

Standardisation of companies' social and ecological responsibility ("Corporate Social Responsibility")

Assessment from the consumers' point of view

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vzbv (Federation of German Consumer Organisations) supports the development of standards for the assessment of companies' ecological and social behaviour. The standardisation of CSR at national and international level is a decisive step for promoting sustainable consumption.

The general goal of standardisation, i.e. transparency and trust in the standardised product property, would therefore also provide an objective, comparable yardstick for consumers with regard to the environmental and social compatibility of production processes. Compliance with other, difficult to assess, product and production criteria regarding environmental and social standards could be transparently and clearly communicated to consumers and other parties involved.

This would also lay the cornerstone for far-reaching transparency of global production and distribution processes. The focussing of trade-policy decisions on sustainability criteria could be made considerably easier, especially by internationally recognised standardisation of corporate responsibility.

1. Background: Sustainable consumption from a consumer policy perspective

Sustainability is a topic for consumer policy. On the one hand, because many consumers already set great store on goods and services being sustainably produced. On the other hand, because the politically recognised binding model of sustainability can only become reality through the collaboration of all social groups and players. Sustainability is defined as being the harmonisation of ecological, social and economic goals. The ecological (careful use of natural resources) and social (abolishing poverty) dimensions of the term sustainability are decisive in discussions on the topic. Yet it is still rarely realised that sustainable consumption also opens up enormous potential from an economic point of view.

Industry sees itself as being exposed "race to the bottom" in global competition. Environmental and social standards are perceived as cost burdens. In order to find a way out of this pure price competition, it will become increasingly important for consumers to choose sustainably produced goods and services.

Standardisation should therefore be grasped as an opportunity by German industry. In order to secure a high wage level for the future, German companies are already using process quality as an international competitive advantage. Yet at the same time, industry should give consumers the possibility to reward these investments. Transparency concerning the product and process quality of goods and services is indispensable for this. International standardisation is a decisive step in promoting this transparency.

2. Five reasons for the standardisation of corporate social responsibility

a) Strengthening the power of consumer demand

Many consumers are already aware of their responsibility and want to use their demand power. To do this, they have to know what is hidden behind the goods and services offered. Other consumers are not interested in detailed information about sustainability topics, nevertheless they have an unexpressed expectation that the companies from which they buy products and services behave socially and ecologically responsible. If a company is associated with child labour or an environmental scandal, consumers turn their back on it. The words “Brent Spar” and “Mad-Cow-Disease” suffice to show that in acute, crises situations, consumers can react very radically to unsustainable production methods, with total refusal and purchase boycotts.

It is of equal interest to consumers and industry that consumers’ expectations for socially and ecologically responsible corporate management do not lead to such full-blown crises of confidence, but instead that continuous communication starts up between consumers and companies concerning sustainability matters. Until now, companies have barely succeeded in positively utilising consumers’ expectations for sustainable corporate behaviour, by actively developing a sustainable corporate management as a special quality characteristic. Industry has to deal with considerable credibility problems when it tries to convey to consumers that it provides particularly exemplary services for sustainable production methods.

Consumers and the general public are unable to discern whether companies’ statements concerning their commitment are correct, whether important information is withheld, and how different companies compare with respect to their sustainability balances. This is where the standardisation of CSR picks up. Collecting information about the sustainability of corporate management, and making it available to the public according to uniform criteria and in a checkable way, provides a way out of the current credibility dilemma.

The fact that only a few consumers will concern themselves with the details of companies’ sustainability management, does not diminish the consumer policy value of the standardisation of CSR. Just like the other quality characteristics of products and services, consumers are not interested in the technical details of the topic of sustainability, but in a reliable overall opinion. The media and neutral bodies such as “Stiftung Warentest”¹ therefore have the task of reducing the complexity of the information and of communicating its essential core to consumers via CSR.

¹ “Stiftung Warentest” - Consumer testing and information organisation

b) The world trade law dimension

The recognition of standards is of key importance, especially in world trade law, as environmental and social standards are frequently assessed as being a potential trade barrier. This is usually the case if standards are not based on a broad international consensus.

The WTO's world trade rules regularly prohibits member states from making trading policy decisions which are linked to production-related criteria and compliance with social standards. Even state-initiated labelling systems, which merely inform consumers and can therefore contribute to a conscious consumer decision taking into consideration social and ecological criteria, can thus be impermissible.

On the other hand, the World Trade Organisation cannot do without standards. Standards are of key importance in the preservation and protection of public goods and for consumer information, for example regarding fitness for use and health protection. Although each standard brings with it a risk of misuse for protectionist purposes, due to their information value they have a considerable trade-promoting potential.

The most important prerequisite for the implementation of such a standard is a high degree of trust and credibility vis-à-vis the organisation setting the standard. The International Standards Organisation, ISO, enjoys this trust. Therefore, the WTO technical barriers to trade agreement (TBT) not only concedes privileges to such international standards, but also expresses the supposition that international standards are not unnecessary barriers to trade. The standardisation of CSR by ISO is therefore also suitable for increasing the scope for consumer-friendly, uniform labelling of sustainably produced and traded goods.

c) Fulfilment of the sustainability standard as a value determinant when rating publicly listed companies

Sustainability criteria are also playing an increasing role in financial investment decisions, because sustainably operating companies are more successful in the long-term.

Generally recognised standardisation could enable a uniform valuation or rating system to be created, which guarantees comparability within the scope of risk management and at the same time therefore contributes to risk minimisation (less susceptibility to boycotts, image improvement, "cleaner" companies). Those companies which espouse the cause of compliance with social-ethical aspects within their corporate activity would profit from this.

CSR standards enable responsibly trading companies to clearly position themselves on the market and to utilise the competitive advantages associated with the image gain.

d) International provisions cannot replace standardisation

Treaties under international law play an important role in the stipulation of binding environmental and social standards. However, they are no substitute for standardisation when it comes to companies fulfilling their responsibility. This is firstly because there are few such treaties and those that do exist frequently only contain general obligations. Further, it is increasingly clear that environmental and socio-political treaties have little chance of influencing trading policy reality. For example, it is still unclear whether and to what extent multilateral environmental treaties and core time standards can be used as the basis of trading policy decisions. Ecological and social standards are thus frequently not a permissible differentiation criterion for international trading policies.

Under the aspect of consumer sovereignty, it is therefore not enough to regulate environmental and social standards by law. Domestic laws do not satisfy the global dimension of ecological and social responsibility. And on an international level, globalisation of industry and the anchoring of environmental and social standards in international law go their separate ways. International organisations and international law treaties deal with climate protection and core time standards while, as a “fundamental law”, world trade rules mostly remain unaffected by this development.

e) Standardisation of CSR is possible

Standards for management systems can represent the fulfilment of corporate responsibility to man and the environment. This is shown by the ISO's standards for quality and environmental management. That a link between the auditing of technical and ethical standards is also possible has been demonstrated by the TÜV², which claims that no children work in the 25,000 companies it has audited in Asia.

Summing up:

Standardisation is the decisive prerequisite for firmly establishing international corporate responsibility, thereby giving citizens the opportunity to fulfil their social responsibility in their role as consumers and to accept global responsibility with their consumer decision.

² TÜV = German Technical Inspectorate

3. Standardisation content requirements

The standardisation of CSR should fulfil certain minimum requirements. The following catalogue is not exhaustive, but it does contain several essential criteria from a consumer point of view.

ISO standards

- must be oriented to internationally recognised standards (UN, ILO OECD);
- where possible, should not merely describe (management) structures, but also describe the social and ecological reality;
- must be created through proportionate participation of those organisations, which represent public interest in sustainable development;
- must incorporate the relevant value-adding chain in the assessment, in order to document the responsibility for outsourced production processes too;

4. Support for the CSR project

In 2002, ISO/COPOLCO recommended that a special advisory group be set up within ISO for the fulfilment of corporate social responsibility. The aim of this group was to sound out the possibilities of developing an international standard for CSR.

The ISO's Technical Management Board (TMB) accepted the group's recommendation that a CSR workshop be organised. A decision on the continuation of the project is to be made at the end of this workshop (21-22 June 2004 in Stockholm).

In order to help the success of the project, governments, companies and NGOs are called upon to actively back a positive decision by the ISO and to support the project to the best of their ability in the interest of consumers and to promote sustainable development.