. Indeed, at this stage, the most important priority must be to get the process right.

The ISO Technical Management Board (TMB) asked the Advisory Group to make recommendations on SR standardization. After 16 months of careful investigation and difficult negotiations, the Advisory Group has submitted its recommendations. These recommendations must be recognized and treated as a delicately balanced and inter-linked package. In particular, there is a need to consider carefully WWF International's minority opinion, and to assess whether these issues can be addressed to the satisfaction of the other Advisory Group members.

Recommendation 1: At the joint TMB-Advisory Group meeting planned for June 23, 2004, the Chair of the TMB should assess the degree to which WWF International's minority position can be accommodated. The TMB should then either accept or reject the "package" of the Advisory Group's recommendations without altering them.

The Advisory Group's recommendation includes a set of seven prerequisites that must be addressed or resolved before ISO engages in SR standardization. While there is some room for flexibility in the implementation of these prerequisites, ISO must address them before proceeding with any formal next step in the standardization process. In particular, two of these items require specific action:

The Advisory Group recommended that ISO reach an agreement with the ILO on how the two organizations will ensure that ISO does not become involved in standardization that falls under the ILO's mandate. The continued support of the ILO is critical to ISO's work on SR, and so this must be a fundamental priority for ISO. The recommendation should be interpreted by ISO to mean a two-way dialogue concluding in a written understanding. Following the agreement with the ILO, IISD believes that it would be appropriate for ISO to consider undertaking discussions with other inter-governmental agencies and Conventions and, in particular, with the Secretariats of the main Multilateral Environmental Agreements (MEAs) and the OECD's Committee on International Investment and Multinational Enterprises (CIIME).

The Advisory Group also recommended that ISO review its processes and where necessary make adjustments to ensure meaningful participation by a fuller range of interested parties. This is of fundamental importance to the legitimacy of any

future ISO SR standardization process: SR standardization must be based not only on the participation of experts, but also on the representation of different stakeholders. IISD believes that this review process will fail to identify both the problems and the appropriate solutions unless it includes, to some degree, the varied stakeholders.

Recommendation 2: ISO must address the prerequisites outlined by the Advisory Group. ISO should immediately initiate discussions with the ILO and other inter-governmental bodies that set universally applicable standards in the area of social responsibility. Before putting a proposal for new work to the ISO membership, ISO should establish an ad hoc, multi-stakeholder group to review its processes and to report back with recommendations on how the processes can be amended to ensure meaningful participation.

Although the text of the SAG's recommendation is very specific in some areas, in others it is intentionally ambiguous to smooth over areas of disagreement: WWF International's submission of a minority opinion is a clear sign that even members of the Advisory Group have different interpretations of the recommendations. In still other areas, the recommendation appears to be contradictory—for instance, it states that any ISO deliverable should emphasize results and performance improvement, but also that social expectations and obligations are properly defined by governmental and inter-governmental bodies, and that ISO should not harmonize existing substantive requirements.

One of the questions that must be addressed by ISO is: what is the objective/focus of the SR standard—internal management or external audiences? These two different objectives call for substantially different types of standards. The Advisory Group's working report outlines a number of problems that standards could help to address, but does not clarify which is the most important, or most common. The Advisory Group's recommendation seems to include some elements that respond to one type of objective, and others that respond to the other. Of course, it is likely that different countries, or different types of organizations, may have different priorities—and will, therefore, be calling for different characteristics in an SR standard. Certainly, it is unlikely that a standard that rules out any kind of conformity assessment will be useful for addressing external audiences. But a compromise between internal and external objectives will almost certainly result in a standard that serves neither purpose, not one that serves both.

While it is an indispensable starting point, IISD believes that the Advisory Group's working report and recommendation is an insufficient basis on which to decide the value of SR standards. In particular, while the Advisory Group's working report outlines a variety of different types and uses for SR standards, its recommendations do not clearly stipulate the objective that the standardization it has outlined is intended to address. IISD believes that it would be unwise to initiate a multi-stakeholder, consensus-based process without first clarifying the specific problem that ISO SR standardization is intended to address. It should not be presumed that a single standard can address a number of different objectives.

Recommendation 3: The TMB should reconvene the Advisory Group to clarify and refine the text of the recommendation in order to reduce its ambiguity, including a clear statement of the specific objective of the standard. This could be done within the context of a justification study and new work item proposal drafting process.

4. Closing Comments

This document has focused on a small range of issues that IISD believes to be most pertinent at this stage of the process. There are many other issues that need to be better understood and addressed if international SR standardization is to help promote sustainable development, including issues related to small, medium and micro enterprises (SMMEs), the capacity of stakeholders to engage with organizations on SR issues and how to balance the need for flexibility and rigour in a standard.

IISD and our partners have, with the support of the Swiss State Secretariat for Economic Affairs (SECO), drafted scoping papers on three of these issues, available at <http://www.iisd.org/standards/csr.asp>. In the coming months, we will continue to engage actively with these issues in order to promote better understanding of the opportunities and threats presented by international SR standardization. We welcome all comments and inquiries on these documents and on our work in this area in general.

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