Social responsibility of corporations is a controversial issue. With the advent of triple bottom line and sustainability reporting, voluntary disclosure about the social impacts of business has become the vogue in a limited group of companies. Yet, around the world, the vast majority of corporations remain completely untouched by this interest in reporting on Corporate Social Responsibility (CSR). However, there are moves afoot to provide guidance to organisations that can see an advantage from instituting a CSR Program. In this article two developments are considered. First is involvement of the International Organization for Standardization (ISO) in the consideration of Corporate Social Responsibility issues; second is the publication of a Draft Standard on Corporate Social Responsibility by Standards Australia.

**ISO Involvement in CSR.**

On 16-17 February 2003 the ISO Advisory Group on Corporate Social Responsibility met in Geneva and recommended to the ISO Technical Management Board that ISO should prepare a technical report surveying the worldwide state of the art in social responsibility codes, guidelines and specifications. It also recommended that a justification study be carried out with the aim of investigating the potential development of social responsibility standards in the management systems suite of standards published by the International Standardisation Organisation that includes quality management and environmental management (see [http://www.iso.ch/iso/en/commcentre/pressreleases/2003/Ref846.html](http://www.iso.ch/iso/en/commcentre/pressreleases/2003/Ref846.html)). Their specific recommendation favours self-regulation by requiring that the potential standard or guideline include a process for the self-declaration of conformity by organizations and exclude conformity assessment involving third-party certification.

The ISO link to a CSR standard is only tentative at this stage. Only after the justification study and review and approval of it will the ISO decide whether to proceed with ISO social responsibility management systems standards. ISO is a profit making organisation and needs to assess the view of its supporters and potential supporters before venturing down this path. Hence, it has exhibited caution. The process of working towards this recommendation has been long and slow with a range of stakeholders being involved, including representatives of business, government regulators, trade unions and consumers. ISO considers whether the potential standard
could add value to already existing programmes for the range of issues coming under the scope of what has come to be termed corporate social responsibility.

One way of adding value for ISO is to broaden the target market for any potential Standard. Hence, although the Advisory Group of ISO does not accept that it has a role in defining CSR, it does stress that it is not business that is targeted, but all types of organisation.

**Draft Standard on CSR from Standards Australia**

Somewhat in contrast with the ISO, Standards Australia, another commercial organisation, has aggressively jumped into the CSR Standards ring. On 14 January this year, Standards Australia issued a Draft Standard prepared by its International Committee on Corporate Social Responsibility. The Draft Standard’s stated aim is “to provide essential elements for establishing, implementing and managing an effective Corporate Social Responsibility Program within an organisation” and to provide guidance in using those elements. The proposed Standard is part of Standards Australia’s Governance Series, which, when complete, will comprise five Standards on good governance principles, fraud and corruption control, organisational codes of conduct, whistleblowing systems, and CSR.

CSR is defined in the Draft as: “A mechanism for organisations to voluntarily integrate social and environmental concerns into their operations and their interaction with their stakeholders, which are over and above the organisation’s legal responsibilities.” As with the ISO, the emphasis is on targeting organisations, rather than businesses.

Three elements are emphasised in the Draft Standard: structural, operational and maintenance.

The necessity for a commitment to effective CSR at all levels within an organisation is noted in the Structural Elements section, which also provides for a clear statement of policy, clearly identified responsibilities, adequate resources and is linked to the process of continuous improvement in CSR.

The proposed Operational Elements include the identification of issues, operating procedures, implementation, feedback and record keeping. They also provide standards for transparency, stakeholder engagement, and internal and external reporting. In terms of external reporting, businesses would be required to adopt Sustainability Reporting, defined as “reporting on its financial, governance, social and environmental performance areas and indicators”. It is noted that this could be included in the Annual Report or could be reported separately.

Education and training is the first of the Maintenance Elements. These elements also include communication, monitoring, review, accountability and third party verification. Accountability is identified as “appropriate reporting on the operation of CSR against best practice”, and independent third party verification is proposed to support the credibility of the entity’s commitment to CSR “and therefore the acceptance by stakeholders”.

**Some words of caution**

For each of the Elements, guidelines for implementation are provided, including the identification of CSR issues and operating procedures such as a “checklist type matrix”. Interestingly, the Draft Standard
(para. 5.2.7) specifically links its reporting guidance to the Global Reporting Initiative (GRI), with users being referred to the GRI website for information on how to produce external CSR reports. Such advice does provide a foundation for reporting, but could be viewed as being too restrictive for the innovative thinking demanded by the search for sustainability solutions.

The development committee was chaired by Henry Bosch and included amongst its members both CPA Australia and the Institute of Chartered Accountants in Australia, the Audit Office of NSW, the Australian National Audit Office, and the Institute of Internal Auditors. Whilst the accounting profession was, well represented, it is notable that no environmental groups or broad-based social lobby groups were included.

Some of the limits to implementing CSR have been well rehearsed by economists who argue for corporations to focus on the profit motive and leave social issues to government. The UK Environment Secretary has recently reiterated this line of argument in order to allay the fears of business that government support for voluntary management of CSR does not mean that they are offloading responsibilities to business that ‘properly’ belong to the state (ENDS 2003). Government intervention remains essential where meaningful actions for sustainable development are not adopted by corporations. In such circumstances the classical instrument of regulation is and will remain a key policy instrument to help set the boundaries of corporate behaviour. It is clear that the forces for self-regulation of CSR and classical regulation through command and control techniques are digging in for an ongoing engagement.

References


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