

## How self-regulatory advertising standards support Corporate Social Responsibility (CSR)

This paper seeks to explain the relationship between self-regulatory advertising standards and Corporate Social Responsibility (CSR), with a special focus on reporting standards such as those of the Global Reporting Initiative (GRI).

### 1. Responsible advertising is one aspect of CSR

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Corporate Social Responsibility (CSR) refers to business-led initiatives aimed at making organizations, and especially profit-making businesses, accountable for the impact of their activities on all aspects of society including economic, environmental, social and cultural aspects. Concretely, CSR means that companies must consider this impact across all their segments and activities, whether IT, operations, sales, human resources, or marketing.

**Responsible marketing is one of the components of a comprehensive CSR policy.** And this is where advertising Self-Regulatory Organizations (SROs) come into play. SROs are bodies set up by the different components of the advertising industry to collectively manage the responsible marketing commitments of companies, notably by developing and enforcing self-regulatory advertising standards.

***Overview Table: Corporate Social Responsibility and advertising standards***

	CSR	Advertising standards
<b>Common points</b>	<ul style="list-style-type: none"> <li>• Initiatives aimed at promoting <b>responsible business practices</b>, i.e. ensuring that companies have a positive impact on society</li> <li>• A <b>global, principles-based framework</b> is implemented at national (and regional) level, sometimes requiring local adaptations</li> <li>• The process for setting standards and for implementing them involves <b>several stakeholders</b> from within the private sector and beyond</li> </ul>	
<b>Differences</b>	<ul style="list-style-type: none"> <li>• All aspects of business activities</li> <li>• CSR/Compliance department within firms</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing and advertising activities of firms</li> <li>• Marketing department within firms</li> </ul>

## 2. Some concrete examples

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CSR and advertising self-regulation often work in tandem to promote robust responses to societal concerns. Here are just a few examples illustrating ways in which advertising self-regulation can support CSR efforts of companies.

### A. “Pledges” and the promotion of healthy eating

In the early 2000s, major companies in the food and beverage industry decided to commit collectively to limit the exposure of young children to advertising for food and beverage products, in an effort to prevent child obesity. Often called “pledges”, these programs also exist at national level. In Spain for instance, the government agreed a strategy for nutrition, physical activity and prevention of obesity (called NAOS) with the food industry. Among the many programs developed under the strategy, the PAOS code on food marketing to children is enforced by AUTOCONTROL, the Spanish SRO.

Generally speaking, SROs can act as facilitators to develop and monitor voluntary commitments by companies, such as commitments to reduce the exposure of young children to food and beverage ads. Advertising self-regulation also works to ensure compliance of participating companies by reporting instances of non-compliance, where applicable.

### B. Environmental claims

As part of their sustainability commitments, many companies seek to offer more environmentally friendly products and services to consumers. By monitoring environmental claims, SROs make sure that competition among firms is fair, and that consumers are not misled into believing that a company, service, or product is more environmentally friendly than it really is. Back in 1998, ARPP in France launched the first version of its Sustainable Development Code, later called “Ecological Arguments”. It was one of the first SROs to launch awareness campaigns against ‘greenwashing’. Its actions and that of many other SROs worldwide help consumers better understand the true value of the many environmental labels and claims used by companies in ads.

### C. Compliance and SRO certifications

Different CSR certification programs and awards exist globally (e.g. Certified B Corporations, LEED, True Zero Waste, etc.). Similarly, some national and international advertising self-regulatory programs allow companies to demonstrate their commitment to responsible advertising practices by obtaining a certificate or an award.

In Europe for example, the European Interactive Digital Advertising Alliance (EDAA) runs a program allowing companies that meet high responsibility standards around transparency and control in online digital advertising to receive an industry ‘Trust Seal’ (following independent verification of compliance) demonstrating that they comply with good practices set in self-regulatory principles around online behavioral advertising (OBA). At national level, some SROs allow companies to display their commitment to responsible advertising via a badge showing that they are an active member of the SRO, or via a dedicated certification program such as the CSR certificate granted by AUTOCONTROL to its members in Spain.

## D. The interesting case of South Africa

Although the South African example is unique, it provides an interesting practical illustration of the link between advertising self-regulation and CSR.

In South Africa, the Broad Based Black Economic Empowerment (BEE) policy is an official government policy that seeks to advance the economic status of Black people (African, Coloured and Indian people who are South African citizens). It is supplemented by various industry Codes and other self-regulatory initiatives such as the [Marketing, Advertising and Communication \(MAC\) Code](#).

In practice, companies receive points based on their compliance with BEE-inspired standards. Their BEE 'status' is important for their reputation, and for their ability to enter into commercial contracts, especially public contracts.

In the MAC Code, there are five points which are administered by the South African Advertising Self-Regulatory Organization, the Advertising Regulatory Board (ARB). A company can receive:

- 3 points for having no adverse ARB rulings against them;
- 2 points for money spent on socially responsible marketing campaigns and/or for giving a donation to the ARB.

In other words, by supporting and complying with the decisions of the local system of advertising self-regulation, companies can directly enhance their BEE - and therefore their CSR - score.

## 3. Advertising standards in CSR reporting

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### A. The GRI Standards: a global framework for CSR reporting

To demonstrate their commitment to CSR, organizations regularly issue reports assessing their social, economic and environmental impact. According to the [2017 KPMG Survey of Corporate Responsibility Reporting](#), 93% of the world's largest 250 corporations report on their sustainability performance.

At global level, the Sustainability Reporting Standards of the Global Reporting Initiative or [GRI Standards](#) are the first and most widely adopted global standards for CSR reporting. They include detailed guidance on several aspects of companies' sustainability efforts. Created in 1997, they are regularly updated to reflect changing practices and expectations. Updates to the standards often take into account input not only from companies, but also from civil society organizations, trade unions, and public authorities.

### B. Advertising standards in the GRI Standards

**GRI Standard 417 on Marketing and Labeling** requires companies to disclose incidents of non-compliance concerning:

- (i) product and service information and labeling and,
- (ii) marketing communications, including non-compliance with voluntary codes such as the [ICC Code of Advertising and Marketing Practice](#).

This requirement is however phrased in general terms. It does not specifically require companies to disclose:

- (i) their adherence to advertising self-regulation systems;
- (ii) their use of preventive tools such as voluntary prior control of marketing campaign material by SROs (so-called “copy advice”);
- (iii) the number and nature of consumer and/or competitor complaints lodged against their ads;
- (iv) SRO decisions concerning such complaints.

***Extract from the GRI Standards – GRI Standard 417-3 “Incidents of non-compliance concerning marketing communications”***

REPORTING REQUIREMENTS

The reporting organization shall report the following information:

a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:

- (i) incidents of non-compliance with regulations resulting in a fine or penalty;
- (ii) incidents of non-compliance with regulations resulting in a warning;
- (iii) incidents of non-compliance with voluntary codes.

b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.

2.2 When compiling the information specified in Disclosure 417-3, the reporting organization shall:

2.2.1 exclude incidents of non-compliance in which the organization was determined not to be at fault;

2.2.2 if applicable, identify any incidents of non-compliance that relate to events in periods prior to the reporting period.

GUIDANCE

The incidents of non-compliance that occur within the reporting period can relate to incidents formally resolved during the reporting period, whether they occurred in periods prior to the reporting period or not.

BACKGROUND

Marketing is an important method of communication between organizations and customers, and is subject to many regulations, laws, and voluntary codes, such as the International Chamber of Commerce (ICC)’s Consolidated Code of Advertising and Marketing Communication Practice.

An organization is expected to use fair and responsible practices in its business and dealings with customers. Fair and responsible marketing requires the organization to communicate transparently about the economic, environmental, and social impacts of its brands, products, and services. Fair and responsible marketing also avoids any deceptive, untruthful, or discriminatory claims, and does not take advantage of a customers’ lack of knowledge or choices.

## 4. Issues for discussion with the CSR community

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Going forward, ICAS is keen to initiate a dialogue with the GRI and the CSR community to discuss ways that sustainability reporting could better take into account the performance of companies vis-à-vis applicable advertising standards. Among the issues to be discussed, we wonder whether the following indicators might usefully be included in a future version of global reporting standards on marketing communications:

**1) an indicator specifying the degree to which a company adheres to advertising standards and advertising self-regulation systems.** Such an indicator could specify, for instance:

- (a) whether a company is member of, or otherwise supports, SROs in the different markets in which it operates;
- (b) the compliance rate of the company as a result of an industry-wide monitoring exercise, if applicable;
- (c) the number of complaints on the ads and other marketing communications of the company received by SROs in the relevant reporting year, both for complaints upheld and not upheld;
- (d) compliance with SRO decisions (e.g. when an ad needs to be amended or removed).

**2) information and/or statistics on the use of preventive measures such as pre-clearance and pre-advice in the relevant reporting period** (see the glossary in annex for more details).

## 5. Get in touch

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If you wish to discuss further or to share additional examples not included in this paper, please contact the ICAS Secretariat at [info@icas.global](mailto:info@icas.global).

## Annex: Glossary

<b>Advertising standards</b>	Self-regulatory principles (sometimes called “Codes of conduct”) or programs aimed at ensuring that advertisements and all forms of marketing communications are prepared with a due sense of social responsibility. Among the basic principles incorporated in ad standards worldwide are the fact that ads should be legal, decent, honest and truthful. Moreover, ads should conform to the principles of fair competition, as generally accepted in business.
<b>Copy advice</b>	Provision by an SRO of an opinion as to whether an ad complies with advertising rules prior to the release of the ad. The advice is provided on a confidential basis and is usually non-binding. It may include suggestions of amendments to ensure compliance with the rules. Copy advice is provided upon the request of advertisers, agencies or the media.
<b>Corporate Social Responsibility (CSR)</b>	Self-regulatory initiatives aimed at making organizations, and especially profit-making businesses, accountable for the impact of their activities on the economy, environment and society.
<b>Global Reporting Initiative (GRI)</b>	Based in Amsterdam (Netherlands), the GRI is an independent international organization which has pioneered sustainability reporting since 1997 and which works to promote responsible practices by businesses. See <a href="https://www.globalreporting.org">https://www.globalreporting.org</a> for more details.
<b>International Chamber of Commerce (ICC) Marketing Code</b>	First introduced in 1937, the ICC Marketing Code or ICC Advertising and Marketing Communications Code is generally considered as the ‘gold standard’ of advertising self-regulation. The ICC Code serves as the cornerstone for many national and regional Codes. Its 10 <sup>th</sup> edition was released in September 2018. See <a href="https://iccwbo.org/publication/icc-advertising-and-marketing-communications-code/">https://iccwbo.org/publication/icc-advertising-and-marketing-communications-code/</a> for more details.
<b>International Council for Advertising Self-Regulation (ICAS)</b>	ICAS is a global platform that promotes effective advertising self-regulation. ICAS members include Self-Regulatory Organizations and other national, regional and international bodies working to ensure that adverts and marketing communications are legal, honest, truthful and decent. As of 1 September 2019, ICAS had 30 member organizations active in all major regions of the world: Europe, the Americas, Asia-Pacific, Africa and the Middle East. See <a href="https://icas.global">https://icas.global</a> for more details.
<b>Pre-clearance</b>	Examination of an advertisement by a regulatory body, usually as a compulsory pre-condition before it is published or transmitted.
<b>Self-Regulatory Organization (SRO)</b>	Body set up and funded by the advertising industry to apply a Code or rules aimed at ensuring that advertisements are ethical and socially responsible.