

# POSITION PAPER



## **WSBI views on the ISO Draft Guidance Standard on Social Responsibility**

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WSBI



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The World Savings Banks Institute (WSBI) is the global voice of savings and retail banking and represents 109 banking institutions in 92 countries, covering Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group.

WSBI member banks across the world have an embedded social commitment to the communities where they operate and this is an integral part of their identity and one of their distinctive features amongst retail banking financial institutions. In most countries today, this commitment to society activities is one of the pillars of a broader socially responsible approach. Savings banks are progressively introducing corporate social responsibility (CSR) concerns in their banking activities and professional practices, for the development of inclusive and innovative CSR policies and programmes. Thus, their involvement stretches from engagement in microcredit, financial inclusion and financial education projects to environmental action, preservation of cultural heritage, fair and clear relations with customers, engagement with stakeholders etc<sup>1</sup>.

WSBI is convinced that social responsibility (SR) can be a key driver for social and economic development and contribute to building more balanced and inclusive societies, both in mature markets and in developing countries. In this respect, it welcomes the International Organization for Standardization (ISO)'s general objective to provide tools and guidance to encourage the taking-up of social responsibility by business, civil society and public actors. It supports the ambition to broaden awareness on the social responsibility concept, to enhance the credibility of committed bodies and to increase customers and stakeholders' confidence.

However, WSBI is concerned by the broad ambition of the ISO initiative, in terms of scope of application and range of topics covered, as well as of the overall coherence of the project with already existing CSR tools. In this regard, the current version of the Draft International Standard (DIS) 26000 would require substantial adjustments, to ensure that the final Guidance document is understandable and usable, and that it brings the required support to achieve the goal of assisting organizations in addressing their social responsibility.

With this constructive approach in mind, WSBI, as a D-Liaison organization in the ISO Working Group on Social Responsibility, submits comments on and proposals for amendments of the DIS 26000 on Social Responsibility.

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<sup>1</sup> For more information about WSBI members' CSR involvement :  
[http://www.esbg.eu/uploadedFiles/ESBG/CSR\\_Activities/study%20esbg%20november%202007screenview.pdf](http://www.esbg.eu/uploadedFiles/ESBG/CSR_Activities/study%20esbg%20november%202007screenview.pdf) and  
[http://www.esbg.eu/uploadedFiles/Publications\\_and\\_Research\\_\(WSBI\\_only\)/WSBICSRreport%20%202007%20screen%20view.pdf](http://www.esbg.eu/uploadedFiles/Publications_and_Research_(WSBI_only)/WSBICSRreport%20%202007%20screen%20view.pdf)

## **1. General comments**

### **1.1. Extent of the scope of application**

The Guidance Standard is being defined with the objective of being applicable to all types of organizations. Although the concept of “organizations” is not clearly defined (cf. comment under 1.4.), the intention is to include government bodies, NGOs, labor organizations, consumer organizations and private companies, whatever their size or type of activities (industry and services) in the scope of application.

The role and responsibilities of these various types of organizations vis-à-vis the society in general, and environmental and social considerations in particular, vary according to their status, the mission for which they have been set up, and also their size and sector of activity. SR expectations of a government body cannot for example be compared to and put on an equal footing with the commitment to sustainability of a local NGO involved in the defense of natural resources or of a multinational oil company. While the former has received a mandate to define and protect the general public interest, the latter aim at defending and representing the specific interests of a particular sector of society or stakeholders’ group.

It would therefore be misleading to assign them with identical SR prescriptions and guidance. This could lead to possible contradictory or even conflicting implementation of the ISO Guidance, which would go against the end objective of the Standard. Besides, the volume of the Standard could prove difficult to put into practice for smaller organizations (cf. comment under 1.4.). It is also important to clarify that the practical application of a number of recommendations will prove difficult in the particular context of developing countries, for example with regard to guidance linked to formal employment relationships.

The proposed scope of organizations targeted should be clarified, and the Guidance individualized by type of organizations to which it should be applied.

### **1.2. Relevance of all core subjects**

WSBI understands the “Core Subjects” as the pillar activities which form the social responsibility involvement of organizations. The proposed list of 7 core subjects (Organizational Governance, Labor Practices, Human Rights, Environment, Fair Operating Practices, Consumer Issues, Community Involvement and Development) is ambitious but includes a number of topics which are already well covered, if not by national regulations, by international policy and regulatory conventions and agreements. This is specifically the case for Human rights and Labor Practices.

WSBI recalls that Social Responsibility, as applied by companies, is based on a voluntary approach and includes all steps taken to integrate social, environmental and stakeholders’ concerns in their business operations, beyond legal obligations. Therefore a guidance document cannot include a mix of principles derived from binding instruments, legally imposed to some of the potential Standard users, and some purely voluntary guidelines. Being socially responsible starts by complying with existing laws and regulations, but the mere compliance with legal obligations cannot be presented as social responsibility.

Besides, the Standard should be developed bearing in mind the role of governments. It is governments' responsibility to set the legal framework under which the private sector develops its activities, and to guarantee that it is effectively implemented and complied with. A properly working legal and regulatory system is a prerequisite for Social Responsibility activities, and it is not the role of the Guidance Standard to substitute the lack of basic rules of law.

The alternative for sections 6.3. on *Human Rights* and 6.4. on *Labor Practices* could be the inclusion of general statements about the importance of those fields as integral parts of a socially responsible approach. A reminder on the relevant international regulatory and conventional framework and examples of good social responsibility practices in these areas could usefully be added.

As far as 6.8. *Community Involvement and Development* is concerned, the Guidance should better recognise the direct impact that business players' activities can have on local development, in addition to that derived of their economic activity, be it the improvement of living conditions, the support to social and economic development or greater social cohesion. This is especially true of proximity economic actors such as savings banks, thanks to their local anchorage and long-term vision of their operations. Besides, WSBI would recommend that community involvement activities of organizations should be disclosed in relative terms, i.e. as a percentage of pre-tax return. This measurement would be fully consistent with the existing reporting prescriptions of the GRI<sup>2</sup>, and would allow a better comparison between institutions of different sizes.

It should also be clarified that it is up to a user organization to decide which core subject(s) it will focus on. The opportunity to opt for all, or only some, of the core subjects and to progressively introduce all SR aspects as a result of a dialogue with stakeholders, should be underlined. This is important in the perspective of encouraging smaller organizations, or organizations from countries not so familiar with the socially responsible concept, to get started. Besides, organizations should be able to integrate SR principles in their strategy and implement SR processes at their own pace and following their own priorities. An explicit statement on this approach should be introduced in part 6.1. *General remarks on Social Responsibility Core Subjects*.

### 1.3. Convergence with other CSR tools

The Guidance Standard intends to complement other SR instruments and initiatives. Indeed, a number of regional or national, individual or sectoral, publicly or privately-driven codes of conducts, charters, conventions or self committing rules have been defined etc<sup>3</sup>.

In order to usefully complement already existing guidelines on SR, the Guidance Standard should clearly mention that its application is only relevant for those organizations and areas not yet governed by more specific provisions. It should also indicate explicitly that users select relevant portions that are complementary to their existing initiatives. This would clarify the overall SR framework an organization voluntarily commits to, would avoid overlaps and guarantee the overall convergence of the SR guidelines.

Regarding the specific case of respect of human rights, it is important to underline that section 3 of the Guidance is consistent with the framework proposed by Prof. John G. Ruggie, Special Representative of the UN Secretary General for Business and Human Rights<sup>4</sup>. In particular, the concept of "sphere of influence", which states that there is not a necessary link between an organisation's ability to influence and the responsibility to influence, is well reflected. The same alignment should be made throughout the document to ensure that the document is internally consistent, and primarily in sections 5.2.3. *Social responsibility and the organization's sphere of influence*

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<sup>2</sup> Global Reporting Initiative,

<http://www.globalreporting.org/NR/rdonlyres/54B51A96-FDD0-4E5C-9F13-FDC8C48AA209/2488/RGFSSS17finalcorrvers170209pdf.pdf>

<sup>3</sup> ESG Charter for Responsible Business

<http://www.esbg.eu/uploadedFiles/ESBG/charter%20screen%20view.pdf> as an example

<sup>4</sup> <http://www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf>

and 7.2.3.1. *Assessing an organization's sphere of influence*. It is indeed crucial to clarify that for all SR aspects, organizations cannot assume responsibility for the actions of others over which they may have some influence. They can only be invited to take steps in a process of due diligence that ensure that their own operations are in order and that they do not inadvertently create problems through their relationships.

#### **1.4. Usability of the Standard for all organizations**

WSBI is of the opinion that the DIS could be upgraded so that the final Guidance document becomes a more user-friendly and helpful instrument for those organizations wishing to enhance their social responsibility:

- some key terms and definitions would need to be clarified to avoid any possible confusion and misunderstanding and prevent uncertainties, and potentially conflicts, in interpretation (e.g. stakeholder=“*individual or group that has an interest in any decision or activity of an organization*”, organization=“*entity with identifiable objectives and structure*”);
- it is essential to ensure that all language versions refer to the same concepts and notions and this can only be achieved if the reference version, ie the English version, uses well defined and clear vocabulary (e.g. need for clarification when “*should*”, “*can*”, “*may*”, “*might*”, “*welfare of society*” are repeatedly used);
- the current volume of the document should be reconsidered, especially since it is not easily understandable and accessible for non experts and people/organizations who have not taken part to the WG discussions. Therefore a shorter practical guide should be produced, without losing substance, with a view to be more practical and usable for concrete implementation by users.

### **2. Specific comments for banking activities**

#### **2.1. 6.3.7 Human rights issue 5: Discrimination and vulnerable groups (page 27)**

The document mentions (l. 1269) that “*Discrimination involves any distinction, exclusion or preference that has the effect of nullifying equality of treatment or opportunity, where that consideration is based on prejudice rather than a legitimate ground*”. Illegitimate grounds would include gender and age (l. 1271).

For the banking sector in general, and WSBI/ESBG in particular, it is important to clarify that age and disability are legitimate and necessary factors for the assessment of risk, based on relevant and accurate actuarial or statistical data. This can justify a proportionate difference of treatment in the design and pricing of some of the products offered, especially the provision of credit or pension products.

#### **2.2. 6.6.5 Fair operating practices issue 3: Fair competition (page 48)**

Fair competition is an area which should not be left to a socially responsible approach by any type of organizations, and especially not to companies. Fair and loyal conditions of competition should be organized by law, with the overall objective of guaranteeing a level playing field for all market players. It is part of the oversight of the public economic order, which should be placed under the control of public authorities.

#### **2.3. 6.7. Consumer issues (page 50) and 6.7.3.2 Related actions and/or expectations (page 52)**

The document mentions that when communicating with consumers, an organization should: “*openly disclose total prices and taxes, terms and conditions of the products and services as well as any accessory required for use and delivery costs. When offering consumer credit, provide details of the actual annual interest rate as well as the average percentage rate charged (APR), which includes all the costs involved, amount to be paid, number of payments and the due dates of installment payments*” (l. 2312). In a substantial number of countries, consumer credit is already governed by strict information of consumers’ rules. Including this type of detailed recommendation in a Social Responsibility-related guidance could be

misleading and introduce possible confusion as to what can be expected from financial services providers.

The document also refers to “*all relevant aspects of products and services, including financial and investment products, ideally taking into account the full life cycle*” (l. 2322). Again information of consumers on financial and investment products is regulated by law in a number of countries and often with specific requirements for the different categories of products and services on offer. This kind of general statement would not serve the interest of consumers and be a source of uncertainty as to the elements which should be brought to their knowledge.



## About WSBI – The Global Voice of Savings and Retail Banking

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 92 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESG, the European Savings Banks Group). WSBI works closely with international financial institutions and donor agencies and facilitates the provision of access to financial sectors worldwide – be it in developing or developed regions. At the start of 2008, assets of member banks amounted to more than € 10,000 billion, with operations through more than 380,000 branches and outlets.

WSBI members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. WSBI member banks have reinvested *responsibly* in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout the world.

Please visit [www.savings-banks.com](http://www.savings-banks.com) for more information.



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