

## The Future of Corporate Responsibility Codes, Standards and Frameworks

### *An Executive Briefing by the Global Reporting Initiative and AccountAbility*

Sustainable development can only become a reality if corporate responsibility becomes a mainstream concern for individual companies and the business community as a whole. An array of codes, standards, guidelines and frameworks are available to guide companies in integrating corporate responsibility into their business strategies and management processes. Their purpose is to drive the performance of companies in line with the goals of sustainable development. Executives no longer wonder whether to use such tools; they wonder about which ones to use, and in what combination.

The Global Reporting Initiative (GRI) and AccountAbility have prepared this Briefing to help companies answer these questions in order to better understand the relationship between the diverse tools, and to offer a perspective on how they might evolve and converge in the future.

### Strategic Context

There are two main purposes of corporate responsibility standards. One is to help drive and improve corporate performance through more responsible and accountable business practice. The other is to provide a clear and common understanding of what is meant by such concepts as 'sustainable development' and 'corporate responsibility (CR)' and the tools that drive them.

The importance of such tools to the private sector is clear. Not only has business been a key player in the development of many of the approximately 300 CR tools that exist globally, it is also their leading user, ahead of governments and the non-profit sector. Such codes, standards and frameworks were developed not as an alternative to government regulations and intergovernmental agreements, but because laws do not - and cannot - provide all the detail that managers require.

**Corporate responsibility standards, norms, principles and guidelines** aim to provide generally accepted reference points for improving aspects of social and environmental performance. Although mostly voluntary, some are emerging as *de facto* industry standards that provide the desired legitimacy, consistency and comparability required by business and its stakeholders.

Beyond their role of enacting legislation and agreeing on international conventions that address the economic, social and environmental responsibilities of corporations, government has largely left the role of developing related business standards and codes to the private

sphere in which business, civil society, and multi-stakeholder partnerships are developing a growing number of initiatives. Notable exceptions - such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises (MNEs) - offer approved guidance on what corporations should aspire to. Other standards and tools developed through multi-sector collaboration result in credible tools that provide the detailed guidance necessary to implement these and other increasingly widely accepted principles and norms.

#### Executive Issues

- ☐ What are the relevant national laws and are we in compliance?
- ☐ What are the relevant international standards and laws and how do they affect us?
- ☐ What are the leading voluntary corporate responsibility tools, how do they help, and who uses them?
- ☐ What are the legal implications of adopting voluntary tools?
- ☐ What will be expected of us in five to ten years time in terms of corporate responsibility?

As well as helping companies plan their strategies, the rapid evolution of laws, policies and privately developed tools on how the private sector should respond to sustainable development, also poses challenges. It is not surprising that many executives are experiencing 'standards fatigue': a sense of confusion about what tools and standards exist, how they apply, how their costs and benefits stack up, and how they relate. Most comprehensive studies of the full universe of CR standards run to hundreds of pages, and often leave the average manager

unsure of how to proceed. For their part, many of the CR standards are poorly linked, inconsistently used, and not always transparent about their intended application.

### Choosing and Using CR Tools

There is as yet no single framework of generally accepted standards and tools for managing corporate responsibility. This leaves companies with a number of dilemmas.

Common Dilemmas	
<input type="checkbox"/>	Should we use a national, regional or global framework?
<input type="checkbox"/>	Should we use a series of issue specific standards (e.g. on human rights, labour, environment) or a comprehensive framework for overall sustainability performance?
<input type="checkbox"/>	How can we be sure that the standards we use capture the issues that are material to us, and to our stakeholders?
<input type="checkbox"/>	How should we assure our performance?
<input type="checkbox"/>	How can we communicate our performance internally and externally?
<input type="checkbox"/>	How can we ensure our performance standards are applicable throughout our global operations and supply chain?

Leading companies that have incorporated the concept of corporate responsibility into their management processes typically use a number of tools. An example from a chemical company may include: the UN Global Compact (to help frame the universal performance measures); Responsible Care (to help frame environmental, health and safety measures pertaining to the chemical industry); the GRI Sustainability Reporting Guidelines (to account for and report on the performance measures); and AA1000 Assurance Standard (to provide assurance on the credibility and quality of the company's performance).

Each company will incorporate their own set of complementary standards into their systems, based on their own practical and strategic needs, relevant areas of operation, and stakeholder concerns. The following is a snapshot of the range of tools used by companies from different sectors and geographical regions that help drive their performance in line with the goals of sustainable development.

Individually and in combination, such tools and standards can help to drive performance by providing:

- ☐ **Legitimacy:** they are based on a 'social contract' expressed in international agreements or through negotiation between relevant stakeholder groups.
- ☐ **Normative clarity:** they provide benchmarks on what is the 'right thing to do'.
- ☐ **Functionality:** they provide a readily useable tool to help companies put commitment into practice.
- ☐ **Basis for learning and engagement:** continuous improvement, based on experience either individually or as part of a partnership approach with civil society.
- ☐ **Clear communication:** they help organisations convey their commitments, requirements and performance levels internally and to trading partners, investors and other stakeholders.
- ☐ **Materiality:** they help organisations ensure that all relevant issues are addressed.

Tools that Drive Performance <sup>1</sup>	
BASF	European Chemical Industry Council Environmental and Safety Data recommendations, Responsible Care, IFAC's ISAE3000, GRI Sustainability Reporting Guidelines.
BHP Billiton	GRI Sustainability Reporting Guidelines, UN Global Compact, Minerals Council of Australia Code for Environmental Management.
BP	WBCSD/WRI GHG protocol, ISA100 Auditing Standard, GRI Sustainability Reporting Guidelines, UN Global Compact, AA1000 Assurance Standard, ISO14001.
Nike	AA1000 Framework, Fair Labor Association code of conduct, GRI Sustainability Reporting Guidelines, The Next Step.
Shell	UN Global Compact, GRI Sustainability Reporting Guidelines, WBCSD/WRI GHG protocol, International Standard for Assurance Engagements.
Tata	SA8000, ISO14001, UN Global Compact, GRI Sustainability Reporting Guidelines

<sup>1</sup> This is an indicative list only. Companies often use a range of different tools, which may cover facility, country and group operations.

Although companies are presently incorporating their own set of tools, there is an emerging convergence around a global architecture of *de facto* standards. These can be categorised in terms of being normative frameworks, process guidelines and management systems.

The tipping point will come when such convergence enables the mainstreaming of corporate responsibility not only into business practice, but also investor and public policy decision-making. There are already moves toward convergence. For example, GRI and AccountAbility are actively working together in

various ways to make their tools more compatible. Similarly the GRI has worked with the UN Global Compact and the OECD MNE Guidelines to help companies use the GRI Guidelines to report on their progress when implementing these normative frameworks. In addition AccountAbility has recently carried out work for KPMG Netherlands examining the relationship between the AA1000 Assurance Standard and the International Standard on Assurance Engagements 3000 of the International Federation of Accountants (IFAC).

#### The emerging global architecture

<b>Normative Frameworks</b>	Provide substantive guidance on what constitutes good or acceptable levels of performance.	<i>e.g. OECD Guidelines for Multinational Enterprises (MNEs), UN Global Compact Principles, ILO Tripartite Declaration of Principles concerning MNEs</i>
<b>Process Guidelines</b>	Enable measurement, assurance and communication of performance.	<i>e.g. GRI Sustainability Reporting Guidelines, AA1000 Assurance Standard</i>
<b>Management Systems</b>	Provide integrated or issue specific management frameworks to guide the ongoing management of environmental and social impacts.	<i>e.g. Sigma Guidelines, proposed ISO Social Responsibility Guidance, AA1000 Framework (general), SA8000, ISO14001 (specialised)</i>

#### A Future Corporate Responsibility Framework

The impetus driving measurable progress towards sustainable development can be expected to continue. Current adverse trends, such as carbon emissions and depletion of non-renewable resources, will doubtless attract rising public concern. Governments, business and civil society all share an interest in ensuring that business plays a full and effective role, in partnership with other sectors of society.

However, for this to occur there is a need for a clear, consistent and effective way to mainstream corporate responsibility. There is a need for tools that integrate and operationalise the concept of sustainable development into organisational, supply chain and consumer relationships, at both the strategic and management levels.

A globally consistent approach is urgently required. But this should be a framework and not a straightjacket. Differences in national laws, culture and levels of experience will mean that such a corporate responsibility framework must cater for 'entry-level' as well as 'gold standard' performers.

In many respects, the contours of this framework are beginning to take shape. What we know already is that there is a growing interest in, and commitment to, corporate responsibility. Diverse stakeholders are now sitting around the table trying to work out the best solutions to the challenges of sustainable development. The focus now is on performance rather than on good intentions, which convergence around a global set of standards can bring.

Its actual form will be determined by how the following questions are answered:

- ☐ *Governments:* How will governments decide to further develop and implement sustainable development commitments, and define existing expectations? Will they take a largely 'hands-off' approach towards standards and tools, or engage more actively in response to growing pressures?
- ☐ *Financial markets:* Markets have begun developing their own links between performance and corporate responsibility standards (e.g. Dow Jones Sustainability Index, FTSE4GOOD). Will rising interest by

mainstream fund managers and stock exchanges in governance and materiality questions also prompt integration of sustainability performance factors?

- ☐ *Accounting profession:* Professional accounting and audit bodies are already developing standards in this area (e.g. IFAC's ISAE3000). Will these interface and build on existing frameworks developed by multi-stakeholder partnerships, or develop separately?
- ☐ *Business:* How will the cost of introducing and implementing standards and tools create value as a result of better risk management, higher levels of performance and trust. Will the appetite for standards and tools grow or diminish?
- ☐ *Civil society:* NGOs have not always shown interest in voluntary frameworks, pressing instead for enforcement of existing laws, and the creation of more regulation. Will growing sustainability problems, the likelihood of an ISO social responsibility guidance standard, and the need to harness private sector strengths, prompt engagement or withdrawal from partnership approaches?

The next five to ten years will be historic. The world will either witness a proliferation of existing approaches, or a period of great alignment and consolidation. Based on current trends and imperatives, GRI and AccountAbility expect to see:

- ☐ Further integration of existing international laws and agreements;
- ☐ Increased regulatory requirement for transparency on standards used;
- ☐ Alignment and integration of existing codes, tools and standards systems;
- ☐ Attention to leading standards and guidelines by mainstream business and financial markets;
- ☐ Use of software-based systems to measure and manage performance;
- ☐ Increased alignment of standards, codes, tools and guidelines with civil society expectations.

#### What companies can do

There are a number of actions companies can undertake in order to drive convergence around a set of generally accepted standards, tools and guidelines. These include,

- (a) Adopting standards that are most likely to make up tomorrow's global sustainability architecture;
- (b) Promoting the mainstreaming of these standards, tools and guidelines by investing in their further development and adoption by others;
- (c) Supporting work that enables companies to integrate their use of the key standards, tools and guidelines in order to enhance cost effectiveness and create value;
- (d) Ensuring that the organisations driving the standards forward have a broad based legitimacy through their own governance and accountability.

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