In times of Integration
Val, Maria Rosa Rovira; Lehmann, Martin; Zinenko, Anna

Publication date:
2011

Document Version
Accepted author manuscript, peer reviewed version

Link to publication from Aalborg University

Citation for published version (APA):

General rights
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

? Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
? You may not further distribute the material or use it for any profit-making activity or commercial gain
? You may freely distribute the URL identifying the publication in the public portal

Take down policy
If you believe that this document breaches copyright please contact us at vbn@aub.aau.dk providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from vbn.aau.dk on: december 13, 2018
In times of Integration: Can there only be one?

M. Rosa Rovira Val¹, Martin Lehmann² & Anna Zinenko³

¹Institute of Environmental Science and Technology (ICTA), Universitat Autònoma de Barcelona, Spain; Mariarosa.rovira@uab.cat (corresponding author)

²Department of Development & Planning, Aalborg University, Denmark; martinl@plan.aau.dk

³Institute of Environmental Science and Technology (ICTA), Universitat Autònoma de Barcelona, Spain; Anna.zinenko@uab.cat

Keyworks: Corporate social responsibility, standards, Global Compact, Global Reporting Initiative, ISO, voluntary reporting, sustainability reporting, social and environmental reporting, sustainability accounting systems, annual reporting, integrated reporting, corporate performance, evaluation and reporting; extended performance reporting.

Abstract

From late last century there has been a great development of international standards and tools on environment, sustainability and corporate responsibility issues. This has been along with the globalization of economy and politics, as well as a shift in the social responsibilities of the private vis-a-vis the public sectors. Internationally, organisations have implemented a collection of these standards to be in line with such development and to obtain or keep their licence to operate globally. After two decades of development and maturation, the scenario is now different: (i) the economic context has changed dramatically with many of the world’s economies facing downturn and a looming possible recession; and the global economic and political balance changing; (ii) most larger companies and quite a few SMEs now have a mature knowledge of these standards; and (iii) some standards are advocating for integration procedures, such as cases of for example ISO integrated management systems, mutual equivalences recognition of Global Compact-GRI-ISO26000, or the case of IIRC initiative to develop integrated reporting on an organization’s Financial, Environmental, Social and Governance performance.

This paper focuses on the role of international standards organisations, their partnerships, and how these may be key actors in not only the future of international standards and tools for Corporate Responsibility but also real drivers of a private sector realised sustainable development agenda.
Introduction

During the last twenty years it has been a progressive conscientiousness on sustainability, focused on environmental and social problems derived from economic development. This has been along with the globalization of economy and politics, as well as a shift in the social responsibilities of the private vis-a-vis the public sectors.

Conscientiousness on sustainability is led by United Nations (UN), the most representative organisation at international level. The relationship between economic development and environmental degradation was first placed on the international agenda in 1972, at the UN Conference on the Human Environment, held in Stockholm. At that times environmental degradation, were seen as a simple side effect of industrial wealth with limited impact. The key milestone was in 1987 when the Brundtland report (1987) defined the concept of sustainable development (SD): one “which meets the needs of the present without compromising the ability of future generations to meet their own needs”, as an alternative approach to one simply based on economic growth. This was followed by the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro 1992 (UNCED, 2011), focused on an understanding of “development” that would support socio-economic development and prevent the continued deterioration of the environment, and to place a foundation for a global partnership between the developing and the more industrialized countries, based on mutual needs and common interests, that would ensure a healthy future for the planet. Ten years later, in 2002 the following conference was the World Summit on Sustainable Development (WSSD) in Johannesburg (WSSD, 2011), focused on the adoption of concrete steps and the identification of quantifiable targets. The next Conference on Sustainable Development (UNCSD) will be in 2012 (UNCSD, 2011) again in Brazil to mark the 20th anniversary of the first one. After twenty years that we could classify as learning and some progress on sustainable development, the international reference forum on SD has set three objectives that should lead to an improvement in the next decade. These goals are: (i) to secure renewed political commitment for sustainable development, (ii) assess the progress to date and the remaining gaps in the implementation of the outcomes of the major summits on sustainable development, and (iii) address new and emerging challenges. The Conference is planned on two themes, green economy and institutional framework: (i) a green economy in the context of sustainable development and poverty eradication; and (ii): the institutional framework for sustainable development.

The incorporation of SD requirements and commitments in the private and public sectors has many forms but the common name of social responsibility. Through the last fifteen years a great number of voluntary tools and standards have been created and developed to facilitate the implementation of SD principles and as social responsibility’s tools in all kind of organisations (business, public and third sector). Some of the most widely used are the UN Global Compact, a strategy policy tool; the standards, mainly management systems, from the International Organization for Standardization (ISO) and the sustainability reporting frameworks from the Global Reporting Initiative (GRI).

After a decade, from 2000 to 2010, of implementation experience, most large companies and quite a few SMEs now have a mature knowledge of these different
purpose standards that they are mainly using in an unconnected way. Some standards are advocating for integration procedures, such as cases of for example ISO integrated management systems, mutual equivalences recognition of Global Compact-GRI-ISO26000, or the case of the Integrated Reporting initiative to develop integrated reporting on an organization’s Financial, Environmental, Social and Governance performance. In this context, it is relevant to explore which are the strategies that the standards organisations are setting for the future development of these global standards in the next decade until 2020.

This paper is divided into the following sections. Section two presents the mutual equivalences recognition model derived from two different organisations agreement: Global Compact-GRI and GRI-ISO26000. Section three outlines the new initiative of Integrated Reporting which refers to representation of the financial as well as and non-financial performance of a company in a single report. Section four provides some preliminary conclusions.

2. Cooperation between tools of SD

The last ten years have seen particularly strong changes in corporate social responsibility (CSR), with the introduction of new instruments such as the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines in 1999 and the United Nations Global Compact (UNGC) in 2000. These instruments propose voluntary tools to address CSR. In November 2010, the International Organization for Standardization (ISO) released new social responsibility guidance under ISO 26000.

2.1. UNGC

The UNGC reflects a Global Public Policy Network (Held and Koenig-Archipugi, 2005) bringing together UN agencies, corporations, NGOs, and labour representatives from all over the world. It was developed as a private initiative of Kofi Annan (Mueckenberger and Jastram, 2010). It is positioned as a strategic policy initiative (UNGC, 2010a). The set up of the initiative in 2000 reflects a fundamental shift in the attitude of the United Nations toward the private sector; a shift that emphasizes cooperation more than confrontation (Bair, 2004). This initiative offers a platform for businesses to advance ten principles in the areas of human rights, labour, the environment, and anti-corruption (Kell, 2005; Williams, 2004). The core task is to mainstream these principles in global business activities. Unlike other standards, the UNGC does not enforce or even measure the behaviour of participating organizations. Consequently, the initiative reflects a ‘policy tool’ bringing together a variety of actors to discuss, learn about, and advance its underlying principles (Kell and Levin, 2003). Organizations have to report annually on their progress regarding implementation of the ten principles, the goal being that these reports create accountability by allowing stakeholders to judge the performance of an organization participating in the Compact.

The goal of the UNGC is to generate leadership, individually as well as collectively, among businesses to foster the concept of free markets and to address the concerns of the society at the same time (Sethi, 2003). The ten principles of the UNGC are derived from four major international agreements (the Universal Declaration of Human Rights, the Fundamental Principles and Rights at Work of the International Labour Organization, the Rio Declaration on Environment and Development, and the
UN Convention Against Corruption) providing general direction and facilitating a
culture of respect, in businesses, for the observance of its social responsibility.

Concerning the industry focus of the initiative, the Compact does not reflect a
sector-specific standard, but is open for participants from different industries. This is a
strength, as it allows inter-industry exchange of knowledge through the engagement
mechanisms and certainly also reflects one of the reasons why the ten principles cannot
be more specific.

As of June 2011, this initiative had nearly 8700 business and non-business
participants from around 130 countries, and has become in its first ten years of life the
world’s largest corporate citizenship initiative (UNGC, 2010a). As a central actor on the
world stage of corporate responsibility and citizenship, the UNGC has played a central
role in raising the aspirations of companies, NGOs, and other actors around the
implementation of its ten principles (UNGC, 2010).

Within two years of joining UNGC, and every year thereafter, a company is
expected to produce a Communication on Progress (COP), share it publicly with
stakeholders, and post it on the GC website. Companies failing to post a COP by the
relevant deadline will be labelled “non-communicating” on the GC website. Companies
failing to post a COP two years in a row will be labelled “inactive” and removed from
the GC database of participants (GRI, 2007).

Though there is a strong critique around UNGC and its effectiveness. It is
claimed that Global Compact itself does not undertake any active monitoring of norm-
implementation, nor does not involve third party monitoring (Crane and Matten, 2004)
and taking into account the large number of participant, it is rather doubtful the ability
of civil-society monitoring to be in place (Mueckenberger and Jastram, 2010). UNGC is
associated with the CSR tool with the soft requirements (Gjolberg, 2009).

2.2. GRI

The Global Reporting Initiative (GRI) is a sustainability reporting standard. It is
developed through a multi-stakeholder process, led by the GRI secretariat. The GRI
Reporting Framework is applicable to organizations of all sectors, sizes and regions and
also offers a series of supplements developed to address sector-specific circumstances
and challenges. The latest version of their reporting guidelines called G3 (third
generation), developed in 2006, contains detailed instructions and protocols on how to
prepare sustainability reports. By using G3 guidelines, organizations show a strong
commitment of continuous improvement of their sustainability reporting practices. Just
recently on 23rd March 2011, GRI released an update and completion G3.1 of GRI's
Sustainability Reporting Guidelines. The Guidelines are the cornerstone of GRIs
Reporting Framework which provides guidance on how organizations can disclose their
sustainability performance. G3.1 now includes expanded guidance for reporting on
Human Rights, Local Community Impacts, and Gender. GRI claims that G3.1 is the
most comprehensive sustainability reporting guidance available today.

According to the GRI database (GRI reporting list, updated on 15th of May
2011) 1508 organizations submitted their reports in 2009, and 1853 organizations in
2010.
GRI proposes that environmental, social, and governance (ESG) reporting should become a general practice to help markets and society take informed and responsible decisions. GRI advocates that by 2015 all large and medium-sized companies in OECD countries and fast-growing emerging economies should be required to report publicly on their ESG performance, or if they don’t, explain why (GRI, 2010b).

At the same time, GRI is criticized by scholars for being more successful in gaining corporate acceptance than in finding utility with nongovernmental organizations (NGOs) or investors (Levy, 2010). GRI’s emphasis on reporting procedures (focus on management process) rather than social performance outcomes does not provide the comparable, transparent data needed by stakeholders (Levy, 2010).

2.3. ISO 26000

ISO developed the social responsibility standard guidance ISO 26000 during more than five years and was released in November of 2010 (Mueckenberger & Jastram, 2010). The standard is providing the guiding principles on management of social responsibility, but unlike of ISO standards, it does not require third-party certification. According to Catarina Munck, the vice chair of the working group: “Our ambition is to develop guiding principles with global relevance that will be useful to organizations worldwide in establishing, implementing, maintaining and improving the way they address social responsibility” (Székely and Knirsch, 2005).

The development of this standard involved over 400 experts from more than 50 countries, who represented six stakeholder groups including industry, government, consumer, labour, non-governmental organizations and others. This is one of the key goal of this standard that represent a global consensus about core CSR and sustainable development issues (ISO, 2009).

ISO gives a context of obligations and expectations that every organization should address. Organizations and companies were becoming confused and were using several definitions of what is CSR and how it should be applied. As ISO 26000 is very diverse in nature, depending on organization’s activities not all core issues may be applied, but every organization should address all core subjects of it, such as Human Rights, Labour Practices, Environment, Fair Operating Practices, Organizational Governance, Community Involvement and Development and Consumer Issues. It guides organizations on how to approach those subjects, providing the context of the right management approach.

On one hand, scholars defend that ISO 26000 standard is a source of knowledge and awareness (Castka and Balzarova, 2008). From a purely content point of view, these authors argue that ISO 26000 standard is a valuable resource of global knowledge about CSR and sustainable development in general. They also add that this standard gives guidance on a full range of core subjects on social and environmental issues, and at the same time identifies fundamental expectations of responsible behaviour of the organization.
However, on the other hand, scholars who are studying ISO instruments argue that ISO 26000 is only standardising processes and definitions, rather than focusing on performance results in relation to sustainable development and CSR (Schwartz and Tilling, 2009). The most critical aspect of ISO 26000 is its application to a wide scope of organizations, which questions whether its adoption only adds symbolic value versus actual results: whether ISO 26000 standard is curing or only making organizations feel cured? (Schwartz and Tilling, 2009).

2.4. Alliances and cooperation between UNGC-GRI

All three above described SD tools are having the same objective in common facilitating and encouraging all types of organization to act in socially and environmentally responsible way.

GRI has global strategic partnership with UNGC since 2010. However, first sign of cooperation between those two initiatives was marked in May 2007, by developing a guide ‘Making the Connection’, which is helping to see equivalences between UNGC principles and GRI indicators (GRI, 2007). The document was developed by UNGC-GRI project team and shows on written the strong collaboration and promotion between organizations. According to the document: “The universal principles on which the UNGC is based is the central reference point in the GRI guidelines. Therefore the two initiatives are mutually reinforcing and provide a seamless value platform for organizations looking to implement sustainability policies in their business practices” (GRI, 2007). UNGC and GRI staying “the complementary nature of the organizations’ missions” and their “active collaboration” is emphasised. GRI recommend to use UNGC principles, while at the same time GRI acknowledge is competences and resources in collaboration with UNGC: “Knowledge accumulated in the GRI Guidelines over the last ten years provide a global, multi-stakeholder view on how to assess performance around many of the same issues covered by UNGC principles”. Both initiatives being a different kind of SD tools: UNGC- policy tool and GRI reporting framework, they found a common complementarily point: reporting (COP vs. GRI report). Starting from this point they developed their collaboration and promotion of each other.

On 28 May 2010 the UNGC and the GRI announced and signed an agreement to align their work in advancing corporate responsibility and transparency. The agreement is intended to allow companies in the Global Compact to use GRI reporting guidelines to meet the initiative’s compulsory annual disclosure requirement, also known as the COP (GRI, 2010b; UNGC, 2010). Each initiative having in mind achieving its own aims, seems to complement each other, while promoting cooperation: “UNGC mainstreaming of universal principles and UN goals in business, and the GRI’s comprehensive reporting framework” (UNGC, 2010b).

---------------------------
Insert Table 1 around here
---------------------------

AccountAbility, CERES, CSR Europe, Instituto Ethos, Responsible Business Forum, World Business Council for Sustainable Development, World Economic Forum, Business in the Community, UK and other world organizations on the CSR area are
supporting the use of the UNGC and GRI together (full list of organizations on GRI, 2010b).

According on the information on the GRI website (2010b), GRI and the Barcelona Center for the Support of the Global Compact are collaborating to create a course curriculum and developing the information management and digital solutions to help implement the UNGC and GRI frameworks together (GRI, 2010b). Now on the webpage of GRI (2010b), there could be found a simple online tool to match GRI with other International Norms and Initiatives, however till now only UNGC are only choice.

2.5. Cooperation GRI-ISO

GRI has a GRI’s research and development program that is divided into 3 areas: Topics, Reporting Practices and Tools. In the area of Tools, GRI is constantly working on Guidance for using the GRI Reporting Framework in combination with other standards.

The same time ISO 26000 was released, in November 2010 GRI research and development programme launched a document on how GRI reporting aspects and indicators are related to ISO 26000 clauses. As GRI was one of the participant organizations in the process of ISO 26000 development, it was aiming from the beginning for conjunction with the new ISO guidance. Both tools cover very similar scope of topics and aim to help organizations interested in using ISO guidance to produce a sustainability report based on GRI guidelines more easily (GRI, 2010a). Objectives of the document are to help to relate ISO 26000 to reporting guidelines of GRI, to help companies with GRI to understand how GRI aspects are related to ISO 26000. Publication admits that ISO 26000 emphasizes the value of public reporting. Although ISO 26000 does not offer guidance on SR performance reporting, the ISO 26000 content does cover a very similar range of topics to that in the GRI Reporting Guidelines. Through the publication GRI emphasise that it is the most suitable guidelines to support organizations interested in reporting on the topics covered by ISO 26000.

2.6. Evidence of Cooperation UNGC-ISO

At the same time ISO and UNGC having the same objective of incorporating social responsibility and its understanding into organizations activities, realised a publication of linkages of ISO 26000 and UNGC (UNGC, 2010b). This document provides a high-level overview of the key interactions between the UNGC’s Ten Principles and the core subjects of social responsibility defined by ISO 26000. This publication emphasise that all UNGC principles are included into ISO 26000 guidance.

However, other way around publication needed, produced by ISO 26000 connecting its core subjects t UNGC principles. According to UNGC, the ISO 26000 and UNGC have the same objective, “connected by a fundamental belief that organizations should behave in a socially responsible way”, but at the same time the UNGC admit the different competences of ISO organizations, such as its operational reach, which “can help to built local capacity to advance universal principles” (UNGC, 2010b). Surprisingly, but the publication is not referring that UNGC and ISO 26000 are
different kind of tools and that they complement each other. UNGC is using “clear consistency” term in order to describe the relationship between documents.

2.7. Model UNGC-ISO 26000-GRI

The reporting of sustainability practices varies from company to company, and it is often difficult to understand and compare reporting methods. Most of the companies have adopted the GRI’s Sustainability Reporting Guidelines and are participating in the UNGC Initiative while implementing its principles. In doing so, they feel they are following world sustainable policy and adequately reporting the sustainable performance of their organizations to society. The reality is that society expects much more from sustainability reporting and from sustainable performance of the organization. It is asking for greater transparency and easier access to information on the social, environmental and economic impacts of companies. The adoption of the UNGC and the GRI guidelines represents a good start. However, the inter-linkage between them is missing. The UNGC seems to be more of an exercise in improving the image of companies than an undertaking with strong and visionary leadership designed to promote the serious internal structural changes that companies require to become more sustainable. There is a need to introduce clear and user-friendly guidance in the area of management systems, assurance and accounting in order to link policy, management and reporting instruments that will provide real continue improvement toward sustainability (see Figure 1).

--------------
Insert Figure 1 around here
--------------

ISO 26000 core subjects cover all core and some additional GRI indicators. There is a good compatibility between ISO 26000 and the GRI, and between ISO 26000 and the UNGC. We observe that ISO 26000 is reflecting authoritative international instruments (the UNGC and the GRI) and making them more approachable, and at the same time ISO 26000 does not overstep boundaries of already existing CSR instruments.

3. The new challenge of Integrated Reporting

In this section we will briefly introduce the organisations alliances for a the new challenge in the area of global standards: the initiative on integrated reporting.

The International Federation of Accountants (IFAC) and The Prince’s Accounting for Sustainability Project (A4S) are promoting the development and adaptation of the accounting information systems to incorporate environmental and social performance measures and to connect them with strategy and financial performance, in order to embed them into day-to-day operations and decision-making.

The IFAC is a global key actor for the accounting profession. It was founded in 1977 and has 164 members and associates in 124 countries and jurisdictions, representing more than 2.5 million accountants employed in public practice, industry and commerce, government, and academe. This organization, establishes international standards on ethics, auditing and assurance, accounting education, and public sector
accounting. It also issues guidance to encourage high quality performance by professional accountants in business.

The Prince of Wales' Accounting for Sustainability project is (A4S) a specific project directly supported by The Prince of Wales. This project was set-up in 2004 and in 2007 introduced the Connected Reporting Framework which links sustainability performance reporting with financial reporting and strategic direction in a connected way (Hopwood et al., 2010).

A further step was the alliance between the IFAC, the A4S and the GRI in 2010 to establish an International Integrated Reporting Committee (IIRC) to manage the development of global integrated reporting standards and guidelines. The IIRC’s was officially created on 2nd August 2010 with the following responsibility:

The IIRC’s remit is to create a globally accepted framework for accounting for sustainability. A framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format – put briefly, in an “integrated” format. The intention is to help with the development of more comprehensive and comprehensible information about an organization’s total performance, prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model (IIRC, 2010).

4. Preliminary Conclusions

This paper focuses on the role of international standards organisations, their partnerships, and how these may be key actors in not only the future of international standards and tools for Corporate Responsibility but also real drivers of a private sector realised sustainable development agenda.

Although in the preliminary version of this work in progress we found several features in the different alliances of global standards organisations presented: these standards are widely used both in number of participants and countries, this broad application legitimise the standards organisations as a key actors in their field of expertise at global scale; there is a mature knowledge accumulated over ten years of practice of the standards developed by these organisations; the alliances between the standards organisations establish the equivalences between different existing tools or have the purpose of create new tools integrating different areas of expertise that have been problematic to link in the past. In the advance of integrating sustainable development related practices into all kind business, public administration or third sector organisations, no single standards organisation can achieve a significant progress on its own in the next decade. For that reason global partnerships based on mutual needs, common interest and multidisciplinary expertise are been developed to advance a step forward.
References


WSSD. Source for the World Summit on Sustainable Development, Johannesburg 2002:

Table 1. Specific Commitments of the New Alliance (UNGC, 2010b).

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>GRI, subject to due process, will integrate the Global Compact issue areas and principles centrally in the GRI Guidelines, through the current and upcoming revisions of the Guidelines.</td>
</tr>
<tr>
<td>2.</td>
<td>The Global Compact will adopt the GRI Guidelines as the recommended reporting language for companies to communicate progress. GRI provides a common language that helps Global Compact participants to communicate their progress in implementing the principles, using widely accepted reporting principles and best practice indicators.</td>
</tr>
<tr>
<td>3.</td>
<td>The Global Compact will, with the support of GRI, develop guidance on the use of GRI as the recommended reporting language, introducing progressive differentiating levels, and detailing specific expected report content at each level.</td>
</tr>
<tr>
<td>4.</td>
<td>The Global Compact and GRI will collaborate on local outreach and training to increase the quantity and quality of reporting, with a special focus on less developed markets and medium and smaller companies. Joint efforts will include encouraging and enabling a closer collaboration of Global Compact Local Networks and GRI’s focal points, both at the governance level and through joint training and other activities.</td>
</tr>
<tr>
<td>5.</td>
<td>The Global Compact and GRI will share information on their respective participants, including the level of Global Compact participation and GRI reporting levels.</td>
</tr>
</tbody>
</table>
Figure 1. Linking CSR instruments (adapted and extended from WBCSD, 2004)