Understanding ISO 26000

A practical approach to social responsibility
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Edited by Adrian Henriques
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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ABNT</td>
<td>Brazilian Technical Standards Association</td>
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<tr>
<td>APEAN</td>
<td>Arabian Peninsula Environmental Experts Network</td>
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<tr>
<td>CAG</td>
<td>Chairs’ Advisory Group</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CIF</td>
<td>Customized Implementation Framework</td>
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<tr>
<td>CN/SESI</td>
<td>National Confederation of Industry (Brazil)</td>
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<td>CNIS</td>
<td>China National Institute of Standardization</td>
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<td>CO2</td>
<td>Carbon Dioxide</td>
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<td>CoP</td>
<td>Communication on Progress</td>
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<td>CO-</td>
<td>ISO Consumer Policy Committee</td>
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<td>POLCO</td>
<td></td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>ECPAT</td>
<td>End Child Prostitution, Child Pornography and Trafficking in Children for Sexual Purposes</td>
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<td>FASE</td>
<td>Federation of Social and Educational Assistance Organizations</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FDIS</td>
<td>Final Draft International Standard</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>ILO MNE</td>
<td>ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy</td>
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<td>IPCC</td>
<td>Intergovernmental Panel on Climate Change</td>
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<td>ISG</td>
<td>Industry Stakeholder Group</td>
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<td>ISO</td>
<td>International Organization for Standardization</td>
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<td>ITUC</td>
<td>International Trade Union Confederation</td>
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<td>LTIFR</td>
<td>Lost Time Injury Frequency Rate</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>NWIP</td>
<td>New Work Item Proposal</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OHCHR</td>
<td>Office of the United Nations High Commissioner for Human Rights</td>
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<td>Abbreviation</td>
<td>Description</td>
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<td>SAGE</td>
<td>Strategic Advisory Group on the Environment</td>
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<td>SAI</td>
<td>Social Accountability Institute</td>
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<td>SIS</td>
<td>Swedish Standards Institute</td>
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<td>SME</td>
<td>Small- and Medium-sized Enterprises</td>
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<td>SMO</td>
<td>Small- and Medium-sized Organization</td>
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<td>SRI</td>
<td>Socially Responsible Investment</td>
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<td>SRSG</td>
<td>Special Representative of the United Nations Secretary General on Business and Human Rights</td>
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<td>SSRO</td>
<td>Support, Service, Research, and Other</td>
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<tr>
<td>TBT</td>
<td>Technical Barriers to Trade</td>
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<td>TMB</td>
<td>Technical Management Board</td>
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<td>UDHR</td>
<td>Universal Declaration of Human Rights</td>
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<td>UNCED</td>
<td>United Nations Conference on Environment and Development</td>
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<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<td>UNGPs</td>
<td>United Nations Guiding Principles</td>
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<td>WCED</td>
<td>World Commission on Environment and Development</td>
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<td>WGSR</td>
<td>ISO Working Group on Social Responsibility</td>
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<tr>
<td>WMO</td>
<td>World Meteorological Organization</td>
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<td>WSSD</td>
<td>World Summit for Sustainable Development</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Acknowledgments

I would like to take this opportunity to thank all of the contributors for their valuable insights; without them this book really would not have been possible. It has been both a pleasure and a treat to be able to bring together so many experts for one piece of work.

Special mentions also go to Wayne Visser, founder of CSR International, and James Robey, Group CSR & Sustainability Director at CapGemini, for their thoughts and input along the way.

Adrian Henriques
Foreword

Shaping a more responsible world

Taking responsibility for our actions – it’s one of the first signs of maturity in our children. Taking responsibility is sometimes not easy; it can hurt, and it’s often a frightening prospect. As children develop into adults, taking responsibility comes with a growing recognition of their interdependence, and their influence on others.

A multinational company, a local charity, a municipal services department – any organization – is also susceptible to such growth and maturity. A mature, responsible organization fully recognizes the impacts of its decisions and activities on society and the environment. The elements of this responsibility reflect the expectations of society at a particular point in time. These expectations are the subject of national, regional and international public policy and governmental instruments. Over the years, various state and non-state actors have brought to life many of these instruments in the form of initiatives, designed to address or improve aspects of an organization’s social responsibility. However, capturing and maintaining a comprehensive, authoritative, international expression of social responsibility necessitates development and decision making that is highly consultative, transparent, credible and under continual review and improvement.

In May 2001, International Organization for Standardization (ISO) had its first discussion of social accountability and responsibility. It was presented as an idea to ISO’s executive governing body (ISO Council) by the member from Israel (Ms Ziva Patir, Standards Institute of Israel). And thus began a journey. At first, the task was limited to evaluating the feasibility of developing a ‘standard’ on such a complex, broad, far-reaching and culturally diverse subject. A carefully assembled, multi-stakeholder Advisory Group was formed under the ISO Technical Management Board (TMB). At the beginning, opinions and understanding of ‘corporate’ social responsibility varied widely, from those who considered that it was simply compliance with relevant legislation to others who considered that it was purely philanthropy.

After 18 months of study the Advisory Group produced its recommendations, outlining the pros and cons of launching such an effort in ISO. Its report was presented at an ISO Conference in 2004 in Stockholm to a broad audience that, at the time, assembled five key categories of stakeholder: industry, government, consumers, labour and...
non-governmental organizations. The result: ISO should proceed with the development of an international guidance standard on social responsibility, but it needed to do so in a deliberate, inclusive and coherent manner, whilst respecting relevant intergovernmental policies and instruments, such as those of the International Labour Organization (ILO).

The success of the 2004 Conference also highlighted the merits of specifically identifying stakeholder groups and helping them to caucus, review and formulate their ideas on an issue. Based on the Advisory Group's report and the results of the 2004 Conference, the ISO TMB formulated a plan to develop this important new subject. The TMB incorporated the above stakeholder category approach and further defined some key features of this effort, which included the following.

- The standard be drafted by a 'flat' ISO Working Group reporting directly to the TMB, consisted of experts nominated by ISO members and by international organizations accepted as liaison members. This would ensure a 'level playing field' of multiple stakeholders, all having equal voices in achieving the group's consensus.
- The Working Group be led by a so-called ‘twinned’ leadership, brought together a developed country ISO member and a developing country member. This responsibility was given to the ISO members of Sweden (SIS) and Brazil (ABNT).
- The standard to focus on broadening awareness of social responsibility, provide common terminology on the subject, provide guidance on integrating social responsibility throughout an organization and, among other issues, provide guidance on identifying and engaging with stakeholders.
- The standard to provide only ‘guidance’ (i.e. using the verb ‘should’ throughout without any requirements in the form of ‘shall’), and that it should not be intended for certification.

And so the new ISO TMB Working Group on Social Responsibility was born, and held its first meeting in Salvador, Bahia, Brazil in March 2005. This introductory meeting was difficult – suspicion reigned and emotions were high. The ‘ISO’ multi-stakeholder consensus building process was new to many of the stakeholders, and many of the stakeholders were new to ISO. Even so, and most importantly, the development phase had officially begun.

What followed was a further seven full working group meetings over a period of five years, with intensive drafting, debate and decisions among more than 400 working group experts from 99 countries and 42 international organizations. During the development phase, no fewer than 62 international, regional and national workshops were held, involving more than 4,500 developing country stakeholders, to raise awareness and facilitate their input into the standard. In the end, the ISO Working Group considered more than 26,000 (ironically) formal
comments on successive versions of the draft standard. In November 2010, ISO 26000 *Guidance on social responsibility* was published and launched at an international event in Geneva, Switzerland. National adoptions and launch events are now in full swing around the world and the standard continues to attract attention, not only because of its authoritative and comprehensive social responsibility guidance to organizations, but also for its innovative approach to global stakeholder engagement using the ISO development process.

It is also safe to say that the challenges of sustainability and social responsibility, as well as the impressive development approach used to develop ISO 26000, have had an influence on the view of ISO members on the future of the organization. ISO members and key international stakeholders were consulted on a new Strategic Plan for the organization for the years 2011–2015. The Plan was approved in September 2010 and contains a Vision, a Mission and seven Key Objectives that, arguably, reflect the emerging importance of the elements addressed in ISO 26000. Specifically, the Plan outlines how ISO must address important global challenges (e.g. sustainability, climate change, risk management), the enhancement of developing country involvement (Key Objective 3), and the need for highly effective stakeholder engagement processes in ISO’s standardization work (Key Objective 4).

Although ISO 26000 has already made a significant impact in certain circles, its journey has in fact only just begun. The global marketplace is just now being exposed to the leading edge thinking of ISO 26000 and organizations are starting to consider how this important standard can be used to address success in the long term, while helping to secure a sustainable world for all. ISO and its members are also becoming fully engaged in promoting and supporting the implementation of ISO 26000, and we look forward to receiving feedback on user experiences with the standard that will help to shape its future evolution.

*Kevin McKinley, Deputy Secretary-General, ISO Central Secretariat*  
*Geneva, February 2011*

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Preface

Social responsibility: from dreams to reality

Standardization as a systemic activity, as we know it today, received its strongest thrust through the rapid growth of technology, caused by the technical and scientific discoveries that took place in the eighteenth and nineteenth centuries. With the progress that took place from the steam engine days, which enabled mass production, there came the need to mass produce articles instead of painfully manufacturing each and every nut and bolt by hand. So, in around 1840 Sir Joseph Whitworth established a thread for each standardized nut, which to this day bears his name.

Immediately after the war the companies with the mission to rebuild Europe observed great differences in the measurement of units and standards (the metre and the yard, the kilogram and the pound). These divergences made production more complicated and impaired the exchange of manufactured products between the Americans and Asian and European countries. For these reasons, on 23 February 1947 the International Organization for Standardization (ISO) was created, with the participation of 26 countries, to facilitate international trade through the harmonization of technical standards. In general, the name ISO is erroneously interpreted as an abbreviation (it would have to be ‘IOS’ to be precise) for International Organization for Standardization or, even worse, as it is incorrectly called, International Standard Organization, to adjust the abbreviation to the name. In fact, ISO is a proper name, inspired by classic Greek – a language in which the prefix ISO means ‘equality’ – hence the words ‘isotherm’ (equal temperatures) and ‘isonomy’ (equality of rights).

The efforts towards solving environmental problems on an international scale go back to the beginning of the twentieth century, but it was during the United Nations Conference on the Human Environment, held in Stockholm in 1972, that the environmental issue became a truly global concern. Perhaps its most significant outcome was the proposal for a new relationship between the environment and development, which laid the basis for the concept of sustainable development. The World Commission on Environment and Development (WCED), created in 1983 by the UN, published in 1987 the report Our Common Future, also known as the Brundtland Report, an important document about the search for a balance between development and the protection of the environment, in
which sustainable development is defined as ‘one that meets the needs of the present without compromising the ability of future generations to meet their own needs’.

Stemming from the Rio 1992 meeting, there appeared within ISO the Strategic Advisory Group on the Environment (SAGE), which was established to carry out a study on the need for international standards on the environment. This recommended the preparation of environmental management standards and that would become the ISO 14000 series.

In the area of social responsibility SA8000, the social accountability standard, appeared – perhaps as a function of Nike’s international strategy. The Social Accountability Institute (SAI) – an American entity that aims to improve the performance of organizations, especially their labour relationships – focuses preferentially on meeting ILO conventions, particularly those relating to forced labour, freedom of association, occupational health and safety and child labour. Still in the field of social responsibility, there appeared in England by the end of the 1990s the standard AA1000 – AccountAbility. This standard is aimed at a topic not covered by SA8000: the dialogue with stakeholders. Out of these, no doubt, the most known and practised are the ISO standards, especially the ISO 14000 (Environmental Management) and ISO 9000 (Quality Management) series.

The social responsibility theme is a polemic and dynamic one, stretching from extremely simple concepts to robust and sophisticated definitions. Adam Smith in Wealth of Nations (1776) defended free trade. His argument can be summarized in this way: increase in productivity occurs with the division of work; the division of work increases or diminishes according to the market size; the market in turn is amplified to the maximum possible through free trade. Therefore, free trade enables greater productivity. Smith tried to show the superiority of industry over agriculture, of profit and appreciation over revenue, of currency over barter, of selfishness over charity. In his own words, ‘it is not from the benevolence of the butcher, the brewer or the baker that we expect our lunches, but from their interest in their own personal gain’. By this liberal concept, the social responsibility of a company is the maximization of its profit, the generation of jobs and tax payments.

However, more recently the entrepreneurial environment has started to demand from organizations a new sense of responsibility. Social and environmental responsibility can be summarized in the concept of effectiveness, as the attainment of socio-economic development objectives. Therefore, an organization is effective when it maintains a socially responsible attitude. Then comes the ‘triple-bottom-line’ concept, an expression created by John Elkington that was already being disseminated by the United Nations Conference on Environment and Development (UNCED). In fact, Maurice Strong, Secretary-General of the
UN Conference on the Human Environment, had already mentioned that, in order to attain these sustainability dimensions, it would be necessary to simultaneously obey the following criteria: social equity, ecological prudence and economic efficiency.

In the face of such debate, in which all theories on social responsibility are equally alive, many public organizations or representative entities decided to define what they understood about this subject. The Brazilian NBR 16001:2004 standard defines social responsibility as the

*ethical and transparent relation of the organization with all the public with which it relates and by the establishment of goals compatible with society’s sustainable development, preserving environmental and cultural resources for future generations, respecting diversity and promoting reduction of social inequalities.*

This approach is aligned with the notion that social responsibility derives from the understanding that business activities should, necessarily, bring benefits to society, provide employee professional achievement, promote benefits to partners and the environment and bring return to investors.

The development of ISO 26000 has shown recently that the majority of the current understanding of the subject explores the interrelationship between social responsibility and economic, environmental and social aspects and the impacts of an organization’s activities that are associated with a sustainable development theme. Such an understanding incorporates contributions from the debate on sustainable development, a new way to approach development that includes the social and considers the environment.

ISO 26000 is based upon the worldwide demand for social responsibility expressed during the meeting held on 30 April and 1 May 2001 at which the ISO Council approved the resolution that noted the importance of the emerging matters relating to social responsibility and invited its Consumer Policy Committee (COPOLCO) to consider the feasibility of international standards in this area. After two years of study, ISO decided that the ISO TMB Social Responsibility Working Group, responsible for the global co-ordination of the work should, for the first time, be led jointly by the standardization entities of an industrialized country (SIS – the Swedish Standards Institute) and of a developing country, the Associação Brasileira de Normas Técnicas (ABNT – the Brazilian Technical Standards Association).

The standard was finalized during 2010. The first committee meeting took place in Salvador (Bahia), in March 2005. A long series of debates followed, with extreme and conflicting positions taken that were considered side by side in the biggest multi-stakeholder forum ever to discuss social responsibility. In fact, along the way towards the creation of the ISO 26000 standard, ISO needed to monitor the divergences between
the different stakeholder groups and their different opinions, which were sometimes radically opposed as to the model and suitability of the new standard.

I have chaired, with great emotion, the work of ISO 26000 for five years. It was a spectacular experience played out by more than 500 experts worldwide from around 100 countries. This entire journey and its results are now recorded in this wonderful book edited by my friend Adrian whom I thank for his unconditional support for my chairmanship.

Enjoy the book!

Jorge Cajazeira, Chair of the ISO 26000 Working Group
Introduction

Adrian Henriques

ISO 26000 is a standard on social responsibility. It provides guidance rather than stating a set of requirements to which a company or other organization must conform. It brings the authority of ISO to an area already rich in standards produced by non-governmental organizations (NGOs), companies and governments. And it represents the achievement of a remarkable consensus on social responsibility issues by the very diverse organizations and individuals involved in its development.

ISO 26000 therefore represents a new departure for ISO. Among the tens of thousands of standards under the ISO umbrella, it is unique. This is partly because of its subject matter, which is not a somewhat dry matter of important though obscure utility, but a key issue of current social concern. It is true that elements of that concern have been approached by some of the other important standards that ISO has produced to date, including the ISO 14000 series covering environmental management, measurement and performance and the ISO 9000 standards covering quality management. But the scope of ISO 26000 is far broader. It encompasses issues as diverse as human rights, labour rights, corruption, stakeholder engagement and reporting, as well as the environment. There are few major issues of sustainability that are not covered in some way by ISO 26000.

Yet it is not a sustainability standard, or even a standard for sustainable development. It is a standard for the social responsibility of organizations. The relationship of social responsibility to sustainability (and indirectly sustainable development) is important, but often hard to convey. The simplest explanation draws on the fact that in one sense they cover the same ground: the responsibility perspective focuses on contributions to sustainability (and who should make what contribution – the ‘who’ and the ‘how’), whereas the content of sustainability is structured in terms of categories of issues such as pollution or labour issues (the ‘what’). And it is possible to describe the issues without reference to what should be done about them. But there are no sustainability issues for which no one has responsibility, nor social responsibility issues which fall outside the domain of sustainability.

This book is intended to provide the background and some deeper insight into the interpretation and implications of ISO 26000 as well as...
Introduction

into how it might be used, through the contributions from a number of people who were closely connected with its development. It is aimed at both specialists and generalists alike. It should be useful for those working on responsibility issues within companies and other organizations as well as those working in the field of standardization and in academia.

This introduction describes the history and background from which ISO 26000 has emerged and then provides an overview of the contributions and contributors to the book.

The background to social responsibility

To understand ISO 26000 and social responsibility it is helpful to appreciate the historical context in which it has arisen in terms of historical and structural factors, as well as dominant issues. There are two overarching structural factors that have affected the development of our ideas of social responsibility: global governance and globalization. These are described below. There are also a number of particularly influential issues such as sustainable development and the stakeholder perspective that have shaped, and continue to shape, the idea of organizational responsibility.

Global governance

Since at least the middle of the twentieth century the dominant model of global governance has been that of autonomous nation states freely co-operating through the institutions of the United Nations and administering the private and voluntary sectors within their national jurisdictions: ‘a world of nations’. The history of organizational responsibility may be understood in part as resulting from the expectations which naturally arise from that model. Moreover, its future may be determined by how the public, private and voluntary sectors respond to the forces challenging that state of affairs.

Under the ‘world of nations’ model, the legitimacy and responsibilities of organizations within each sector of society are typically seen as follows. For the public sector, legitimacy derives from popular consent and democratic accountability; its responsibilities include policy development, regulation and the delivery of services. The legitimacy of the private sector derives from the delivery of goods and services, including the creation of wealth; its responsibilities are primarily to obey the law and pay taxes determined by the public sector. In addition, companies that choose to follow the long tradition of philanthropy evident in many parts of the world, from India to the United States, are respected. The legitimacy of the voluntary sector derives from the declared social mission
of organizations such as charities; their responsibilities centre on the faithful administration of donated funds in accordance with their mission.

Globalization

Globalization, considered as the extending geographical reach of economic activities and forces, is one of the trends that challenge the ‘world of nations’ model. In this sense globalization includes the extension of the markets for goods or services from a home country to the entire world, the lengthening of supply chains to encompass in principle any country and the growth of foreign direct investment (FDI). For example, it is now very common for goods sold in the United States or Europe to have been produced in China or other parts of Asia. FDI has also shown very significant growth, with large impacts on the economies and societies of the recipient countries.

Overall, globalization has resulted in an increase in the power and influence of the private sector and a relative weakening of the role of the public sector. One example of this is that the scale of impact of companies has become very much greater and so the concern and expectation as to the appropriate level of responsibility has grown. The pressure to internationalize operations is forcing companies to deal with human rights and labour abuses in countries in which they wish to operate. Globalization has also brought cultural differences to the fore: the ideas and values of global consumer brands, for example, are extending into societies that may have quite different cultures. What is appropriate corporate responsibility under these circumstances?

The financial crisis and the near collapse of the global financial system have also underscored our global interdependencies. Not only are different parts of the world now quite clearly dependent on one another, but the private sector needs co-operative and coherent regulatory functions from the community of nations if it is to preserve a stable business environment.

Sustainable development and the environment

The concept of sustainable development is complex. It is often taken to encompass an acceptable level of environmental impact combined with economic development and social progress. There is a significant history of international agreement as to the need for sustainable development. The 1972 UN Conference on the Human Environment produced a declaration publicly acknowledging the adverse impact of humans on the natural world. The 1987 World Commission on Environment and Development Report (the Brundtland Report) built on this and proposed
the following definition: ‘Sustainable development … [meets] the needs of the present, without compromising the ability of future generations to meet theirs.’ This is included in ISO 26000.

International agreement has been reaffirmed through the 1992 UN Conference on Environment and Development, which set out in the Rio Declaration an agenda for the public sector in the twenty-first century (Agenda 21) to pursue sustainable development. Ten years later, in 2002, the World Summit for Sustainable Development (WSSD) established the Millennium Development Goals covering economic, social and environmental performance. The WSSD also proposed that the public and private sectors should work in partnership in the pursuit of sustainability. The sustainable development approach has therefore come to acknowledge that all organizations from the public, private and voluntary sectors should address the problems of sustainability.

Concern for the environment, where environmental impacts adversely affect human prosperity in the developing world, has therefore been at the heart of the sustainable development debate. However, there has also been concern for the environment in its own right, where the immediate impact on human society is not necessarily an issue. The capacity of the environment to absorb the products of human activity, from the consequences of oil spills to the accumulation of heavy metals and persistent chemicals and their impacts on ecosystems, is an example. For some, the centre of concern is the adverse impact on the enjoyment of the natural environment; for others, the natural world has a value in itself. And, of course, in the longer run there will also be an impact on humanity. From either perspective it is important to address the source of these impacts, which stem in part from the public sector, but in particular from private sector manufacturing and other operations.

The stakeholder perspective

For much of the twentieth century, the academic community has explored the wider impacts of business. In the 1980s this was expressed, in a strategic planning context, as ‘stakeholder theory’. Stakeholder theory systematically analyses the impacts that companies (and all kinds of organization) have on those who ‘affect them or are affected by them’. For companies, the term ‘stakeholder’ therefore typically includes consumers, suppliers, shareholders and staff, amongst a wide range of others who have an interest in the company. Today, in business schools worldwide, the study of companies from this wider perspective is increasingly common. It has also become central to almost all practical approaches to organizational responsibility.

Stakeholder analysis is perhaps most useful in understanding the impacts of organizations on stakeholders, such as those living near a manufacturing plant, who are ‘affected by’ an organization and may be
vulnerable. The final definition of stakeholder within ISO 26000 stresses this aspect of stakeholder relationship. The term is generally also used to include stakeholders who affect the organization. Two stakeholder groups in this category have become particularly important in recent years: NGOs and shareholders.

The term ‘NGO’ has been used in a variety of ways, but it is now more usually used to mean voluntary sector organizations. NGOs, through working on issues of societal concern such as poverty and deprivation, have become significant advocacy forces. As such they have worked to influence not only the public sector but increasingly also those companies relevant to their mission. Companies typically consider NGOs as their stakeholders. In this respect, NGOs have become increasingly effective both by increasing their scale of operation and advocacy internationally and by working through new communications technology to co-ordinate their activities and campaigns with other NGOs worldwide. Of course NGOs, as organizations, also have stakeholders, and organizational impacts, in their own right.

Shareholders have, of course, long been the dominant stakeholder for companies. In recent years, however, their role has been changing in two respects. First, for the majority of shareholders the importance of corporate governance (see below) has become a growing issue. Second, the volume of socially responsible investment (SRI) has grown rapidly in recent years. This has brought additional pressure on companies to review their responsibilities.

Labour, outsourcing and the supply chain

The industrial revolution in Europe led not only to the modern company form but also to the development of organized labour. Long before corporate social responsibility, driven by the terrible conditions often suffered by workers, the union movement has worked to protect workers’ rights and ensure that companies pay attention to their responsibilities to their staff.

As globalization through FDI brings industrialization to more parts of the world, to some extent this history is repeating itself. Partly as a result of pressure to reduce costs, Western companies have increasingly redefined their core business to focus on customer and brand relationships. In consequence it has become possible to contract out other functions to suppliers based in the developing world. While enabling them to take advantage of cheaper labour supplies in the developing world, the price has often been very poor and exploitative labour conditions which can include excessive hours, unsafe working conditions, pay set below a reasonable living wage and the use of child or prison labour. The public realization in the developed world that goods sold in Western countries have been produced under such conditions has often led to serious
adverse publicity for the companies involved. Given the extensive global supply chains of the large number of goods needed by all kinds of organization, the responsibility to avoid the use of such practices can be a problem faced by any sector – whether private, public or voluntary.

It has not always been possible to rely on national governments to address these problems. In consequence, in addition to the development of organized labour, a number of voluntary codes involving companies and NGOs have been developed to address them. SA8000 was one of the first examples of this approach to corporate responsibility.

Health

Historically ill-health, including both acute and chronic conditions, can be linked to poverty. This continues to be the case. The production processes used in manufacturing illustrate one aspect of this. While companies in developed countries may adopt safer production processes, those in the developing world may not always be able to do so. Asbestos-related disease, for example – the leading cause of work-related death worldwide – is rising in the developing world while declining elsewhere.

As new technological and industrial methods of production and modern lifestyles have developed, new health conditions have emerged. One example of this is obesity. While in one sense obesity may be the result of individual choices, it must also be acknowledged that it results from the lack of exercise inherent in modern life together with the abundant availability of high-sugar, high-fat foods. The relative responsibility of individuals, companies and the public sector is currently a matter of active debate.

Other diseases, while they may not result from industrial practices, are so severe in their impact, that all sectors of society are called to address them. Tuberculosis and HIV/AIDS affect the developing world disproportionately. One reason for this is that the available treatments may be too expensive; this is a matter principally for pharmaceutical companies and the public sector to address. In addition, it is now increasingly seen as the responsibility of all companies and other organizations to ensure that they have HIV-effective policies in place for the support of their employees. Some of the obvious advantages of such an approach include a healthier and more able workforce.

Climate change

Climate change and the predicted rise in global average temperatures is likely to have severe consequences for all human societies as well as for the natural environment, according to the Intergovernmental Panel on Climate Change (IPCC), which operates under the auspices of the World
Meteorological Organization (WMO) and United Nations Environment Programme (UNEP). The scale of these impacts – from rising sea levels, coastal destruction, displaced populations and crop failures to encroaching desertification – makes global warming the single most important issue likely to face humanity over the next century.

Greenhouse gases, and particularly carbon dioxide (CO$_2$) resulting from burning fossil fuels, are centrally implicated in the complex processes leading to the rise in temperatures. The use of energy by modern energy-intensive industrial activity and associated with high intensity consumption is therefore a crucially important issue for all organizations to address.

While the energy producing sector clearly has a particular responsibility to work actively towards the practical availability of alternative sources of energy, all companies have a responsibility to minimize their carbon dependence. Using less energy will, of course, also reduce associated costs. However, global warming can only be addressed through governments and consumers, as well as the private sector, actively working together to address the issue.

Organizational governance

The importance of corporate governance is usually only seen when it fails. The high profile cases of corporate failure in recent years, together with some instances within the voluntary sector, show that how an organization is directed and controlled is of concern to a wide spectrum of its stakeholders – from shareholders (or donors) to staff and those who may depend on the activities of the organization in other ways.

Corporate social responsibility (CSR) and organizational responsibility can more broadly be seen as a response to failures of governance that can affect all stakeholders. CSR is increasingly being built into the risk management systems of major companies. Systematic organizational responsibility seeks to build the interest and concerns of its stakeholders into the processes by which it is directed and controlled. The United Nations Global Compact for companies and the International NGO Charter are based on existing human rights, labour and environmental conventions and can be seen as resulting from a desire for better stakeholder governance. One pervading motivation for such initiatives was the enhanced regard and reputation of those following this route.

While the challenges of global governance can only finally be resolved through a global political process, that process will require the support and co-operation of organizations of all sectors. Organizational responsibility is an essential component of that process, building on an existing ethical stream of motivation drawing on a wide range of sources, from African ubuntu to corporate philanthropy – and going beyond.
Introduction

ISO 26000

In addition to increasing regulation, part of the reaction to these serious issues was a proliferation of standards, particularly involving the NGO sector, but also with active participation from industry and at times the public sector. These standards were of very diverse types. Some were statements of aspiration and principle. Some were detailed prescriptions of expected behaviour or levels of performance for social or environmental issues. Some concerned reporting and assurance. Some were standards with detailed requirements that could be certified against, others were not. ISO 26000 therefore entered a crowded stage.

ISO 26000 is a guidance standard, not a certifiable standard. It is also not a management system standard. For those who have worked with ISO 14000, this is unfamiliar territory. Within the overall ISO portfolio of standards, however, it is not unusual.

ISO 26000 was also developed by a working group designed with a stakeholder structure that was enforced wherever possible. This allocated each expert delegate participating in its development to one of six categories:

- industry;
- government;
- consumer;
- NGO;
- Labour; or
- Support, Service, Research, and Other (SSRO), which covers all other types of stakeholder.

Furthermore, every effort was made to balance representation from the developing world as well as the developed world. The chair was from Brazil; the co-chair from Sweden. The ISO 26000 Working Group was, as a result, the first ISO standard to have more representation from developing countries than from developed ones. The attempt to reach balance also extended to each sub-working group (of which there were many) during the development of the standard.

The process of developing the standard was prolonged. Figure 1 shows the series of meetings at which experts met to debate its shape and content.

In order to ensure consistency of interpretation with other major standards and initiatives, ISO drew up Memoranda of Understanding with the ILO, the Global Compact (which is often described as the largest CSR initiative in the world) and with the Organization for Economic Co-operation and Development (OECD).
ISO 26000 defines ‘social responsibility’ as the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- contributes to sustainable development, including health and the welfare of society
- takes into account the expectations of stakeholders
- is in compliance with applicable law and consistent with international norms of behaviour and
- is integrated throughout the organization and practised in its relationships.

Corporate social responsibility (or CSR), as the name suggests, is the social responsibility that attaches to companies. Organizational social responsibility, which is the subject of ISO 26000, generalizes that idea so that it is applicable to all organizations. CSR is therefore a subset of social responsibility.

The structure of the main part of the standard covers:

- Principles of social responsibility.
- Recognition of social responsibility and engaging with stakeholders.
- Seven core subjects (which in turn encompass some 37 issues):
Introduction

- organizational governance;
- human rights;
- labour practices;
- the environment;
- fair operating practices;
- consumer issues; and
- community involvement and development.

- Integrating social responsibility within an organization.

About this book

This book contains chapters written by a number of those who were centrally involved in the development of the standard. Partly as a result of this there is an apparently heavy emphasis on the process of its development. However, this is an important insight in itself. The legitimacy of the standard, and ultimately the extent to which it will be used, is crucially dependent on the legitimacy of the process by which the standard was developed. Moreover, some of the techniques used to structure the development work involved are themselves examples of good social responsibility.

A minority of the contributors are writing from a corporate perspective. The contributors also include NGO and union representatives and academics, amongst others. The contributions are therefore of a diverse nature in terms of style, length and analysis. No attempt has been made to normalize their views or to produce an apparently ‘objective’ perspective. After all, there is no standard by which this could be judged, other than the standard itself, which represents the consensus eventually achieved by the hard work of the Working Group.

Occasionally, as a result, shortcomings in the standard are pointed out. Few would claim the standard is perfect. It has been produced through extensive discussions over many years between many participants from very different backgrounds. Like the contributors, these participants in the Working Group came from companies, NGOs, the ILO and major industrial trade associations, as well as much smaller organizations from every sector. Indeed, the process of the development of the standard was itself a significant process in the development of the understanding of these issues and a part of the dialogue through which the general social understanding of them – by all involved – has progressed. But this has resulted in compromise.

So this is not a handbook for ‘applying’ social responsibility to an organization; social responsibility is far too complex and contested a subject for that. The book is divided into three parts. Part I deals with a number of the ‘core subjects’ and some other key issues of ISO 26000 (mainly taken from Clause 6). These chapters cover the main clauses of the standard that deal with consumer issues, human rights, labour
practices, the environment, international norms and stakeholder engagement, and community involvement. They are not trying to summarize the content of the standard in some uniform way. Their purpose is more to explore the scope of the issues and to describe the reasons why the standard is significant and helpful for addressing them.

Part II of the book contains two chapters on ‘integrating and implementing’ the standard. Given the launch of the standard in November 2010, it is of course rather early for anyone to describe how they have already integrated or implemented the standard thoroughly in their organizations. What these chapters try to do is to describe how their organizations approach social responsibility or how ISO 26000 might be useful in taking social responsibility further within them. The chapters in Part II represent practice in Brazil (by Aron Belinky) and the UK (by Miles Watkins).

Part III contains chapters that address issues that relate to more than one part of the standard or to the standard as a whole and, as a result, they are not based on specific parts of the standard. These issues were generally contentious. One of them was the role of the state. ISO 26000 is, in principle, as applicable to government as to wholly different organizations such as an NGO, a small business or a university. The state is, of course, a very different kind of organization, since it derives legitimacy from some form of democratic expression, not through adherence to any standard. The standard is not intended to be applied to the democratic process. One way this is captured is by defining an organization in this way:

For the purposes of this International Standard, ‘organization’ does not include government acting in its sovereign role to create and enforce law, exercise judicial authority, carry out its duty to establish policy in the public interest or honour the international obligations of the state.

Yet states, and government at all levels, also have several different kinds of function within them. In some respects they are organizations discharging practical functions (such as cleaning the streets) that might, in principle, be discharged through activities of the voluntary or private sector. However, they also make policy and administer justice. ISO 26000 in effect carefully distinguishes what might be called the ‘political’ functions of the state from those that might be called ‘practical’. ISO 26000 is applicable to the latter only. However, it is not only applicable to entirely practical functions within the state but it is also applicable to the administrative side of political functions. The administration of justice is a political function, for example, but its
practical administration will have many impacts to which the standard may be applicable. Amongst its impacts will be the use of energy – and the standard has much to say about how such environmental issues should be approached. Chen Wang's chapter on standards and the state discusses this issue from the Chinese perspective.

Another significant issue was the role of ‘sphere of influence’ within the standard. This was already a contentious issue before the intervention by the Special Representative of the United Nations Secretary-General on Business and Human Rights (SRSG), Professor John Ruggie. Until the last meeting in 2010, it was unclear how the standard should deal with this issue, since it was not always obvious how the extent of the sphere of influence of a particular organization should be defined or what responsibilities hinge upon it. Stepan Wood's chapter discusses these issues very carefully.

The impact of ISO 26000 on trade and the workings of the World Trade Organization (WTO) were also much debated during the development of the standard. At issue is the extent to which a condition of adhering to the standard might restrict trade. Of course, the standard is not one that contains requirements, so it may be hard to see how the standard can be used in this way. Nevertheless, powerful arguments were presented. Gwenann Manseau's chapter on the issue very coherently presents again the arguments that lay behind the position of the USA and some other countries on this matter.

Despite the attention paid to the composition and balance of the Working Group, the way specific issues were handled required a lot of care. Khawla Al-Muhannadi’s chapter discusses the treatment and resolution of one such issue: sexual orientation. The significance of this account is not only as a historical record, but also to some extent as a guide to the way such issues may need to be addressed in organizations in the future during the integration of the standard's advice.

Finally, how does ISO 26000 relate to other standards? While there are relatively few ISO standards dealing with sustainability issues, non-ISO standards dealing with ethical, environmental and social issues have proliferated in recent years. ISO 26000 has made a real attempt to synthesize, rather than conflict with the many other standards in the area. Jonathon Hanks' chapter describes these relationships, thus placing ISO 26000 more securely on the global stage.
Contributors

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Contributors

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Chen Wang is the Vice Director of Social Responsibility and Credit Division of the Quality Management Branch at the China National Institute of Standardization (CNIS). Her research interests encompass social responsibility, sustainability, occupational health and safety management systems. She was the Chinese National Standards Institute delegate to the ISO 26000 Working Group and is currently a registered expert for the ISO 26000 Post Publication Organization.

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Organizational governance

Martin Neureiter

What is it?

Organizational governance is a key element of Clause 6 of the ISO 26000 standard. It is key in many ways that I will try to explain. First, by content: organizational governance is all about the basic ingredients of what makes good social responsibility. So, if ISO 26000 is the recipe book for social responsibility, Subclause 6.2 on organizational governance is the part where the ingredients are described. Transparency, accountability, rule of law, respect for international norms of behaviour, ethical conduct and respect for stakeholder expectations: all of these rank as principles in the standard and the organizational governance clause makes them also part of the issues an organization needs to consider.

But first let us look at the term, which sounds rather unfamiliar. We may know ‘corporate governance’, but ‘organizational governance’? Well, the reason for this is to be found in the scope of the standard where it says that this standard is intended for all kinds of organization. The term ‘corporate governance’ therefore falls short of what the experts in the Working Group wanted to describe. Transparency, accountability and all the other issues also apply to other kinds of organization, not only corporates. It will be interesting to see how all this will translate into practice, as the transparency of the Church or of some of the institutions of the state cannot be taken for granted.

Organizational governance refers to the system by which an organization makes and implements decisions in pursuit of its objectives. It is both a distinct core subject, within the standard, as well as a means for implementing other core subjects.

How did organizational governance come to be in the standard? The seven core subjects were discussed as early as the Working Group Meeting in Lisbon in 2006, and the Group at that point had set out the seven core subjects, which then were not changed in any substantial way.

Organizational governance is the subject of Subclause 6.2 of ISO 26000.
The names were changed sometimes, and the whole clause was transformed from ‘core issues’ to ‘core subjects’ (as the term ‘issue’ was used in the standard in different places with different meanings). Nevertheless, within the core subjects we find in total 37 issues, captured as subheadings that make up the core subjects.

Organizational governance is made up of five issues:

- legal compliance;
- transparency;
- accountability;
- ethical conduct;
- recognition of stakeholders and their concerns.

But it is remarkable that the Working Group identified these seven core subjects at a very early stage of the standard’s development and they remained the same through four working drafts, two committee drafts, a draft international standard, a final draft international standard (FDIS) and finally the published international standard. It is even more surprising that they survived the many thousands of comments from individuals and mirror committees from all around the world. I think this gives great credibility and legitimacy to the current text.

There is a reason why organizational governance is the first of the seven issues: it has a central role. (See Figure 1 – Schematic Overview of ISO 26000, which is reproduced as Figure 2.) This indicates that there can be no human rights, no consumer issues, no fair operating practices, none of the other core issues, if there is in place no organizational governance.

The components

Transparency

The first major issue within organizational governance is transparency. It is actually very simple: without transparency, there is no social responsibility. Without transparency, there is no accountability and without accountability for the actions and decisions taken then any organization could be doing whatever it wanted, there would be a failure of order and systems and anarchy would rule. So transparency is not a new concept invented for social responsibility purposes, but rather a fundamental element of modern societies based on the rule of law. There is no good and bad if there is no transparency and no consequent sanction on behaviour.

This relationship has been transposed into social responsibility. Let me pin it down with an example. At a conference I was asked by an army officer of one country whether transparency in the context of social
Organizational governance

Figure 2 – Schematic overview of ISO 26000
responsibility means that we have to tell everybody how many submarines we have, what guns they have, how many torpedoes are on board, of what kind and where they are stationed, and so on. My answer was: No; that might be of interest to military analysts or spies, but it is not of interest in the context of social responsibility.

But what would be interesting in the context of social responsibility would be to know how the process of procurement for the submarines was conducted, whether there was a fair bidding process, whether measures were taken to prevent corruption, whether the best offer was given the contract. All these issues relate to what happens to taxpayers’ money. Military secrets, or state secrets for that matter, are not necessarily of interest. But, and one has to stress this in this context, not everything can be hidden behind the magic word ‘state secret’. But that is a different discussion. The point I am trying to make is that social responsibility is not so much about the issue as about the process. Transparency in the context of organizational governance has a lot to do with transparent decision making processes.

At another level there is a key factor relating to transparency, and that is information. Information is the good that transparency transports. And it is strange and sometimes bemusing to see how large and small, national and international companies believe they can manipulate information, hide information or change it. Information is a good that cannot be hidden; it does not simply go away; it cannot be put in a safe and remain there forever. Consider recent examples such as Wikileaks or, to put it into a business perspective, what we know about oil spills or sweatshops in Bangladesh or other developing countries. Whatever it takes to conceal information will be more expensive than being transparent in the first place. But I guess it is a bit like the criminal and the law – a criminal expects not to be caught, so a greater punishment will have little effect. But if the benefit sought is a better financial bottom line, then the punishment for those hiding information is self-inflicted, as they are leaving out opportunities and running high risks in their own backyard. Investors really do not like companies in which they invest to have such hidden risks.

So organizational governance has a direct impact on the financial bottom line (as do the other six core subjects). It appears, however, that many organizations seem to think transparency is an easy one to avoid.

Accountability

The next key ingredient is accountability. It may be considered as the sister of transparency, as it is the consequence of transparency. And maybe that is part of the answer to the question posed earlier as to why so many organizations try to hide information. They do not want to be made accountable for the things they do. Well, a long-standing principle in the environmental area is that the polluter pays. This approach needs
to be transcribed into all areas of business activity, so that an organization takes responsibility for all the actions and decisions that it takes. This is explicitly stated in the ISO 26000 definition of social responsibility. Being accountable for what one does is common sense. Seemingly some managers think they can hide behind the organization, turn off common sense and act irresponsibly, and yet not be made accountable for their actions. Unfortunately, in modern theory of business ethics it is very clearly stated that it is the manager who carries the moral and ethical obligations of the organization, not the organization as an abstract legal entity. So no hiding there.

**Ethical conduct**

Ethical conduct is the next point within organizational governance. There were many controversial debates around this term during the development of the standard, which is very common in international agreements. It can also be the starting point for cultural differences, for religious differences and for geographical differences. Let me explain with an example which, at the same time, shows the problems around this term and its interpretation. France was a country that did not want to have this term in the standard at all, as it sees it as a religious term – and who decides in the end what is ethical conduct and what is not, or when a certain action can be judged as ethical conduct and when it cannot? On the other hand the Islamic countries had absolutely no problem with this term. They said that they know exactly what is ethical conduct and what is not, as the Koran tells them what is right and what is wrong.

Let me make this even clearer. In Western Europe we would consider discriminating against somebody on the basis of their sexual orientation to be unethical behaviour. It can even be brought before the courts, which can give employers real problems. On the other hand, the same employer can discriminate against somebody because of his or her sexual orientation in an Islamic country, because Islam does not allow for such behaviour and discrimination is considered the right thing to do. Now the question is whether a company with one workforce but varied behaviours in different regions can claim to be socially responsible? Or is it only complying with the law of the country and unable to act differently? In the standard, ethical behaviour is part of organizational governance. So, as mentioned above, this clause is the gateway for cultural and religious differences, but also the gateway for the acceptance of this standard in different cultural settings. As a result, under the standard, in both cases the company is behaving ethically correctly, although it is doing apparently opposite things. Strange, but true.
Legal compliance

The next term, related to the above, is legal compliance. If you ask the man on the street, most people will answer that an organization, just as any individual, has to obey the law of the country in which it is active. This sounds easy and in most cases it is, but for many companies it can be a nightmare. A company active only in one country already has thousands of laws and regulations to track, follow and comply with. That is why in many countries companies have so-called ethical officers who keep track of compliance with local laws.

This can be really tricky when you look at states that are made up according to a federal system where provinces within the country have different laws on the same issues. My small home country of Austria has nine provinces and each of them has different building laws. So a supermarket chain that opens stores throughout the country has to observe nine different building laws when building their stores. Stupid? Definitely! Is it going to change? No, not in my lifetime! Companies working across borders have even bigger challenges: different languages, different legal systems, different political systems; it is easy to overlook a law and be fined. Does that automatically make it unethical conduct and a breach of legal compliance?

But the really big problems start in two major areas.

1. What happens in countries where law enforcement does not work so well or is corrupt, or the laws are not as strict as in the home country, especially, for example, environmental laws?
2. What happens if the law of the country is in contradiction with international norms of behaviour?

Law enforcement is a tricky thing. Sometimes too much law enforcement is considered to hamper business and act as an administrative hurdle that hinders business expansion or even the ability of a business to operate. Sometimes this has a political motivation: private companies may be checked by the tax authorities several times a year, while state-run companies are never reviewed. Or the company is so powerful that law enforcement does not work, because if it did the company could retaliate by moving production, firing people or even use corruption to get its way.

These situations are very difficult to handle as they involve state behaviour and the balance of interests and powers. Sadly a number of multinational companies make use of weak state powers to be able to produce goods more cheaply or with less attention to workers' welfare or to environmental issues. The worst of this is claiming to be a socially responsible leader in the home country of the company and following all rules and regulations, while outside of the country the company acts in irresponsible ways.
Of course, the question has to be asked: Does a company have to apply the same standards to all places where it is active as it does in its home country?

So, consider a Western European company with high social and environmental standards and laws operating in a country that does not require the same level of compliance. This is to walk a thin line: on the one hand the possibility of production at lower costs, as the requirements are not as demanding. On the other hand there is the potential risk of running into social or environmental issues and having to bear the costs for these, which might lead to losing the cost advantages gained earlier.

Let me describe a positive example of this, which is not at all based on the company trying to be good or doing it for image reasons, but as a result of a de facto saving of costs and the maintenance of quality. Wienerberger, a large Austrian brick manufacturing company (in fact, the number one in the world), went to India to start brick production there. Indian environmental laws and social obligations are far lower than those in Austria or Western Europe. So the company could have built a production site there that would satisfy Indian legislation and save money, especially on technical environmental grounds. But, the company built a 1:1 model of a factory originally built in Belgium in the countryside of Kanataka State. The reason being was purely economic. In this factory everything was developed, everything was tested, everything was easy to build again, and the output was certain – quality bricks. Any change in the production cycle would have resulted in much trial and error in a new production line, time-consuming tests, uncertain outcomes and a much longer inception time before production could start.

One effect that had not been considered in the beginning proved to be very important. The people working in the factory recognized the difference in common brick production in India and word of mouth spread quickly that this was a model factory to work in and the support from the village people grew with every week. This proved to be very valuable and financially a great success when local politicians tried to blackmail the company into giving money to a political campaign, which the company did not want to do, by staging protests in front of the factory gates. It was the local population that drove the paid protesters away, not the police, not the security guards. What more support can you ask for?

The final question is what happens in the case of a conflict or contradiction between the law of a country and agreed and recognized international norms of behaviour? The ILO labour issues are globally recognized. Some of these assert freedom of association and freedom of collective bargaining. These rights are not granted in many economies around the globe, where trade unions are either forbidden or are state run, so are far from being independent. In addition, human rights are
very often granted on paper but, in reality, are lacking in the day-to-day politics of many countries. Now the question for a user of ISO 26000 might be can I still be a socially responsible company and still be active in such countries where fundamental human rights or fundamental labour rights are ignored or even prohibited?

The answer is not easy. Many companies would claim it is better to be there and try to change the system from the inside than to not go there at all and let them do what they want. Sometimes simple business thinking prevails over these issues, the carrot is simply too sweet. But this can also backfire. OMV, a large oil company from Austria, was very active in Sudan until public pressure in Austria increased to the extent that the company had to sell its shares and withdraw from Sudan. The accusation was that, through commission money paid to the government the government bought weapons and used them to kill people in southern Sudan. The company claimed its role in Sudan was to dig holes in the ground, search for oil and gas and nothing else. Indeed, it created water holes for the people, improved the infrastructure by building roads and brought electricity to remote areas that were not connected to the grid. But none of this helped; the pressure from NGOs was too great. So, again, there needs to be a risk assessment before going into such places, and the money to be earned is only one side of the equation. On the other side are social responsibility issues, reputational issues, image issues – and only taking all this into account can a fair economic judgement be made. That is what good governance is about.

In conclusion

The understanding of organizational governance in ISO 26000 might be different from the traditional understanding of corporate governance, where it is all about board structures, remuneration and decision-making processes. I believe the standard addresses a level above this by highlighting the need for transparency, the rule of law and the other issues discussed above. Having implemented organizational governance at this higher level, the traditional corporate governance issues of remuneration, board structures and so on become straightforward because, if an organization does not act transparently and accountably, its board structures and business decision-making processes will be flawed and we find no traditional organization governance. This again shows the great value of ISO 26000 as a tool that addresses the roots of ethical, moral and good governance. This is far more powerful than focusing only on certain limited results of ethical behaviour with a tick-box mentality: merely checking whether or not certain pre-defined conditions have been fulfilled. ISO 26000 can put a moral infrastructure in place so that the demands of traditional corporate governance become satisfied quite naturally.