

**International Sustainability Developments:
ISO Standards, Government Action, Financial Standards**

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Government Initiatives

- European Union Role in CSR

In March 2007, the European Parliament issued a statement criticizing the European Commission's report on Corporate Social Responsibility (CSR) issued a year earlier.¹ The Commission report had supported the replacement of the EU Multi-Stakeholder Forum on CSR with a new body, the European Alliance of CSR. Since NGOs on the Forum were to be excluded from the Alliance, this prompted their walk-out from the Forum meeting. The Commission report signaled an acceptance of the industry view that it was the prerogative of business to define their own CSR standards and a rejection of the position of the NGOs who had insisted that CSR standards should be set through a multistakeholder process and possibly be enforced through regulation. The Parliament's statement, drafted by a labor representative, indicated there was a need for the EU to adopt laws allowing foreign communities harmed by EU corporations to sue in European courts, and mandating that companies (a) report how they are impacting the environment and their communities, and (b) disclose their lobbying activities. This turn of events caused many activists to conclude that the EU was no longer the main arena for pushing their CSR agendas.

- G8 Heiligendamm Summit Declaration

Sustainable development was a main topic of discussion at the annual summit of the Group of Eight leading industrialized countries held in Heiligendamm Germany in June 2007. The resulting Summit Declaration marked a major step forward by national governments into the area of corporate social responsibility—an area that has in the past been driven primarily by business and non-governmental organizations. In the Declaration, the group identified four actions needed to address the social dimension of the globalization process,:

- (1) Promote and further develop social standards, such as those of the International Labour Organization (ILO);
- (2) Strengthen the principles of CSR by actively encouraging organizations to adopt the UN Global Compact, OECD Guidelines for Multinational Enterprises, ILO Tripartite Declaration and other standards;
- (3) Reinforce corporate governance by, among other actions, encouraging adherence to the OECD Corporate Governance Principles; and
- (4) Investing in the development and extension of social protection systems for social security, education and health.

As part of the strategy for combating climate change, the group agreed to enhance international co-operation on sustainable forest systems and to develop tools to advance sustainable building practices. The G8 also urged that the international mining sector in developing countries adopt a set of sustainability principles and guidelines, drawing from those already issued by the OECD, the Global Reporting Initiative, International Finance

Corporation and others. Finally, it reaffirmed its support for the Kimberley Process of certifying gems and supported a pilot study to be led by the World Bank, which would explore the feasibility of a certification program for other selected raw materials.²

- National Initiatives

Various countries have taken their own action on CSR and sustainability over the past few years. Parliamentary commissions have been established in Australia and Spain to examine various aspects of the subject. Policies or guidance on CSR have been issued by Belgium, Colombia, Canada, Denmark, Germany and the UK. The UK, Canada and the Netherlands have established CSR training programs.

Starting in 2009, each of the 55 state owned companies in Sweden will be required to file an annual sustainability report based on the Global Reporting Initiative's Sustainability Reporting Guidelines. This is a step beyond Canada, which in 1997 required its governmental departments to publish sustainable development strategies and action plans and to update them every three years. Similar plans were required of local authorities in the UK in 2000. A number of agencies and local governments voluntarily issue public reports on their economic, social and environmental performance. Some are prompted to do so pursuant to the *Local Agenda 21 (LA 21) Model Communities Programme*, a program designed to aid local governments in implementing Agenda 21, the global action plan for sustainable development that emerged from the 1992 Earth Summit.

Starting in 2008, each company that is publicly traded in the UK will be required to report on its environmental, employee, social, and community issues to the extent needed for an understanding of the business's development and performance. The reports must also include information about the effectiveness of the organization's policies on these issues. In addition, large companies must provide, where appropriate, an analysis of key performance indicators related to employee and environmental matters.³

Voluntary Initiatives

- Sustainable Management Systems Standards

With the growing focus on sustainability and the popularity of "plan-do-check-act" management systems standards such as ISO 9001, ISO 14001, and OHSAS 18001, a marrying of the two was bound to happen. Indeed, sustainability management systems standards have enjoyed a growing popularity in recent years. Such standards are now found in the UK (SIGMA, BS 8900), Australia (AS 8000 series), Mexico (IMNC SAST 004), France (AFNOR Guide SD 21000), and Austria (Guide ON-V 23), among other places. The International Finance Corporation, the financing arm of the World Bank also has its own environmental and social management system requirements for borrowers.

Although officially not a management systems standard, the draft ISO 26000 Social Responsibility (SR) Guideline Standard is intended to help companies and other organizations implement SR. Moreover, it contains content many would associate with ISO 9001 and 14001: integrating SR into vision, goals, strategies, and policies; setting targets; developing action plans; raising awareness; monitoring; and reporting and communications. The draft presents a number of general SR principles to be followed, which touch on legal compliance, respect for internationally recognized instruments, recognition of stakeholders and their concerns, accountability, transparency, and respect for human rights and diversity. Guidance is also provided on how to address 29 SR

issues grouped in the following seven categories: organizational governance, environment, human rights, labor practices, fair operating practices, consumer issues (including users of services and product responsibility), and contribution to the community and society. The guideline standard is expected to be finalized in 2010, but that may be optimistic given how much work remains in shaping the document to be of value to organizations of all types and sizes.

- Principles for Responsible Investment

Principles for Responsible Investment (PRI) consists of six principles designed to help institutional investors incorporate environmental, social and governance (ESG) criteria into their investment decision-making and ownership practices. The principles were developed and launched in 2006 through a partnership between two groups within the United Nations: the UN Global Compact—a large initiative under which approximately 3000 companies have agreed to adopt 10 principles of good corporate citizenship; and the UN Environment Programme-Finance Initiative (UNEP-FI)—a global partnership between the UNEP and 170 financial institutions to develop and promote linkages between sustainability and financial performance. PRI has emerged at a time when more and more mainstream investment firms are beginning to use sustainability criteria to help assess the quality of management and the business risks facing companies targeted for investment.⁴

¹ Commission of the European Communities, *Communication from the Commission to the European Parliament, the Council, and the European Economic and Social Committee Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility* (Brussels, 22.3.2006, COM (2006) 136 final), available at http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0136en01.pdf

² *G8 Summit 2007 Heiligendamm: Growth and Responsibility in the World Economy—Summit Declaration* (June 7, 2007) available at <http://www.whitehouse.gov/g8/2007/g8agenda.pdf>.

³ Companies Act 2006, Nov.8, 2006, clause 417 (UK), available at <http://www.opsi.gov.uk/index.htm>.

⁴ Principles for Responsible Investment, available at <http://www.unpri.org/>.