ISO 26000 after 4 years:

The Business Case and/or The Moral Case

Presented by
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Some information about myself

- Program Director, ECOLOGIA (internationally active NGO based in Vermont, USA)

- ECOLOGIA's Mission: *"Building Global Connections to Create Civil Society and Support Environmental, Social and Economic Sustainability"*

- ISO 26000 Working Group SR Expert   2005-2010 – negotiated the standard up through final stages

- Member of ISO 26000 PPO (Post Publication Organization) – promotes and monitors global use of ISO 26000; advises on revisions in future

Organization of presentation

Report from Bali, Indonesia ISO 26000 Forum

The role of NGOs in ISO 26000

The Business Case and/or The Moral Case

Report from International Open Forum and Workshop on ISO 26000 SR Bali, Indonesia

7 – 10 October 2014

Who organized and sponsored this conference?

- Noerman Suharman, member of ISO 26000 PPO from Indonesia

- C.F.C.D. (Corporate Forum for Community Development) - 300 members, goal is to support CSR

- Major sponsors: 3 cement companies, 1 petroleum company, 1 bank, 1 electric company, 1 foundation

Who attended?

67 people from 56 different companies

60% from State Owned Enterprises

Large extractive and energy corporations – gold mining, coal mining, electricity, petroleum, cement, etc.

Some foreign-owned (Korean, Japanese), most Indonesian-owned

Some NGOs – Indonesian Muslim Women's Association; Operators of private schools

Who were the presenters?

What were the major topics discussed by the presenters?

- Specific tools for using ISO 26000 and integrating it into management decisions and corporate structure
- Sustainable procurement – a new ISO guidance standard on its way
- Stakeholder engagement and 3rd party independent assessment
- Attention to sphere of influence
- Importance of Principles of SR – have to believe in them; needs top management

What were the major topics discussed by Indonesians?

- Indonesian laws requiring companies to set aside a percentage of their profits for CSR (community development and environmental mitigation)

- Community opposition (for example, blockades) to large extractive projects

- Measures taken by companies to develop and promote their use of CSR – they view ISO 26000 as an effective vehicle

- The importance of "good heart" for CSR

What were the major themes that emerged?

- Pride in Indonesia and a drive for self-reliance (for example, in energy production) and respect
- Use of ISO 26000 and CSR as a tool for self-improvement; Indonesian companies want recognition from global society
- Promoting the "business case" for CSR - CSR will strengthen the business and its profits
- CSR will provide "cover" and protection from critics (government, local communities, etc.)

Role of NGOs in ISO 26000
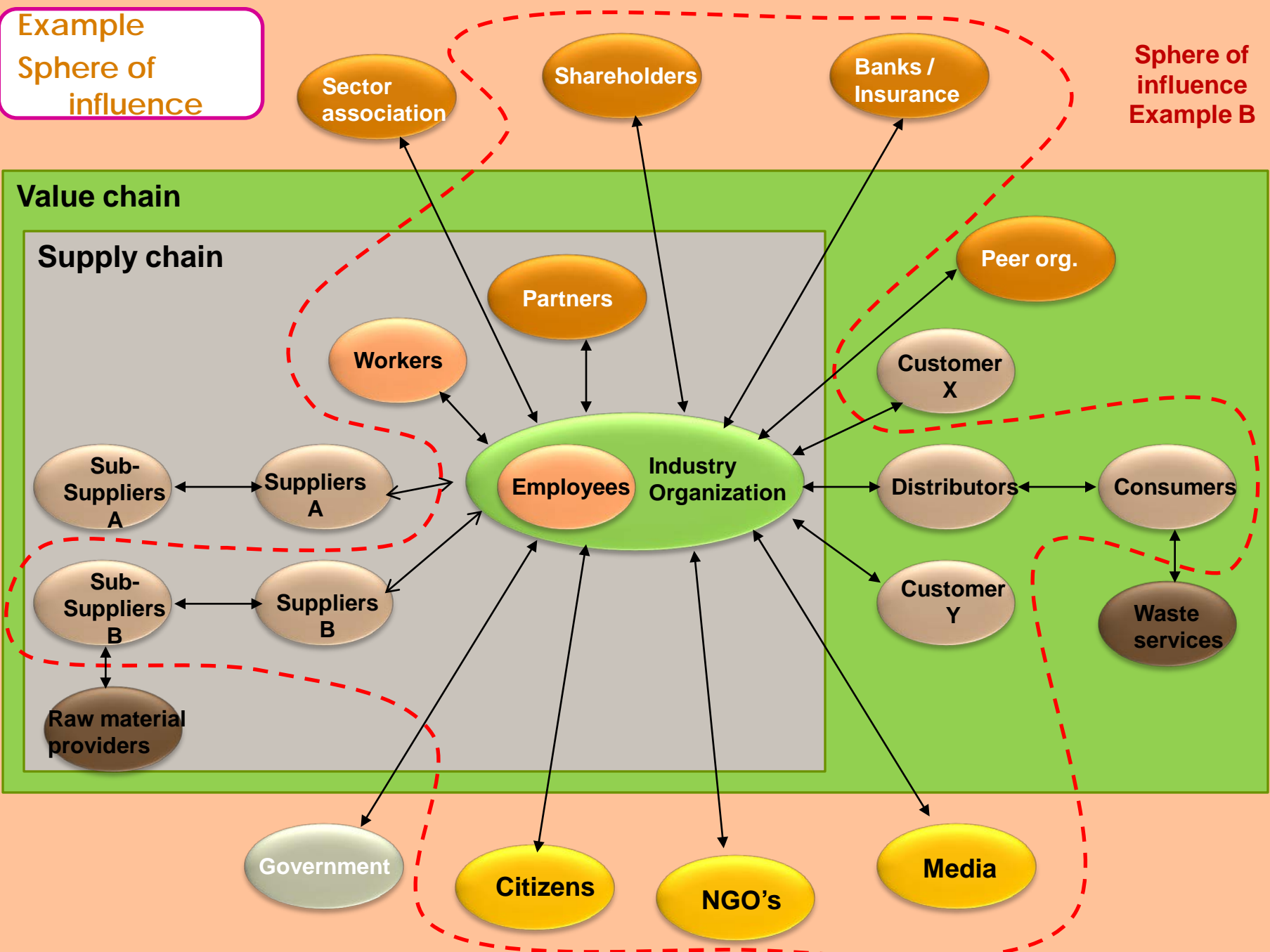
Japanese NGOs (Bali)

- Ibaraki SR Network, Ibaraki NGO Center (2008) – support local agriculture and create new jobs; good circulation of local resources; supports vulnerable groups, including foreign nationals and Fukashima
- CRF Review Forum – provides companies with independent reviews (NGOs need to know specific industry)
- "In Japan, NGO activity is limited; NGOs are more or less friendly to industry; no advocacy."

Example Sphere of influence

Sphere of influence Example B

Value chain

Supply chain

Sector association

Shareholders

Banks / Insurance

Peer org.

Partners

Workers

Customer X

Sub-Suppliers A

Suppliers A

Employees

Industry Organization

Distributors

Consumers

Sub-Suppliers B

Suppliers B

Customer Y

Waste services

Raw material providers

Government

Citizens

NGO's

Media

Roles for NGOs

- Stakeholders – represent community; communicate between company and community (trusted by both sides)
- Operate services that a company wants to support (ex. schools, hospitals)
- Provide support (networks) for like-minded organizations, independent of government or business
- and above all…..

NGOs – most importantly

- ENCOURAGE MORAL BEHAVIOR:

("PUT PEOPLE AND ENVIRONMENT BEFORE PROFITS")

- Reach for the good in people and companies; advocate for improvements

(The head Chinese delegate to ISO 26000 Working Group evaluated NGOs as the most effective of all the "stakeholder groups" in the ISO 26000 creation process – NGOs were focused, and stayed united, because of shared values and principles.)

ISO 26000 Core Principles

- Accountability
- Transparency
- Ethical behavior
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behavior
- Respect for human rights

The Business Case and/or The Moral Case for CSR/SR

"The Business Case" for CSR/SR

- Reduce costs (ex. eco-efficiency)
- Create value; new opportunites
- Avoid risk
- Build brand image and reputation
- Improve worker morale and retention
- Increase customer loyalty; repeat business
- Improve community relations, save money with fewer strikes, blockades, etc.

Business case

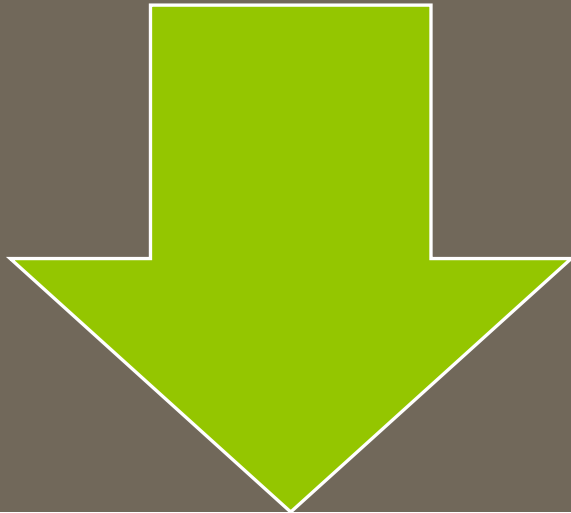- More CSR = More profits (at least in the long term)

- CSR is a "win-win"

BUT

- What happens when "the business case" for CSR doesn't apply?

- …when CEOs decide that the economic costs of implementing a particular CSR program outweigh the benefits, and cancel it?

When there are conflicts…

CSR aspirations (hopes, goals)

Search for profits

Who decides what guidelines to follow?

- When it's a "win-lose", who wins?

- Who loses?

UN Global Compact-Accenture CEO Study on Sustainability 2013

"…in 2013, our survey of 1,000 global CEOs, from 27 industries across 103 countries, [indicated] that business efforts on sustainability may have reached a plateau. It is clear that the corporate sustainability movement is broadening, with a deeper awareness and commitment evident in every quarter of the world. But many business leaders express doubts about the pace of change and the scale of their impact. **Far from continuing to a new peak of achievement, many companies have become stuck on their ascent, <u>unable to scale sustainability at the pace required to address global challenges and achieve business success</u>**."

UN Global Compact - Accenture Report (continued)

"CEOs see business caught in a cycle of "pilot paralysis"—individual, small-scale projects with an incremental impact on sustainability metrics—and while they see a role for business in promoting sustainable development, _their responsibilities to the fundamentals of business success [maximizing profitability - CS] are preventing greater scale, speed and impact._"

UN Global Compact – Accenture Report

- "While we can celebrate the individual achievements of sustainability leaders pushing the boundaries of what is possible within current structures, markets and industry models, there is <u>a growing recognition that even the success currently achieved by the most advanced companies is happening within an unsustainable system</u>."

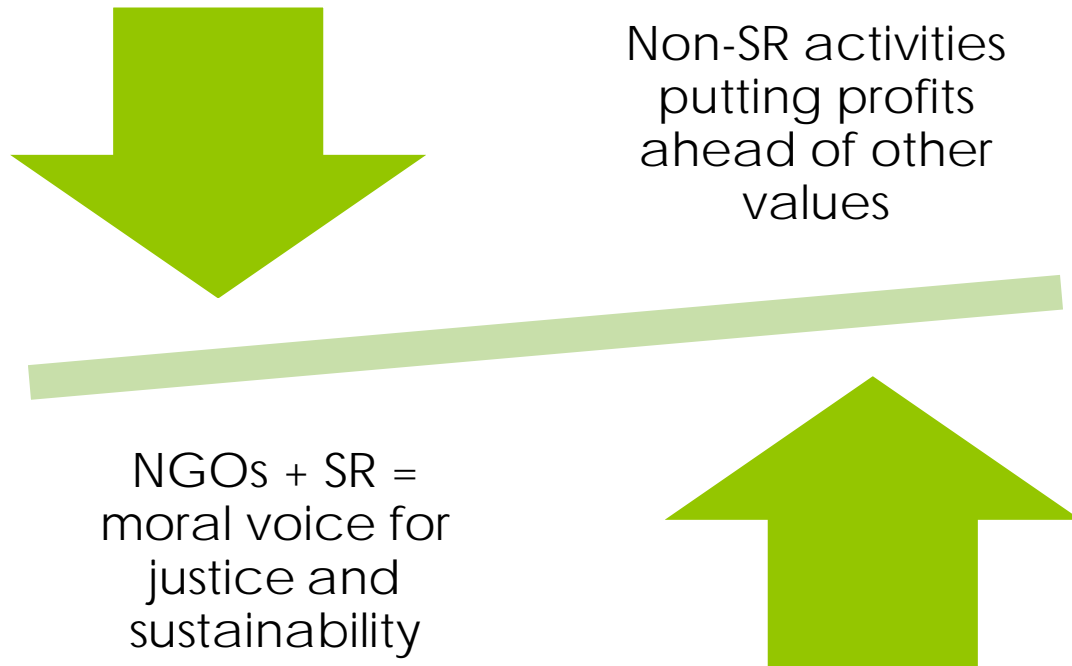# "Businesses demand CSR flexibility to stay competitive"

The Jakarta Post, Jakarta   February 25 2009:

"Businessmen burdened by the compulsory corporate social responsibility (CSR) law are demanding more flexibility in its implementation, fearing it may hinder profits and slow the country's business sector overall…." [*article features quotations from CFCD leaders and members against this law]*

The "Moral Case" for CSR/SR

- Use principles and core values as guide to behavior – they must come first
- "Doing the right thing" may cost more, but that is no excuse for not doing it
- Moral decisions frame our lives (Is it right to sell or buy human beings, just because there is money to be made?)
- Developing a CSR/SR culture means re-framing more "business" decisions in a moral context - for EVERYONE

How can our system change to support enough sustainability?

Non-SR activities putting profits ahead of other values

NGOs + SR = moral voice for justice and sustainability

At the current rate of consumption, we are using up earth's resources

- 1.5 Earths annually (global average)
- 4 earths annually (USA)

Source: WWF Living Planet Report 2014

http://wwf.panda.org/about _our_earth/all_publications/li ving_planet_report/

Ecological Footprint Index indicator adopted by UN Convention on Biological Diversity

Ultimate goal of CSR/SR - Sustainable development

- "Sustainable development is about integrating the goals of a high quality of life, health and prosperity with social justice and maintaining the earth's capacity to support life in all its diversity."

(ISO 26000, 2.23)

Alternatives exist….

- "Benefit corporations" – social mission is part of their legal obligations
- Consumers willing to pay "true costs" to support CSR
- Governments willing to support public services (rather than relying on business CSR) through policies that reduce wealth inequality
- "Orthogonal economy" – businesses run at marginal profit, to contribute to quality of life in community (est. 20% - 40% right now, of micro-enterprises worldwide – ECOLOGIA)

The promise of ISO 26000 SR

Can we change enough, fast enough?
We have the tools; do we have the will?
Will the moral case prevail over the business case enough for sustainability, in the coming decades?
Those are the questions for us all.

Thank you for your attention !
ご清聴ありがとうございました。

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