

# Conference on Standardized Corporate Social Responsibility Reporting

## **Stavros Gadinis Solution**

Standardization has both substantive and legitimacy benefits. From a substantive standpoint, by pooling resources and stakeholders to deliberate on common standards, policymakers are more likely to arrive at an effective solution. From a legitimacy perspective, reporting on common standards allows companies to make clear commitments that are easier to monitor and compare across markets. Moreover, standardization allows market players to acquaint themselves with a single rulebook, and thus better understand how companies apply the rules and spot gaps and inconsistencies.

### **What reporting standards should apply?**

I can imagine three different types of standards. First, metrics benchmarking performance, often expressed by corporations as KPIs. Those help provide a snapshot for company conduct and provide the necessary heft when companies might otherwise have preferred vague statements. Metrics should be preferable where possible, but certain issues are hard to depict through metrics, thus necessitating a second type of standard, qualitative disclosures. For example, climate change's impact to the company, or aspects of company culture relating to race and gender, are harder to capture through metrics. Finally, a third set of governance standards will ultimately be required to ensure stakeholders that management is on top of developments and can address the conflicts of interest that may arise.

### **Who should determine the standards?**

In previous work (Three Pathways to Global Standards) I have explored the tradeoffs associated with different types of standard-setters. Private bodies are more likely to produce standards informed by industry practice and easier to reform post-adoption, but it may take a while until they convince governments to endorse them as mandatory. Regulatory agencies tend to focus on their own jurisdiction's needs and particularities and may not produce standards that travel as easily across institutional structures in various jurisdictions. Finally, governments have the tools to mandate standards quickly and effectively, but these standards are harder to revise post-adoption and likely to face greater obstacles in enforcement. Based on the above, I believe that we need to reach out for a private, independent standard-setting body more likely to avoid accusations of submitting to local political pressures. The legitimacy of this body will be in question, but it needs to be upheld, so that the standards can be adopted directly into national law, or at least serve as the most powerful template.

### **What constitutes responsible behavior?**

Corporate behavior will be seen as responsible when: a) it is based on scientific knowledge, expertise, and research, b) it is informed through stakeholder input, and c) represents a credible commitment that can be monitored and enforced.