# THE SIGMA GUIDELINES- TOOLKIT

**SIGMA GUIDE TO GUIDELINES AND STANDARDS
RELEVANT TO
SUSTAINABLE DEVELOPMENT**

The SIGMA Project

# SIGMA GUIDE TO GUIDELINES AND STANDARDS RELEVANT TO SUSTAINABLE DEVELOPMENT

## Contents



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***Introduction***

This guide provides information on 20 standards, guidelines and tools that can support the application of the SIGMA Guidelines. For each item, brief information is provided in the following categories:

**Scope and goal** – what is the aim and the coverage of the standard?
**Stakeholders** – which stakeholders does the standard address?
**Performance** – does the standard recommend or advise on levels of organisational performance?
**Process** – does the standard recommend or advise on organisational processes?
**Comments**
**Contact details**

## 1. UN Global Compact

### A. Scope and Goal

The Global Compact is a UN-sponsored platform which seeks to advance responsible corporate citizenship in the areas of human rights, labour and the environment. It is a voluntary initiative and a network for the business community to work in partnership with UN organisations in support of the principles and broader goals of the United Nations. It provides a basis for structured dialogue between the UN, governments, companies, labour and civil society.
The Global Compact was proposed at the World Economic Forum, Davos, on 31 January 1999, by UN Secretary-General Kofi A. Annan, and launched in 2000.

### B. Stakeholders

- UN
- Governments Companies
- Labour organisations
- Civil society

### C. Performance

The Global Compact is rooted in the Universal Declaration of Human Rights, the Fundamental Principles and Rights at Work of the International Labour Organization, and the Earth Summit - Agenda 21 principles on the environment. The Global Compact is not a regulatory instrument – it does not "police", enforce or measure the behaviour or actions of signatories. As such, no specific performance requirements have to be met.
Signatories must work towards integrating the Global Compact's nine principles, covering human rights, labour and environment, into their strategies, cultures and day-to-day operations.

**Human Rights Principles**

- Support and respect the protection of international human rights within their sphere of influence.
- Make sure their own corporations are not complicit in human rights abuses.

**Labour Principles**

- Freedom of association and the effective recognition of the right to collective bargaining.
- Elimination of all forms of forced and compulsory labour.
- The effective abolition of child labour.
- The elimination of discrimination in respect of employment and occupation.

**Environment Principles**

- Support a precautionary approach to environmental challenges.
- Undertake initiatives to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally friendly technologies.

The Global Compact is not a code of conduct. It creates a platform - based on universally accepted principles - to encourage innovative, new initiatives and partnerships with civil society and other organizations. Monitoring and verification of corporate practices do not fall within the mandate or the institutional capability of the United Nations.

## D. Process

The UN Global is a voluntary initiative that seeks wide and diverse participation of businesses and other organisations. Signatories commit to:

1) Issue a clear statement of support for the Global Compact and its principles, in a letter from the Chief Executive to the UN Secretary General.
2) Integrate the Global Compact and its principles into strategy and operations and once a year post, on the Global Compact website, a concrete example of progress made or lessons learned in implementing the principles. This can take many forms, i.e. changes in internal management policies or concrete operational experiences.
3) Engage in public advocacy for the Compact.
4) Engage in partnership with UN organisations by undertaking activities that further the implementation of the principles, or by entering strategic partnerships in support of broad UN goals such as poverty eradication.
Practical engagement opportunities are offered such as policy dialogues, learning activities, local networks and partnership projects.

Additional tools and sources that support the implementation of the UN Global Compact include the International Labour Organisation (ILO) Core Labour Standards, UNEP Environmental Reporting initiatives and publications, as well as case study material on the implementation by other companies.

## E. Comments

The UN Global Compact has the strength of being applicable at a global level and based at the UN. On the other hand there has been some criticism by NGOs that the voluntary nature of the engagement between business and the UN will not produce outcomes of substance and can lead to 'greenwash'.

In particular as no demonstrable performance improvements are required, signatories can gain the advantages of joining without taking any action. The Global Compact Advisory Council is currently working on establishing rules to protect the integrity of the initiative. Accordingly, provisions will be made to manage instances in which companies are misusing their affiliation with the Global Compact

The Compact, in encompassing three main areas of sustainability (human rights, labour, and environment) can simultaneously promote the integration of such issues into business practices whilst adding to the emerging proliferation of standards of performance.

One key strength is the emphasis on partnership and stakeholder engagement by companies in their implementation of the Compact and that "All potential partners recognize that a non-confrontational approach is conducive to arriving at solutions to the social challenges of globalization."

## F. Contact Details

UN Global Compact, www.unglobalcompact.org

## 2. Eco Management and Audit System (EMAS)

### A. Scope and Goal

The Eco-Management and Audit Scheme is a voluntary environmental management initiative, open to companies and since 2001, to other organisations, from all economic sectors operating in the European Union, the European Economic area and Iceland, Liechtenstein, and Norway.

The objective of the scheme is to promote continuous environmental performance improvements. Individual sites or whole organisations must commit to evaluate and improve their environmental performance and provide relevant information to the public. Organisations can certify to EMAS.

The scheme does not replace existing European Community or national environmental legislation or technical standards nor does it, in any way, remove a company's responsibility to fulfil all its legal obligations under such legislation or standards. Its goals are:

- to reduce pollution on the basis of the Polluter Pays Principle
- to ensure sound management of resources
- to use clean or cleaner technology
- to achieve sustainable growth.

The Eco-Management and Audit Scheme was adopted by the European Council on 29th of June 1993. In 2001, EMAS has been re-launched after major revisions. Key changes are that EMAS now requires EN/ISO14001 as the environmental management system that organisations certify against and that all organisations, including the public sector, can adopt EMAS.

### B. Stakeholders

EMAS is a general standard that has no specific stakeholder focus. However, participating organisations can use the public environmental statement required by EMAS to target specific stakeholder groups.

### C. Performance

Registering companies must demonstrate compliance with environmental regulations that affect the organisation, and stress a commitment to continuous improvement. The following areas are accounted for within the EMAS:

**Sea/Water** - Examine, assess and register controlled and uncontrolled discharges to water or sewers

**Land -** Examine, assess and register contamination of lands

**Air -** Examine, assess and register controlled and uncontrolled emissions to atmosphere

**Protected areas** - Examine, assess and register effects on specific parts of the environment and ecosystems

**Raw Materials and Natural Resources -** Examine, assess and register use of land, water, fuels and energy, and other natural resources

**Waste Management** - Examine, assess and register solid and other wastes, particularly hazardous wastes

**Energy** - Examine, assess and register use of land, water, fuels and energy, and other natural resources

**Noise & Odour -** Examine, assess & register discharge of noise & odour

## D. Process

EMAS requires an Environmental Management System (EMS) to be in place in the organisation which must meet the requirements of ISO 14001. The organisation's environmental policy must be fully supported by senior management and effectively communicated, not only to the staff but also to the general public and other stakeholders.

An independently verified and periodic audit is carried out.

The audits are designed to provide additional information in order to exercise effective management of the system, providing information on practices that differ from the current procedures or that offer an opportunity for improvement. Under EMAS regulation organisations must submit performance data on an annual basis.

## E. Comments

EMAS can be considered stronger than ISO14001 as it requires publication of an environmental statement in addition to the implementation of a systematic environmental management approach. As some organisations are concerned about this level of disclosure and for other reasons, EMAS has not attracted the same level of uptake as ISO14001.

The uptake and success of EMAS is heavily dependent on whether the scheme is able to deliver the potential benefits, without entailing excessive human or financial resources. This is particularly the case for uptake by small and medium-sized enterprises (SMEs).

In general, the external costs of implementing EMAS (e.g. consultancy support, registration and verification) are relatively easy to allocate to a site's "EMAS cost centre". However the internal costs and internal and external benefits are more difficult to quantify and allocate specifically to EMAS. For example, a company identifying legal non-conformances when implementing EMAS may identify the need for considerable expenditure on pollution control equipment. The question is whether this cost should be apportioned to the EMAS implementation cost; and whether the benefits of avoiding prosecution be considered in this case.

EMAS requires little stakeholder engagement relating to environmental management and the performance of the company beyond awareness raising and training and involvement of staff towards improvement of environmental performance. It is independently audited, results are published and commitments are made for continuous improvement against which future performance is measured.

## F. Contact Details

http://europa.eu.int/comm/environment/emas/

www.emas.org.uk

## 3. The Natural Step (TNS)

### A. Scope and Goal

The Natural Step Framework is a non-certified methodology for organisational planning. It is based on guiding principles, training and consultancy.

In Sweden, 60 corporations such as IKEA, Electrolux, McDonalds, Scandic Hotels and OK Petroleum are actively using the TNS framework to change the way they do business. Globally, TNS has offices in the United Kingdom, Canada, Japan, Australia, New Zealand, South Africa and the United States.

The Natural Step was founded in Sweden in 1989 by Dr. Karl-Henrik Robèrt. In the UK, the Natural Step was set up under license in 1997 by Forum for the Future.

### B. Stakeholders

TNS is a general standard that applies the principles outlined in section C, and is not directed at specific stakeholder groups.

### C. Performance

Although specific performance measures are not defined, the Natural Step Framework defines the conditions for a socially and ecologically sustainable society as follows.

In the sustainable society, nature is not subject to systematically increasing...

... concentrations of substances extracted from the earth's crust.

In a sustainable society, human activities such as the burning of fossil fuels, and the mining of metals and minerals will not occur at a rate that causes them to systematically increase in the ecosphere. There are thresholds beyond which living organisms and ecosystems are adversely affected by increases in substances from the earth's crust. Problems may include an increase in greenhouse gases leading to global warming, contamination of surface and ground water, and metal toxicity which can cause functional disturbances in animals.

In practical terms, this means substituting certain minerals that are scarce in nature with others that are more abundant, using all mined materials efficiently, and systematically reducing dependence on fossil fuels

... concentrations of substances produced by society.

In a sustainable society, humans will avoid generating systematic increases in persistent substances such as DDT, PCBs, and Freon. Synthetic organic compounds such as DDT and PCBs can remain in the environment for many years, bioaccumulating in the tissue of organisms, causing profound deleterious effects on predators in the upper levels of the food chain. Freon, and other ozone depleting compounds, may increase risk of cancer due to added UV radiation in the troposphere.

This means systematically substituting certain persistent and unnatural compounds with ones that are normally abundant or break down more easily in nature, and using all substances produced by society efficiently.

... degradation by physical means.

In a sustainable society, humans will avoid taking more from the biosphere than can be replenished by natural systems. In addition, people will avoid systematically encroaching upon nature by destroying the habitat of other species. Biodiversity, which includes the great variety of animals and plants found in nature, provides the foundation for ecosystem services which are necessary to sustain life on this planet. Society's health and prosperity depends on the enduring capacity of nature to renew itself and rebuild waste into resources.

This means drawing resources only from well-managed eco-systems, systematically pursuing the most productive and efficient use of both those resources and of land, and exercising caution in all kinds of modification of nature.

and, in that society ...

…human needs are met worldwide

Meeting the fourth system condition is a way to avoid violating the first three system conditions for sustainability. Considering society as a whole, we need to be efficient with regard to resource use and waste generation in order to be sustainable. If one billion people lack adequate nutrition while another billion have more than they need, there is a lack of fairness with regard to meeting basic human needs. Achieving greater fairness is essential for social stability and the cooperation needed for making large-scale changes within the framework laid out by the first three conditions.

To achieve this fourth condition, humanity must strive to improve technical and organisational efficiency around the world, and to live using fewer resources, especially in affluent areas. This means using all of our resources efficiently, fairly and responsibly so that the needs of all people on whom we have an impact, and the future needs of people who are not yet born, stand the best chance of being met

### D. Process

TNS advocates a step-by-step implementation strategy. Organisations are not expected to achieve long-term goals immediately. On the contrary, they are encouraged to move systematically by making investments that will provide benefit in the short-term, while retaining a longer-term perspective. They can use The Natural Step framework to map out a series of steps that will eventually lead to full sustainability. Organisations using the TNS framework are encouraged to start with the "low hanging fruit", those steps that are easiest to take and will achieve results that help move an organisation closer to its goals. The Natural Step is not prescriptive, and does not judge. Instead, it serves as a guide. In the UK, TNS UK has a Pathfinder project that has been testing the practical application of TNS in a number of companies.

### E. Comments

The Natural Step does cover the elements of sustainability, albeit with an emphasis on the environmental basis for sustainable development; for example, in terms of social sustainability, there is little in the way of stakeholder dialogue included in the TNS approach. The Natural Step is able to address these issues by keeping them linked to environmental concerns. “In the end we believe the social dimension may prove to be the real driver of the search for sustainable solutions” (Pathfinder Programme, UK). In terms of the economic element, TNS works on the basis that, “economics is no more or less than the process through which humans create social and environmental outcomes.” (Zadek and Tuppen).

### F. Contact details

The Natural Step is an international organisation. In the UK, the home of TNS is Forum for the Future. The Natural Step UK • 9 Imperial Square • Cheltenham • Gloucestershire GL50 1QBTel: 01242 262744 • Fax: 01242 524445 • Email: info@naturalstep.org.uk; www.naturalstep.org.uk

## 4. Social Accountability 8000 (SA8000)

### A. Scope and Goal

SA8000 is a social accountability system and workplace standard, produced by Social Accountability International (SAI). It is aimed at retailers, brand companies, suppliers and other organisations. It focuses on labour issues in supply chains and covers the issues of employment and working conditions. The goal of the standard is to define requirements to enable a company to:

a) develop, maintain and enforce policies and procedures in order to manage issues which it can control or influence;

b) demonstrate to interested parties that policies, procedures and practices are in conformity with the standard.

SA8000 and its verification system draw from established business strategies for ensuring quality (such as those used by the international organisation for standardisation for ISO 9000) and add several elements that international human rights experts have identified as essential to auditing social commitments.

SA8000 was produced in response to the inconsistencies among workplace codes of conduct by SAI (formerly Council on Economic Priorities Accreditation Agency, CEPAA).

### B. Stakeholders

- Employees
- Suppliers

and also offers benefits to:

- trade unions
- NGOs
- Consumers
- Investors.

### C. Performance

The participating company must comply with national and other applicable law and other requirements to which the company subscribes, as well as this standard. When these address the same issue, the provision which is the most stringent applies.

The company must also respect the principles of a number of ILO conventions relating to employment as well as the Universal Declaration of Human Rights and The United Nations Convention on the Rights of the Child.

The specific social issues are:
Forced Labour, Child Labour, Freedom of Association, Collective Bargaining, Health and Safety, Minimum Wage, Living Wage, Discrimination Practices, Disciplinary Practices, Working Hours, Training.

### D. Process

The standard is voluntary but organisations that sign up to SA8000 are audited for their performance against the stated criteria, which as outlined above, are linked to a number of international agreements. SA8000 also provides the possibility to translate such standards into a management process for a company:

Top management define a policy for social accountability and labour conditions, including:

- **Commitment to conform to SA8000** – To comply with law, other requirements to which the company subscribes, and international instrument and continuous improvement.

- **Management Review** – Top management periodically review adequacy, suitability and continuing effectiveness of company's policy, procedures and performance against SA8000 and other requirements to which the company subscribes.
- **System amendments** – implemented where appropriate
- **Addressing concerns** – Company must implement remedial action and allocate adequate resources where appropriate.

Appropriate personnel are assigned responsibility for the governance, management and implementation of the standard. For example, a senior manager for Health and Safety is appointed and is responsible for the implementation of the health and safety elements of the standard. This role must ensure that company policy is effectively documented, implemented, maintained and communicated in an accessible and comprehensive form to all personnel. The company's performance is audited by an independent third party and is publicly available. The third party is an accredited auditor by Social Accountability International.

Certification of compliance with SA8000 means that a facility has been examined in accordance with SAI auditing procedures and found to be in conformance with the standard. Certification auditors look for objective evidence of effective management systems, procedures and performance that prove compliance with the standard. In addition, certified facilities are subject to semi-annual surveillance audits. Once certified, a producer is entitled to display the SA8000 certification mark and thereby use it as a selling point to customers and shareholders.

### E. Comments

SA8000 goes a long way to providing a robust approach to labour and employment issues, especially in developing nations. However, limited take up has reduced its potential. The standard has primarily been adopted by retail organisations. However, evidence suggests that a lot more work is needed to ensure use of the standard provides benefits throughout the supply chain. In particular the limited adoption means that although key suppliers may use the approach the vast network of subcontractors means that much of the supply chain remains untouched by SA8000.

Although there has been little criticism of the standard itself, there have been some concerns over the accuracy of auditing by some auditors and the limited contribution from employees in the auditing process. Some trade unions and labour organisations would also like to see an expansion of employee involvement in defining appropriate labour standards and conditions.

### F. Contact details

Social Accountability Institute (formerly Council on Economic Priorities Accreditation Agency)

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Web page: www.sa-intl.org Email: info@sa-intl.org

## 5. Investors in People

### A. Scope and Goal

Investors in People (IiP) is a standard which sets a level of good practice for improving an organisation's performance through training and development of its people.

Investors in People UK was established in 1993 to provide national ownership of the Investors in People National Standard and is responsible for its promotion, quality assurance and development. This role now encompasses establishing the Standard internationally.

### B. Stakeholders

IiP's specific focus is on the training and development of employees in line with management and organisational objectives.

### C. Performance

Organisations wishing to be recognised as 'Investors in People' must

- Make a commitment to meet the standard.
- Understand the Standard and its implication for business strategy.
- Review current practice against the standard.
- Implement changes.
- Provide the evidence for assessment against the standard.

A mix of performance against planned objectives and process forms the basis for the standard. In specific terms, the standard is not performance driven; for example, it does not state maximum or minimum performance standards against which an organisation is measured. It does, however, rely on external assessors to judge and subsequently award (or not as the case may be) Investors in People certification.

### D. Process

The four IiP key principles describe a cyclical process which can be broken down into 12 indicators, against which organisations are assessed:

- **Commitment** – Commitment to invest in people to achieve business goals.
- **Planning** – Planning how skills, individuals and teams are to be developed to achieve these goals
- **Action** – Taking action to develop and use necessary skills in a well defined and continuing programme directly tied to business objectives
- **Evaluating** – Evaluating outcomes of training and development for individuals' progress towards goals, the value achieved and future needs.

An organisation is assessed through the use of external assessors. Questionnaires are completed by staff at two stages: initially to create a baseline, then another after policies and practices have been put in place to judge the level of improvement. Once the standard is awarded, organisations are reassessed every three years.

## E. Comments

Claims made about the benefits of Investors in People include:

- Improved earnings, productivity and profitability..
- Reduced costs and wastage.
- Enhanced quality investing in people significantly improves the results of quality programmes.
- Improved motivation through greater involvement, personal development and recognition of achievement, motivation is improved.
- Customer satisfaction.
- Public recognition.
- Competitive advantage through improved performance.

As with all standards, the introduction of IiP needs to be done in an incremental way in order not to disrupt existing processes. Secondly, the emphasis on evidence can sometimes lead to a bureaucratisation and overuse of documentation as noted with other standards.

In terms of social sustainability, the indicators are prescriptive and therefore don't allow for wider definition by staff themselves. However, it must be noted that this is not the remit of Investors in People, as it has a specific focus on training and development of staff.

## F. Contact

Investors in People UK

7-10 Chandos Street, London, W1M 9DE
Tel: +44 (0)20 7467 1900. Fax: +44 (0)20 7636 2386.

Email: information@iipuk.co.uk.

Web page: www.iipuk.co.uk

## 6. Global Sullivan Principles

### A. Scope and Goal

The objectives of the Sullivan Principles (GSP) are to support economic, social and political justice by companies where they do business; to support human rights and to encourage equal opportunity at all levels of employment, including racial and gender diversity on decision making committees and boards; to train and advance disadvantaged workers for technical, supervisory and management opportunities; and to assist with greater tolerance and understanding among peoples; thereby, helping to improve the quality of life for communities, workers and children with dignity and equality.

The Sullivan Principles were developed by reverend Leon H. Sullivan, and initially applied in South Africa during the 1970s. The Principles were 'globalised' through the United Nations in 1999 and now provide a code of conduct which any socially responsible organization can be aligned to.

### B. Stakeholders

The Sullivan Principles cover a number of issues that relate to different stakeholders, specifically employees and communities. It is a global, non-certified principle relevant to all private organisations.

### C. Performance

The original Sullivan Principles, on which the modern version is based, were issued in 1977 in South Africa and covered issues of racial equality, fair employment practices, equal pay, social, political and economic justice, and quality of life for black and other non-white people.

Today, a company signs up to a statement of endorsement for the Sullivan Principles, which, in the modern global version, covers the support for universal human rights, equal opportunities, freedom of association, basic pay and skill improvement, work place health and safety, environment and sustainability, quality of life, training and development and community involvement as well as the promotion of the principles amongst business partners.

Signatory companies endorse principles and agree to report on how these principles have been incorporated into their operations. There are no specific performance requirements and no mechanisms to provide independent assurance of the information provided.

### D. Process

Companies that become signatories to the Principles agree to provide annual public information on the performance of their companies in respecting them. This information is reviewed by the Leon H Sullivan Foundation and any points of note are highlighted in best practice information.

### E. Comments

The Global Sullivan Principles fit with the more general level standards (e.g. OECD Guidelines for Multinational Enterprises, UN Global Compact). However, it is unclear how these relate to or whether a company would take up one or more of them. The GSP do make clear commitments that companies have to make, in particular in relation to employees as a stakeholder. Although there is a level of reporting on performance there are no concrete indicators which measure that performance in relation to The Sullivan Principles themselves.

### F. Contact Details

Phone: + 480-443-1800 Fax: + 480-443-1824
E-Mail: gsp@ifesh.org

Website: [http://globalsullivanprinciples.org/](http://globalsullivanprinciples.org/)

## 7. The Ethical Trading Initiative Base Code

### A. Scope and Goal

The Ethical Trading Initiative (ETI) Base Code is a global standard on employment and working conditions, linked directly to ILO conventions and the UN Declaration of Human Rights and Rights of the Child.

The Code is a partnership consisting of three types of members: companies, unions and NGOs Members of the ETI are expected to sign up to the Code. Member companies may stipulate scope of application of code provided that scope is clearly indicated in the preamble of their code and that any company publicity concerning the code also indicates its scope of application.

### B. Stakeholders

The standard is concerned with Employees and Suppliers.

### C. Performance

ETI member companies commit to the ETI standards by adopting them verbatim or by incorporating the relevant statements into their own code. Companies are expected to comply with national and other applicable labour laws. The provision which affords the greatest protection to workers must be applied. Companies must require that their suppliers meet provision of the code within a reasonable time frame. The key provisions of the code are:

1. Employment is freely chosen.
2. Freedom of association and the right to collective bargaining is respected.
3. Working conditions are safe and hygienic.
4. Child labour shall not be used.
5. Living wages are paid.
6. Working hours are not excessive.
7. No discrimination is practised.
8. Regular employment is provided.
9. No harsh or inhumane treatment is allowed.

Member companies accept the principle that the implementation of codes will be assessed through monitoring and independent verification; and that performance with regard to monitoring practice and implementation of codes will be reported annually.

### D. Process

The purpose of the ETI is to identify, develop and promote good practice with respect to implementing codes of labour practice. Critical areas include monitoring and independent verification, transparency and disclosure, to determine and communicate whether standards embodied in the code are being achieved. ETI members accept the following as general principles upon which to develop or refine their search for best practice.

1. Commitment
2. Monitoring, independent verification, and reporting
3. Awareness raising and training
4. Corrective actions
5. Management procedures, pricing and incentives

## E. Comments

As with SA8000, one of the ETI Base Code's strengths is that it is clearly based upon widely agreed ILO and UN standards. It is also quite clear in its process of implementation. It is also a multi-constituency partnership that seems to give a greater credibility. It is however, still in its early stages of evolution and therefore is hard to judge further. It has all the characteristics of new initiatives in terms of making it easy to implement (e.g. better development of materials) but is very much engaged in processes for development and improvement.

## F. Contact details

The ETI website is at www.ethicaltrade.org

## 8. Balanced Scorecard

### A. Scope and Goal

The Balanced Scorecard (BSC) is a performance measurement tool for translating strategic objectives into indicators in four perspectives: financial, customer, internal business processes, learning and growth. It talks of a specific cause and effect relationship in the measures that applied to a BSC process

Since the concept was introduced by Professor Robert Kaplan and Dr. David Norton in 1992, BSCs have been implemented at corporate, strategic business unit, shared service functions, and cascaded to team and individual levels at hundreds of organisations in both the private and public sectors worldwide. The BSC has been the subject of three articles in the Harvard Business Review (HBR), more than 100 additional articles in business publications, a best-selling business book (now in 18 languages), numerous Harvard Business School case studies, and public conferences around the globe.

### B. Stakeholders

Its general focus is on business results and financial performance, and stakeholder specific relating to employees and customers. However, it is adaptive to the inclusion of other stakeholders.

### C. Performance

The Balanced Scorecard is a performance tool but it does not predefine any specific performance indicators. A number of core performance indicators are regularly used by organisations using this approach. It is up to each organisation to develop appropriate performance indicators which are used as the basis of assessment for each perspective of organisational success.

### D. Process

There is a specific cause and effect relationship in the measures that apply to a BSC process, e.g. increased training on products knowledge improves pre-sales support and matching with customer needs, which in turn leads to both higher revenue and fewer disappointed customers, driving increased profitability.

***The four perspectives of the classic Balanced Scorecard with example indicators***

| | |
|---|---|
| ***Customer Perspective***<br>**Customer Satisfaction**<br>% of customers satisfied with timeliness<br>% of customers satisfied with quality<br>**Effective Service Partnership**<br>% of customers satisfied with the responsiveness, cooperation, and communication skills of the acquisition office | ***Financial Perspective***<br>**Minimizing Administrative Costs**<br>Cost to spend ratio<br>**Maximizing Contract Cost Avoidance**<br>Cost avoidance through use of purchase cards<br>% of prompt payment interest paid of total $ disbursed |
| ***Learning and Growth Perspective***<br>**Information Availability for Strategic Decision-making**<br>The extent of reliable management information<br>**Quality Workforce**<br>% of employees meeting mandatory qualification standards<br>**Employee Satisfaction: Quality Work Environment**<br>% of employees satisfied with the work environment<br>**Employee Satisfaction: Executive Leadership**<br>% of employees satisfied with the professionalism, culture, values and empowerment | ***Internal Business Processes Perspective***<br>**Acquisition Excellence: Effective Quality Control System**<br>Ratio of protests sustained by General Accounting Office and Court of Federal Claims<br>**Acquisition Excellence: Effective Use of Alternative Procurement Practices**<br>Number of actions using Electronic Commerce<br>**Fulfilling Public Policy Objectives**<br>% achievement of socio-economic goals<br>% competitive procurement of total procurements |

## E. Comments

Research carried out in 1997 claimed that “the Balanced Scorecard’s prescriptive approach to performance measurement requires performance measures defined in each of the three non-financial perspectives to be linked to each other through a cause-and-effect chain and to the financial measures, ensuring that the organisation’s ultimate goal: that of continuing to be successfully in existence, remains paramount. The extent to which business results can be improved by decisions taken based on a Balanced Scorecard view of the organisation is significant. Furthermore, these business results tend to be very sensitive to minor improvements in performance in key areas”.

The strength of the Balanced Scorecard approach is its very prescriptive and structured nature making it relatively easy to apply in an organisation (this is illustrated by its ‘cause and effect’ emphasis). It involves stakeholders in the judgement of performance through customer and employee satisfaction surveys. It can apply to all organisations, as well as different levels within the organisations (e.g. one can do departmental and team scorecards). However, this structured approach is in other ways its weakness. It does not include stakeholder definition of indicators of performance and does not seem to address how trade-offs are negotiated. It does seem to require a comprehensive information system to support it which can be off-putting to many organisations (particularly, small to medium enterprises). All in all however, it does provide an overarching management system that can be adapted for sustainability purposes.

## F. Contact Details

There is no dedicated home for the Balanced Scorecard. However, a leading proponent of BSC is the Balanced Scorecard Collaborative (www.bscol.com ).

## 9. The European Model for Business Excellence – EFQM Excellence Model

### A. Scope and Goal

The EFQM Excellence Model was designed as a tool to develop management systems that enable organisations to be successful by improving their service and manufacturing quality.

The model was introduced in 1991 by the European Foundation for Quality Management (EFQM), a European not-for-profit membership organisation, to enable organisational self-assessment and judge entrants to their European Quality Award for organisational excellence.

### B. Stakeholders

EFQM is a general model for managing performance but does have within it a focus on employees, customers, and society as stakeholders. It makes reference to suppliers and these would be incorporated in 'partnerships and resources'.

### C. Performance

EFQM is not a performance standard as no minimum standard is required, although it enables performance against the nine criteria to be measured.

### D. Process

The EFQM Model is a non-prescriptive framework that recognises there are many approaches to achieving sustainable excellence. Within this non-prescriptive approach there are some Fundamental Concepts that underpin the EFQM Model.

*Results Orientation:* Excellence is dependent upon balancing and satisfying the needs of all relevant stakeholders.

*Customer Focus:* The customer is the final arbiter of product and service quality and customer loyalty, retention and market share gain are best optimised through a clear focus on the needs of current and potential customers.

*Leadership and Constancy of Purpose:* The behaviour of an organisation's leaders creates a clarity and unity of purpose within the organisation and an environment in which the organisation and its people can excel.

*Management by Processes and Facts:* Organisations perform more effectively when all inter-related activities are understood and systematically managed and decisions concerning current operations are planned.

*People Development and Involvement:* The full potential of an organisation's people is best released through shared values and a culture of trust and empowerment, which encourages the involvement of everyone.

*Continuous Learning, Innovation and Improvement:* Organisational performance is maximised when it is based on the management and sharing of knowledge within a culture of continuous learning, innovation and improvement.

*Partnership Development:* An organisation works more effectively when it has mutually beneficial relationships, built on trust, sharing of knowledge and integration, with its Partners.

*Public Responsibility:* The long-term interest of the organisation and its people are best served by adopting an ethical approach and exceeding the expectations and regulations of the community at large.

**The Nine Criteria**

The process weights each of the nine areas of the management that add up to a score of 'Excellence'.

1. Leadership: How leaders develop and facilitate the achievement of the mission and vision, develop values required for long-term success and implement these via appropriate actions and behaviours, and are personally involved in ensuring that the organisation's management system is developed and implemented.

2. Policy and Strategy: how the organisation implements its mission and vision via a clear stakeholder focused strategy, supported by relevant policies, plans, objectives, targets and processes.

3. People: how the organisation manages, develops and releases the knowledge and full potential of its people at an individual, team-based and organisation-wide level, and plans these activities in order to support its policy and strategy and the effective operation of its processes

4. Partnerships and Resources: how the organisation plans and manages its external partnerships and internal resources in order to support its policy and strategy and the effective operation of its processes.

5. Processes: how the organisation designs, manages and improves its processes in order to support its policy and strategy and fully satisfy, and generate increasing value for, its customers and other stakeholders.

6. Customer Results: what the organisation is achieving in relation to its external customers.

7. People Results: what the organisation is achieving in relation to its people.

8. Society Results: what the organisation is achieving in relation to local, national and international society as appropriate.

9. Key Performance Results: What the organisation is achieving in relation to its planned performance.

## E. Comments

The EFQM Excellence Model is a widely recognised process standard for the development of a management system that links process to results. It could be argued that the stakeholders are a small group and don't incorporate wider groups such as shareholders or government bodies. However, the EFQM is very open to the development and adaptation of the Model that has gone through a number of iterations. It now incorporates such language as values and empowerment.

## F. Contact Details

The European Foundation for Quality Management (www.efqm.org )

## 10. The Global Reporting Initiative™

### A. Scope and Goal

The Global Reporting Initiative (GRI)™ develops and disseminates globally applicable sustainability reporting guidelines. The GRI pursues its mission through a multi-stakeholder process of open dialogue and collaboration in designing a commonly accepted voluntary accounting framework for corporate organisations. The GRI guidelines establish core economic, social and environmental indicators of corporate activity which are used globally for preparing reports on the environmental, social and economic impact of corporate activities. The GRI originated in 1997 out of the Coalition for Environmentally Responsible Economies (CERES). In June 2002, the GRI was established as a permanent, independent, international body with a multi-stakeholder governance structure and strong support from the United Nations Environment Programme (UNEP).

### B. Stakeholders

The GRI covers all of the main stakeholder groups as well as addressing issues of general organisational performance such as human rights.

### C. Performance

To be in accordance with the GRI, organisations must meet a defined set of sustainability reporting conditions based around the reporting process and content. The GRI indicators are process based (i.e. they do not indicate necessary levels of performance) and they provide a guide to the presentation of economic, social and environmental performance information. They can also assist in the stakeholder engagement process, helping organisations to understand performance expectations.

### D. Process

The guidelines cover the three main areas of reporting of sustainability:

- **Economic** - this includes for example, wages and benefits, labour productivity, job creation, expenditures on outsourcing, expenditures on research and development, and investments in training and other forms of human capital. The economic element includes, but is not limited to, financial information.

- **Environmental** - this includes for example, impacts of processes, products and services on air, water, land, biodiversity, and human health.

- **Social** - this includes for example, workplace health and safety, employee retention, labour rights, human rights, and wages and working conditions at outsourced operations.

It is envisaged that in time the GRI will move towards a more integrated framework that links the above three areas. To begin this they have a set of ‘integrated indicators’ that are of two types, (i) Systemic; that links performance at the micro-level (i.e. the organisation) with that of the macro-level (e.g. regional, national, global). (ii) Cross-cutting; that bridges information across two or more elements of sustainability.

There are five key reporting principles and practices, these are:

1. Underlying Principles of GRI reporting. These principles include, clear definition of the boundaries of the organisation reported on (e.g. equity share, site; the reporting period; and materiality principle (i.e. materiality is dependent on what is relevant either to reporting organisations or to their external stakeholders).

2. Qualitative Characteristics of Reporting. These are, relevance, reliability, clarity, comparability, timeliness, and verifiability.

3. Classification of Performance-Reporting Elements. These fall into three levels: Categories (social, economic, environmental); Aspects (information related to categories such as greenhouse emissions), Indicators (e.g. tonnes of emissions).

4. Ratio Indicators. Reporters are encouraged to express information as ratios (as well as to provide absolute values) where such ratios make the report easier to read.

5. Disclosure of Reporting Policies. The GRI asks that GRI reports include formal disclosure of all significant reporting and measurement policies.

In addition to the reporting principles and practices that cover the above areas of indicators, the GRI gives guidelines for the structure and contents of reports. These cover the following:

- CEO Statement
- Profile of Reporting Organisation
- Executive Summary and Key Indicators
- Vision and Strategy
- Policies, Organisation and Management Systems
- Performance.

### E. Comments

The GRI Guidelines are a useful tool for the implementation of reporting processes. For decision-making the guidelines also provide useful information at three levels:

- At the level of the governing body and for senior management, the Guidelines provide an internal vehicle for evaluating the consistency between the organisation's economic, environmental and social policy and its actual performance.
- At the operational level, the Guidelines provide a logical structure for applying sustainability concepts to the organisation's operations, services and products.
- From a communications standpoint, the Guidelines provide a framework for effectively sharing and promoting dialogue with internal and external stakeholders regarding the organisations accomplishments and challenges in achieving its goals.

The GRI is one of the few standards that attempts to pull together different indicators as they may relate to other standards but also works towards integration between economic, environmental and social performance criteria. This must be seen as its main strength; few other standards are as comprehensive in their coverage, or as inclusive in the participation of various stakeholders. One potential weakness is that by focusing on reporting organisations may steer away from the real issue, that of performance.

### F. Contact Details

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## 11. AccountAbility 1000 (AA1000)

### A. Scope and Goal

Launched in 1999, AA1000 is an accountability standard designed to improve accountability and performance by **learning through stakeholder engagement.**

It was developed to address the need for organisations to **integrate their stakeholder engagement processes into daily activities**. It has been used worldwide by leading businesses, non-profit organisations and public bodies.

The Framework helps users to establish a systematic stakeholder engagement process that generates the **indicators, targets, and reporting systems** needed to ensure its effectiveness in overall organisational performance.

**The principle underpinning AA1000 is inclusivity**. The building blocks of the process framework are planning, accounting, auditing and reporting. It does not prescribe what should be reported on but rather the 'how'.

A series of specialist modules is planned with the reporting assurance standard presently available.

### B. Stakeholders

AA1000 covers all the main stakeholders of an organisation as well as looking at processes for assessing overall performance.

The standard has been used in a variety of ways: for reporting, assurance, as a risk management tool, for investors, corporate governance, standards and awards development and training.

### C. Performance

The principles of stakeholder engagement, do not require ‘good’ performance, but they open up an organisation to the potential for more inclusive governance and decision making processes. They do not provide a prescriptive framework for the resolution of conflicts between stakeholders in terms of what is good performance, but it provides a process for organisations to begin to address them through engaging with stakeholders to find common ground and build trust.

### D. Process

AA1000 is based on a series of principles that ensure the quality of the process. The hierarchy of AA1000 principles is as follows:

a) A quality process of social accounting and reporting is governed by the principle of **accountability** to anybody that is effected by or effects an organisation.

b) Organisational accountability is directly addressed by the **inclusivity** of the social accounting and auditing process. Inclusivity concerns the reflection at all stages of the process of the aspirations and needs of all stakeholder groups. Stakeholder views are obtained through an engagement process that allows them to be accurately and fully expressed without fear or restriction. Inclusivity requires the consideration of ‘voiceless’ stakeholders including future generations and the environment.

c) Inclusivity is supported by the remaining AA1000 principles, **completeness, materiality and responsiveness**.. These principles are concerned with the quality of the stakeholder engagement.

The key stages of the model are:

| | |
|---|---|
| *Planning* | Establish commitment and governance procedures |
| | Identify stakeholders of the organisation |
| | Define and review objectives, policies and values |
| *Accounting* | Identify issues upon which performance is assessed |
| | Determine scope of process |
| | Identify indicators of performance |
| | Collect Information |
| | Analyse information, set targets and develop improvement plan |
| *Auditing and Reporting* | Prepare Reports |
| | Audit Report |
| | Communicate Results and obtain feedback |
| *Embedding* | Establish and embed systems for continuous improvement |

## E. Comments

AA1000 is one of the few standards that explicitly puts stakeholder engagement at the heart of operations. It enables an organisation to engage in dialogue and negotiate issues relating to sustainability that will also improve business performance. It can support the deepening of value-based relationships along supply chains and in other partnership processes. It can also be integral to a framework for internal control to enable an organisation to identify, evaluate and better manage risks arising from its impacts on and relationships with stakeholders. For investors, clear and verifiable information about social performance provides a valuable reference point for assessing the quality of management and the market position of an organisation.

One of AA1000's strength is that it is non-prescriptive but as it is still at its early stages of development is not as fully proven a process model as others. Having said that, it is also working towards its integration with other standards and outlines in its exposure draft, the relationship of AA1000 with that of GRI, SA8000, ISO 14001, Investors in People, Forest Stewardship Council, ETI, Balanced Scorecard, and the Business Excellence Model, amongst others.

## F. Contact Details

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## 12. The Combined Code of Corporate Governance

### A. Scope and Goal

The Combined Code of Good Governance and Code of Best Practice provides general guidance on governance and internal control for any organisation.

In June 1998, the London Stock Exchange published the Principles of Good Governance and Code of Best Practice (the Combined Code), which summarised the work of the Cadbury, Greenbury and Hampel Committees and became effective in respect of accounting periods ending on or after 31 December 1998. It has more recently been extended by the Turnbull report (1999) which provides guidance to UK companies on the implementation of the internal controls required by the Combined Code. Currently, the Combined Code is being revised on the basis of the Higgs report on Corporate Governance. The revised code is expected to come into force in the autumn of 2003.

### B. Stakeholders

The Combined Code focuses on the governance of the organisation at its highest level, i.e. on those who govern the organisation (The Board, Management) and how they govern it. The stakeholders covered therefore are Board, Shareholders, and Staff. The Combined Code established fourteen Principles of Good Governance and forty-five Best Practice provisions, upon which, companies are required to state their compliance throughout their accounting period.

### C/D Performance and Process

The Code is both performance and process based in that it prescribes how an organisation should be governed and sets out procedures for doing so. For the purposes of this analysis therefore it is more relevant to merge the two as that is broadly how the code treats them.

An example of the principles is outlined below:

1. General Principles

*(a) The Board of Directors*

These principles effectively explain the broad nature upon which the company should be governed. They therefore cover such measures as, "There are two key tasks at the top of every public company — the running of the board and the executive responsibility for the running of the company's business. There should be a clear division of responsibilities at the head of the company which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision." In addition the Board should include a balance on executive and non-executive directors and there should be a clear and transparent procedure for selection of Board members.

*(b) Directors' Remuneration*

Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration. The company's annual report should contain a statement of remuneration policy and details of the remuneration of each director.

*(c) Relations with Shareholders*

Companies should be ready, where practicable, to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives. Boards should also use the AGM to communicate with private investors and encourage their participation.

*(d) Accountability and Audit*

The board should present a balanced and understandable assessment of the company's position and prospects. The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

*(e) Institutional Investors*

Institutional shareholders have a responsibility to make considered use of their votes. Institutional shareholders should be ready, where practicable, to enter into a dialogue with companies based on the mutual understanding of objectives.

When evaluating companies' governance arrangements, particularly those relating to board structure and composition, institutional investors should give due weight to all relevant factors drawn to their attention.

The code then goes on to give more detailed principles to the above areas of corporate governance.

## E. Comments

In terms of social standards the Combined Code on Corporate Governance is 'the' standard in the UK in that it is recognised by the major companies and is a mixture of statutory and voluntary performance principles. It is also the only code that really focuses in on the 'accepted' market model of governance. Finally, it attempts to promote transparency in decision-making processes and the governance of the company.

However, it takes a limited perspective on the inclusion of stakeholders in the governance of the company beyond that of the shareholders' AGM.

It is likely that the UK Company Law Review will advocate companies reporting on their social and environmental performance where it is material to their operations. When the outputs are finalised it may have a knock-on effect on the Combined Code.

## F. Contact Details

The Combined Code can be downloaded at http://www.fsa.gov.uk/pubs/ukla/lr_comcode.pdf

The Turnbull Report can be downloaded at http://www.cabinet-office.gov.uk/risk/Corporate_Governance_Folder/Turnbull_report.htm

## 13. ISO Family of Standards

### A. Scope and Goal

The ISO 9000 and ISO 14000 series of generic management system standards are directly related to corporate citizenship and refer to quality (ISO 9000) and environmental (ISO 14000) management.

These standards have been developed by the International Organisation for Standardization (ISO) which is a worldwide federation of national standards bodies from 130 countries. ISO is not an acronym but a word, derived from the Greek 'isos', meaning 'equal'. From 'equal' to 'standard', the line of thinking that led to the choice of ISO as the name of the organisation. ISO administers over 11,000 standards covering 97 categories (one of which covers management).

### B. Stakeholders

The ISO standards mainly focus on customers, staff and suppliers in the delivery of 'quality' systems in the delivery of service and product (ISO9000) and environmental management (ISO1400).

### C. Performance

The ISO family standards are process based and have no specific performance requirements (e.g. in the quality of a product) beyond what is required by legislation. Rather they focus on the systems themselves in order to assist companies to meet legislative requirements of performance.

### D. Process

There is a multiplicity of processes contained in the range of ISO standards:

There are 20 elements in ISO 9001, containing over 320 individual requirements, which specify that a company should:

- establish customer needs and expectations
- undertake a commitment to meet customer needs and expectations
- define policies for achieving these requirements
- design a system which will ensure these requirements are met
- implement this system
- audit and review the system to ensure its suitability and effectiveness
- undertake improvements

When looking at ISO14000, the following process requirements are recommended:

- The organisation has freedom and flexibility to define its boundaries and may choose to implement the standard with respect to the entire organisation or to specific operating units or activities of organisation;
- Stakeholders have a role in assessing the significance of activities as they affect each environmental aspect: air, water, land, natural resources, flora, fauna, humans and their interrelation;
- The environmental management system (EMS) considers significant environmental impacts. The organisation must ensure that aspects related to significant impacts are considered in setting environmental objectives;
- Systematic and documented internal verification processes are required. A management review must address possible need for changes to policy, objectives and other elements

of the EMS, in light of audit results, changing circumstances and commitment to continual improvement;

- An environmental policy must be documented, implemented, maintained and communicated to all employees and be available to the public.
- Companies must gain independent certification to the standard
- In keeping with the continual improvement objective of the EMS, targets must be set based on the significant aspects and performance reviewed regularly

## E. Comments

The Institute of Quality Assurance, sees the benefits of using ISO9000 by a company as follows:

Implementing these standards helps an organisation achieve better business results by ensuring that:

- the right capabilities and resources are in place to meet customer needs and expectations
- there is no commitment to work beyond capability
- processes are designed to cause conformity and prevent nonconformity
- processes are implemented as designed
- deviations from requirements are promptly detected
- problems are promptly resolved and prevented from recurring
- non-conforming products or services are not supplied
- continual improvement in performance becomes a routine
- evidence of performance is available and used to make decisions
- customer needs and expectations are continually satisfied

However, recent criticism of ISO 9000 in particular claims that it is too bureaucratic in nature, “Underlying it (ISO 9000) are concepts of specification and control, rather than those of understanding and improvement, which are at the heart of real quality. Customers will recognise that ISO 9000 has led our organisations to focus on procedures rather than service; managers point to the excessive bureaucracy and work whose only purpose is to satisfy the ISO 9000 assessor[1].” Seddon believes this to be also true of the new ISO 9000 (2000), which does incorporate stakeholders more in the performance assessment.

Similar criticisms are levelled at the ISO 14000 approach. The ISO 14000 series is not considered to be doing enough to support responsible environmental management and to tackle the underlying environmental challenge. It is seen to focus too heavily on process so that an organisation can have a certified EMS which manages its significant environmental impacts without questioning whether the organisation should have these impacts in the first place.

## F. Contact Details

ISO: www.iso.ch

Institute of Quality Assurance: www.iqa.co.uk;

Seddon, John (2000). The Case Against ISO 9000. Oak Tree Press.

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[1] Observer, November 19th 2000. John Seddon. See also his book, “The Case Against ISO 9000.” Oak Tree Press.

## 14. The London Benchmarking Group

### A. Scope and Goal

The London Benchmarking Group (LBG) was formed to meet the need for accurate and comparable information about how different companies define, fund and manage their community involvement activities. Its mission statement is:

*"to better define measures of efficiency and effectiveness of all types of community involvement activity by using benchmarking techniques."*

Launched in September 1994, the group originally comprised senior community affairs managers with responsibility for substantial community involvement programmes from six leading companies: BP, Grand Metropolitan (now Diageo), IBM UK, Marks and Spencer, NatWest Group, and Whitbread.The name was chosen primarily to differentiate the group from a group of 16 US companies that came together at the same time to pursue very similar goals. The US group is called the Measuring Corporate Citizenship Project.

The LBG is administered by the Corporate Citizenship Company.

### B. Stakeholders

The LBG focuses on measuring the effectiveness of a company's community involvement work. In so doing its stakeholder focus is communities, staff of the company, suppliers and customers.

Its main focus is as a process standard but in doing so it directs organisations towards specific ways in which they should go about their community involvement (see below).

### C. Performance

There are no specific performance requirements. The Model, usually depicted in a pyramid, helps organisational understanding and definition of the following performance areas:

*Charity*: Intermittent support to a wide range of causes in response to the needs and appeal of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers.

*Community Investment*: Long-term strategic involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long-term corporate interests and enhance its reputation.

*Commercial Initiatives:* Activities in the community usually by commercial departments, to support directly the success of the company, promoting its corporate brand identities and other policies, in partnership with charities and other community-based organisations.

*Business Basics:* The core business activities in meeting society's needs for cost-effective goods and services in a manner which is socially, ethically, environmentally responsible.

In summary, the LBG model classifies corporate community involvement by motivation between charitable gifts, community investment and commercial initiatives, as set out in the chart below. These contributions are additional to the wider social impact through basic business operations. The model provides the definitions necessary to put a monetary value on the input' costs of the company's contribution, whether cash, time or in-kind. It also assesses the output' between social impact, business benefit and additional resources levered from other funders.

## D. Process

The LBG model tries to differentiate inputs and outputs of Community Investments (CI) in relation to the type of activity in question. In the box below an example from the London Benchmarking Model shows the business benefits to British Telecom of its CI.

| Activity | Input | Business Benefit |
|---|---|---|
| **Charity** – donations | National Council for One Parent Families – provision of booklets | Booklets acknowledged BT |
| **Charity** – Sponsorship | BT Swimathon | Exposure in media, shops, 523 swimming pools. Won various industry awards. |
| **Charity** – Matched Giving | Give As You Earn | Enhanced Employee Morale |
| **Community Investment** – Grants/Donations | INFOTRAIN – Strabane | Media coverage and government interest leading to enhanced reputation. |
| **Community Investment** – Secondments and Consultancy | 12 Full-time secondees in various community organisations | Enhanced reputation and employee development |
| **Community Investment** – In-kind contributions | Newsletters and office services for Race for Opportunity (RFO) | BT seen to be actively involved in promoting racial equality. |
| **Commercial Initiatives** – In-house training | 2,500 places for work experience for school pupils. | Employee morale and enhanced reputation. |
| **Commercial Initiatives** – Sponsorship | Yellow Pages Slough Focus on Business Exhibition | Raised profile in local business community |
| **Commercial Initiatives** – Cause-related marketing | Friends and Family Variety Club promotion. £1 given for every new customer | Enhanced brand image plus 8% increase in sales. |
| **Commercial Initiatives** – Contributions | Trial videophone link via ISDN to service 20 house-bound people with disabilities | Promotion of technology. Enhanced BT's reputation for work in the community. |

## E. Comments

In the UK at least the LBG seems to be widely recognised as an important standard for the measurement and focus of a company's community involvement activities. It is very detailed and quite precise in the indicators that it uses. The weakness may be in that it can maintain the 'ghettoisation' of community involvement activities by separating them out from the core activities of the company. This is not to say that it is not trying to address this issue, hence its incorporation of business basics and the measurement of economic and other returns for the company (e.g. enhanced reputation). It also allows for the detailed reporting of performance to stakeholders of the company's community involvement work, which allows for their greater involvement in decision-making processes. However, the latter is not integral to the model. Finally, there are a number of other models that measure community involvement and companies such as BT are doing them all together (these include Bruce Naughton Wade's Corporate Community Index, and BitC's adaptation of the Business Excellence Model).

## F. Contact Details

The Corporate Citizenship Company (www.corporate-citizenship.co.uk)

## 15. OECD Guidelines for Multinational Enterprises

### A. Scope and Goal

The OECD Guidelines for Multinational Enterprises (in the following referred to as the Guidelines) are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The Guidelines aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen relations between enterprises and relevant societies, to help improve the foreign investment climate and to enhance their contribution to sustainable development. The Guidelines are part of the OECD Declaration on International Investment and Multinational Enterprises the other elements of which relate to national treatment, conflicting requirements on enterprises, and international investment incentives and disincentives.

### B. Stakeholders

The Guidelines are general in that they address general business practices; however, there are specific policies that relate to stakeholders such as employees and consumers.

### C. Performance

Quantitative levels of performance are not specified however the range of requirements covering performance areas are as follows:
a) General: Enterprises should fully take into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard, enterprises should:

1. Contribute to economic, social and environmental progress with a view to achieving sustainable development.
2. Respect the human rights of those affected by their activities consistent with the host government's international obligations and commitments.
3. Encourage local capacity building through close co-operation with the local community, including business interests.
4. Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.
5. Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labour, taxation, financial incentives, or other issues.
6. Support and uphold good corporate governance principles and develop and apply good corporate governance practices.
7. Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.
8. Promote employee awareness of, and compliance with, company policies through appropriate dissemination of these policies, including through training programmes.
9. Refrain from discriminatory or disciplinary action against employees who make bona fide reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the Guidelines or the enterprise's policies.
10. Encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the Guidelines.
11. Abstain from any improper involvement in local political activities.

The following specific areas are then covered:

b) Disclosure: Enterprises should ensure that timely, regular, reliable and relevant information is disclosed regarding their activities, structure, financial situation and performance. This information should be disclosed for the enterprise as a whole and, where appropriate, along business lines or by geographic area.

c) Employment and Industrial Relations: Enterprises should work within the framework of applicable law, regulations and prevailing labour relations and employment practices. These include policies relating to freedom of association, effective abolition of child and forced labour.

d) Environment: Besides abiding by relevant national and international laws, regulations and administrative practices, companies should establish and maintain a system of environmental management appropriate to the enterprise; take into account concerns about cost, business confidentiality, and the protection of intellectual property rights; as well as continuously improve performance.

e) Combating Bribery: Enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage.

f) Consumer Interests: When dealing with consumers, enterprises should act in accordance with fair business, marketing and advertising practices and should take all reasonable steps to ensure the safety and quality of the goods or services they provide.

g) Science and Technology: Enterprises should take into account a number of considerations, for example ensure that their activities are compatible with the science and technology (SandT) policies and plans of the countries in which they operate and as appropriate contribute to the development of local and national innovative capacity.

h) Competition: Enterprises should, within the framework of applicable laws and regulations, conduct their activities in a competitive manner. For example, enterprises should refrain from entering into or carrying out anti-competitive agreements among competitors.

i) Taxation: It is important that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities. In particular, enterprises should comply with the tax laws and regulations in all countries in which they operate.

## D. Process

There are elements that relate to process, e.g. disclosure of information processes. However, the Guidelines are essentially based around the detailed performance areas.

## E. Comments

The OECD Guidelines cover many of the issues relating to sustainability and although quite old now stand up remarkably well to other standards in that they have been used as a basis for others. There are similarities here to the UN Global Compact and The Global Sullivan Principles in particular, but also the ICCR Principles for Global Corporate Responsibility. Having the OECD as their institutional home gives the Guidelines certain credence and legitimacy in the same way as the Global Compact benefits from having the UN as its sponsor. However, it is not clear how this is then viewed by campaign organisations in terms of its legitimacy.

## F. Contact Details

See http://www.oecd.org/daf/investment/guidelines/mnetext.htm

## 16. Caux Roundtable Principles for Business

### A. Scope and Goal

The Caux Round Table focuses on the importance of global corporate responsibility in reducing social and economic threats to world peace and stability. Its principles are rooted in two basic ethical ideals: *kyosei* and *human dignity*. The Japanese concept of *kyosei* means living and working together for the common good, enabling cooperation and mutual prosperity to coexist with healthy and fair competition. *Human dignity* refers to the sacredness or value of each person as an end, not simply as a means to the fulfilment of others' purposes or even majority prescription.

The Round Table was founded in 1986 by Frederik Philips, former President of Philips Electronics, and Olivier Giscard d'Estaing, Vice-Chairman of INSEAD, to help reduce escalating trade tensions. It involves business leaders from Europe, Japan and the United States.

### B. Stakeholders

The Principles relate to wider businesses practices as well as specific stakeholders: Customers; Employees; Owners/Investors; Suppliers; Competitors and Communities

### C. Performance

Performance requirements are not specified, but the principles provide a foundation for dialogue and action for organisations. There are seven core Caux Round Table Principles:

1. The Responsibilities of Businesses: *Beyond Shareholders Toward Stakeholders*
2. The Economic and Social Impact of Business: *Toward Innovation, Justice and World Community*
3. Business Behavior: *Beyond the Letter of Law Toward a Spirit of Trust:*
4. Respect for Rules
5. Support for Multilateral Trade
6. Respect for the Environment
7. Avoidance of Illicit Operations

There is also a series of principles relating to each of the stakeholders detailed above.

### D. Process

The Caux Principles are not process-driven, however there are tools available in the area of self-assessment of corporate improvement and anti-corruption measures.

### E. Comments

The strength of the Caux Principles is in the mix of general business principles with stakeholder specific details; for example it seems to be one of the few standards that explicitly includes competitors as a stakeholder. However, its weakness appears to be in the vagueness of the actual actions prescribed to companies and the lack of alignment with such conventions as the ILO or the Universal Declaration of Human Rights. Other than case histories and details of past dialogue events, there are no mechanisms to demonstrate or assure how organisations are meeting the principles.

### F. Contact Details

Website: http://www.cauxroundtable.org

Information taken from: http://www.itcilo.it/english/actrav/telearn/global/ilo/code/caux.htm

## 17. Amnesty International’s Human Rights Guidelines for Companies

### A. Scope and Goal

Amnesty International has developed guidelines from international protocols, to assist companies in confronting situations of human rights violations or the potential for such violations. One of those international protocols is the Universal Declaration of Human Rights (UNHR), adopted by the United Nations (U.N.) General Assembly in 1948, which calls on ‘every individual and every organ of society' to play their part in securing the observance of these rights. In September 1998, Amnesty International published the Human Rights Guidelines for Companies, offering companies a basic framework for developing human rights policies. It provides a checklist of principles based on internationally accepted human rights standards which are embodied in a range of UN conventions and protocols.

### B. Stakeholders

The Guidelines are general in that they relate to the Universal Declaration of Human Rights that concerns **all individuals** affected by a company’s actions. The UNHR includes the following:

- the right to legal recognition as a person
- freedom of thought, conscience and religion
- freedom of opinion and expression
- freedom from torture
- freedom from cruel, inhumane or degrading treatment
- freedom from slavery and servitude
- freedom from retroactive penal legislation

### C. Performance

The Guidelines specify performance areas with minimum expectations expressed as six principles:

1. Company policy on human rights
2. Security
3. Community engagement
4. Freedom from discrimination
5. Freedom from slavery
6. Health and safety

### D. Process

Within the Guidelines there are a number of clauses that relate to process. These include:

**Strategic planning and policy framework**

Companies may operate under circumstances where they find themselves in a situation of conflict, or where legislation, governmental practice or other constraints make it difficult to ensure the protection of human rights. Frameworks to integrate social concerns into their project planning and implementation strategies are currently being developed by a number of forward-looking companies and by the World Bank.

**Personnel policies and practices**
Standards relating to these issues have been established by a variety of international organisations. In general, the human rights set out above need to be respected as part of corporate personnel policies and practices. In addition, the performance of a company's contractors, suppliers and partners is perceived to reflect the performance of the company. Companies should therefore promote similar standards through all third parties who act with them or on their behalf.

**Improving Human Rights Implementation**
Companies can improve their ability to promote human rights by:
a) including security arrangements in their strategic planning and policy-making processes;
b) consulting international and local NGOs on country-specific factors relating to the human rights climate that may influence or that may be affected by business decisions;
c) providing training for their managers and their staff in these matters, preferably with input and assistance from appropriate NGOs.

**Implementation and monitoring**
The primary responsibility for monitoring company policy and practice lies with the company itself. However, Amnesty International recommends that there be in place credible systems for monitoring compliance with corporate codes of behaviour and that their reports be independently verifiable.

## E. Comments

Because of the very nature of Amnesty International's guidelines being concerned with Human Rights, they are quite clearly one of the more important as well as informative set of guidelines to which a company can adhere. They are directly linked to the Universal Declaration of Human Rights and offer a framework for implementation. In addition, the name Amnesty International adds credibility to the process.

## F. Contact Details

Website: http://www.amnesty.org.uk/business/

## 18. The Principles for Global Corporate Responsibility

### A. Scope and Goal

The Principles for Global Corporate Responsibility were written by the Interfaith Center for Corporate Responsibility, the Ecumenical Council for Corporate Responsibility in Great Britain, and the Taskforce on the Churches and Corporate Responsibility in Canada (TCCR). Their goal is to promote positive corporate social responsibility consistent with the responsibility to sustain the human community and all creation. The Principles are offered as ethical standard of measurement on which to base decisions about global corporate social responsibility. They arise from jointly held beliefs based on the faiths of the participant groups, communities, denominations and traditions.

Much of what lies behind the drive for this standard is the need for companies to abide by codes of conduct. The ICCR feels that Codes can be effective tools if consumer, labour, religious and non-governmental organisations along with committed company officials, work to make codes strong, real and effective. Credible codes need to include:

1. Processes to **involve workers** in formulating and revising the code.
2. Comprehensive **international human rights**, environmental and International Labour Organisation standards including freedom of association, collective bargaining and the right to strike.
3. Standards that go **beyond legal minimum** compliance, especially to guarantee a sustainable living wage for workers for a regular workweek.
4. Standards that are **implemented throughout** the company.
5. Standards for a corporation's **contact suppliers and vendors**.
6. Clear monitoring processes that include **internal monitoring and independent monitoring** using non-governmental bodies who can provide independent verification of code compliance and enhance public credibility in the process.
7. Full **access to the factories** by monitors for unannounced and announced inspections.
8. **Public transparency** including periodic public reports on code compliance and how instances of non-compliance are addressed.

### B. Stakeholders

The Principles are general in that they address the overall impact of a company on society. However, within this they do relate to specific stakeholders such as communities, employees, and suppliers.

### C. Performance

The standard is performance focused and requires the following actions:

**Communities**: (a) *National Communities***:** The company values being a good corporate citizen in all its locations and holds it to be the responsibility of every employee to ensure that there is full compliance with all internationally recognized human rights, labour, health and safety standards; (b) *Local Communities:* Each company needs to recognize its political and economic impact on local communities especially where it is the principal employer. Its programmes, policies and practices can serve as a vehicle for advancing a broad spectrum of human rights within each country where they operate. However, a company needs to consider withdrawing its operations from a specific country where there are egregious violations of human rights and when there is a legitimate movement from within the country calling for withdrawal.

**Employees**: Employees establish and join workers' organisations without discrimination or interference and engage in collective negotiations to regulate the terms and conditions of their employment. The company provides equal pay for work of equal value, with goals and timelines to implement this policy. The company provides social support to enhance women's economic empowerment. This includes centres for child care, elder care and the care of persons with disabilities. Payment of sustainable living wages and support of sustainable community development;

**Customers, Suppliers and Contractors:** The company ensures that its products and services meet customer requirements and product specifications. The company accepts its responsibility to use its purchasing power to encourage good corporate citizenship among its suppliers. Strong codes of conduct for corporations and suppliers independently monitored by local non-governmental organizations;

**Governance.** Corporate governance policies that balance the sometimes competing interests of managers, employees, shareholders and other company stakeholders.

**Protection of the environment.** The company should adopt high standards and ensure that they are implemented universally regardless of legal enforcement and will continually seek to improve its performance. Careful attention should be paid to ensure that the company's actions do not damage the global environment. Issues such as climate change, biodiversity and pollution prevention are central to this.

Thirteen appendices are a part of the Principles document, including national and international codes and declarations on human rights, sustainable development, the environment, advertising, racial discrimination in employment, boards of directors, rights of workers, and the rights of women, children and the disabled.

## D. Process

The coalition has developed Bench Marks, a measurement tool for the assessment of a company's performance against the Principles for Global Corporate Responsibility pertaining to each stakeholder group. This was developed in 1998 following amendments to the Principles.

## E. Comments

The Principles for Global Corporate Responsibility are a well-established set of Principles that are conducive to other global labour, human rights, and environmental standards. What is interesting is the constituency that is driving this particular set of Principles – faith groups. This can add legitimacy for companies when contemplating the take-up of principles. In practical terms it is not clear the extent to which a detailed management system is either recommended or able to deal with the principles which tend to be at quite a generic level. Nonetheless, the appendices do offer more detailed principles relating to more specific issues and national codes.

## F. Contact Details

TCCR Benchmarking Working Group, 129 St Clair Avenue West, Suite 21, Toronto, Canada, M4V 1N5, Email: tccrsoc@web.net, Web: http://www.web.net/~tccr/benchmarks

Interfaith Center on Corporate Responsibility: Web: www.iccr.org

## 19. Business Impact Task Force – Winning with Integrity Report

### A. Scope and Goal

The Business Impact Task Force was established in 1998 by HRH Prince of Wales. Chaired by Bill Cockburn, Group Managing Director of BT, its brief was to produce material and resources on how companies should measure and report their impact on society. The Task Force included representatives of companies, NGOs, academic institutions and consultancies promoting quality management systems.

### B. Stakeholders

Winning with Integrity covers the whole impact of a company on society and focuses on the key stakeholder groups of:

- Investors and owners
- Customers
- Employees and suppliers
- Environment
- Community

### C. Performance

Winning with Integrity is based on following the following key principles:

- To treat employees fairly and equitably
- To operate ethically and with integrity
- To respect basic human rights
- To sustain the environment for future generations
- To be a caring neighbour in their communities

Winning with Integrity covers seven areas of performance. These are:

*Purpose and Values*: companies that are clear about their purpose and values are found to outperform stock market performance.

*Workforce*: Being an employer of choice requires respect for the talents of individuals regardless of race, gender, disability, age or sexual orientation. It means being fair to all in recruitment, promotion and development of people and capitalising on the added value that diversity brings.

*Marketplace*: A company's impact on society in the marketplace is made up of the impact of what it produces and how it buys and sells. How much value or harm do its core products and services generate?

*Environment*: Business can improve its impact through developing goods and services that have a higher level of environmental performance than their competitors.

*Community*: All businesses have an impact on the communities in which they operate. Managed well, this impact can bring significant benefits to both the community and the business concerned.

*Human Rights*: The link between human rights and UK companies goes further than obeying the law. Companies need to consider not only how they treat their own employees and the communities around them but how their suppliers treat their employees and how they relate to authorities when people's rights are at risk.

*Guiding Principles*: These are dependent on three factors, the business values and purpose, stakeholders' aspirations and needs, and society's benchmarks and best practice, including legal status.

## D. Process

The real strength of Winning with Integrity is that it links the substantive areas of performance with a staged process for implementation, as follows:

### Getting Started

1. Secure commitment - to make any progress at all it is necessary for senior management to make a commitment and to allocate resources

2. Identify external concerns - the topics covered in this report may provide an initial guide. The aim is to ensure you address the issues that are most salient for your own company

3. Review current policies, processes and performance - for what areas do you have policies and where are the gaps? What performance measures, if any, do you have in place?

Once past this initial phase, the process should involve continuous improvement - so it becomes a loop. The remaining steps are as for any management process:

### Getting Results

4. Define strategy, plans and targets and allocate resource - create the plans and provide the means to turn ideas into reality. These must align with both business interest and stakeholder concerns

5. Put into practice - the implementation

6. Measure performance - actions are of little value without measures and an interest in continuous improvement

7. Report and communicate - effective communication is essential for success. Make sure people know about what you have done and can understand and assess your strategies, actions and impacts; and

8. Interact with external parties - some form of external consultation is essential to any meaningful review progress. The sequence continues around the loop in a process of steady refinement.

## E. Comments

The Winning with Integrity report is a wide-ranging comprehensive report that brings together the overall impact and performance of a company with a process to manage and measure it. It is one of the few standards that links the two in such an all-encompassing manner. As a multi-sector partnership it also has legitimacy. What is not clear is how it links to existing management systems or standards, although the sources for indicators are clearly embodied in them.

## F. Contact Details

Business Impact Task Force, 137 Shepherdess Walk, London N1 7RQ, Tel: 0870 600 2482. Email: mallen.baker@bitc.org.uk. Web: www.business-impact.org

## 20. UK Government Sustainable Development Strategy

### A. Scope and Goal

In May 1999 the UK government published "A better quality of life: a strategy for sustainable development for the UK." For the government this means:

- social progress which recognises the needs of everyone;
- effective protection of the environment;
- prudent use of natural resources; and
- maintenance of high and stable levels of economic growth and employment.

### B. Stakeholders

All stakeholders are covered by the sustainable development strategy.

### C. Performance

For the UK, priorities for future performance are defined as being:

- more investment in people and equipment for a competitive economy;
- reducing the level of social exclusion;
- promoting a transport system which provides choice, and also minimises environmental harm and reduces congestion;
- improving the larger towns and cities to make them better places to live and work;
- directing development and promoting agricultural practices to protect and enhance the countryside and wildlife;
- improving energy efficiency and tackling waste;
- working with others to achieve sustainable development internationally.

The Strategy is performance driven as it lays down a series of guiding principles by which performance will be gauged. These are:

1. Putting people at the centre;
2. Taking a long term perspective;
3. Taking account of costs and benefits;
4. Creating an open and supportive economic system;
5. Combating poverty and social exclusion;
6. Respecting environmental limits;
7. The precautionary principle;
8. Using scientific knowledge;
9. Transparency, information, participation and access to justice;
10. Making the polluter pay.

### D. Process

The process by which performance is measured is through the setting of headline and core indicators. It must be stressed however that these are process indicators of government performance.

### E. Comments

The importance of including this standard is to demonstrate to UK organisations the thinking and strategy of one of their most important stakeholders, the government. This is clearly a strategy that must be taken into consideration by organisations when developing their approach to sustainable development.

### F. Contact Details

Website: www.sustainable-development.gov.uk/uk_strategy

## About the SIGMA Project

The SIGMA Project - ***S****ustainability* ***I****ntegrated* ***G****uidelines for* ***M****anagement* was launched in 1999 with the support of the UK Department of Trade and Industry (DTI) and is led by:

- British Standards Institution **-** the leading standards organisation
- Forum for the Future - a leading sustainability charity and think-tank
- AccountAbility **-** the international professional body for accountability.

The SIGMA project has developed the SIGMA Guidelines and a series of tools to provide clear, practical advice to organisations to enable them to make a meaningful contribution to sustainable development.

The SIGMA Guidelines consist of:

- a set of **Guiding Principles** that help organisations to understand sustainability and their contribution to it.
- a **Management Framework** that integrates sustainability issues into core processes and mainstream decision-making. It is structured into phases and sub-phases.

The SIGMA **Toolkit,** consists of targeted tools and approaches to help with specific management challenges, and case studies explaining how organisations have used the SIGMA Guidelines and Toolkit to tackle real issues.

More information including the full SIGMA Guidelines and the accompanying SIGMA Toolkit are available at: www.projectsigma.com.