Guidelines Briefing Part 1: Overview - Guides through the corporate credibility maze

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There is a wide variety of standards and guidelines that help develop, implement and measure corporate responsibility programmes. The secret is to establish which are most relevant for your organisation

Corporate social responsibility standards and guidelines have become important tools for companies to articulate their responsible business policies and practices. These standards and guidelines are used as benchmarks by companies in developing their own corporate responsibility programmes and measuring their performance in a more credible manner.

For a large number of businesses, particularly small and medium sized companies in global supply chains, compliance with such standards is often a passport to more business. An increasing number of multinational brands now ask their suppliers to conform to these standards.

For others, making a public commitment to the relevant standards and guidelines is simply a way to build a positive corporate image or a new tool for boosting public relations. A significant number of companies use corporate responsibility standards and frameworks to help manage their reputational risk.

For companies engaged in large infrastructure and industrial projects, access to project financing facilities depends on their ability to meet relevant corporate responsibility standards. These include the World Bank/International Finance Corporation's Performance Standards and banking industry's Equator Principles.

Socially responsible investment funds that exclusively invest in companies with responsible business credentials have grown in value from a few hundred million dollars a few years ago to more than $5tn. In order to qualify for such funding and get listed on indices such as the Dow Jones Sustainability Index, companies need to build a credible corporate responsibility programme. Corporate responsibility standards and guidelines help them meet the necessary criteria for funding and listing.

Assessing commitment

Stakeholders use such standards and guidelines to assess the social responsibility commitment and performance of companies they monitor or are interested in.

For these reasons, corporate responsibility standards and guidelines have become an integral part of doing business in most economic sectors. Their growing importance has also given rise to a large number of standards, guidelines and certifications.

It all started with individual company codes of conduct for social responsibility in the early 1990s, predominantly in the retail industry, in response to allegations of poor working conditions in supply chains.

In the following years, the corporate social responsibility movement spread to other sectors prompting social responsibility guidelines and standards for the extractive industry, project financing and electronics, among others.

As the industry-sponsored guidelines and standards did not always meet the rising expectations from a complex range of stakeholders, a need emerged to have standards and guidelines from independent organisations based on multistakeholder consultations. This resulted in another set of guidelines and standards including the United Nations Global Compact Ten Principles, IFC's Performance Standards on Social and Environmental Sustainability and the upcoming ISO 26000.

Demand for responsible business has mostly affected multinational companies, which are invariably headquartered in developed countries, particularly in North America and western Europe.

Governments in the developed world have cautiously watched the growing activism against multinational companies' behaviour and even tried to play a role in order to protect the image of their countries as well as the future of their large corporations.

An early example came from the Clinton administration in the US that helped facilitate the forming of the Fair Labour Association in 1999 to address sweatshop concerns in the global supply chain. The FLA introduced a code of conduct in the form of voluntary standards for member companies.

A more widely applicable responsible business guideline was introduced by the Organisation for Economic Cooperation and Development, a club of 30 developed nations, in 2000. The OECD Guidelines for Multinational Enterprises have since been revised to incorporate social responsibility in a more direct way. The OECD guidelines remain the only inter-governmental recommendations for operating business responsibly.

While standards and guidelines provided a framework for adopting and implementing corporate responsibility policies, they were not adequate for measuring and reporting the actual performance. Stakeholders were putting pressure on companies for disclosure and reporting of their corporate responsibility actions.

The need for a credible reporting tool gave birth to the Global Reporting Initiative, a multistakeholder initiative that eventually introduced the Sustainability Reporting Guidelines in the year 2000.

Though the GRI guidelines helped improve consistency among reporting companies by providing a common framework and performance indicators, not all stakeholders were going to accept these reports without a third-party assurance. This expectation led to the introduction of the first assurance standard AA1000, developed by AccountAbility, the UK-based sustainability thinktank.

And a number of new standards and guidelines are still under development by diverse organisations around the world. The most eagerly awaited is ISO 26000, expected to be fully launched by the end of this year. It is arguably the most comprehensive and debated standard to date.

The big five

For this briefing, Ethical Corporation has focused on five major standards and guidelines: AA1000, the Global Reporting Initiative, IFC's performance standards, ISO 26000 and OECD's guidelines. We review how they apply to companies and can shape their corporate responsibility decisions and strategies.

AA1000

The AA1000 series includes three standards: AA1000 Accountability Principles Standard, AA1000 Assurance Standard and AA1000 Stakeholder Engagement Standard.

The AA1000APS provides a framework for identifying a company's priorities in responding to sustainability challenges. The AA1000AS is used to provide assurance on sustainability reports and the AA1000SES offers a framework for effective stakeholder engagement.

Global Reporting Initiative

The GRI Sustainable Reporting Guidelines are the most widely accepted and practised guidelines for sustainability reporting. More than 1,000 companies report using the GRI guidelines; 50% of them are based in Europe.

GRI continually develops the reporting framework through a consensus-seeking process with participants drawn globally from business, civil society, labour, and professional institutions.

Sector specific supplementary reporting guidelines have been developed by GRI for electric utilities, financial services, and mining and metals.

Supplementary guidelines are also under development or in pilot phases for several other sectors including logistics and transportation, media, NGOs, oil and gas, public agency, telecommunications, airports, apparel and footwear, automotive, construction and real estate, events and food processing.

GRI guidelines outline the report content required to pass the tests of materiality, stakeholder inclusiveness, sustainability context and completeness. The principles for ensuring quality of the report address the issues of balance, comparability, accuracy, timeliness, reliability and clarity.

Performance indicators that are organised under social, environmental and community categories are at the centre of GRI guidelines. Companies are supposed to report their performance on these indicators.

IFC performance standards

The IFC Performance Standards on Social and Environmental Sustainability, aimed at promoting responsible project finance, have changed the way large projects are financed. IFC lends money for only those projects that meet its social and environmental standards.

IFC’s standards include social and environmental impact assessment of the project, labour standards, pollution prevention, community health and safety, responsible land acquisition and resettlement, conservation of biodiversity, rights of indigenous people and protection of cultural heritage.

The standards also form the basis for the banking industry’s Equator Principles, which are applied by banks to project financing.

ISO 26000

ISO 26000, when launched, will be one of the most comprehensive guidelines on social responsibility. Being developed by the International Organisation for Standardisation, ISO 26000 is unique in that more than 90 countries are participating in its development together with a diverse range of stakeholders including labour and human rights groups, consumer rights organisations and business associations.

It will be a voluntary guideline and not a certifiable management system. Organisations looking for a most acceptable benchmark for social responsibility will find ISO 26000 a useful tool due to wide support for this standard.

ISO 26000 includes guidance standards on human rights, labour practices, environment, fair operating practices, consumer issues, and community involvement and development.

OECD guidelines

The OECD Guidelines for Multinational Enterprises are legally non-binding broad recommendations for conducting business in a responsible manner. They include voluntary principles and standards for companies operating in the jurisdictions of the member countries. Adequate disclosure, fair labour practices, respect for environment, anti-bribery policies, being fair to consumers, and promoting science and technology in communities of operation are all included in the guidelines.

Links:
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