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measuring IMPACT

Framework Methodology

Understanding the business contribution to society

World Business Council for Sustainable Development

IFC International Finance Corporation
World Bank Group

Acknowledgements

The Measuring Impact Framework was developed by business for business. We are also extremely grateful for the active engagement and support of the measuring impact working group who contributed to the creation of the methodology and endured many hours of discussion and editing to produce the final Framework. In particular, we would like to thank those companies in the working group who were brave enough to pilot the Framework when it was in its infancy. We would like to express our sincere appreciation to Environmental Resource Management (ERM) who led this work on behalf of the WBCSD membership and Peter Rowley and Kate Sullam in particular, for their leadership and invaluable expertise in the field of impact assessments.

Measuring Impact Working Group

The Framework has also benefited greatly from a highly engaged set of external stakeholders from academia, development agencies, non-governmental organizations and multilateral organizations who have provided honest and constructive feedback over the course of the Framework's development. They have challenged and supported the WBCSD to build a Framework that encourages business to engage more thoughtfully in this thing called development.

External stakeholders

- Alex Arnall (Independent consultant)
- Jason Bauer and Rebecca Tunstall (Millennium Challenge Corporation)
- W. Robert de Jongh (SNV - Netherlands Development Organization)
- Sean Gilbert (Global Reporting Initiative)
- Beth Jenkins (CSR Initiative, Harvard University)
- Liane Lohde (Development Effectiveness Unit, International Finance Corporation)
- Sujata Lamba and Weijen Leow (SME Linkages Unit, International Finance Corporation)
- Anthony Miller (Corporate Transparency Unit, UN Conference on Trade and Development)
- John Morrison (Business Leaders Initiative on Human Rights)
- Mokhethi Moshoeshoe (African Institute of Corporate Citizenship)
- Michael Oxman (Business for Social Responsibility)
- Dr. Norman Reynolds (The People's Agenda, South Africa)
- Johan Verburg (OxfamNovib)
- Helene von Granitz (Swedish National Institute of Public Health)
- Sheri Willoughby (World Resources Institute)
- Jo Zaremba (Oxfam GB)

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Foreword by the World Business Council for Sustainable Development

According to Chinese philosophy "a journey of a thousand miles begins with a single step."

As members of the World Business Council for Sustainable Development's (WBCSD) Development Focus Area steering committee, we believe that globalization can be more inclusive and its benefits shared more widely. As leaders, we are committed to playing our part in lifting people out of poverty and into the formal economy by doing what we do best - business. We believe that economic stability brings positive change that should help to address other challenges, including climate change, pollution, resource depletion, and demographic shifts. We recognize that all of this is easier said than done and progress can only be monitored by building long-term measures into our definition of success.

With this in mind the WBCSD embarked on a journey in the spring of 2006 to create a framework to enable business to measure its impact on society. The ensuing process built upon previous work by the Council, and has sought broad input from all sectors in the development community, in an endeavor to create a unique approach enabling companies to do better business – business that is both profitable and helps to address some of the world's major challenges such as endemic poverty and ecosystems degradation. This initiative has drawn heavily upon other pioneering approaches adopted by companies from different industrial sectors and geographic contexts.

The result is an over-arching framework that is designed to guide companies from any sector through a process of measuring, assessing and managing their impacts on society wherever they operate.

This *Measuring Impact Framework* is being released at the halfway point on another journey – the journey towards the Millennium Development Goals. We know that unless the pace of change accelerates, it is unlikely that this journey will reach its desired end. In the spirit of "what gets measured gets done", we hope that this framework will help business play its part in the successful delivery of these goals.

Paul Hanrahan,
President and CEO, AES Corporation

Sir Mark Moody Stuart
Chairman, Anglo American

Dr. Robin Bidwell CBE
Executive Chairman, ERM

Roberto Salas,
Chairman and CEO, GrupoNueva

Foreword by the International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, provides long-term financing and advisory services to private sector clients. We work to maximize the development impact of our clients' activities and to bring about additional benefits to the local communities where they operate.

One of the ways we do this is through Advisory Services that help client companies develop their local supply chain for goods and services. This is the thrust behind the IFC Small and Medium Enterprises Linkages Program, which over the last five years has helped raise revenues for local businesses by about US$ 1.2 billion through procurement contracts. At the same time, these efforts have helped more than 200 small enterprises with limited access to finance obtain about US$ 25 million in bank financing—funding that also helps level the playing field for these businesses. IFC's work, including other community outreach programs such as the IFC Against AIDS initiative, has enabled investment sponsors to become better integrated with their operating environments and enhance their social license to operate. Today, there are over 60 IFC Linkages projects in 35 countries.

Ultimately, IFC's impact and value to clients depend on our ability to track and learn from results. IFC has a long-established framework for measuring development results of private sector investments (www.ifc.org/results). This includes not just assessing financial performance, but also measuring development impact and the sustainability of engagements. An important feature of results measurement is the use of standard indicators, which enable IFC to compare project performance and aggregate results across the portfolio for a consolidated statement of overall impact. We are convinced that learning and adaptation, based on results measurement, can help ensure better design of projects and greater impact.

IFC is pleased to make our standard indicators available to the World Business Council for Sustainable Development, for incorporation into the Council's Measuring Impact Framework. The framework, like the approach IFC takes in measuring results, emphasizes the importance of data and evidence in making informed plans and ensuring continuous improvement. We welcome the opportunity to share our experience in IFC Linkages, including how this affects key areas identified in the Council's Framework, such as jobs, local contracting opportunities, skills and training, and enterprise growth.

We hope that the members of the World Business Council for Sustainable Development will find this a useful tool as they work to bring about better business practices around the world.

Sujata Lamba

Sujata Lamba
Senior Manager and Head of Global Linkages Unit
International Finance Corporation

Summary

In the spring of 2006, the WBCSD embarked on a two-year journey to develop a framework to assess the contribution of business to the economic and broader development goals in the societies where that business operates. This grew out of a request by WBCSD member companies to develop a measurement framework that could underpin the license to operate, improve the quality of stakeholder engagement, help manage risks more effectively and identify ways to enhance the business contribution to society.

The companies requested a clear and practical measurement methodology that could be adapted to different business sectors, be used by operations anywhere in the world and be tracked over time. Unlike environmental impact assessments (EIAs) or environmental, social and health impact assessments (ESHIAs) that are normally carried out as part of due diligence to determine future potential impacts arising from a greenfield or brownfield business investment, they wanted to be able to measure actual impacts at any stage in the life cycle of an operation.

The resulting Measuring Impact Framework is designed to help companies understand their contribution to development and use this understanding to inform their operational and long-term investment decisions and have more informed conversations with stakeholders.

The Framework's output is not designed to be rolled up for corporate reporting purposes. However, companies may choose to communicate results to external audiences and use the assessment to improve the quality of their reporting.

Key features of the WBCSD Measuring Impact Framework

- **Grounded in what business does** – built by business for business
- **Moves beyond compliance** – attempts to answer questions about what business can contribute beyond traditional reporting
- **Encourages stakeholder engagement** – supports open dialogue with stakeholders to create a shared understanding of business impacts and societal needs, and to explore what business can and cannot do to address these needs
- **Flexible** - designed for any business and/or industry at any stage in its business cycle, operating anywhere in the world
- **Complements existing tools** – makes use of what is already out there (for example, the Global Reporting Initiative and IFC Performance Standards).

Primary users

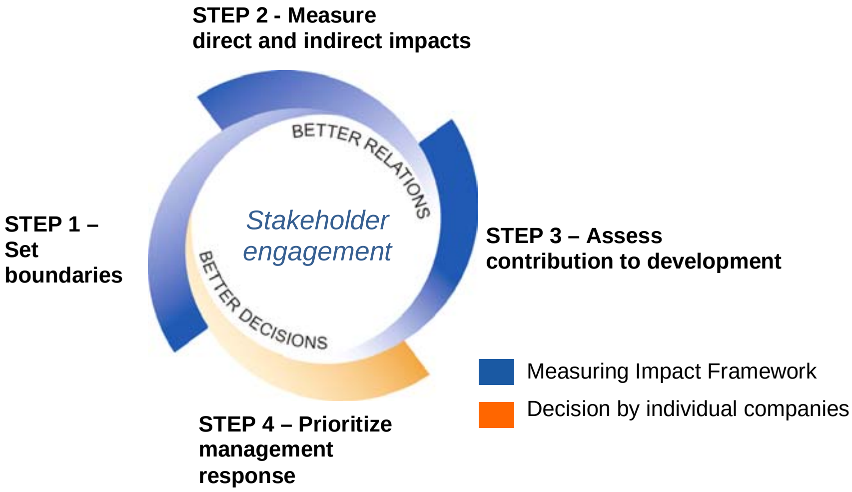
The output from the Framework is designed for company decision-makers on a site or product line, and/or at a country level. The assessment itself should be carried out by a skilled practitioner (internal or external) with company involvement. While the Framework has been developed for operational managers, different people within the company, such as procurement and tax advisors, may also use the Framework to refine company policy and/or strategies.

Approach adopted in the Framework

The Framework is based on a four-step methodology that attempts to merge the business perspectives of its contribution to development with the societal perspectives of what is important where that business operates. It is rooted in a business approach and begins with measuring what business does through its business activities. The business activities are grouped into four clusters:

1. Governance & Sustainability *(Corporate Governance* and *Environmental Management)*
2. Assets (*Infrastructure* and *Products & Services)*
3. People *(Jobs* and *Skills & Training)*
4. Financial Flows *(Procurement and Taxes)*

The four-step methodology:



STEP 1 – SET BOUNDARIES

"Define your business"

Determine the scope and depth of the overall assessment in terms of geographical boundary and types of business activities to be assessed.

1.1 Identify the objective(s) for the assessment

1.2 Define the geographic area of the assessment

1.3 Collect development context information for the assessment area

1.4 Select the business activities to be assessed

STEP 2 – MEASURE DIRECT AND INDIRECT IMPACTS

"Measure your company footprint"

Identify and measure direct and indirect impacts, mapping out what is within the company's control and what it can influence through its business activities.

2.1 Identify the sources of impact for each business activity

2.2 Identify relevant indicators for direct and indirect impacts

2.3 Measure

STEP 3 – ASSESS CONTRIBUTION TO DEVELOPMENT

"Understand your footprint in the development context"

Assess what the company's direct and indirect impacts contribute to the development issues/priorities in the assessment area.

3.1 Determine the level of stakeholder engagement

3.2 Engage with stakeholders to prioritize the development issues (optional)

3.3 Build hypothesis of the business contribution to development

3.4 Test hypothesis with stakeholders and refine the overall assessment (optional)

STEP 4 – PRIORITIZE MANAGEMENT RESPONSE

"Make better-informed decisions"

Extract the key risks and opportunities relative to the company's societal impact and based on this, develop the management response.

4.1 Identify priority areas for action

4.2 Consider possible management responses and prepare recommendations for management

4.3 Decide on way forward

4.4 Develop indicators to monitor progress

While active stakeholder engagement is listed as optional in Step 3, the Framework does encourage companies to engage with stakeholders. In the event that companies see too many risks in engaging in Step 3, Step 4 advises companies to consider actions that would facilitate an active engagement process with stakeholders the next time they carry out the assessment in the area.

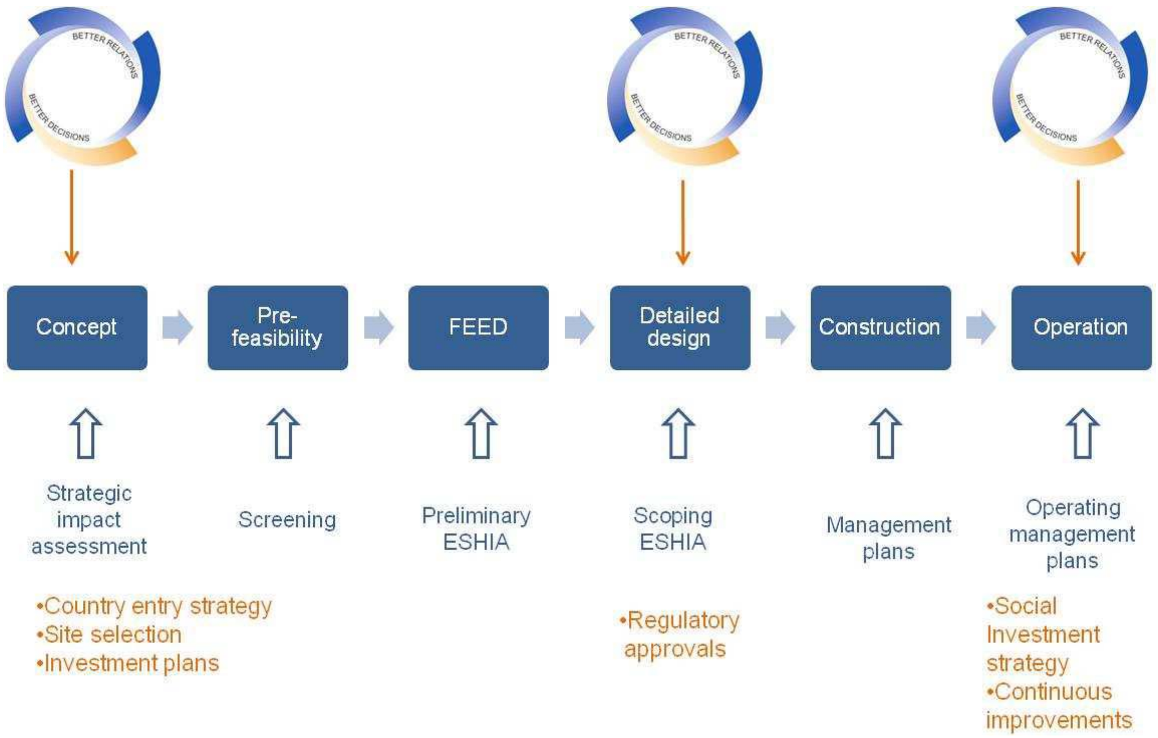
Introduction

In the spring of 2006, the WBCSD embarked on a two-year effort to develop a framework to help measure and assess the contribution of business to economic and broader development goals in the societies where business operates. This grew out of a request by WBCSD member companies to develop a measurement framework that could underpin the license to operate, improve the quality of stakeholder engagement, help manage risks more effectively and identify ways to enhance the business contribution to society.

The companies requested a clear and practical measurement methodology that could be adapted to different business sectors, be used by operations anywhere on the globe and be tracked over time. The resulting Measuring Impact Framework is designed to help companies understand their contribution to development and use this understanding to inform their operational and long-term investment decisions and have better-informed conversations with stakeholders.

Unlike environmental impact assessments (EIAs) or environmental, social and health impact assessments (ESHIAs) that are normally carried out as part of due diligence to determine future potential impacts arising from a greenfield or brownfield business investment, the Measuring Impact Framework aims to measure actual impacts at any stage in the life cycle of an operation.

Figure 1 – Measuring Impact integration with ESHIAs



The Framework's output is not designed to be rolled up for corporate reporting purposes. However, companies may choose to communicate results to external audiences and use the assessment to improve the quality of their reporting.

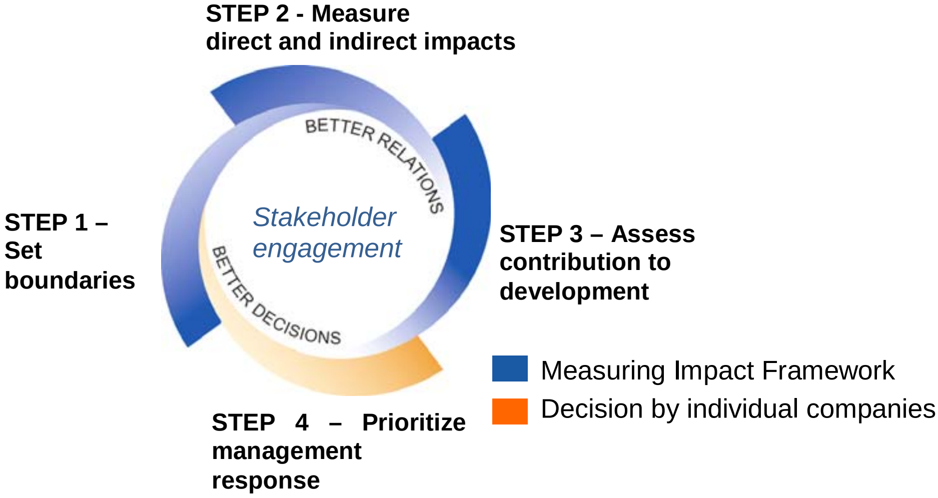
Primary users

The output from the Framework is designed for company decision-makers on a site or product line, and/or at a country level. The assessment itself should be carried out by a skilled practitioner (internal or external) with company involvement. While the Framework has been developed for operational managers, different people within the company, such as procurement and tax advisors, may also use the Framework to refine company policy and/or strategies.

Framework approach

The framework is based on a four-step methodology that attempts to merge the business perspectives of its contribution to development with the societal perspectives of what is important where that business operates. It is rooted in a business approach and begins with measuring what business does through its business activities.

Figure 2 – Four-step methodology



How to use this Methodology

There is no "one size fits all" way to use this methodology. It is designed as a guide to a learning journey that will help companies better understand their societal impacts. Companies can consider iterating back to different steps of the Methodology at any time during the assessment if they feel the information gathered is not sufficient to move forward. For example, it may be necessary to add more business activities, redefine the geographic area of assessment, and/or refine the indicators to emphasize the key impacts.

In order to appropriately tailor it to the business and its operating context, as well as ensure follow-up actions are taken, companies are encouraged to make the assessment as participative as possible, consulting people both within and if possible external to the firm. Due to the fact that the methodology asks companies to look across a variety of business activities and assess the way they interact with each other and impact development, it is important that the assessment involve many different functions within the organization.

STEP 1 – SET BOUNDARIES

Determine the scope and depth of the overall assessment in terms of geographical boundary (local versus regional) and types of business activities to be assessed.

STEP 2 – MEASURE DIRECT AND INDIRECT IMPACTS

Identify and measure the direct and indirect impacts arising from the company's activities, mapping out what impacts are within the control of the company and what it can influence through its business activities.

STEP 3 – ASSESS CONTRIBUTION TO DEVELOPMENT

Assess to what extent the company's impacts contribute to the development priorities in the assessment areas.

STEP 4 – PRIORITIZE MANAGEMENT RESPONSE

Based on steps 2 and 3 extract the key risks and opportunities relative to the company's societal impact, and based on this, develop an appropriate management response.

While active stakeholder engagement is listed as optional in Step 3, the Framework does encourage companies to engage with stakeholders. In the event that companies see too many risks in engaging in Step 3, Step 4 advises companies to consider actions that would facilitate an active engagement process with stakeholders the next time they carry out the assessment in the area.

The business activities

The business activities included in the Framework are based on input from WBCSD member companies. They are grouped into four clusters:

1. ***Governance & Sustainability*** – the governance and sustainability policies and practices followed and managed by the company. It includes the business activities of *Corporate Governance* and *Environmental Management.*
2. ***Assets*** - the creation of assets or resources by a company for use by individuals, groups or institutions, which have value beyond their creation. It includes the business activities of *Infrastructure* and *Products & Services.*
3. ***People*** - the human side of business operations, including the people employed and trained by the company. The business activities include *Jobs* and *Skills & Training.*
4. ***Financial Flows*** - The financial contribution of a company to the community in which it operates. The business activities include *Procurement and Taxes.*

Detailed descriptions of the business activities and relationship to development are given below.

GOVERNANCE & SUSTAINABILITY - Corporate Governance
The OECD states, that "Corporate Governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."[12] The Measuring Impact Framework builds on the OECD principles of Corporate Governance to include the governance procedures, principles and practices concerning the way in which a business operates. It emphasizes business ethics, voice and accountability and compliance with international and national standards on issues concerning relations with employees, government, the local community and suppliers with reference to pertinent human rights and International Labour Organization (ILO) conventions.
Relationship to development Corporate governance may impact various aspects of economic and societal development. It is most closely linked with country governance, human rights and economic growth, but depending on the local context it can have a large impact on poverty alleviation, social stability, public health and environmental sustainability among other issues. At an institutional level, businesses can help to raise standards of governance in a country by being transparent and implementing good practices across industries and geographic areas. On the other hand, business can hinder good country governance if it engages in corrupt practices and other illegal processes. The importance of a well-functioning public governance system for the achievement of development goals such as economic growth and poverty alleviation has been well documented by various international agencies (e.g., World Bank, OECD and Transparency International). At a societal level, allowing individuals to voice concerns is central to the UN conventions on human rights. The opportunity to participate in elections and/or company stakeholder consultations affects the ability of individuals and groups to improve their lives. However, according to Amartya Sen in *Development as Freedom*,[3] institutional rights to exercise voice (such as to participate in elections or in company stakeholder consultations) will remain void as long as certain conditions remain unfulfilled (e.g., if the electorate cannot obtain independent information prior to taking a stand on a particular issue). Therefore, the ability of stakeholders to make their voice heard depends not only on their formal rights and institutional channels to express their views, but also on their degree of social and economic empowerment. Impeding factors may include: lack of access to information due to language barriers, lack of social organization due to civil conflict, and the marginalization of certain groups due to their social status (e.g., women, certain castes, etc.). Raising standards of living through the provision of jobs, training, etc. at an individual level helps people to exercise their rights by, for example, making one's voice heard.

Relevance to specific industries and local contexts Corporate governance is an important concern for any company. Some aspects depend on the relative influence of a company on a social group (e.g., the scale of the operation in a country and the depth of the interactions with stakeholders). Certain geographically localized industries such as the extractive industries may pay particular attention to their exchange with local communities, while companies selling products into a developing country may focus on additional aspects of corporate governance including a company's responsibilities to consumers.	
Related activities	Every business activity

GOVERNANCE & SUSTAINABILITY - Environmental Management	
Environmental management encompasses all the policies, procedures, and practices that a business uses to comply with applicable environmental requirements, to mitigate its environmental impact and to continuously improve its environmental performance. Good environmental management by businesses contributes to a region's or geographic area's overall environmental sustainability. Environmental sustainability is the long-term maintenance of ecosystem services and resources for future generations. Achieving environmental sustainability equates to meeting the needs of the present without compromising the ability of future generations to meet their needs. It includes keeping population densities within the carrying capacity of a region, facilitating the renewal of renewable resources, conserving and establishing priorities for the use of non-renewable resources, and keeping environmental impacts below the level required to allow affected systems to recover and continue to evolve. How business interacts with the environment is a key determinant in its ability to maintain its license to operate, innovate and grow.	
Relationship to development Environmental management by one or more businesses can be a key factor in achieving environmental sustainability in a society, and enhancing economic and social development in a region. Business, its stakeholders, and its neighbors cannot function if ecosystems and the services they deliver, such as water, biodiversity, food, raw materials and climate, are degraded. Supportive frameworks and regulations are necessary to put sustainable environmental practices in place and observe them. Business can and often does provide solutions (including technologies) to many of the problems that threaten the environmental sustainability of a region. Combining environmental and economic operational excellence to deliver goods and services with lower environmental impacts and higher-quality-of-life benefits is a key sustainable development strategy for business.	
Relevance to specific industries and local contexts The impact of environmental management practices on development varies significantly by industry and local context. For example, operations of a fossil fuel-fired power plant may require minimal land while logging operations rely on extensive land areas and can have greater biodiversity issues. Conversely, power plant operations usually have greater air quality and solid waste issues compared to sustainable logging practices.	
Related activities	Every business activity

ASSETS - Infrastructure
Infrastructure relates primarily to the physical systems of a country or community. It includes roads, rail lines and other transport infrastructure, energy services, Internet and telecommunications (ITC), water, sanitation, schools, health facilities, etc.[4] These systems are considered essential for enabling economic activity. In the context of this Framework, this business activity will address the creation, maintenance and use of infrastructure aimed at meeting business needs which may or may not be used by the community. Companies wishing to assess the impacts of infrastructure that they deliver and/or operate as a profit-making venture should use the Products and Services business activity.
Relationship to development Physical infrastructure and accompanying services are believed to facilitate primary, secondary and tertiary productive activities that in turn promote economic and social development. Infrastructure improvements are considered vital for industrial productivity, trade facilitation and economic development, as well as improvements in people's quality of life, health, education and skills development. The lack of appropriate infrastructure can hinder economic growth, and in many developing countries it constitutes a major obstacle to development. While infrastructure development has a number of potential positive impacts on society, the construction

of a road, as an example, can also contribute to a rise in vulnerability for certain populations as it creates access to previously remote areas where ecosystems services and the associated sources of livelihoods for indigenous peoples can be put at risk. Large infrastructure projects can also lead to the displacement of people which can in turn impact community cohesion and economic security. Companies require infrastructure to conduct their daily activities (e.g., roads to transport goods, water for production, sanitation for use by employee, etc). In many developing countries, available infrastructure is not sufficient to meet all the business needs. In these cases, the business often creates infrastructure to serve its operational needs. This has ramifications on the surrounding populations. In some cases, members of the community are also able to use the infrastructure while in other cases the infrastructure remains solely for company use. The infrastructure may remain in place for the lifetime of the operation and may be left at the public's disposal after a company has left the area.	
Relevance to specific industries and local contexts The creation of new infrastructure and the maintenance and use of existing infrastructure are particularly important in developing countries with weak government capacity to address such issues. The type of infrastructure used or created may vary between business sectors.	
Related activities	Products and Services, Environmental Management and Jobs.

ASSETS – Products & Services	
The WBCSD paper *The Role of Business in Tomorrow's Society* states that the "fundamental purpose of business is to provide continually improving goods and services for increasing numbers of people at prices that they can afford."[5] Products can range from fast moving consumer goods (FMCG) packaged for sale to households, to housing and transport targeted at individuals, to real estate, infrastructure and heavy machinery sold to industrial customers. Services are work performed by an entity for the benefit of a customer. These range from the provision of basic services such as water, education and health to telecommunications and financial services.	
Relationship to development Products and services have the potential to impact development in a number of ways. Many basic needs like food, housing, sanitation and electricity can be met through access to products and services. In its basic form a house provides shelter from the elements while an everyday household item such as soap contributes to hygiene and can reduce the spread of disease. The indirect impacts of products and services include the knock-on effects of the direct impacts products and services have on customer's income and overall standard of living, as well as on the health and well-being of a broader set of stakeholders including families and communities. The purchase of a house can create equity for the owner, against which other loans can be secured, thereby resulting in a significant improvement in the family's overall sense of well-being for example. The impact of soap may prevent a family from falling ill and thus allow adult family members to be more productive and children to attend school.	
Relevance to specific industries and local contexts The impact of products and services on development is most significant when they are being made available in the assessment area. Thus, extractive industries producing a commodity for a global market are likely to find this activity less relevant to their business activities, while industries like consumer goods, transport, communications and construction will find this topic particularly relevant to their impacts on development.	
Related activities	Corporate Governance, Jobs, Procurement, and Environmental Management

PEOPLE - Jobs
Jobs focuses on the number and type of full-time and part-time employees (local vs. non-local) and the salaries and benefits paid in order for the business to operate. It also looks at social protection components, such as occupational safety and health and conditions of work (i.e., working time and sick leave). It also includes jobs created in the supply chain and induced employment derived from employee spending.[6]
Relationship to development Job creation is a key contribution of business to development. Equally, employment generation is a key factor in the efforts of any nation to develop. Jobs provide an opportunity for people to enter the cash economy and generate income for purchasing basic goods (e.g., food, water, clothes, housing, education and healthcare) to support their family. Even low levels of spending can subsequently stimulate entrepreneurial activity through the creation of small enterprises that can help to trigger further economic benefits.

Developing nations in particular often have high levels of unemployment, which creates vulnerability among populations and places an enormous burden on society. As a result, the prospect of a company setting up an operation in a particular location is often welcomed by local communities where job creation is expected. The creation of employment does not always lead to positive benefits. Significant problems can result from poor employee conditions and recruitment practices, including high levels of migrant workers, as well as gender or race discrimination. The type of job (e.g., skilled, manufacturing, administrative, etc.) plays an important role in determining the extent of the impacts on an area.	
Relevance to specific industries and local contexts Job creation helps promote economic development in all countries, sectors and contexts and will therefore be relevant to any company/operation. Conditions that might warrant increased attention include areas with high local unemployment, low numbers of skilled workers, increasing costs of recruitment/employment, and/or increasing civil unrest. Equally, where a company or operation is considered to have a large presence locally or nationally, whether this is matched by a high level of employment or not, the impact (or not) of jobs on development should be considered.	
Related activities	Corporate Governance, Procurement and Skills and Training

PEOPLE - Skills and Training	
Skills and Training refers to on-the-job and off-the-job training, as well as community capacity development activities and educational assistance programs provided by a company.	
Relationship to development *On-the-job and off-the-job-training* are typically limited to employees and contractors of the company. Acquiring particular skills and training is directly related to obtaining employment. Continual training within a field builds capacity for individuals to become experts, thereby increasing their employability and upward mobility. From a company perspective, developing skills in a particular field ensures that they can meet their needs. The provision of *educational assistance to employees and community members* provides opportunities for enhanced skill development and technical or professional certification. This creates greater employment potential for those individuals and potentially greater capacity on the part of those individuals to create employment for other community members in the region. From a corporate perspective, it facilitates a supply of future qualified and skilled candidates to satisfy their demands in the region. However, it may also precipitate a movement of qualified individuals away from the region in search of better opportunities elsewhere. *Community capacity development* may focus on improving productivity, health and well-being within the community through better use of technology, raising literacy levels and/or building language skills. While these skills have the potential to increase the productivity and income of the community members, it is also important to keep in mind the effects on traditional culture, roles and way of life.	
Relevance to specific industries and local contexts Business-led skills and training programs are customized to a business' particular needs. While they may include broad skills, they may also be very specific depending on the business' location, priorities, contribution to the economy and business models. In some cases, the business needs and the community needs may differ and this should be kept in mind as a business evaluates its impacts.	
Related activities	Procurement and Jobs

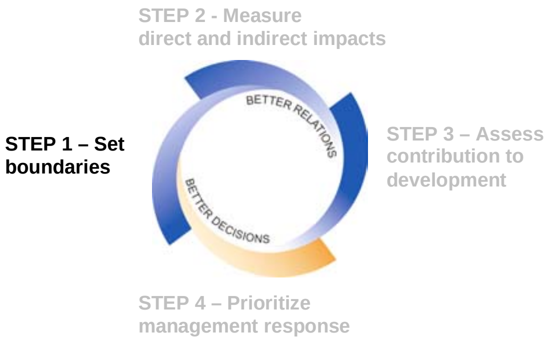
FINANCIAL FLOWS - Procurement	
Procurement is the purchase of goods and services for the company. Most companies engage in procurement as part of their day-to-day business, often contracting larger suppliers and distributors into their value chain. These suppliers may in turn contract small- and medium-sized enterprises (SMEs) that may or may not operate according to the ultimate client company's policies. In some cases large companies also contract directly with SMEs.	
Relationship to development Procurement creates business for a company's suppliers. This leads to further economic activity, including jobs in the supply chain,[7] as suppliers engage other suppliers to meet their needs for additional inputs, and as suppliers' employees spend a portion of their wages in their communities. The extent to which procurement has an impact on a particular location (town, province, country) depends on the amount of procurement in the supply chain that is sourced from that location, as well as the size of the company's activity relative to the local economy. Procurement and related activities to improve suppliers' ability to meet company needs can also help transfer technology and higher standards to suppliers. This in turn allows suppliers to better serve other customers and may lead those suppliers to raise standards further along the supply chain. It can also significantly increase the competitiveness of these suppliers in seeking business with other companies. Many developing country governments recognize the potential positive impact that procurement can have on the local/national economy and thus encourage or require certain levels of "local content" in company procurement. Companies may also have their own policies in this regard.	
Relevance to specific industries and local contexts This is relevant to all business sectors. Companies *without* operations in developing countries may procure supplies from these countries. In such circumstances, companies may provide assistance to help their suppliers meet certain technical, environmental and ethical standards. They are also exposed to reputational risks if their supply chain does not conform to their standards and actions are not taken to address this. Companies *with* operations in developing countries may face additional demands from the host government to maximize local procurement. Such requirements can be difficult to fulfill if a company's operations require specialized inputs that cannot easily be sourced within the country without investing heavily in local suppliers. Providing assistance to local suppliers may help the company develop a more reliable and cost-effective local supply base, as well as strengthen its license to operate.	
Related activities	Jobs, Corporate Governance, Environmental Management and to some extent Skills and Training.

FINANCIAL FLOWS - Taxes
According to the OECD, a tax is "a mandatory and unrequited payment to government at any level (i.e., national, regional or municipal)." More specifically, it is all payments to governments (national, regional and municipal), borne and collected,[8] reported by country or region in the year of payment (where appropriate) and categorized per material categories. The terms borne and collected have been carefully chosen, not only to ensure that the entire tax footprint is captured, but also to address concerns about double counting. It is particularly important that companies consider this in relation to taxes collected and remitted to government, as these same taxes will often also form part of the calculations of another tax payer. An example of this would be value added tax.[9] In addition to payments to governments, companies will at times be in receipt of payments from governments. These receipts may be broadly divided into three types: • Tax rebates or repayments are merely the return of tax previously paid, in recognition of the agreement of the tax liability being settled. These will often be recorded as a reduction in the tax payable by the company, rather than being seen as a separately disclosed item; • Incentives are built into the tax system, such as research and development tax credits or tax holidays. These often take the form of a reduction in tax payable, rather than an actual payment by

government, and may not be easily distinguished from other elements of the calculation required to ascertain the tax liabilities of a company. Therefore, it may prove difficult to separately identify these items, although clearly their impact will be included in the overall tax burden. • Subsidies, awards or grants do not arise as a direct result of the tax system, and might reflect an incentive to make capital investment in a particular region. If material, these would be part of the GRI G3 economic indicators.[10] Taxes also include the personal taxation payments of employees and suppliers.
Relationship to development Companies contribute to the economy of a country through taxes (corporate, employee and suppliers) as well as other payments to governments. The impact of this tax contribution on development depends hugely on the system used by the government to redistribute taxes collected. Tax has traditionally been viewed by management and shareholders as a cost to business. However, more recently companies and investors are starting to acknowledge the importance of tax payments in creating a stable economic and social backdrop and thus a more stable business environment, as the quote below indicates. Jon Symonds, chief financial officer of AstraZeneca, the drugs company, recently called on business to "view tax as an investment rather than a cost. Companies paying zero tax would find it hard to complain about the failing educational system, poor transport and infrastructure, he said. 'In this context, business's attitude to tax may need to change.'"[11] Increasingly the focus is not just on how much tax is being paid but on a company's overall tax strategy. In particular there is increasing demand for greater transparency around both tax strategy (at group and country level) and tax payments. Many companies have choices about which countries to invest in and how to arrange their tax affairs, within the rules defined by governments. However, for some businesses, and particularly those in the extractive industries, the location of operations is determined by external factors such as where natural resources exist. Governments also have choices about how they wish to operate their tax systems, which are often used as a means to incentivize more investment by business. These issues are explained more in the report "Responsible Tax"[12] and "Taxes: The Global Picture."[13]
Relevance to specific industries and local contexts Companies' contribution to taxes is relevant in all sectors.
Related activity | Corporate Governance

Step 1 Set boundaries

The Framework Methodology begins by helping companies set the scope and depth of the assessment. It is important that companies set realistic boundaries for this assessment based both on their available resources and the company's overall objectives of the assessment.



Objective of Step 1: Define your business.

Stakeholder Engagement
Minimum Level: No active stakeholder engagement is required for this step. The company is encouraged to carry out passive stakeholder engagement by requesting data from institutions and academia around national/regional development plans, poverty reduction strategy papers, etc.
Alternatives: Companies may choose to identify key stakeholders at this stage and engage these stakeholders in a more proactive way to ensure that the background information collated is more accurate and relevant for the assessment area. Companies may even want to go as far as to define the development priorities (Step 3.2) at this stage through active stakeholder engagement.

Process
1.1 Identify the objective(s) for the assessment
1.2 Define the geographic area of assessment
1.3 Collect development context information and list key issues for the assessment area
1.4 Select business activities to be assessed

1.1 Identify the objective(s) for the assessment

While the primary over-arching objective of this methodology is to improve decision-making, companies may be focused more specifically on mitigating risks, identifying new investment opportunities or strengthening relations with specific stakeholders.

Some considerations when identifying appropriate objectives for this assessment include:

- Business sector
- Risks and opportunities to business
- Stage of operation (e.g., country entry, temporary brownfield expansion, end of life cycle)
- Size of operation
- Overall business strategy.

The objective(s) may lead companies to adapt parts of the methodology to meet these goals. Companies are encouraged to revisit the objectives at each step to appropriately tailor the step and to ensure that the assessment results and management responses meet the original objective(s).

1.2 Define the geographic area of the assessment

The Measuring Impact Framework can be used at a local, regional and/or national level. Companies should identify the geographic area of assessment on the basis of the scale of the operation, overall company strategy and the scale or reach of the predicted impacts. A local assessment may focus on the communities surrounding an operating site. A regional assessment may include several communities/cities or potentially an entire province/state where that business operates. A national level analysis would focus on business impacts relative to government and/or national priorities. As an example, an operation that employs a large number of people in a community but has no operations elsewhere may choose to only focus on the local area around the business operation.[14] Some questions companies may want to consider in defining the geographic area include:

- Does company infrastructure stand on coastland, farmland, village, etc?
- Where do company supplies and resources come from?
- Where do employees of the operation come from? Do they come from or interact with any neighboring communities?

It may be helpful to identify key stakeholders at this point through a stakeholder mapping exercise.[15]

Box 1 – How do you define local?

The Global Reporting Initiative notes that "the geographic definition of 'local' may vary because, in some circumstances, cities, regions within a country, and even small countries could be reasonably viewed as 'local'."[16] The definition of "local" will depend on the purposes of measurement. For instance, if the company is trying to measure local impact for government authorities, the definition may use the jurisdictional boundaries of the authority in question. If the purpose is to compare the impact of different units within the company, the definition may encompass the sales or operations territory of each unit. If the facility is a pipeline or road, the "local" area may be defined in terms of a corridor along the route. It is important to consider the way stakeholders define local. A few key factors to keep in mind when defining the local area:

- Jurisdictional boundaries of the area
- Scale and reach of business operation and influence
- General relationship and dependency of the communities or districts.

1.3 Collect development context information for the assessment area

In Step 1, companies are encouraged to build a robust profile of the development landscape including key facts, trends and issues for the assessment area. Information on ten example development issues is included in the Appendix.

a) **Context -** Some information needed to build a robust country/local profile include:
- Political/regulatory aspects – governance structure, legal system
- Demographic aspects – gender, race, age, religious structure of population, population distribution
- Economic aspects – growth rates, historical trends, formal/informal employment levels, key industries, inflation levels
- Social aspects – access to basic services, public vs. private provision of services, poverty levels, availability and quality of housing
- Ecosystems aspects – natural resources, seasonal changes, natural disasters

b) **Issues** - The following questions will help the company identify the key development issues:
- What are the key drivers influencing the facts and trends in this area?
- What are the key barriers to resolving these issues and making progress on the development issue?

Good sources of information: National/regional development plans and Poverty Reduction Strategy Papers,[17] World Bank Doing Business reports,[18] UN reports such as Human Development Report,[19] as well as local government planning papers. Companies may choose to engage stakeholders identified in step 1.2 to help gain a better understanding of the key issues in the area.

1.4 Select the business activities to be assessed

This Framework proposes eight business activities for assessment grouped into four clusters. Companies can choose to add to this list as appropriate.

1. Governance and Sustainability *(Corporate Governance and Environmental Management.)*
2. Assets (*Infrastructure and Products & Services)*
3. People *(Jobs and Skills & Training)*
4. Financial Flows *(Procurement and Taxes)*

Social investment programs (donations, partnerships with NGOs for social projects and other activities) can also be included in the assessment. Companies can either choose to integrate social investment into the different business activities (e.g., creation of a school could be included under infrastructure) or they can create a separate business activity called social investment which would assess all the related impacts arising from social investment activities. If companies choose to integrate social investment into their core business activities, it is important that they distinguish between the impacts arising from them. This will ensure that the management response identified in step 4 appropriately reflects the capacity of the business to manage these impacts.

Box 2 – Recommended process for selecting business activities

Companies are encouraged to hold a workshop with local management, including the operations manager and functional experts from departments such as procurement, human resources, security, etc. Companies can use Figure 3 to visualize responses.

Companies can select the business activities for assessment based on the following criteria:

a) Importance to the business **(high or low):** The business sector, location, size of the operation relative to other businesses in the area and the scale of each of the business activities should help determine how important they are to that particular business operation. The key guidance question for determining the importance: Is the business activity something that is critical to the success of the operation?

b) Perceived impact **(high or low):** Companies should consider the scale and reach of the different business activities and the likelihood that each activity is having a high or low impact on the area where they operate. The following are some guidance questions to determine the significance of the impacts of a business activity on society:
   - Is this business activity likely to impact society beyond those directly affected (e.g., people employed by the firm)?
   - Are there likely to be short- and long-term impacts from the activity?

If the business activity is of high importance to the business and likely to have a high impact, companies are strongly encouraged to take this activity forward to Step 2. As a third criteria, companies may want to consider the importance of this business activity to stakeholders. Companies are strongly encouraged to assess the activities in the cluster of Governance & Sustainability as they address issues cutting across a number of other business activities (e.g., EHS training under Skills & Training).

Companies can choose to assess only a few business activities at first and then iterate back to add further business activities for assessment at a later stage.

Table 1 – Example of output from Step 1

Project description	
Identify objectives of assessment	Identify opportunities to leverage existing activities to enhance the livelhoods of the communities surrounding operation
Define geographic area of assessment	◉ local ○ regional ○ national
Information about operation	5 hydro electric ower plants - 10 years old
Key stakeholders	Employees; neghboring communities; local government

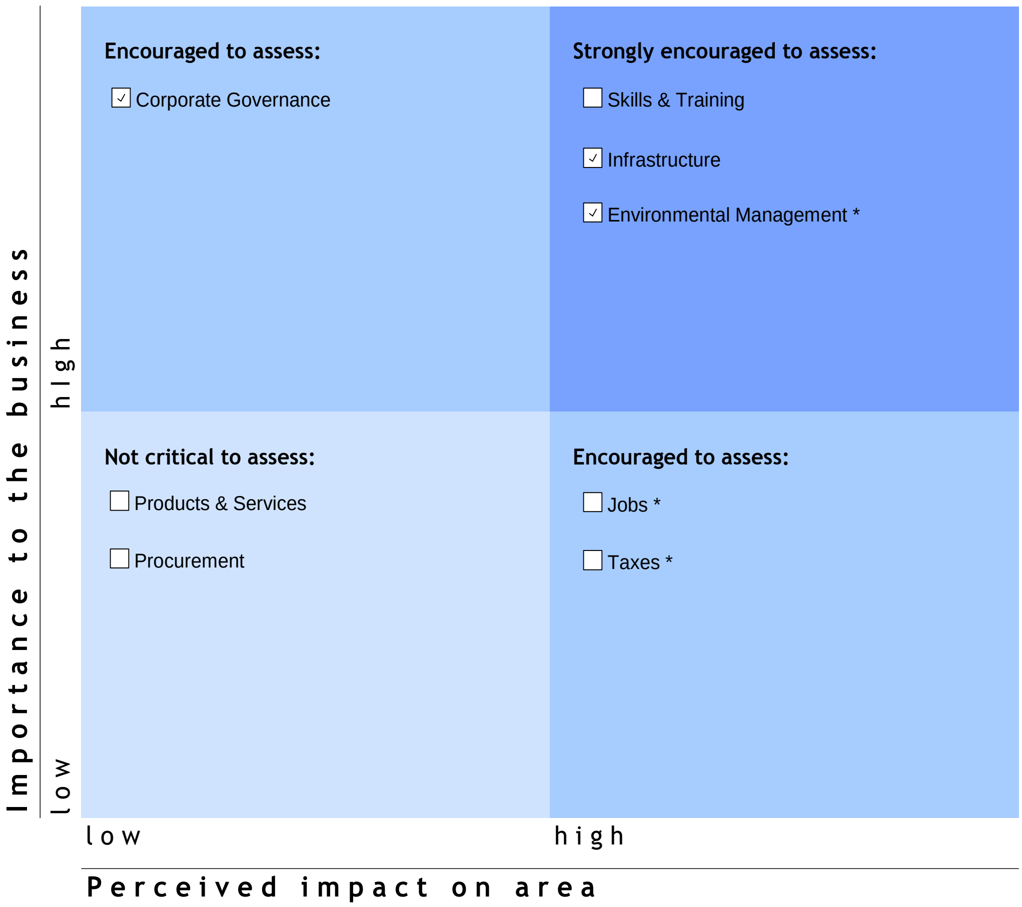
General profile of area	
Development context	Approximately 120,000 inhabitants in neighboring communities with majority living in urban areas. Per capita income is lower than average for state but employment levels are on par with state. Migration to area is on the rise putting pressure on basic services.
Key issues	Population growth (over-crowding); Poor quality health care services available to community; low levels of income per family; high levels of corruption in government; weak provision of public services

Business activities analysis

	Importance to business		**Perceived impact on area**		**Importance to stakeholders**
Infrastructure	⇧		⇧		☐ important to stakeholders
	Company has created infrastructure to support its operations which is also perceived to have an impact on the community. The company is also interested to explore ways to leverage the work of other actors to expand its creation of infrastructure for the wider benefit of the communities.				
Environmental Management	⇧		⇧		☑ important to stakeholders
	Company access to natural resources is very important to the successful operation of power plants. Also, perceived to have a high impact on communities.				
Corporate Governance	⇧			⇩	☐ important to stakeholders
	Company's ethical principles, relations with government and communication with community members is very important to the operation. Also, corruption is a barrier to effective business and hinders community development.				

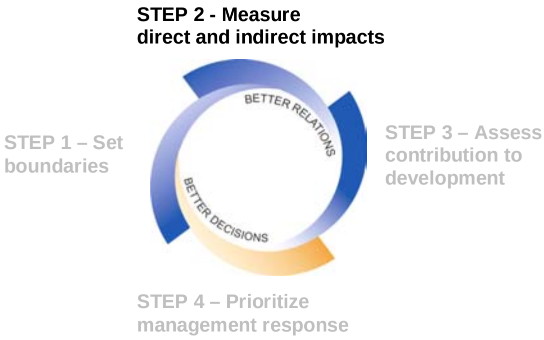
Figure 3 – Example importance versus impact graph for the business activities

The following graph can be used to visualize and prioritize the business activities for selection. As in the example below, companies may decide not to select business activities that the Framework strongly encourages the company to assess. In this case, the company should explain the rationale for this decision. Those business activities with an * are also important to stakeholders.



Step 2 Measure direct and indirect impacts

This step aims to help companies map their direct and indirect impacts and identify relevant indicators to measure the extent of these impacts. The **direct impacts** of a company on society can be inputs or outputs that arise from the day-to-day activities of a company, such as the creation of jobs within the firm, or the sale of a product, or the adherence to a certain code or standard. Direct impacts are to a large extent within the control of a company. These direct impacts can combine to have "knock-on" or **indirect impacts** such as the creation of jobs within the supply chain or improved quality of life for the consumers who buy the product or service. Indirect impacts are within a company's influence.[20]



Objective of Step 2: Measure the footprint of your company

Stakeholder engagement
Minimum level: No active stakeholder engagement is required for this step. However some of the qualitative indicators may need some level of stakeholder input through interviews, surveys, etc.
Alternatives: Companies can choose to engage stakeholders in the process of identifying the key indicators and mapping the linkages.

Process
2.1 Identify the sources of impact for each business activity
2.2 Identify relevant indicators for direct and indirect impacts
2.3 Measure

2.1 Identify the sources of impact for each business activity

Before companies begin measuring their impacts, they need to identify what aspects of each selected business activity are likely to generate the key "sources of impact", and therefore which aspects require further investigation. For example the "Infrastructure" business activity could be broken down into the following sources of impact:

- Creation of infrastructure by the company
- Use of existing infrastructure by the company
- Maintenance of existing infrastructure

Appendix 2 provides example breakdown of the business activities into "sources of impact". Companies may need to adapt and/or refine these for their respective operation.

2.2 Identify relevant indicators for direct and indirect impacts

Measuring direct and indirect impacts requires quantitative and in many cases qualitative indicators. The OECD defines an indicator as a "Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor."[21] An indicator may be data used by analysts/companies and organizations to describe situations that exist or to measure changes or trends over a period of time. They are descriptions of conditions or of performance that may provide insights into matters of larger significance beyond that which is actually measured.

Identifying the "best" indicators to measure direct and indirect impacts is difficult and may require experts in the field of econometrics and statistics. In some cases, companies may want to use ready-made multipliers. Appendix 2 lists a number of indicators for each business activity along with additional sources of information that companies can use to further refine and/or develop their own indicators. Companies are encouraged to tailor the indicators to their specific business activity, operation and area of assessment.[22] However it is important that companies use the REM (relevant, easy, measurable) criteria[23] to identify the most appropriate indicators.

- **Relevant** to the operation, activity, objectives and location
- **Easy** to track over time[24]
- **Measurable** through quantitative metrics or qualitative surveys and interviews.

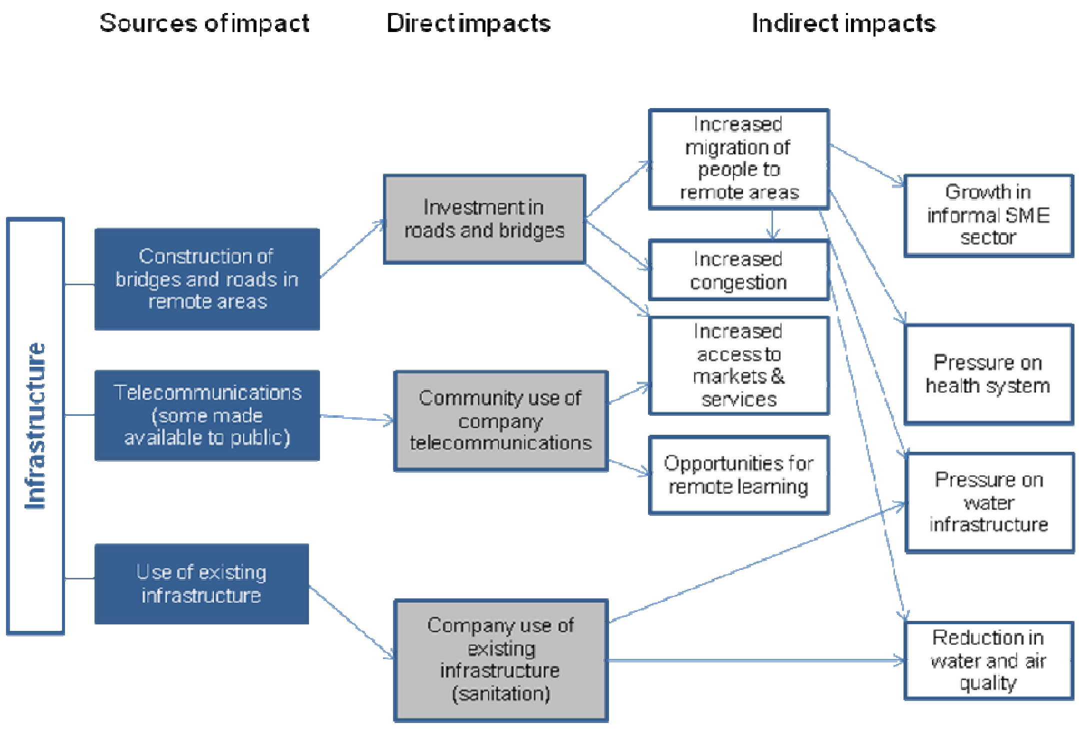
Indicators should reflect both positive and negative impacts resulting from business activities. When choosing appropriate indicators for measurements, companies are encouraged to map out the linkages between the key direct impacts and subsequent knock-on or indirect impacts. A visualization tool such as the one in Figure 4 may be helpful to do this.

Box 3 – Recommended process for identifying and mapping indicators

Companies can consider holding a workshop with internal experts and local management to identify indicators and map linkages. Collecting data and carrying out interviews will most likely require field research. As a result, the company may choose to engage a researcher/consultant/expert to help carry out this step. Creating a visual such as Figure 4 may be particularly helpful in the discussions.

Figure 4 – Example impacts and linkages arising from the "infrastructure" business activity

In the example below, the company has placed the indirect impacts at two levels to demonstrate its relative influence over the impacts. This is not a perfect science but is intended to help companies map out their key impacts before they identify appropriate indicators to measure these impacts. As demonstrated in the visual, the company puts pressure on water infrastructure through a couple of different avenues: construction of roads which leads to migration as well as the company use of existing infrastructure.



2.3 Measure

Measuring impacts requires both quantitative and qualitative data gathering expertise. Where data is not available, there may be a need to develop questionnaires and/or conduct household surveys within the area of assessment. Many of the direct impacts are likely to be found in company reports, while others may require field research. If company resources do not permit extensive field work at this stage, they can wait until they have identified the development priorities in Step 3 before measuring impacts. However, it should be noted that any communication with stakeholders in Step 3 is likely to be more effective if there is some hard data upon which to base the conversation.

Appendix 3 presents a measurement example where a score is applied to each direct impact. Companies may find this helpful for the Corporate Governance and Environmental Management business activities where they are assessing compliance against a standard (a negative score implies that the business is out of compliance, a neutral score implies it is in compliance, and a positive score implies that it is going beyond compliance).

An example of indicators and respective measurement results is given in Table 2. There may be cases where indicators are repeated. This can occur when several direct impacts share a common knock-on effect such as “pressure on water infrastructure”. It is important to recognize when indicators are repeated so as not to measure twice. It is also possible for companies to extend the indirect impacts out into third or fourth level impacts. However, the further the impacts extend beyond the direct level, the less accurate and more difficult it is to measure and attribute impacts to the company.

In the example below, no distinction is made between first and second level indirect impacts. It is important that companies use a diagram such as figure 4 to map out the results chain and see the key linkages between the impacts.

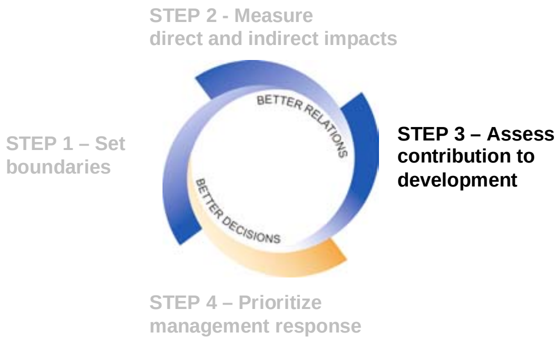
Table 2 – Example measurements and indicators for the “Infrastructure” business activity

Infrastructure				
Sources of impact	**Direct impacts**	**Measurements**	**Indirect impacts**	**Measurements**
Source of impact 1 (construction of roads and bridges)	Investment in roads and bridges	$ 10 million	Increased migration	population growth rate increase 5% per year
			increased congestion	25% increase in travel to and from communities per day
			Growth in informal sector SMEs	50 SMEs
			Pressure on health system	average waiting time increased by 2 hrs at health clinics
			Reduction in air quality	increase in PM-10
			Pressure on water infrastructure	3 to 2 hour reduction in water availability per day
			Increased access to markets and health services	travel time reduced by □5 minutes
Source of impact 2 (Telecommunications some made available to the public)	Community use of company telecomms	10% of local families with access	Opportunities for remote learning	10 families are able to participate in remote learning opps
Source of impact 3 (Use of existing infrastructure)	Company use of existing sanitation infrastructure	30,000 liters of water per year	Pressure on water infrastructure	3 to 2 hour reduction in water availability per day
			Reduction in water quality	10ppb arsenic in water

Step 3 Assess business contribution to development

This step builds on the business' perspective of its impacts by assessing to what extent these impacts contribute to economic and social development within the assessment area. To do this the company must try to understand what is important or represents "value" in development terms to the stakeholders in the assessment area. As a result, active stakeholder engagement is recommended in this step.

However, recognizing that circumstances vary from location to location and company to company, this step can also be undertaken with more limited stakeholder engagement. If this route is taken the company should consider the types of follow-up actions in Step 4 that could facilitate a higher level of stakeholder engagement in the future.



Objective of Step 3: Understand your company footprint in the development context

Stakeholder engagement
Minimum level: If companies perceive that the risks resulting from stakeholder engagement outweigh the benefits of engaging, the companies can use the development issues identified in Step 1 to build a hypothesis of the business contribution to development. Companies who choose not to engage stakeholders will not be able to test their hypothesis (step 3.4).
Recommended level: A representative group of stakeholders can be engaged to assist the company in prioritizing the development issues for the assessment area. The company then builds a hypothesis of its contribution towards these priorities before engaging the same group to review and further refine their assessment.

Process
3.1 Determine the level of stakeholder engagement
3.2 Engage with stakeholders to prioritize the development issues (optional)
3.3 Build hypothesis of the business contribution to development
3.4 Test hypothesis with stakeholders and refine overall assessment (optional)

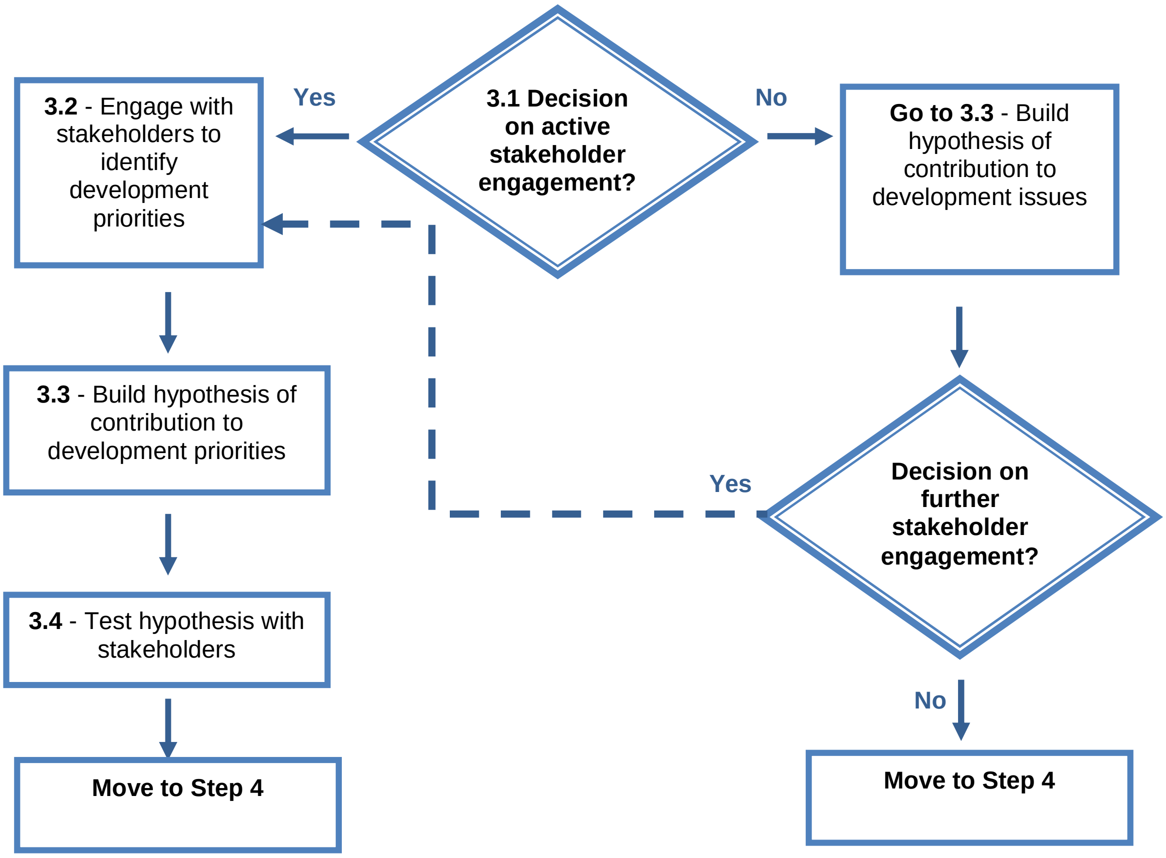
3.1 Determine the level of stakeholder engagement

Based on the development issues identified in Step 1 and the results of Step 2, companies should determine what level of stakeholder engagement they will take in Step 3.

Companies are encouraged to engage with the stakeholders in the assessment area (based on stakeholders identified in Step 1). However this process does need to be managed carefully as stakeholder expectations may be raised by the engagement process. Companies should stress that this is a learning process for both themselves and the stakeholders.

If companies perceive too many risks with an active process of stakeholder engagement, they can use the development issues identified in Step 1 to build a hypothesis of the business contribution to these issues. This could arise for example in a country-entry situation where it may not be viable to identify and engage with a broad group of stakeholders, or in a situation where one or two "hot" issues might get in the way of an open discussion. Companies can also choose to build the hypothesis first in order to enhance their knowledge of the likely development contribution and then use this to determine the associated risks and opportunities related to further stakeholder engagement.

Figure 5 – Assessment process for different levels of stakeholder engagement



3.2 Engage with stakeholders to prioritize the development issues (optional)

Companies can engage with stakeholders to identify development priorities. In some cases, this may involve ranking the development issues identified in Step 1, while in other cases it may require creating a new list of tailored priorities. It is important that both parties (the company and the stakeholders) view this process as a way to create a shared understanding of development priorities and the associated business contribution. The company should be careful not to set expectations that it will take action on these priorities.[25] Companies should also keep in mind that some of the development priorities identified by stakeholders may not include the areas where the company believes it has the most impact. As a result, the company can consider adding to the list of stakeholder-identified development priorities to ensure it captures the full extent of its impacts.

The Framework includes ten development issues that may be helpful as a starting point for the discussion with stakeholders on development. These are discussed further in Appendix 4 and in the WBCSD report *Doing Business with the World*.[26] The issues covered in Appendix 4 include:

1. Capacity Building
2. Economic Growth
3. Education
4. Enterprise Development
5. Environmental Sustainability
6. Governance
7. Human Rights
8. Poverty Alleviation
9. Public Health
10. Social Stability

Stakeholders, particularly at the national and international level, may also refer to other internationally agreed standards, declarations and principles such as the Millennium Development Goals (MDGs). The MDGs are summarized in Appendix 5 and the UN Global Compact Principles and associated international declarations are summarized in Appendix 6.

Box 4 – Guidance on stakeholder engagement for identifying development priorities

Recommended process

Convene a workshop that has broad representation from government, civil society and private sector stakeholders from the target area (as identified in Step 1). The workshop format will facilitate the agreement of a common set of development priorities and a common understanding of the development context. Consider:

- Consulting with a few trusted stakeholders prior to the workshop to help identify the appropriate mix of stakeholders to invite and the format for the workshop
- Asking workshop participants to prepare information to share at the workshop through, for example, presenting existing development plans or the development activities of their sector
- Using a third party facilitator to encourage full participation at the workshop and prevent the workshop becoming overly company-centric
- Identifying a third party convener (government, academic institute, etc) of the dialogue and allow the company to participate as one of many other participants.

Alternatives

If open stakeholder engagement is not possible or not favored, companies may engage a smaller number of “trusted” stakeholders. Be aware, however, that different stakeholders may have different priorities and this approach could alienate other groups and may not give a holistic picture of development needs.

3.3 Build hypothesis of the business contribution to development

This process takes the measurements from Step 2 and frames them in the development context to build a hypothesis about the company’s contribution to the development priorities identified in Step 3.2. It accepts that attribution is difficult and that any one company is likely to be one of many actors contributing to a development priority.[27] As noted in Step 3.1, if the company has chosen not to engage stakeholders, they will build a hypothesis of their contribution to development issues identified in Step 1. When developing the hypothesis it is important to recognize synergies between the development priorities (i.e. a case where a contribution to one development priority – improved access to potable water – affects another development priority – such as health.)

The hypothesis is a subjective assessment by the business that is designed to be tested with stakeholders in Step 3.4. There are two parts to building the hypothesis:

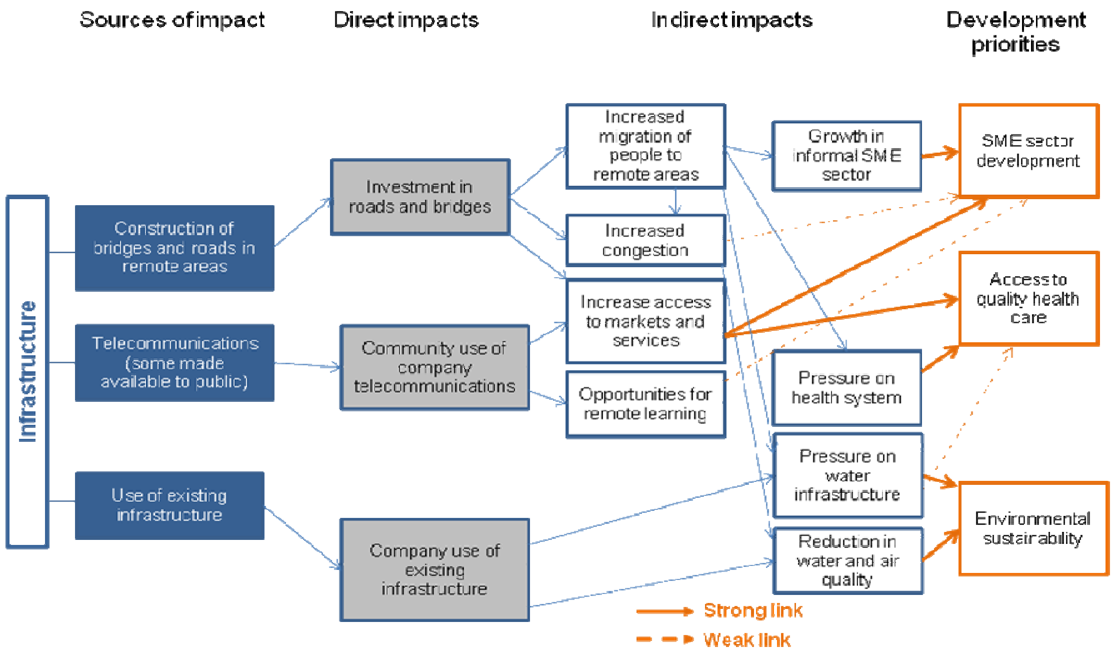
3.3.1 The first part determines the key linkages between what the company does (based on the business activities and associated impacts defined in Step 2) and the development priorities/issues. This should answer the questions: Is the business contributing to this development priority/issue? And if so, how (through which impacts) is it contributing? Companies can choose to qualify these linkages as strong and weak.[28]

3.3.2 The second part determines whether the company is contributing in a positive or negative way to achieving the priorities/issues. It answers the question: To what extent is the company contributing to the development priority/issue? Companies can also choose to include an assessment of the magnitude[29] of the contribution (high/low).

Step 3.3.1 is illustrated in Figure 6. Here the linkages are assessed between the sources of impact from the “Infrastructure” business activity, the impacts along the results chain and the three example development priorities of “SME development”, “access to quality healthcare” and “environmental sustainability”.

Figure 6 – Example linkages between the sources of impact arising from “Infrastructure” and the development priorities

In the example below, the company has identified the key linkages between the impacts and the development priorities labeling some as strong and weak. As an example, pressure on water infrastructure has a strong link to environmental sustainability. However, in this case it has a weaker link to access to quality health care. In other words, the company believes that the pressure on water infrastructure may contribute to access to quality health care, but there may be so many knock-on effects and factors influencing this contribution, it is hard for the company to be sure about its contribution relative to others.



In ***Step 3.3.2*** each chain of impacts that were identified above is then assessed in terms of its development contribution. The proposed definitions to determine the contribution are as follows, although these can easily be tailored to individual circumstances and/or existing company terminology:

Positive (green)	Impact supports the achievement or enhancement of the development priority
Negative (red)	Impact hinders the achievement or enhancement of the development priority

Definitions that may be helpful to determine the magnitude of the contribution are as follows:

High	Contribution is far reaching, touching many people and resources in the assessment area
Low	Very few people/resources are impacted in the assessment area

Example output from Steps 3.3.1 and 3.3.2 linking the “Infrastructure” business activity to the “SME development” priority and the “Access to quality health care” priority are illustrated in Tables 3 and 4. In this example, the company does not have any direct links to the development priorities. The company contributes through its indirect impacts, some of which are first level and second level indirect impacts.

Table 3 – Example hypothesis of business contribution - “Infrastructure” to the “SME development” development priority

Infrastructure			Hypothesis		
Sources of impact	**Direct impacts**		**Link**	SME development	**Rationale**
Sources of impact 1 (Construction of roads and bridges)	**Investment in roads and bridges = $10 million**		link throught another impact		Through growth in informal sector SMEs, congestion and access to markets
		Indirect impacts	**Link**	SME development	**Rationale**
		Increased migration = population growth rate increase 5% per year	link throught another impact		Through growth in informal sector SMEs
		Growth in informal sector SMEs = approx. 50 SMEs	link	high	Increased migration and overall greater movement of people into and around the community has increased spending in the community and supported entrepreneurial activities
		Pressure on health system = average waiting time increased by 2hrs at health clinics	no link		
		Increased congestion = 25% increase in travel to and from communities per day	link	low	Congestion is making it more difficult to trade within the assessment area
		Reduction in air quality = increase in PM-10	no link		
		Increased access to markets and health services= travel time to nearby market reduced by □5 minutes	link	high	With greater access to markets thanks to improved roads and bridges, more families are setting up small businesses in the area
		Pressure on water infrastructure = 3 to 2 hour reduction in water availability	no link		
Source of impact 2 (Tele-communications some made available to the public)	**Community use of company telecomms = 10% of local families with access**		link throught another impact		Through opportunities for remote learning
		Indirect impacts	**Link**	SME development	**Rationale**
		Opportunities for remote learning = 10 families are able to participate in remote learning programs over the Internet	link	low	Some families and small businesses have been able to do remote learning and boost skills
Source of impact 3 (Use of existing infrastructure)	**Company use of existing infrastructure = 30'000 liters per year**		no link		
		Indirect impacts	**Link**	SME development	**Rationale**
		Reduction in water quality = 2ppb arsenic in water	no link		
		Pressure on water infrastructure = 3 to 2 hour reduction in water availability a day	no link		

Table 4 – Example hypothesis of business contribution - “Infrastructure” to the “access to healthcare” development priority

Infrastructure			Hypothesis		
Sources of impact	**Direct impacts**		**Link**	Access to quality health care	**Rationale**
Sources of impact 1 (Construction of roads and bridges)	Investment in roads and bridges = $10 million		link throught another impact		Through pressure on health system
		Indirect impacts	**Link**	Access to quality health care	**Rationale**
		Increased migration = population growth rate increase 5% per year	link throught another impact		Through pressure on health system
		Growth in informal sector SMEs = approx. 50 SMEs	no link		
		Pressure on health system = average waiting time increased by 2hrs at health clinics	link	high	The influx of migrants has put pressure on existing health clinics, making it difficult to meet needs
		Increased congestion = 25% increase in travel to and from communities per day	no link		
		Reduction in air quality = increase in PM-10	no link		
		Increased access to markets and health services= travel time to nearby market reduced by ¤5 minutes	link	high	Travel time to nearest health clinic reduced by road improvements
		Pressure on water infrastructure = 3 to 2 hour reduction in water availability	link	low	Reduction in potable water available in health clinics
Source of impact 2 (Tele-communications some made available to the public)	Community use of company telecomms = 10% of local families with access		no link		
		Indirect impacts	**Link**	Access to quality health care	**Rationale**
		Opportunities for remote learning = 10 families are able to participate in remote learning programs over the Internet	no link		
Source of impact 3 (Use of existing infrastructure)	Company use of existing infrastructure = 30'000 liters per year		link throught another impact		Through reduction in water quality and pressure on water infrastrucutre
		Indirect impacts	**Link**	Access to quality health care	**Rationale**
		Reduction in water quality = 2ppb arsenic in water	link	low	Increase number of water-borne infectious diseases
		Pressure on water infrastructure = 3 to 2 hour reduction in water availability a day	link	low	Reduction in potable water available in health clinics

Table 5 below summarizes a completed analysis for each of the selected development priorities. It also illustrates how the company can positively contribute to development through the knock-on effects from one of its impacts – in this case “increased migration of people to remote areas”, while this impact can lead to a negative knock-on effect relative to another development priority.

Table 5 – Summary hypothesis of business contribution arising from the “Infrastructure” business activity

Infrastructure				Hypothesis BEFORE testing		
				Contribution to Development		
Sources of impact	Direct impacts	Indirect impacts		SME development	Access to quality health care	Environmental sustainability
Source of impact 1 (construction of roads and bridges)	Investment in roads and bridges	Increased migration	Growth in informal sector SMEs	high		
			Pressure on health system		high	
			Pressure on water infrastructure		low	high
		Increased congestion		low		high
		Reduction in air quality				low
		Increased access to markets and hospitals		high	high	
Source of impact 2 (Tele-communications some made available to the public)	Community use of company telecomms	Opportunities for remote learning		low		
Source of impact 3 (Use of existing infrastructure)	Company use of existing infrastructure	Reduction in water quality			low	
		Pressure on water infrastructure			low	low

3.4 Test hypothesis with stakeholders and refine overall assessment

Once companies have built their contribution to development hypothesis they can test it with stakeholders. While the goal of stakeholder engagement is to test the hypothesis, companies can also use the engagement to get a better understanding of the interplay among the actors in the area. The objectives of testing the hypothesis are to:

- Confirm or amend the assessment of the company contribution on the basis of a dialogue with stakeholders
- Identify any key perceptional differences between the stakeholders and the company on the business contribution. For example, a perceptional difference could arise if the company believes it is making a positive contribution to environmental sustainability by going beyond the applicable environmental standards on emissions, but the stakeholders remain concerned about the health impacts of the smoke coming from the stack.

Stakeholder comments and any key differences in opinion/perception between the company and stakeholders should be recorded, as in Table 6 below, along with any agreed changes to the hypothesis.

Table 6 – Example change to hypothesis after stakholder engagement

Infrastructure				Results of test	
				Contribution to Development	
Sources of impact	Direct impacts	Indirect impacts		SME development	Comments from stakeholders
Source of impact 1 (construction of roads and bridges)	**Investment in roads and bridges**	Increased migration	Growth in informal sector SMEs	high → low	Stakeholders argued successfully that the number of informal SMEs set up was overestimated by the company and the contribution of these informal SMEs to overall SME development was quite limited. In addition, they argued that migrants coming into the area spend very little money locally.

The overall assessment can be summarized using a matrix that also captures key stakeholder comments. See Table 7 below. This summary will form the basis for preparing the management response in Step 4.

Table 7 – Summary matrix from Step 3

Overall assessment - Development priorities and business activities					
Business activities		Development priorities			
		SME development	Access to quality health care	Environmental sustainability	Development priority 4
Infrastructure	Overall contribution	Positive By making some telecommunications infrastructure available to the public, families have been able to take part in remote learning, boosting their skills and capacities to run businesses. The construction of roads and bridges has also enabled more people to access markets. The business believes this is leading more families to set up businesses as they see a market for any goods they produce. Increased migration and overall greater movement of people into and around the community has supported entrepreneurial activities.	Mixed Although the company has improved access to hospitals along with markets through the creation of roads and bridges it is putting a lot of pressure on existing infrastructure either directly or indirectly through its own use of sanitation infrastructure or the influx of migrants that have been attracted to the area.	Negative As the roads created by the company cause more traffic in and out of the community the air quality has worsened. Company use of infrastructure has also polluted the water having potential long term effects on sustainability in the area.	
	Stakeholder comments	Stakeholders argued that the increase in access to markets has only made a minor contribution to SME development.	Stakeholder indicated that the construction of roads has made a great contribution to improved access to hospitals and there have been remarkable improvements in public health as a result.	Agreed for the most part with the assessment	
Business activity 2	Overall contribution				
	Stakeholder comments				
Business activity 3	Overall contribution				
	Stakeholder comments				

Step 4 Prioritize management response

Step 4 completes the Framework by helping companies prepare a management response. It is important that companies review their original objectives for the assessment and modify Step 4 accordingly to ensure that these objectives are addressed.

Objective of step 4: Make better-informed decisions

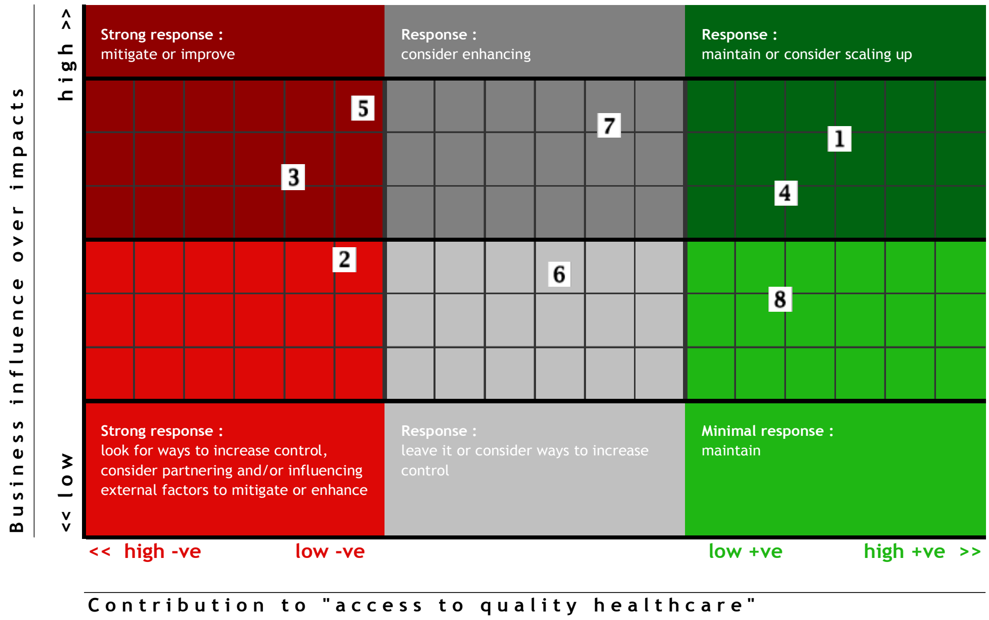
Stakeholder engagement
Minimum level: Stakeholder engagement is not required for this step if only internal measures are being considered to manage the issues identified. Where solutions are likely to involve/impact other stakeholders (e.g., development of a social investment program), it is important that stakeholder input be sought. If stakeholders are not involved, the company risks developing inappropriate measures.
Alternatives: Companies can choose to engage stakeholders in the identification of possible strategies to optimize their contribution as well as in the selection of indicators to monitor progress. By doing this they should be able to create a shared understanding of what the company can and cannot do relative to the development priorities and how this relates to the future contribution from other stakeholders.

Process
4.1 Identify priority areas for action
4.2 Consider possible business responses and prepare recommendations for management
4.3 Decide on way forward
4.4 Develop indicators to monitor progress

4.1 Identify priority areas for action

Based on the company's understanding of its contribution to development and comments from stakeholders, it can identify priority areas for action. This can be done by identifying the key risks and opportunities arising from the assessment. To do this companies can choose to visualize the key impacts relative to each of the development priorities in a graph like Figure 7 where the significance of the contribution from a key indicator/impact is plotted against the level of control that the company has over that indicator/impact. Based on this the company would then prioritize the impacts where they have most control and/or were seen to be making a negative contribution (such as "pressure on existing infrastructure"). When identifying key risks and appropriate responses, it is also important to consider the company's dependency on the development priority. As an example, a company may want to consider how important SME development is to the business operation. Companies can also use other types of risk matrices or a strengths, weaknesses, opportunities, threats (SWOT) type analysis of their contribution.

Figure 7 – Key impacts contributing to the “access to quality healthcare” development priority



Key

1 - Increased access to markets	**4** - Impact from business activity ◻	**7** - Impact from business activity 7
2 - Pressure on existing infrastructure	**5** - Impact from business activity 5	**8** - Impact from business activity 8
3 - Reduction in water and air quality	**6** - Impact from business activity 6	

4.2 Consider possible responses and prepare recommendation to management

When companies consider ways to manage risks and/or capitalize on opportunities, it may be helpful to consider three different categories of response:

- Action through core business activities – Companies can consider how they can modify their business practices in a way that mitigates and/or enhances impacts within the assessment area. For example, are there any targeted activities that would help with specific stakeholders? How could they partner with others to leverage business activities and strengthen any positive contributions to society?

- Action through social investment programs – Companies can consider creating or revising a social investment program in the area. For example, what kinds of programs/projects would be complementary to the business activities where they have a positive impact on society? Is there a social investment project that would help alleviate a negative impact from their business activities?

- Action through communication – Companies can consider if more could be done to communicate and discuss their societal contribution to stakeholders. This can help when there are perceptional differences between the company and the stakeholders. If the company chose not to engage with stakeholders in Step 3, it may want to set up a communications program that would allow this to happen as part of a future assessment.

Listed overleaf are some example approaches that companies could consider to further optimize their societal contribution.

Box 5 – Example of a partnering strategy to support SME Growth: International Finance Corporation

The International Finance Corporation (IFC) is implementing a set of “SME Linkages” programs that are designed to increase the capacity of local SMEs to supply both the major project developer as well as other large firms in the area. IFC intervenes to help address the causes of market failures such as information failures (imperfect information exchange about supply opportunities and required quality standards), externalities (SMEs may be unwilling to pay for training for fear of losing employees to competitors), supply-side failures (SMEs may be unable to respond collectively to major client requirements), risk aversion (purchasers and professional service providers may perceive high risks in dealing with SMEs), and credit-market imperfections (SMEs may have inadequate access to finance to fund business improvements).

Access to finance is a particular challenge for SMEs and thus a component of many advisory programs aimed at them. Several interesting initiatives address this vital concern.

The Cajamarca program in Peru, for example, has used two new financial arrangements, a guarantee fund and an unsecured microloan program, and the BTC program in Azerbaijan is implementing a fund to make investments in SMEs in the oil, gas, and food processing sectors. But some challenges remain. In particularly small markets, such as Mozambique, the formal SME sector is so small that there is little incentive for banks to develop significant expertise to deal with it. One solution may be to develop a regional initiative in collaboration with a bank active throughout southern and eastern Africa. In many countries where linkage programs are run, corruption and a lack of transparency pose major barriers to local firms winning business contracts. Again, several innovative programs address this issue. SMEs that participated in the Mozlink program set up a new business association—the Mozambique Business Network—partly because they felt all existing business associations were self-serving clubs for a few firms already well in with government. In Peru a portion of the linkage budget was used to finance a program to simplify the license registration system in Cajamarca province; the monthly rate of SME registrations then trebled. In Chad, the linkage program launched an e-procurement scheme to allow local SMEs to bid for ExxonMobil contracts.

Large firms can make life easier for local SMEs in several ways without lowering quality standards. They can purchase a range of general products (uniforms, local raw materials, small equipment) and services (catering, non-specialized cleaning, transportation) from local SMEs that may not be able to provide highly specialized equipment. They can divide contracts or encourage groups of SMEs to come together as joint producers. And they can help SMEs overcome cash-flow problems by making advance payments and settling invoices quickly.

Large firms also can push their SME suppliers to improve performance standards and the range and quality of their supplies. For example, Mozal has introduced the ISO14000 environmental standard for its operations and is now requiring its local suppliers to meet the same exacting standards. It also helped SMEs manufacture uniforms that meet a higher standard and use special materials not previously available in Mozambique.

While these are clearly benefits to the large firm, the SME Linkage program also address concerns typical of local economic development in the communities where large firms operate. The impact on jobs and income created can be significant.

From 2004 to 2007, the IFC has assisted SME suppliers in 40 countries succeeded in securing 1,291 new contracts, or US$ 234 million in procurement value.

For further information see “IFC, Linkage Programs to Develop Small and Medium Enterprises” at www.ifc.org/ifcext/rmas.nsf/Content/MonitorSeries

Box 6 – Example strategies for enhancing the contribution of procurement to enterprise growth

Company procurement practices are critical to how much local impact arises from business operations. Below are some examples of interventions companies can make to improve the sustainability of their local content.

- Undertake a survey to understand the extent of goods and services that your company could source locally. Maintain a database of potential local suppliers including notes about their technical assistance needs.
- Redesign products and/or processes in ways to use more local goods and services. For example, designing smaller work packages better suited to the capabilities of local SMEs.
- For larger work packages with international suppliers, encourage local procurement and use of joint ventures that promote technology transfer to local firms.
- Engage in transparent and competitive bidding while ensuring that the potential local suppliers have adequate information about the company's supply needs, including required standards. The company could consider supplying this information at a "one-stop" business center run by the company or in conjunction with others.
- Help suppliers avoid over-dependence on your company by helping them improve their abilities and widen their customer base (some specific measures in this regard are listed in the next section).
- Consider partnering with other development actors to provide capacity building support to potential suppliers to help them prepare bids and develop other relevant business skills.
- Look for innovative approaches and partnerships to assist suppliers in accessing credit.
- Work with host governments on incentives to increase local content.
- Work with government and others to enhance the overall business climate, e.g., improving business skills, improving the ability of banks to assess credit risk and improving the capacity of local government agencies.

Box 7 – Example strategy for improving skills: Eskom in South Africa

Due to past practices in South Africa, a majority of people were disadvantaged in finding job opportunities. Eskom developed employment equity policies to redress the situation in line with the Employment Equity Act of 1998. Eskom committed to transforming its profile to represent the demographics of the country.

For example, recognizing a lack of technically skilled women, the company launched the Eskom- Warwick Academic Program, giving 40 women (and at a later stage 50) the opportunity to obtain a master's level business/engineering degree. The company formulated race and gender quotas, and in 1999 recruited during its first intake 40 women science graduates who wished to pursue a career in management and technology to follow an 18-month, full-time postgraduate master's degree program. A second group of 50 women was recruited in 2001. The objectives of the program were to:

- Teach these women the skills necessary to enable them to take on technical and managerial leadership positions within the company
- Give them a deep understanding of how the company operates and expose them to all of the business, political, economic and social challenges facing managers in South Africa

For further information see www.eskom.co.za

Box 8 – Example strategies for mitigating negative impacts on human rights

According to the UN's Universal Declaration of Human Rights, human rights refer to "the basic rights and freedoms to which all humans are entitled." Examples include civil and political rights, such as the right to life and liberty, freedom of expression and equality before the law; and social, cultural and economic rights, including the right to participate in culture and the right to work and the right to education. As such it is a critical societal issue for business. Companies operating in developing countries where institutions and the rule of law are not well developed are particularly exposed to human rights issues and abuses. Below are some examples of actions that companies can take to improve their human rights performance. Please note that the appropriateness of these actions will vary depending on location.

Employees

- Ensure that employees have a written employment contract, that they are free from harassment, and that their working conditions are acceptable
- Respect freedom of association and the right to organize
- Implement an employee hotline to raise ethical and/or human rights issues
- Discipline employees who harass other employees or community members

Security

- Commit to and implement the Voluntary Principles[30] on security and human rights
- Where security is provided by government organizations: carry out risk assessments that consider their human rights record; consult with them regularly about the impact of the security arrangements on local communities; share with them the company's desire to preserve human rights; support efforts to provide human rights training to government security forces; encourage them to be transparent about security arrangements; and report any allegations of human rights abuses by government security forces to appropriate government channels
- Where security is provided by private security firms: review the background of the potential providers; include the Voluntary Principles as contractual provisions; ensure that they are adequately trained; and monitor their performance
- Consider the implications very carefully before agreeing to supply any equipment to police and public or private security forces – especially lethal equipment such as weapons and ammunition. If equipment is supplied, consider how to reduce risks by agreeing what training should be given, what procedures will be put in place for its use, and how its use will be monitored
- Do not allow company equipment and vehicles to be used by police, army or others in their military or security operations

Community engagement

- Consult with the principal local stakeholders about the company's activities. Start consultation early in the business or project concept and design phase and continue it regularly through the whole life cycle of the project
- Put a transparent grievance process in place; ensure that grievances are dealt with fairly and promptly, and that decisions are communicated to the community/the plaintiff
- Log and fulfill commitments made to the local community
- Where economic displacement or physical resettlement takes place as a result of the company's activities, ensure that people's rights are not infringed in the process and that a fair compensation is agreed
- Where there are vulnerable populations such as indigenous people, elderly, the very poor, disabled etc., ensure that they take part in consultation and that their interests are represented
- Where community members' human rights have been infringed upon by the company, take steps to redress the damage

Human rights assessment activities

- Ensure that any human rights awareness-raising initiatives are appropriate for the social and cultural circumstances in the assessment area
- Ensure that local stakeholders are involved in any human rights assessment exercise, for example agreeing locally relevant indicators
- Collect human rights data at regular intervals and involve experts in the process
- Regularly ask principal stakeholders whether they perceive any changes as a result of the company's activities and what their views are on the company's approach to human rights

4.3 Decide on way forward

Companies are expected to follow their own decision-making processes, including associated approval levels for any changes to operating philosophy and/or financial implications.

4.4 Develop new indicators to monitor progress

Companies should identify indicators that could be used to monitor progress on the actions taken in Step 4.3. To do this companies are encouraged to engage with key external stakeholders to make sure that there is a shared understanding of what constitutes progress. They may also be able to assist other stakeholders in identifying key indicators to track progress on other related development outcomes where the company may be only one of many contributors.

Appendices

Appendix 1: Glossary

attribution
Represents the extent to which observed development effects can be attributed to a specific intervention/activity or to the performance of one or more partners taking account of other interventions, (anticipated or unanticipated) confounding factors, or external shocks.
www.oecd.org/dataoecd/29/21/2754804.pdf

baseline data
Data gathered that describes the relevant existing conditions of an area such as physical, biological, socio-economic, and labor. This can serve as the foundation against which future assessments are evaluated.
www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_glossary/$FILE/Glossary+of+Terms.pdf

benchmark
Reference point or standard against which performance or achievements can be assessed.
Note: A benchmark refers to the performance that has been achieved in the recent past by other comparable organizations, or what can be reasonably inferred to have been achieved under the circumstances.
www.oecd.org/dataoecd/29/21/2754804.pdf

business activity
Activity that a business carries out to support its commercial or operational purposes/objectives. Eight business activities are included in this Framework broken down into four clusters: Assets, People, Financial Flows and Governance & Sustainability.

counterfactual
The situation or condition that hypothetically may prevail for individuals, organizations or groups if the business were not present.
www.oecd.org/dataoecd/29/21/2754804.pdf

inclusive business
A sustainable (profitable) business that also benefits low-income communities. Examples include the engagement of low-income communities through direct employment, through the development of local supply chains and service providers, or by providing affordable goods and services that target the low-income segment.
www.wbcsd.org/development

development issues
The facts and trends concerning development in a given area (global, country, region, local area). A key source for global development issues is the annual UNDP Human Development Report. The WBCSD methodology has identified ten development issues as examples (see Appendix 4). Issues are distinguished from priorities in this framework whereby priorities are identified through active stakeholder engagement.

development priorities
The development issues that have been prioritized through a process of stakeholder engagement. In some cases, the priorities may also be internationally accepted priorities such as the Millennium Development Goals (see Appendix 5).

impact
The effect that arises from carrying out a specific activity. It can comprise changes, whether planned or unplanned, positive or negative, direct or indirect, primary and secondary, that a program or project helped to bring about.
www.un.org/Depts/oios/mecd/mecd_glossary/documents/evaluation_category.htm#causal_relationship

direct impacts
Impacts largely within a company's control. These impacts can be inputs or outputs that arise from the day-to-day activities of a company. Examples include: creation of jobs within a firm, the sale of a product or the adherence to a certain code or standard.

indirect impacts
Impacts not in the company's control but within the company's influence. They can also be characterized as "knock-on effects" of the direct impacts. They may include the creation of jobs within the supply chain or a change in the quality of life for the consumers who buy a product or service. It can also be seen as the additional value derived by other firms (small and large) that deal with the company.
www.ifc.org/ifcext/sme.nsf/Content/Linking_SMEs_to_Investments

indicator
The OECD defines an indicator as a "quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor." An indicator may be data used by analysts/companies and organizations to describe situations that exist or to measure changes or trends over a period of time.
www.oecd.org/dataoecd/29/21/2754804.pdf

logical framework (logframe)
Management tool used by many development actors to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention. Refer:
www.oecd.org/dataoecd/29/21/2754804.pdf

monitoring
Refers to the regular checking of progress against a plan. It involves the continuous or frequent collection and analysis of information on performance after an intervention has been introduced.
www.worldbank.org/urban/local/toolkit/docs/m5/lm/module-5-lm-1.pdf

needs assessment
An analysis of stakeholder needs as a basis for building a project or program. Needs assessments are typically performed prior to interventions and development programs as a way to understand the status of populations and build appropriate interventions/programs.

poverty reduction strategy papers (PRSPs)
These are prepared by countries through a participatory process involving domestic stakeholders as well as international development partners, including the World Bank and International Monetary Fund. Updated every three years with annual progress reports, PRSPs describe the country's macroeconomic, structural and social policies and programs over a three year or longer horizon, as well as associated external financing needs and major sources of financing.
www.imf.org/external/np/prsp/prsp.asp

qualitative data
Information that is not easily captured or represented in numerical form. Qualitative data typically describe people's opinions, knowledge, attitudes or behaviors.
www.un.org/Depts/oios/mecd/mecd_glossary/documents/evaluation_category.htm#causal_relationship

quantitative data
Information measured or measurable by, or concerned with, quantity and expressed in numerical form. Quantitative data typically consists of numbers.
www.un.org/Depts/oios/mecd/mecd_glossary/documents/evaluation_category.htm#causal_relationship

results chain
The sequence of impacts and interactions that result from an activity or intervention and lead to an unexpected or desired outcome. According to the OECD this begins with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and feedback.
www.oecd.org/dataoecd/29/21/2754804.pdf

social investment
Company investments focused specifically at community development (e.g., through donations, partnerships, company sponsored activities, etc.).

sources of impact
The specific aspect of a business activity a company wishes to assess. Each business activity selected can be broken down into various sources of impact. For example, the "use of existing infrastructure by a company" is a source of impact under the business activity "Infrastructure". A company identifies the sources of impact it assumes influences relevant development issues in the area of assessment.

stakeholder
Stakeholders are defined broadly as those groups or individuals: (a) that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; or (b) whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives.
www.globalreporting.org

stakeholder engagement
A process whereby a company interacts with a stakeholder, either actively or passively. **Active** stakeholder engagement can occur through interviews, discussions and/or some form of direct communication where the stakeholder is aware the company is carrying out an assessment. In **passive** stakeholder engagement, a company interacts with stakeholders by accessing information provided by stakeholders. An example of this could include the collection of data and statistics from local government offices and development agencies to build a local socio-economic profile. No direct communication occurs between the company and stakeholders related to the assessment.

stakeholder mapping
A process whereby all the stakeholders who are interested in, impacted by, or who have an impact upon the company's operations are identified.

Appendix 2: Additional sources of information for Step 2

The information in this Appendix is intended to help companies develop appropriate indicators to measure the direct and indirect impacts of their business activities on the societies in which they operate. The lists of indicators are examples to serve as a starting point for companies; they are not exhaustive lists. As companies tailor the assessment to their specific operation/sector, they can use the information in this Appendix and develop it further. As more and more companies develop their indicators, it is hoped that these indicator lists will expand over time, potentially with a more detailed breakdown for different sectors.

Abbreviations used in the tables include:

#	"number of"
%	"percentage of"
$	"monetary amounts"
*	Refers to a Global Reporting Initiative (GRI) indicator
Y/N	"Yes or No"

Each list of indicators for direct and indirect impacts is followed by additional useful references to customize the indicators for a particular context and/or industrial sector. The following references are cross-cutting sources of information that companies may find useful:

IFC Standard Indicators, www.ifc.org/ifcext/rmas.nsf/Content/StandardIndicators

GRI G3: Sustainability Reporting Guidelines, www.globalreporting.org

Measuring Unilever's economic footprint: The case of South Africa, Jan 2008, www.wbcsd.org

Unilever and Oxfam, Unilever in Indonesia: links between international business and poverty reduction? Dec 2005, www.wbcsd.org

GOVERNANCE & SUSTAINABILITY

Due to the compliance nature of the activities under Governance & Sustainability, scorecards are provided in Appendix 3 to help companies rate their compliance with local, national and/or international standards.

GOVERNANCE & SUSTAINABILITY - Corporate Governance

When developing indicators to measure the impact of corporate governance policies and practices, particularly the adherence to codes and standards, it is important to consider how the company interacts with governmental bodies. The extent of the impact will largely depend on the scale and reach of the company and its external influence in the assessment area. Company compliance with laws, emphasis on transparency and commitment to engaging the community could lead to greater disclosure, improved enforcement of existing laws and more open communication with the government. In the same respect, weak enforcement of anti-corruption policies within a company can prop up corrupt governments and hinder democratic processes.

Assessing a company's respect for human rights is also critical to gaining a comprehensive picture of the impacts of a company's governance practices on an area. Indicators for "measuring" respect for human rights require qualitative descriptions. The Danish Institute for Human Rights has developed a Human Rights Compliance Assessment with a selection of indicators for companies to use to assess their respect for and promotion of human rights. www.humanrightsimpact.org

Table A-1 - Example sources of impact and indicators for corporate governance	
Direct impacts (indicators)	**Indirect impacts (indicators)**
Source of impact: Public policy and compliance	
• Monetary fines and sanctions due to non-compliance (GRI SO8: Compliance) • Participation in public policy development and lobbying (GRI SO5: Public Policy) • Financial and/or in-kind contributions to political parties or institutions (GRI SO6: Public Policy)	• Changes to regulatory frameworks (e.g., # of new laws introduced pertaining to higher standards; changes in fines for non-compliance to business in area) • Changes in government allocation of resources to public services
Source of impact: Transparency and disclosure	
• External reporting – financial and non-financial (e.g., # of reports; qualitative information about issues addressed in reports) • Internal communication (e.g., information provided on division of responsibilities within company (Y/N))	• Changes in public and employee perceptions (surveys) • Changes to industry-specific disclosure practices by government (number and types of changes)
Source of impact: Code of conduct and corruption control	
• Anti-corruption policy and zero tolerance for corruption practices (Y/N) • Business units analyzed for risk of corruption (GRI SO2: Corruption) • Employees trained in anti-corruption policies (GRI SO3: Corruption) • Actions taken in response to corruption (GRI SO4: Corruption)	• Changes in government allocation of resources to public services • Country corruption perceptions index rating (Transparency International)
Source of impact: Labor standards and rights of workers	
• Protection of workers' rights (e.g., compliance with four core labor standards: Abolition of child labor, freedom of association, elimination of discrimination and forced and compulsory labor[31]) • Availability of communication channels and complaint mechanisms (Y/N) • # of complaints by employees • Response time to complaints (e.g., hours/days since complaint)	• Employee satisfaction, empowerment, self-esteem (e.g., # of protests, strikes, complaints; surveys)
Source of impact: Engagement with local community	
• Availability of communication channels and complaint mechanisms(Y/N) • # of consultation with communities on issues of concern or affecting community[32] • # of complaints by communities • Response time to complaints (e.g., hours/days since complaint)	• Community perception, acceptance and trust of company (e.g., # of protests, intentional damage and/or demonstrations on/near property, complaints)
Source of impact: Monitoring of suppliers	
• Existence of human rights screening of suppliers (GRI HR2: Investment and Procurement policies) – (Y/N) • % of suppliers that have undergone environmental screening • Supplier enforcement (e.g., # of suppliers disqualified)	• Results of supplier audits/monitoring
Source of impact: Responsibility to Consumers	
• Customer health and safety, product labeling, marketing communication, customer privacy (GRI PR1 – PR8: Product Responsibility Performance) • #, type and quality of customer services available (e.g., surveys) • # of complaints/lawsuits, response time to complaints/lawsuits	• Consumer awareness (surveys) • Customer satisfaction (GRI PR5: Product Labeling)

Source of impact: Develop Global Partnership for Development (MDG 8) and Global Compact Principles	
• # of Partnerships	• Monitoring results of partnership programs (surveys, evaluations)

Links to additional indicators and references on corporate governance

AccountAbility, *Responsible Competitiveness Index*, www.accountability21.net

AccountAbility, *Development as Accountability*, 2006, www.accountability21.net

Business Leaders Initiative on Human Rights, Matrix - www.blihr.org/Pdfs/GIHRBM_Matrix.pdf

Danish Institute of Human Rights, *Human Rights Compliance Assessment*, www.humanrightsbusiness.org/040_hrca.htm

Freedom House, *Freedom in the World: Annual global survey of global political rights and civil liberties*, www.freedomhouse.org

IBLF and IFC, *Guide to Human Rights Impact Assessment and Management*, 2007 (road test draft), www.iblf.org

IFC Performance Standards www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards

Kaufman, Daniel, Aart Kraay, and Massimo Mastruzzi, Governance Matters V: Aggregate and Individual Governance Indicators for 1996-2005, World Bank, September 2006.

OECD Corporate Governance Principles, www.oecd.org/document/49/0,3343,en_2649_34813_31530865_1_1_1_1,00.html

Transparency International, *Corruption Perceptions Index*, www.transparency.org

UNCTAD, *Guidance on Corporate Responsibility Indicators in Annual Reports* (TD/B/COM.2/ISAR/41), 2007, www.unctad.org/isar

World Bank, *Doing Business Report*, www.doingbusiness.org

World Bank Institute, *Quality of Governance Metrics: Six indicators*, www.govindicators.org

ISO, ISO 9004:2000 - Quality Management Standards, www.iso.org

ISO, ISO 26000, (to be published in 2010), isotc.iso.org/livelink/livelink/fetch/2000/2122/830949/3934883/3935096/home.html?nodeid=4451259&vernum=0

GOVERNANCE & SUSTAINABILITY - Environmental Management

When developing indicators to measure the impact of environmental management practices, companies need to consider both the ecosystems they rely on to deliver their business activities (such as clean water), as well as the impacts on the environment arising from their operations. Poor harvesting or unsustainable sourcing practices lead to the degradation or depletion of resources resulting in an unsustainable business model. In contrast, sustainable resource management practices and/or application of technology can help preserve vital ecosystems, which in turn continue to supply the company's production needs for an indefinite period. In addition to the company's own impacts, it is important to evaluate suppliers' environmental management policies and practices.

It is also important to consider the social and economic dimensions of environmental management. In particular, companies should look at the impacts of their environmental management efforts on employment, health, provision of public services, and indigenous rights, etc. In doing so, the company will gain an understanding of how its actions affect the capacity of other stakeholders to preserve vital ecosystems.

Table A-2 – Example sources of impact and indicators for environmental management	
Direct impacts (indicators)	**Indirect impacts (indicators)**
Source of impact: Environmental management services and standards	
IFC Performance Standards 1.14 –1.26 and 3.7 • Compliance (% of facilities, average rating)* • Environmental Training Workshops (number/yr., % participation) • Environmental Management Systems (% complete, % of facilities) • Local environmental recognition (number of awards)	• # of local direct or indirect suppliers adopting EMS systems
Source of impact: Land use and biodiversity	
IFC Performance Standards 6.5 – 6.13 and 7.13 • Land Use (HA, HA/ton product, ton/HA) • Land Restoration (HA) • Ecosystem Biodiversity (number of species) • Protected/High Biodiversity Land Use (HA, %)* • Brownfield Site (HA, %)	• Changes in # and type of species • Quantity of land used by local suppliers to provide products/services to entity (hectares) • Land restoration by local suppliers (Y/N) and amount (hectares)
Source of impact: Hazardous material use and management	
IFC Performance Standards 3.6, 3.12 – 3.15 and 4.7 • Hazardous Materials Use (kg, kg/kg product) • Alternative Non-Hazardous Material Use (kg, kg/kg product, %) • Pesticide Use (kg, kg/hectare)	• # and severity of incidents of toxic exposure related illness among workers and surrounding community • Changes to water quality due to pesticide use • # of food safety incidents related to toxics • Amount of hazardous wastes generated by local suppliers to provide products/services to entity (kilograms)
Source of impact: Material resource use	
IFC Performance Standards 3.4 and 6.14 – 6.16 • Total Raw Materials Use (ton, ton/ton product)* • Alternative Raw Material Use (ton, %) • Recycled Materials Use (ton, ton/ton product)* • Raw Material Contamination (g/ton) • Packaging Material Use (kg, kg/kg product)	• Rate of depletion of available landfill space • Emergence of reclaim or recycling associated businesses (Y/N) • Changes in emissions due to transportation of raw material or waste • Amount of recycled materials local suppliers use to provide products to entity (kilograms)
Source of impact: Water use	
IFC Performance Standards 4.9 and 6.17 • Total Water Withdrawal (l, l/ton product)* • Manufacturing Water Consumption (l, l/ton product) • Wastewater Reuse (l, l/ton product) • Non-Product Waterborne Output (kg, kg/ton) • Groundwater Management Impacts (volume affected)	• Changes to availability of and access to potable water • Changes to # of local aquatic organisms • Adoption of water use minimization by local suppliers of products/services (% of suppliers) • Quantity of water minimized by local suppliers as a result of water use minimization programs (cubic meters/year)
Source of impact: Energy resource use	
IFC Performance Standards 3.4 • Total Energy Consumption (MJ, MJ/ton, ton/MJ))* • Electricity Consumption (kWh, kWh/ton)* • Total Fuel Consumption (MJ, ton, MJ/ton, ton/MJ) • Non-Fossil Fuel Consumption (MJ, ton, %) • Fossil Fuel Consumption (MJ, ton) • Life Cycle Energy Consumption (MJ/ton)	• Changes to availability of energy to local community (watts) • Changes in energy costs as % of income • Energy consumption by local suppliers of products/services (appropriate units) • Renewable energy used by local suppliers of products/services (% of total energy used)

Source of impact: Waste generation	
IFC Performance Standards 3.5 • Total Waste Generation (ton, ton/ton product) • Waste Recycled (ton, ton/ton product)* • Waste Landfilled (ton, ton/ton product)* • Waste Incinerated (ton, ton/ton product)* • Spills (kg, number)* • Total Non-Product Outputs (ton, ton/ton product)	• Changes in usable land due to spillage (ground or water contamination) • Quantity of wastes generated by local suppliers of products/services to entity (metric tons) • % of waste generated by local suppliers of products/services to entity that are beneficially recycled
Source of impact: Greenhouse gas emissions	
IFC Performance Standards 3.10 and 3.11 • Total CO_2 Equivalent Emissions (kg, kg/ton product)* • CO_2 Equivalent Emissions Reduction (kg, %) • Greenhouse Gas Emissions Offsets (kg, g/ton product)	• Changes in local air quality • Estimated local supplier of products/services GHG emission volumes (metric tons equivalent CO_2/year)
Source of impact: Emissions /non-GHG) and effluents	
IFC Performance Standards 3.4 • Total Air Pollutant Emissions (kg, g/ton product) • Total Ozone Depleting Substance Emissions (kg, g/ton product)* • Particulates and Dust (kg, g/ton product) • SO_2 and NO_2 (kg, g/ton product)* • CO (kg, g/ton product) • Total Wastewater Effluents (kg, g/ton product)* • COD and BOD (kg, g/ton product)	• Changes in local air quality. • Estimated local supplier of products/services air pollutant and wastewater emission rates (metric tons air or water pollutant/year) • Capital and operating expenses by suppliers of local products/services for air pollution and wastewater discharge monitoring and control ($/year)
Source of impact: Products & services	
• Product impact mitigation programs (number of programs)* • Products Reclaimed (%)* • Product Use Emissions (kg, kg/use) • Packaging minimization programs (number of programs) • Packaging Reclaimed (%)	• # of local supplier of products packaging minimization and reclamation programs
Source of impact: Cultural heritage	
IFC Performance Standards 8.1 – 8.11 • Land Area affected - having archaeological (prehistoric), paleontological, historical, cultural, artistic and religious values (ha)	• Changes in indigenous population • Changes in cultural related tourism (e.g., # of tourists; eco-tourism)
Links to additional indicators on Environmental Management	
IFC Performance Standards, www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards ISO 14001 – Environmental Management Standards, www.iso.org/iso/about.htm WRI, WBCSD, and IUCN, *Ecosystem Services Review*, March 2008, www.wbcsd.org	

ASSETS

ASSETS - Infrastructure

In the context of this Framework, this business activity addresses the creation, maintenance and use of infrastructure that is primarily aimed at meeting business needs and which may or may not be used by the community. Companies wishing to assess the impacts of infrastructure that they deliver and/or operate as a profit making venture should use the Products and Services business activity. When developing indicators to measure the impact of infrastructure, it is important to consider changes in stakeholder behavior and subsequent effects on quality of life and socio-economic and environmental conditions in the assessment area. As an example, the creation of a road may impact movement patterns in the community, travel time to markets, access to hospitals, etc. which could lead to a host of other knock-on effects both positive and negative, such as SME growth, increased traffic congestion, increased number of road-accidents as well as social frictions due to increased population movements.

Large infrastructure projects often require clearing land and displacing people. It is important when developing indicators that companies consider measures to assess the long-term environmental sustainability and human development effects. Relevant sources of information for this type of assessment are the Equator Principles and the underlying IFC Performance Standards. Companies should also consider reviewing the Environmental Management indicators in conjunction with the infrastructure indicators to ensure the indirect impacts of the creation and use of infrastructure on the environment are fully captured.

Table A-3 – Example sources of impact and indicators for Infrastructure

Direct impacts (indicators)	**Indirect impacts (indicators)**
Source of impact: Creation of Infrastructure	
• Size, cost and duration of investment in infrastructure (GRI EC8: Economic indicator) • Quantity of infrastructure constructed (in appropriate units) • # and % of population with access to new infrastructure • Cost to those accessing infrastructure (e.g., $ per toll, registration, etc)	• Use of the infrastructure – who uses it, for what purposes (survey) • Changes in stakeholder behavior/ access (e.g., change in time needed to get to market, access to public services) • Changes in economic activities / social relations (survey) • Growth of infrastructure services enterprises (# and type; # of micro-enterprises)
Source of impact: Usage of existing infrastructure by company	
• Quantity and frequency of infrastructure (public vs. private) used by business (in appropriate units; x per week, month, year – consider seasonal changes)	• Change in stakeholder behavior/access (e.g., change in time needed to get to market) • Wear and tear of infrastructure (e.g., change in maintenance costs)
Source of impact: Maintenance of existing infrastructure	
• Frequency and amount of investment in maintaining existing infrastructure (e.g., # of times per year, $ per unit) • Quantity of infrastructure improved (in appropriate units)	• Changes in # and % of population with access to infrastructure pre/post maintenance • Changes in stakeholder behavior/ access (e.g., change in time needed to get to market) • Growth of infrastructure services enterprises (# and type; # of micro-enterprises)
Links to additional indicators on Infrastructure	
ISO 14001 – Environmental Management Standards, www.iso.org/iso/about.htm WRI, WBCSD, and IUCN, *Ecosystem Services Review*, March 2008, www.wbcsd.org IFC Performance Standards, www.ifc.org/enviro The Equator Principles on project finance, July 2006, www.equator-principles.com GVEP Monitoring and Evaluation Guide for Energy Projects, December 2006, www.gvepinternational.org	

International Telecommunications Union, World Telecommunication/ICT *Development Report 2006 – Measuring ICT for Social and Economic Development*, www.itu.int/ITU-D/ict/index.html

ITU, *Measuring the Information Society ICT Opportunity Index and World Telecommunication/ICT Indicators – 2007*, www.itu.int/ITU-D/ict/index.html

ASSETS - Products & Services

The type of product and service provided by the company will greatly affect the specific indicator to be used when measuring the impacts of products and services. Companies are encouraged to look at available sector specific indicators (see links to additional indicators below).

Other impacts to consider include the impact on SMEs or other individual producers of similar goods, cost of maintenance and replacement fees and effects on cultural norms and traditions. For some indicators, companies should consider getting counterfactual data or establish whether there is a suitable alternative to the product or service they are providing and if so, how the impacts of their product or service compares to this alternative.

To get a full picture of the impacts of products and services, companies should consider other business activities such as jobs created by suppliers and distributors as well as skills gained by consumers as a result of the company's sale of product/service.

Table A-4 – Example sources of impact and indicators for Products & Services

Direct impacts (indicators)	Indirect impacts (indicators)
Source of impact: Sale of product/service	
• # of purchases of and expenditure on P or S made per time period by customer (different customer segments) • # of purchases of similar or complementary P & S	• Affordability for customer (e.g., spending as % of overall monthly budget, % of overall spending, % of income) • Changes in affordability (e.g., price compared to competitor prices/prices of similar product or service; price relative to CPI)
Source of impact: Use of product/service	
• Purpose of product: Intended use by / benefits to customer (specific to product or service e.g., reduce travel time) • Any adaptations to product to serve specific income groups (indicator would be specific to product or service)	• Effective use by / benefits to customer (specific to product and service) • Benefits beyond customer (specific to product and service, e.g., benefits to family) • Changes in purchase / use of other products (substitutes, complements, other) • Changes in habits (based on survey)
Source of impact: Marketing of product/service	
• # of product distributors • Regional coverage of distribution centers (number of centers per 5km radius, etc) • Investment in marketing, advertising, etc ($) • Market share: # of customers/ users (e.g., as % of population of area)	• Brand perception by customers / wider public (survey)
Source of impact: Creation of waste from product/service use[33]	
• Labels and information on efficient disposal (Y/N)	• Environmental and social awareness of product use (surveys) • Efficient use and appropriate disposal (e.g., records of product recycling)

Links to additional indicators on Products & Services
Accounting for Sustainability, Decision-making model, www.sustainabilityatwork.org.uk GVEP Monitoring and Evaluation Guide for Energy Projects, www.gvepinternational.org, Dec 2006 International Telecommunications Union, *World Telecommunication/ICT Development Report 2006* – Measuring ICT for Social and Economic Development, www.itu.int/ITU-D/ict/index.html ITU, *Measuring the Information Society ICT Opportunity Index and World Telecommunication/ICT Indicators – 2007*, www.itu.int/ITU-D/ict/index.html London, T. *Improving the lives of the poor? Assessing the impacts of a base-of-the-pyramid perspective*. William Davidson Institute: *Working paper, 2007* Ministry of Foreign Affairs Denmark, Transport Indicators, http://www.danidadevforum.um.dk/en/menu/monitoringandindicators/indicatorsinsectors Vodafone, Africa: *The Impact of mobile phones*, The Vodafone Policy Paper Series, March 2005, www.vodafone.com WBCSD, *Doing Business with the Poor: A field guide*, November 2005 World Bank, *Core indicators for determinants and performance of electricity sector reform in developing countries,* World Bank Policy Research Working Paper 3599, http://www.wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/05/15/000090341_20050515150912/Rendered/PDF/wps3599.pdf, May 2005

PEOPLE

PEOPLE - Jobs

When developing indicators to measure a company's impact through job creation, it is important to consider the socio-economic conditions at the individual as well as community or country level that may change as a result of the creation of the jobs. As an example, companies that provide employment to large numbers of people often trigger migration to the area which can lead to both positive and negative impacts.

Many companies provide services such as healthcare and HIV/AIDS education to their employees and their families. The services vary by company and location, thus companies should consider identifying appropriate indicators to measure the impact of these programs on the health and well-being of employees and their families.

Table A-5 – Example sources of impact and indicators for Jobs

Direct impacts (indicators)	Indirect impacts (indicators)
Source of impact: Jobs within company	
• Jobs created (e.g., # of full time equivalent jobs created by the company; % of skilled workers; % of residents of assessment area / national residents / recruited abroad) • Average salary level (including benefits) (e.g., for unskilled vs. skilled workers; comparison to average salary levels in area) • Benefits to full time vs. part time employees (GRI Labor Practices Performance Indicators: LA3) • Equal opportunity of employment (e.g., ratio of m/f employees; employee turnover by age, gender and region (GRI Labor Practices Performance Indicators: LA2))	• Induced employment (e.g., estimated # of jobs generated through employee spending (both direct and indirect) • Estimated # of businesses set up due to employee spending • indirect jobs created as a result of economic linkages between company and local businesses • Influence on status of women and male/ female roles (surveys and statistics on female employment in area, etc.) • Price fluctuations (e.g., changes in commodity and housing prices in area) • Quality of life for employees (surveys on spending and salary per no of dependents) • Number of people who have migrated into area for job (distinguish jobs at company and jobs related to other opportunities related / unrelated to company's presence)
Source of impact: Working conditions	
• Occupational health and safety training provided (# of people, $, types of trainings) • Employee access to clean water, energy and sanitation (Y/N and quantity in appropriate units)	• Prevalence of occupational illnesses (e.g., work days lost) • Perception of health and well-being by employees (e.g., surveys)
Source of impact: Expenditure on jobs in supply and distribution chain	
• Purchases of goods and services from suppliers (e.g., $ spent; # of suppliers, local vs. other)[34] • Sales of goods and services through distributors ($ of sales, # of distributors, local vs. other)	• Jobs generated in supply and distribution chain (e.g., # of full time equivalent; % skilled; % employees who are residents of assessment area / national residents / recruited abroad; diversity of employees) • Induced employment (e.g., jobs generated due to suppliers' employee spending) • Average salary level of supplier / distributor employees (including benefits) (e.g., for unskilled vs. skilled workers; changes in average salaries of suppliers' employees due to new contracts)
Links to additional indicators on Jobs	
ICMM Resource Endowment Toolkit, www.icmm.com ILO *Key Indicators of the Labor Market*, KILM (5th edition), www.ilo.org/public/english/employment/strat/kilm/ ILO *Code of Practice on HIV/AIDS in the workplace*, www.ilo.org/public/english/region/afpro/harare/areas/protection/hivaids.htm	

ILO *Guidelines on OSH Management Systems* (ILO-OSH 2001), www.ilo.org/public/english/protection/safework/managmnt/download/promo.pdf

UNAIDS, *The Business Response to HIV/AIDS; Impacts and lessons learned*, data.unaids.org/Publications/IRC-pub05/JC445-BusinessResp_en.pdf

SA 8000, www.sa-intl.org

PEOPLE - Skills & Training

Qualitative indicators are particularly important to understanding the impacts of skills and training programs due to the fact that they are subject to the perception of skills gained by stakeholders. In most cases, impacts cannot be a one-off measurement and will therefore need to be tracked over time to assess the full benefit (e.g., career progression over time). It is also important to differentiate between the types of skills being gained by employees and whether the skills are transferable to family members or those beyond the individual.

Skills and training programs can play a critical role in providing economic opportunities for previously disadvantaged people. As a result, it is important to assess changes in the demographic make-up (e.g., race, age, gender, etc) of program participants and impacts this may have on social equality in the area of assessment.

Table A-6 – Example sources of impact and indicators for Skills & Training

Direct impacts (indicators)	Indirect impacts (indicators)
Source of impact: On and off the job training	
• Trainings offered (e.g., type of trainings; # of training days per employee; # of trainings to suppliers) • Investment in training (e.g., $ invested in training provided by the company that is not borne by the individuals, community or local government; training budget per employee) • # and % of "skilled" positions for which the company will hire totally unskilled candidates and train them • Support to training institutions (e.g., $ paid to local educational and training institutions for training) • Training program participants (e.g., # of jobs providing training/skill development that are filled by local candidates) • Performance against gender or race equity (targets established)	• Upward mobility (e.g., # of internal promotions that take place a year; retention rate of trained employees; value of promotional increases awarded) • # of employees with completed development plans • Quality of skills and training programs (e.g., survey feedback from recipients; performance evaluations) • # of employees that left company and took positions in other companies / started their own business
Source of impact: Educational Assistance	
• Investment in education assistance (e.g., # of educational assistance grants awarded; $ educational grants provided) • Educational assistance recipients (e.g., # of applications for educational grants; % local)	• Quality of educational assistance – towards meeting employment goals (e.g., surveys of grant recipients) • Employment trends (e.g., changes in % of local hiring; # recipients employed elsewhere in the local economy; # recipients who have started their own businesses and employ community members)
Source of impact: Community capacity development activities	
• Investment in community capacity development (e.g., $ invested; per capacity development activity) • # of participants in activities	• Quality of activities (e.g., surveys of participants)
Links to additional indicators on Skills & Training	
Anglo American, Socio-economic Assessment Toolbox, www.wbcsd.org/web/dev/cases.htm	

FINANCIAL FLOWS

FINANCIAL FLOWS - Procurement

The size of the impacts of a company's procurement practices on the local economy (however defined) will depend on the amount of business that stays with local suppliers at each step of the supply chain as well as the size of the procurement budget relative to the local economy. Suppliers whose business is largely dependent on the company may face significant risks if the company goes through a slump, delays payment, or decides to curtail operations locally.

Changes in procurement patterns over the course of the business life cycle can significantly change the impacts on communities. For example, it may be misleading to take procurement patterns during the construction phase of a project as representative of patterns over the life of the operation. While this period may see a large amount of expenditure on local goods and services, it may be followed by a period during which total local expenditure falls overall.

Table A-7 – Example sources of impact and indicators for Procurement

Direct impacts (indicators)	Indirect impacts (indicators)
Source of impact: Expenditure in local economy	
• Purchase of local goods and services (e.g., $ spent on goods and services in local economy; % of total procurement budget; per project, good/service or business unit) • GRI Economic Performance Indicators (e.g., EC6: Market Presence)	• Company's procurement spending compared to overall procurement in area (in %); % of suppliers' sales with company • Procurement of suppliers from sub-suppliers (procurement budget of suppliers) • Impact on access to credit by supplier (change in access to credit)
Source of impact: Technology cooperation and support	
• Investment in tech training (e.g., $ invested in technology training, support and provision of physical assets)	• Supplier productivity (e.g., suppliers' total sales; procurement budget of suppliers) • Diversification of contracts (e.g., change in customer base or demands of suppliers)
Source of impact: Support to improve compliance with standards	
• Investment in supporting supplier compliance (e.g., $ invested in helping suppliers meet product quality standards or local/national laws (e.g., human rights, environment, etc.) • # of local companies that implemented changes to their systems as a result of training/support	• Change in suppliers' compliance with standards (e.g., changes in # fines/sanctions for non-compliance) • Diversification of contracts (e.g., change in customer base or demands of suppliers, changes in access to markets with specific quality standards)
Links to additional indicators on Procurement	
The IFC SME Linkages program has come up with performance indicators specially designed to capture benefits accruing to local suppliers. Besides Financial Flows, the indicators also touch on the dimensions of Jobs, and Skills and Training. See www.ifc.org/ifcext/sme.nsf/Content/Linking_SMEs_to_Investments	

FINANCIAL FLOWS - Taxes

Identifying indicators to measure the indirect impacts arising from a company's payment of taxes relies on information about government redistribution of taxes. As a result, it may be difficult to collect accurate information about the impact of taxes on socio-economic conditions in the area of assessment.

Table A-8 – Example sources of impact and indicators for Taxes

Direct impacts (indicators)	Indirect impacts (indicators)
Source of impact: Taxes borne and collected	
• Taxes borne and collected as % of turnover • Employment taxes borne and collected per employee • Total tax rate • Employee taxes	• Taxes borne and collected as % of government receipts • Government redistribution (e.g., government receipts as % of government spending) • Taxes paid by suppliers
Source of impact: Sector specific taxes borne	
• Royalties (Extractive industries) • Production sharing agreements (Oil and Gas) - % of what is extracted is owned by the state – i.e. making explicit what state gets out of the deal in tax and PSA	• Taxes borne and collected as % of government receipts of sector specific taxes • Government redistribution (e.g., government receipts of sector specific as % of government spending (possibly on sector specific issues)
Source of impact: Tax compliance	
• Administrative costs of compliance to tax requirements (e.g., $ spent on tax procedures)	• Change in tax requirements or procedures
Links to additional indicators on Taxes	
PricewaterhouseCoopers, *Total Tax Contribution*, www.pwc.com	

Appendix 3: Scorecards for Governance & Sustainability

Scorecard for direct impacts from Corporate Governance

Due to the compliance nature of Corporate Governance, a "qualitative" scoring system based on five possible score assignments (-2, -1, 0, +1, or +2) for each Corporate Governance source of impact has been prepared. It can be used to summarize the company's compliance and adherence to standards through an analysis of the direct level impacts. Standards indicated below may be IFC performance standards (if applicable), relevant local/national standards, or International Organization for Standardization (ISO) management system standards.

Each score considers the combination of (1) the corporate governance indicators, (2) the local/national or international standards accepted (e.g., ratified) by the respective government or industry, and (3) the actual or foreseen corporate governance performance/impacts after implementation of the system by the business, as follows:

+2	Corporate governance controls/procedures/programs in relation to indicator [x] are far above standards and respective practices cause or could cause highly beneficial impacts in the geographic area
+1	Corporate governance controls/procedures/programs in relation to indicator [x] are slightly above standards and respective practices cause or could cause slightly beneficial impacts in the geographic area
0	Corporate governance controls/procedures/programs in relation to indicator [x] are average and impacts are negligible
-1	Corporate governance controls/procedures/programs in relation to indicator [x] are slightly below standards and respective practices cause or could cause minor detrimental impacts in the geographic area
-2	Corporate governance controls/procedures/programs in relation to indicator [x] are far below standards and respective practices cause or could cause highly detrimental impacts in the geographic area

Scoring of each governance impact category is a subjective assessment. The goal is to achieve a high weighted average corporate governance (WACG) score. This Framework recommends that the corporate governance scorecard score ranges be interpreted and acted upon as follows:

WACG Score	Interpretation/Recommended Action
+0.25 to +2.0	Positive corporate governance performance – improvements on some indicators can be considered, but may not be necessary
-0.24 to +0.24	Neutral impact of corporate governance performance – consider making improvements to some corporate governance indicators
-2.0 to -0.25	Serious corporate governance gaps exist – actively work to improve the corporate governance impact of business operations and ensure operations comply with all relevant standards

Thus, a maximum possible WACG score of 2 demonstrates that the highest possible corporate governance principles are effectively in place. Major changes to the corporate governance systems should be considered if the lowest score of -2 is determined for any specific business governance category. Note that separate scorecards could be developed for supplier's corporate governance.

Scorecard for direct impacts from Environmental Management

Due to the prevalence of local/national and international standards on Environmental Management, a "qualitative" scoring system based on five possible score assignments (-2, -1, 0, +1, or +2) for each Environmental Management impact category has been prepared. It can be used to summarize the company's compliance and adherence to local and/or national and/or international and/or industry standards through an analysis of the direct level impacts. The following scorecard could be used for existing business or a proposed new project.

Each score considers the combination of (1) the environmental management direct indicators, (2) the local/national or international standards accepted (e.g., ratified) by the respective government or industry, and (3) the actual or foreseen environmental management performance/impacts after implementation of the system by the business, as follows:

+2	Environmental management controls/procedures/practices in relation to indicator [x] are far above IFC or other relevant standards and cause or could cause highly beneficial impacts in the geographic area
+1	Environmental management controls/procedures/practices in relation to indicator [x] are slightly above IFC standards or other relevant standards and cause or could cause slightly beneficial impacts in the geographic area
0	Environmental management controls/procedures/practices in relation to indicator [x] are at industry average and meet IFC standards; impacts are negligible
-1	Environmental management controls/procedures/practices in relation to indicator [x] are slightly below IFC or other relevant standards and cause or could cause minor detrimental impacts in the geographic area
-2	Environmental management controls/procedures/practices in relation to indicator [x] are far below IFC or other relevant standards and cause or could cause highly detrimental impacts in the geographic area

The evaluator will assign weightings to each impact category based on the importance and/or scale of the activity within the category (i.e., indicators). Undeveloped area baseline means the environmental conditions in the local community/region/country before the business enterprise began its operations or before the project was developed. Scoring of each environmental management impact category is a subjective assessment. The goal is to minimize the average weighted environmental management impact score (AWEM) score. This Framework recommends that the environmental management scorecard score ranges be interpreted and acted upon as follows:

AWEM Score	Interpretation/Recommended Action
+0.25 to +2.0	Positive environmental management performance – improvements on some indicators can be considered, but may not be necessary
-0.24 to +0.24	Neutral impact of environmental management performance – consider making improvements to some indicators
-2.0 to -0.25	Serious environmental management gaps exist – actively work to improve the environmental management impact of business operations and ensure operation complies with all relevant standards

Companies should also consider performing the same assessment for their suppliers.

Appendix 4: Additional development context for Step 3

Additional guidelines on stakeholder engagement

AccountAbility, AA1000 Assurance Standard, March 2003, www.accountability21.net

Bentley College, "Toward Effective Stakeholder Dialogue", *Business and Society Review*, 2003

The Centre for Innovation in Corporate Responsibility, *Engaging stakeholders and business-NGOs partnerships in development countries: Maximizing an increasingly important source of value*, Nov 1999

IFC, *Stakeholder Engagement: A good practice handbook for companies doing business in emerging markets*, May 2007, www.ifc.org/ifcext/enviro.nsf/Content/Publications_GoodPractice_StakeholderEngagement

WBCSD stakeholder toolkit, www.wbcsd.org/DocRoot/xL8r3TMK4LJYU5OU8ISj/stakeholder-toolkit.pdf

WBCSD guide on stakeholder dialogues, www.wbcsd.org/DocRoot/sY0gbwlH9OPo3doLXocI/stakeholder.pdf

Example development issues

The following tables describe some example development issues with references and key indicators used by the United Nations or the World Bank to assess progress on these development issues. Although they are unlikely to correspond directly to the specific development priorities identified by stakeholders, there is likely to be some overlap and thus the information can be used to develop the hypothesis.

Additional data sources:
UNDP *Human Development Report*, published annually with different themes and indicators, www.undp.org

WBCSD, *Doing Business with the World*, 2007. The publication aims to offer a business perspective on some of the key challenges and opportunities inherent in doing business in ways that bring sustainable development to all. See www.wbcsd.org

Capacity building	
Description The World Bank defines capacity building as a "coordinated process of deliberate interventions by insiders and/or outsiders of a given society leading to (i) skill upgrading, both general and specific, (ii) procedural improvements, and (iii) organizational strengthening. Capacity building refers to investment in people, institutions, and practices that will, together, enable countries in the region to achieve their development objective. Capacity is effectively built when these activities are sustained and enhanced with decreasing levels of donor-aid dependence accompanied by increasing levels of societal goal achievement." **Ways business can contribute to capacity building** Through both formalized skills and training programs and informal knowledge and technology exchange with employees, suppliers and communities, companies support capacity building in societies. When skills and training programs designed to meet business needs are aligned with community needs the business is likely to make the greatest contribution to development.	
MDG and related international goals *MDG 1:* End poverty and hunger. Capacity building can play a critical role in helping people find employment and rise out of poverty. Capacity building cuts across a number of different MDGs, depending on the type of capacity building activity (e.g., environmental sustainability, education, health, etc.) *MDG 8*: Build a global partnership for development, target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth	
References	World Bank Capacity Development Resource Center, www.worldbank.org/capacity

Economic growth	
Description Economic growth is most widely understood as the increase in the value of goods and services in an economy. It is usually measured as the percentage increase in gross domestic product (GDP), which is the sum of gross value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the value of the products. **Ways business can contribute to economic growth** As the primary producers and distributors of goods and providers of services, business is the key driver of economic growth. Companies can measure their respective value added to an economy. This is defined as sales less the cost of bought-in goods and services. A precise figure for value added defined in this way can, however, be calculated by adding together four quantities that are given in company accounts: operating profit, employee costs, depreciation and amortization.	
MDG and related international goals *MDG 1:* End poverty and hunger. Greater productivity and growth is one of the factors contribution to overall income generation and economic opportunities for individual and communities	
UN Human Development Indicators (economic performance)	• GDP (PPP) • GDP per capita • Annual growth rate • Average annual change in consumer price index
References	• *Exploring the Links between International Business and Poverty Reduction: A Case Study of Unilever in Indonesia*, Dec 2005, www.wbcsd.org • *Measuring Unilever's economic footprint: The case of South Africa*, Jan 2008, www.wbcsd.org • UNCTAD, *Guidance on Corporate Responsibility Indicators in Annual Reports* (TD/B/COM.2/ISAR/41), 2007, www.unctad.org/isar

Education	
Description Education is central to development as one of the most powerful instruments for reducing poverty and inequality and laying a foundation for sustained economic growth. It empowers people and strengthens nations. It is a powerful "equalizer" and benefits personal health. For individuals and nations, it is key to creating, applying, and spreading knowledge—and thus to the development of dynamic and globally competitive economies. **Ways business can contribute to education** Companies normally focus upon secondary education and technical training to ensure that the local pool of labor has the basic set of skills needed for employment. However, companies may also invest in primary education through their social investment activities with the aim of building a foundation of educated and skilled youth and supporting economic opportunities in communities.	
MDG and related international goals *MDG 2* states that all children will complete primary schooling *MDG 3* on promoting gender equality and empower of women sets in its target 4/10 a ratio of literate women to men between 15-24 years of age	
Relevant international declarations and conventions (articles)	Convention on Technical and Vocational Education, 1989 portal.unesco.org/en/ev.php-URL_ID=13059&URL_DO=DO_TOPIC&URL_SECTION=201.html Convention against Discrimination in Education, 1960 portal.unesco.org/en/ev.php-URL_ID=12949&URL_DO=DO_TOPIC&URL_SECTION=201.html Convention 143 on Human Resources Development Convention, 1975 www.ilo.org/ilolex/english/convdisp2.htm Convention on the Rights of the Child, 1989 www.ohchr.org/english/law/crc.htm
UN Human Development Indicators (commitment to education, literacy and	• Public expenditure on education • Public expenditure on education as % of GDP and as % of total government expenditure

enrolment, gender inequality in education)	• Public expenditure on education by level (primary, secondary and tertiary) • Adult and youth literacy rates (male vs. female) • Net primary and secondary enrolment ratios (male vs. female) • Children reaching grade 5 as % of grade 1 students • Tertiary students in science, math and engineering
References	• UNESCO, *Education for All Global Monitoring Report*

Enterprise development	
Description Growth of enterprises, particularly small- and medium-sized enterprises (SMEs), is a critical contributor to broad-based development. Locally owned and managed enterprises provide employment opportunities to local citizens. The movement of more enterprises into the formal sector means increased contribution to taxes and value added to the overall economy, in addition to greater compliance with regulation such as labor conditions. This also improves the ability of SMEs to access technical and financial support and formal supply chains. **Ways business can contribute to enterprise development** Large corporations can source more of their supplies locally from the countries where they operate and establish supply chains from developing countries. They can help SMEs become more viable business partners by providing training in basic skills such as management, bookkeeping, business planning, marketing, distribution and quality control. They can assist through technology transfers, direct investment in infrastructure, and the sharing of knowledge, helping make SMEs more competitive and facilitating access to credit.	
MDG and related international goals *MDG 1:* Enterprise growth is important to helping people lift themselves out of poverty *MDG 3:* on promoting gender equality and empower women states in target 4/11 to raise the share of women in wage employment in the non-agricultural sector	
World Bank Doing Business Indicators, 2007	• Starting a business: procedures, time, cost and minimum capital • Dealing with licenses: procedures, time and cost • Employing workers: difficulty of hiring, rigidity of hours, difficulty of firing, nonwage labor cost, firing cost • Registering property: procedures, time, and cost • Getting credit: strength of legal rights, depth of credit information, public registry coverage, and private bureau coverage • Protecting investors: extent of disclosure, extent of director liability, ease of shareholder suits, and strength of investor protection • Paying taxes: payments, time, and total tax rate • Trading across borders: documents to export, time to export, cost to export, documents to import, time to import, and cost to import • Enforcing contracts: procedures, time and cost • Closing a business: time, cost and recovery rate
References	• IFC *SME Linkages Program*, www.ifc.org/ifcext/sme.nsf/Content/Linking_SMEs_to_Investments • World Bank, *Doing Business Report*, www.doingbusiness.org • WBCSD, *Promoting Small and Medium Enterprises for Sustainable Development Issue Brief*, 2007

Environmental sustainability	
Description Environmental sustainability is defined as the long-term maintenance of ecosystem components and functions for future generations. For society, this involves meeting the needs of the present without compromising the ability of future generations to meet their needs. It encompasses, for example, keeping population densities within the carrying capacity of a region, facilitating the renewal of renewable resources, conserving and establishing priorities for the use of non-renewable resources, and keeping environmental impact below the level required to allow affected systems to recover and continue to evolve. **Ways business can contribute to environmental sustainability** Every company will touch on some aspect of environmental sustainability. The specific impact that a company has and how it can promote environmental sustainability depends greatly upon the industry in question. To the extent that a company's environmental management system reflects global best practice, the company can work with local, regional, and national government structures to build capacity. For the mining, energy, and forestry industries, ensuring that appropriate remediation occurs after resource extraction is essential to preventing or reversing the loss of environmental resources. For other companies, the promotion of efficiency (in energy and resource usage) and recycling can also have important impacts. A number of industries use significant amounts of water and their social license to operate is therefore in part dependent upon the continued availability of safe drinking water to others as well as sufficient water for activities such as farming. A review of the full life cycle of a product line or service reveals many areas where the environment is affected. Production, distribution and packaging are particular areas of concern for companies looking to reduce their environmental footprint.	
MDG and related international goals *MDG 7:* Protect the environment by ensuring principles of sustainable development are integrated into country policies/programs and reduce the loss of environmental resources	
Relevant international declarations, treaties and conventions (articles)	• Convention on Biological Diversity • Kyoto Protocol • Framework Convention on Climate Change • Cartagena Protocol on Biosafety
UN Human Development Indicators (energy and the environment)	• Traditional fuel consumption as % of total energy requirements • Electricity consumption per capita • GDP per unit of energy use • Carbon dioxide emissions per capita and share of world total • Ratification of environmental treaties
References	• WRI, WBCSD and IUCN, *Ecosystem Services Review* • WBCSD and WRI, *The Greenhouse Gas Protocol* • WBCSD, *Policy Directions to 2050* • WBCSD, *Pathways to 2050: Energy and Climate Change* • WBCSD, *Facts and Trends: Energy and Climate Change*

Governance
Description Governance refers to the use of institutions, structures of authority, and collaboration to allocate resources and coordinate/control activity in a society or economy. Good governance is associated with citizen participation, and overall improved accountability of public officials to citizens. **Ways business can contribute to governance** Multinational companies can encourage (or undermine) good governance efforts. Engagement in anti-corruption initiatives allows companies to lead by example and to build local capacity and commitment. There are also opportunities for companies to leverage the commitment of international donor agencies to improve capacity building and economic growth in countries. Business' role in public-private partnerships for such things as building public infrastructure and other undertakings can help it play a critical role in establishing more stable, inclusive and predictable regulatory frameworks.
MDG and related international goals *MDG 8:* Build a global partnership for development. Many of the issues noted in MDG 8 are essentially for governments to address. Nevertheless, there are some areas in which companies can engage in a partnership with government.

UN Human Development Indicators (Flows of aid, private capital and debt, priorities in public spending) **WBI Governance Indicators**	• Official development assistance (ODA) • Net foreign direct investment (FDI) inflows • Other private flows • Total debt service as % of GDP and % of exports of goods, services and net income from abroad • Public expenditure on education, health, and military • Voice and accountability • Political stability and absence of violence • Government effectiveness • Regulatory quality • Rule of law • Control of corruption
References	• *Governance Matters 2007: World Governance Indicators*, World Bank Institute, www.govindicators.org

Human rights
Description The Universal Declaration of Human Rights signed in 1948 and the two subsequent covenants on Civil and Political Rights and Economic, Social and Cultural Rights of 1966 comprise the International Bill of Human Rights and include the most widely-used definition of human rights. In addition to the International Bill of Rights and the core human rights treaties, there are many other universal instruments relating to human rights. The legal status of these instruments varies: declarations, principles, guidelines, standard rules and recommendations have no binding legal effect, but such instruments have an undeniable moral force and provide practical guidance to States in their conduct; covenants, statutes, protocols and conventions are legally binding for those States that ratify or accede to them. The core purpose of these instruments is defined by law in most countries as well as in a host of industry and company codes of conduct. The challenge is practical implementation, particularly in countries where the application of human rights is low. Discrimination, based on racial, gender, disability, age, or ethnic prejudices, serves to keep people in a cycle of poverty and limit access to basic needs is a particularly important issue for business. Particular rights of workers are defined through a number of conventions, recommendations and declarations authored and monitored by the International Labour Organization. **Ways business can contribute to human rights** Although governments bear the primary responsibility for protecting and fulfilling the human rights of their citizens, business should conduct their activities in a way that respect and promote human rights. Companies should respect human rights within their operations and supply chain, as well as consider the implications of operating in areas where the human rights record of the host government is weak. If companies enter into relationships with organizations which have a record of human rights abuses, or if they benefit from the abuse of others' human rights – even if unintentionally or unknowingly – they could be accused of complicity. Setting an example of good practice may influence other organizations to adopt similar practices.
MDG and related international goals All the goals set out in the MDGs address the respect and promotion of human rights.
Relevant international principles Ten Principles of the Global Compact www.globalcompact.org The Voluntary Principles on Security and Human Rights www.voluntaryprinciples.org
Relevant international declarations and conventions (articles) • The Universal Declaration of Human Rights (UDHR) 1948 • The International Covenant on Economic, Social and Cultural Rights (ICESCR), 1966 • The International Covenant on Civil and Political Rights (ICCPR), 1966 • International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), 1965 • Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). 1966 • Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), 1984

• Convention on the Rights of the Child (CRC), 1989 • International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICRMW), 1990, www.ohchr.org	
Labor standards and declarations	ILO's Declaration on Fundamental Principles and Rights at Work, www.ilo.org/dyn/declaris/DECLARATIONWEB.INDEXPAGE ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, www.ilolorg/public/english/employment/multi/overview.htm Convention 143 on Human Resources Development Convention, 1975 www.ilo.org/ilolex/english/convdisp2.htm Convention 169 on Indigenous and Tribal Peoples Convention, www.ilo.org/public/english/standards/norm/egalite/itpp/convention/manual.pdf Convention 183 on Maternity Protection Convention, www.ilo.org/ilolex/cgi-lex/convde.pl?C183
References	OECD Guidelines for Multinational Enterprises, www.oecd.org Human Rights Compliance Assessment Tool (HRCA) www.humanrightsbusiness.org *Guide to Human Right Impact Assessment* (IBLF) www.iblf.org/resources/general.jsp?id=123946 *A guide for integrating human rights into business management* (BLIHR) www.blihr.org

Poverty alleviation
Description Poverty is multidimensional. Economic deprivation – lack of income – is a standard feature of most definitions of poverty, but does not in itself take account of the myriad social, cultural and political aspects of the phenomenon. Poverty erodes or nullifies economic and social rights such as the right to health, adequate housing, food and safe water, and the right to education. The same is true of civil and political rights, such as the right to a fair trial, political participation and security of the person. A human rights definition and understanding leads to more adequate responses to the many facets of poverty, responses that do not trample on rights in the pursuit of growth and development. Importantly, it looks not just at resources but also at the capabilities, choices, security and power needed for the enjoyment of an adequate standard of living and other fundamental civil, cultural, economic, political and social rights. **Ways business can contribute to poverty alleviation** Companies can reduce poverty through both the direct and indirect employment that they generate. In many countries, the income generated by one formal job supports a large extended family, thus helping pull many people out of poverty. Moreover, the income that then enters into the community from formal employment is subject to an important multiplier effect. Additionally, companies can stimulate economic activity and help reduce poverty through procurement policy. Business can also support small-scale producers through technology transfer and capacity building as well as developing a local supplier base. In a general sense, the wealth created through a company's activities can improve the community's ability to meet basic needs. Company taxes paid to governments can also help provide access to social services for the poorest communities if the right frameworks are in place.
MDG and related international goals All the goals set out in the MDGs address the challenge of poverty alleviation. *MDG 1* focuses explicitly on eradicating extreme poverty and hunger with the specific target of halving the proportion of people living below one dollar a day. However, targeting education for all (MDG 2), equality for women (MDG 3), make motherhood and children's life safe (MDG 4 to 5), stop AIDS/HIV and other diseases (MDG 6), protection of the environment (MDG 8) and building a global partnership for development all aim to set a global agenda to end poverty.
Relevant international declarations and conventions (articles) • The Universal Declaration of Human Rights (UDHR) 1948 • The International Covenant on Economic, Social and Cultural Rights (ICESCR), 1966 • The International Covenant on Civil and Political Rights (ICCPR), 1966 • International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), 1965 • Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). 1966 • Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT),

1984 • Convention on the Rights of the Child (CRC), 1989 • International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICRMW), 1990, www.ohchr.org	
UN Human Development Indicators (Human and income poverty, gender related development)	• Probability at birth of not surviving to age 40 • Adult illiteracy rate (male vs. female) • Population without sustainable access to an improved water source • Children under weight for age • Population living under $1 and $2 a day • National poverty line
References	Oxfam International, www.oxfam.org

Public health

Definition

The World Health Organization defines health as "a state of complete physical, mental and social well-being and not merely the absence of health or infirmity." Public health refers to the health of a community as a whole. HIV/AIDS is of particular concern in many developing countries.

Ways business can contribute to public health

Business can have a positive impact on health in a number of ways beyond increasing the purchasing power of their employees. For companies that are involved in the provision of medical care (either through their products and services or through hospitals that they run on site), there can be a direct link. In the cases where companies are selling products and services that prevent disease, promote healthy lifestyles and treat illnesses, business can have positive long-term health effects. Companies can negatively influence population health through products and services that are detrimental to health such as cigarettes or alcohol. If companies do not manage their environmental risks in a responsible manner, do not ensure healthy work conditions or support access to healthcare, there can be serious ramifications for the health of the local community. In the case where the business is integrated into the community, the maintenance of hospitals and clinics on their sites can be key to ensuring access to quality medical care for the local population. Though the primary purpose of these facilities may be to treat employees, the presence of qualified medical personnel in the area will help address other health challenges and improve health education. In some instances, companies operate hospitals that also explicitly serve the local community.

MDG and related international goals

MDG 4, 5 and 6 all concern improving the health of people living in developing countries. More specifically, it sets targets for reducing child mortality, improving maternal health and combating HIV/AIDS, malaria and other diseases. Within *MDG 8* on developing a global partnership for development, target 16 states that "in cooperation with pharmaceutical companies provide access to affordable essential drugs in developing countries".

Relevant international principles

The Constitution of the World Health Organization highlights the following principles:

- The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition.
- The health of all peoples is fundamental to the attainment of peace and security and is dependent upon the fullest cooperation of individuals and States.
- The achievement of any State in the promotion and protection of health is of value to all.
- Unequal development in different countries in the promotion of health and control of disease, especially communicable disease, is a common danger.
- Healthy development of the child is of basic importance; the ability to live harmoniously in a changing environment is essential to such development.
- The extension to all peoples of the benefits of medical, psychological and related knowledge is essential to the fullest attainment of health.
- Informed opinion and active cooperation on the part of the public are of the utmost importance in the improvement of the health of the people.
- Governments have a responsibility for the health of their peoples, which can be fulfilled only by the provision of adequate health and social measures.

www.searo.who.int/LinkFiles/About_SEARO_const.pdf

UN Human Development Indicators (commitment to health, water, sanitation and nutritional status, leading global health crises and risks, survival)	• Health expenditure: public, private and per capita • One-year-olds fully immunized: TB and measles • Children with diarrhea receiving oral rehydration and continued feeding • Contraceptive prevalence rate • Births attended by skilled health personnel • Physicians per 100,000 people • Population with sustainable access to improved sanitation and improved water source • Population undernourished • Children under weight for age • Children under height for age • Infants with low birth weight • Infant mortality rate • Under 5 mortality rate • Life expectancy at birth • Maternal mortality rate • Probability at birth of surviving to age 65 • HIV prevalence, condom use at last high risk sex • Malaria cases • Children under 5 with insecticide treated bednets and fever treated with anti-malarial drugs • TB cases • Prevalence of smoking
References	World Health Organization, www.who.int UN AIDS, www.unaids.org

Social stability	
Description Social stability is a reflection of the levels of peace, security, safety and trust within society. All manner of economic (e.g., income disparities) and social distortions (e.g., migration, discrimination on racial or religious grounds) can influence the level of social stability. **Ways business can contribute to social stability** Companies have the capacity to reach large numbers of people through the products and services they provide, the jobs they create, the investment choices they make and the ethical practices they enforce. This geographic reach allows companies to influence populations in both positive and negative ways. In countries with large social divides, political instability and/or rampant violent crime or history of conflict, company activities can play a key role in stabilizing or destabilizing a local community.	
UN Human Development Indicators (Demographic trends, refugees and armaments, victims of crime)	• Total population • Annual population growth rate • Urban population • Population under age 15 • Population ages 65 and above • Total fertility rate • Internally displaced people • Refugees • Conventional arms transfers (imports and exports) • Total armed forces • Population victimized by crime (total crime, property crime, robbery, sexual assault, assault, bribery)
References	International Committee of the Red Cross, www.icrc.org UN High Commissioner for Refugee, www.unhcr.org

Appendix 5: Millennium Development Goals

Millennium Development Goals Report, 2007, www.un.org/millenniumgoals/
This report is based on a master set of data compiled by an Inter-Agency and Expert group on MDG Indicators led by the UN Secretariat, in response to the wishes of the General Assembly for periodic assessment of progress towards the MDGs.

Goals and Targets	Indicators for monitoring progress
Goal 1: Eradicate extreme poverty and hunger	
Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1.1 Proportion of population below $1 (PPP) per day 1.2 Poverty gap ratio 1.3 Share of poorest quintile in national consumption
Target 1.B: Achieve full and productive employment and decent work for all, including women and young people	1.4 Growth rate of GDP per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below $1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment
Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1.8 Prevalence of underweight children under-5 yrs old 1.9 Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	
Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	2.1 Net enrolment ratio in primary education 2.2 Proportion of pupils starting grade 1 who reach last grade of primary 2.3 Literacy rate of 15-24 year-olds, women and men
Goal 3: Promote gender equality and empower women	
Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	3.1 Ratios of g/b in primary, secondary, tertiary education 3.2 Share of women in wage employment in the non-agricultural sector 3.3 Proportion of seats held by women in national parliament
Goal 4: Reduce child mortality	
Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	4.1 Under-five mortality rate 4.2 Infant mortality rate 4.3 Proportion of 1 yr-old children immunized against measles
Goal 5: Improve maternal health	
Target 5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	5.1 Maternal mortality ratio 5.2 Proportion of births attended by skilled health personnel
Target 5.B: Achieve, by 2015, universal access to reproductive health	5.3 Contraceptive prevalence rate 5.4 Adolescent birth rate 5.5 Antenatal care coverage (at least one visit and at least four visits) 5.6 Unmet need for family planning
Goal 6: Combat HIV/AIDS, malaria and other diseases	
Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	6.1 HIV prevalence among population aged 15-24 years 6.2 Condom use at last high-risk sex 6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS 6.4 Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years
Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	6.5 Proportion of population with advanced HIV infection with access to antiretroviral drugs
Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	6.6 Incidence and death rates associated with malaria 6.7 Proportion of children under 5 sleeping under insecticide-treated bednets and proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs

	6.8 Incidence, prevalence and death rates associated with tuberculosis 6.9 Proportion of tuberculosis cases detected and cured under directly observed treatment short course
Goal 7: Ensure environmental sustainability	
Target 7.A: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources	7.1 Proportion of land area covered by forest 7.2 CO2 emissions, total, per capita, per $1 GDP (PPP), and consumption of ozone-depleting substances 7.3 Proportion of fish stocks within safe biological limits 7.4 Proportion of total water resources used
Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	7.5 Proportion of terrestrial and marine areas protected 7.6 Proportion of species threatened with extinction
Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	7.7 Proportion of population using an improved drinking water source 7.8 Proportion of population using an improved sanitation
Target 7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	7.9 Proportion of urban population living in slums
Goal 8: Develop a global partnership for development	
Target 8.A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction – both nationally and internationally **Target 8.B:** Address the special needs of the least developed countries. Includes: tariff and quota free access for the least developed countries' exports; enhanced program of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction **Target 8.C:** Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly) **Target 8.D:** Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	*Some indicators below are monitored separately for the LDCs, Africa, landlocked, and small island States.* <u>Official development assistance (ODA)</u> 8.1 Net ODA, total and to the least developed countries, as % of OECD/DAC donors' gross national income 8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation) 8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied 8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes 8.5 ODA received in small island developing States as a proportion of their gross national incomes <u>Market access</u> 8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty 8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries 8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product 8.9 Proportion of ODA provided to help build trade capacity <u>Debt sustainability</u> 8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative) 8.11 Debt relief committed under HIPC and MDRI Initiatives 8.12 Debt service as a percentage of exports of goods and services
Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	8.13 Proportion of population with access to affordable essential drugs on a sustainable basis
Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	8.14 Telephone lines per 100 population 8.15 Cellular subscribers per 100 population 8.16 Internet users per 100 population

Appendix 6: UN Global Compact principles and relevant international declarations and conventions

Human rights	
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.
International Bill of Human Rights • The Universal Declaration of Human Rights (1948) • International Covenant on Economic, Social and Cultural Rights (1966) • International Covenant on Civil and Political Rights (1966) • 2 Optional Protocols on the above conventions In 1948 the General Assembly of the United Nations adopted the Universal Declaration of Human Rights and called upon 'every individual and organ of society' to play their part in securing the observance of human rights." It has been adopted by 148 states but is not legally binding. www.ohchr.org/english/law/index.htm	
Labor standards	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor
Principle 5	Businesses should uphold the effective abolition of child labor; and
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (1977) The Tripartite Declaration principles are voluntary in nature and aim to encourage social dialogue and support best practice. The declaration was revised in 2000 to include the Fundamental Principles and Rights at Work, and more recently in 2006 to update references to other ILO instruments. www.ilo.org/public/english/employment/multi/download/english.pdf *Declaration on Fundamental Principles and Rights at Work (1998)* The Declaration states that the rights to work are universal, and that they apply to all people in all States - regardless of the level of economic development. It makes particular reference to groups with special needs, including unemployed and migrant workers. It commits Member States to respect and promote principles and rights in four categories building on the eight core labor conventions. www.ilo.org/dyn/declaris/DECLARATIONWEB.INDEXPAGE	
Environment	
Principle 7	Business should support a precautionary approach to environmental challenges.
Principle 8	Business should undertake initiatives to promote greater environmental responsibility
Principle 9	Business should encourage the development and diffusion of environmentally friendly technologies.
The Rio Declaration on Environment and Development (1972) The Rio Declaration includes a statement of 27 principles upon which nations agreed to base their actions in addressing environmental and development issues. The Rio Declaration built on the previous Declaration of the United Nations Conference on the Human Environment from 1972. The Declaration was the first global environmental meeting of governments, which stated that long-term economic progress needs to be linked with environmental protection. www.unep.org/Documents.Multilingual/Default.asp?DocumentID=78&ArticleID=1163	
Anti-corruption	
Principle 10	Business should work against corruption in all its forms, including extortion and bribery
The United Nations Convention Against Corruption (2003) The Convention against Corruption aims to combat corruption through measures on prevention, criminalization, international cooperation, and asset recovery. www.unodc.org/unodc/crime_convention_corruption	

Notes and references

[1] The six (6) OECD Principles on Corporate Governance are: I. Ensuring the Basis for an Effective Corporate Governance Framework; II. The Rights of Shareholders and Key Ownership Functions; III. The Equitable Treatment of Shareholders; IV. The Role of Stakeholders; V. Disclosure and Transparency; and VI. The Responsibilities of the Board.

[2] OECD Principles of Corporate Governance. www.oecd.org/dataoecd/32/18/31557724.pdf.

[3] Amartya Sen. *Development as Freedom*. Random House. 1999.

[4] Infrastructure can include both physical and "soft" infrastructure such as financial and social services infrastructure

[5] WBCSD. *The Role of Business in Tomorrow's Society*. 2006.

[6] This Framework references jobs created in the supply chain under BOTH "Jobs" and "Procurement". Companies are encouraged to consider jobs created within the assessment area as part of the "Jobs" business activity while jobs created outside the assessment area would be captured as part of procurement. However companies can decide the most appropriate avenue for measuring impacts related to employment generation.

7 See note 6.

[8] Taxes "borne" by the company include the amount a company pays as its own tax cost and taxes "collected" by a company are those that are collected by the company on behalf of government. For the latter category, taxes collected, the company does incur additional cost to administer the collection process. "Taxes" generally exclude one-off payments/costs incurred for example in relation to securing planning consent for a new development.

[9] Individual governments may have alternative views on taxes. National differences in definition will need to be addressed on a country-by-country basis**.**

[10] GRI G3 Guidelines. www.globalreporting.com.

[11] *Financial Times*. 19 January 2007.

[12] SustainAbility. *Taxing Issues - Responsible Business and Tax*. See www.sustainability.com.

[13] World Bank. "Taxes: The Global Picture". www.doingbusiness.org/taxes

[14] Some of the indicators suggested in Step 2 require modification based on the geographic area of assessment.

[15] The Framework encourages companies to use their own stakeholder identification and engagement methods. Most importantly, companies should identify stakeholders that are likely to be impacted by the operation and those that impact or influence the company. This should be based on the geographic area of assessment. See Appendices for more information on stakeholder mapping.

[16] Global Reporting Initiative. "Indicator Protocols Set: EC6". See www.globalreporting.org.

[17] Poverty Reduction Strategy Papers. See www.imf.org/external/np/prsp/prsp.asp.

[18] World Bank Doing Business Reports. See www.doingbusiness.org.

[19] UNDP Human Development Reports. See hdr.undp.org/en/.

[20] There are some similarities between the terminology used in this Framework and the logical framework used by many development agencies/multilaterals such as OECD and IFC. Direct impacts may include what the logframe refers to as inputs, activities and outputs. The indirect impacts could include outcomes and some impacts as they are referred to in the logframe. See glossary for more information on logframe.

[21] OECD. *Glossary of Key Terms in Evaluation and Results-based Management*. 2002. See www.oecd.org/dataoecd/29/21/2754804.pdf.

[22] In some cases, it may be appropriate and more practical to use proxy indicators. Proxy indicators more directly reflect the phenomenon or characteristic to be measured. An example of a proxy indicator for measuring impacts on household income might be the ownership of key assets such as land, livestock and luxury goods.

[23] The REM criteria is based on the RATE (Relevant, Aggregatable, Time-bound, and Easy to track) system used by the IFC and has been adjusted slightly for business.

[24] It is important to note that not all of the indicators will be tracked over time. The objective is to build a baseline and then choose the most appropriate indicators to be tracked over time.

[25] Companies should be wary of raising the expectations of stakeholders and be careful not to be too heavily influenced by the individual biases of stakeholders.

[26] WBCSD. *Doing Business with the World – The new role of corporate leadership in global development*. 2007.

[27] Isolating the business contribution to development is not a realistic ambition for companies who interact with other actors in diverse and complex environments. This Framework aims to help companies better understand where they sit in relation to others and what their potential is for enhancing or mitigating impacts that link to the achievement of development goals.

[28] A strong link can be defined as - The source of impact is very closely linked to the development priority (i.e. very few indirect impacts between source of impact and development priority); many indirect indicators have a relationship with development priority; and/or company has a good deal of control over the achievement of the development priority through its activity. A weak link can be defined as - The source of impact is linked to the development priority through a number of indirect impacts; very few indirect indicators have a relationship to development priority; and/or difficult to determine whether company has any control/influence over the achievement of development priority.

[29] An example of magnitude can be understood through the provision of vaccines by a pharmaceutical company. Although there is a strong link between provision of vaccines and improved health, the company may be having problems with its distribution or sale of the vaccines and thus very few people have benefited from their provision. In this case, there may be a strong link but a low impact.

[30] The Voluntary Principles aim to guide companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms. See www.voluntaryprinciples.org.

[31] IBLF and IFC. *Guide to Human Rights Impact Assessment and Management*. 2007 (road test draft).

[32] GRI SO1 concerning nature, scope and effectiveness of mechanisms to assess or manage impacts.

[33] Issues of safety and product labeling are addressed in Corporate Governance. Environmental Management touches upon the disposal of products and services.

[34] Purchase of goods and services from suppliers may be an indicator for direct impact of jobs and procurement.

Development Publications

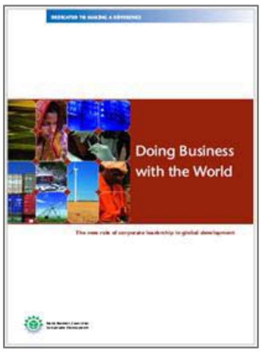
Beyond the bottom line – Why measuring impacts on society makes business sense

Over the past few years, several WBCSD member companies have explored ways to measure the impact of their business activities on the societies in which they operate. These innovations have in turn prompted the WBCSD, with its members, to develop a common approach to measuring business impact that can be used by all business sectors. This publication presents the resulting WBCSD Measuring Impact Framework, and highlights the experiences and lessons learned from those companies that have pioneered the thinking behind the Framework. It explains why measuring and understanding a company's impact is good for business and good for society.

Investing in a Low-Carbon Energy Future in the Developing World

The need to address climate change while facilitating continued economic growth and social progress is a key challenge facing world leaders today. "Investing in a Low-Carbon Energy Future in the Developing World" explores how governments and business can work together to solve these challenges by aligning policies, mechanisms and tools with the commercial conditions under which a business typically invests, in order to scale up private investment.

"Doing Business with the World" - The new role of corporate leadership in global development



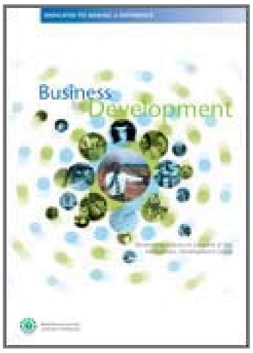
This publication shows how companies can contribute to global sustainable development through their core businesses. It offers a business perspective on key challenges and opportunities for the development of poor countries, as well as key messages for companies and governments on how to promote sustainable business solutions that benefit the poor and the societies and environments in which they live.

Promoting Small and Medium Enterprises for Sustainable Development

Published by the WBCSD in collaboration with SNV Netherlands Development Organization, the Issue Brief explains how governments can help alleviate poverty by focusing on small and medium enterprises (SMEs) and how larger corporations can help themselves by including SMEs in their value chains.

Also available in Spanish

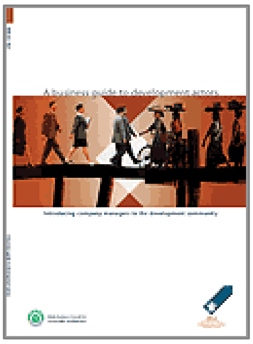
Business for Development - Business solutions in support of the Millennium Development Goals



This report makes the business case for sustainable development by illustrating how the private sector is taking an active role in the achievement of the Millennium Development Goals. Singling out framework conditions as the most important factor affecting business investment, the publication strongly advocates focusing investment on a strong regulatory and legal framework, building the capabilities of local enterprises, and improving core infrastructure.
Also available in Spanish and Japanese

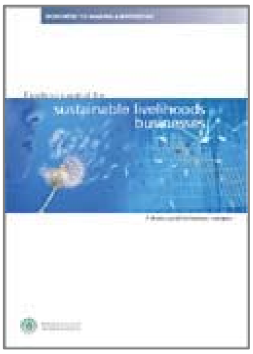
A business guide to development actors

with the support of the Inter-American Development Bank



Partners are often essential to the success of sustainable livelihoods businesses. The International Business Leaders Forum and the WBCSD have jointly produced a guide to introduce the business community to potential partners in the development community. It is a first port of call for managers interested in working with a development organization, but unsure of how and where to begin. More profiles of development actors are available on the WBCSD online guide at www.wbcsd.org/web/devguide.htm

Finding capital for sustainable livelihoods businesses



This guide focuses on how to source funding for a sustainable livelihoods business. It aims to provide a blueprint for action. It will help managers decide when to raise capital in-house and when to seek external funds. It explores public – private partnerships, how to raise capital for local operational partners, and why securing this funding may be core to the company's success.

Doing business with the poor: a field guide

Realizing that stepping up their company's presence in developing countries will be crucial to their long-term competitiveness and success, some prescient WBCSD members are launching into sustainable livelihoods (SL) business, defined as "doing business with the poor in ways that benefit the poor and benefit the company." This guide shows how innovative SL business models are spurring economic development and helping low-income communities and families build more secure livelihoods.
Also available in Spanish, Portuguese, and Japanese

Purchase these publications online at *EarthPrint Limited* *www.earthprint.com* or order by email by writing to *wbcsd@earthprint.com*

About the WBCSD

The World Business Council for Sustainable Development (WBCSD) brings together some 200 international companies in a shared commitment to sustainable development through economic growth, ecological balance and social progress. Our members are drawn from more than 30 countries and 20 major industrial sectors. We also benefit from a global network of about 60 national and regional business councils and partner organizations.

Our mission is to provide business leadership as a catalyst for change toward sustainable development, and to support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues.

Our objectives include:

- Business Leadership – to be a leading business advocate on sustainable development;
- Policy Development – to help develop policies that create framework conditions for the business contribution to sustainable development;
- The Business Case – to develop and promote the business case for sustainable development;
- Best Practice – to demonstrate the business contribution to sustainable development and share best practices among members;
- Global Outreach – to contribute to a sustainable future for developing nations and nations in transition.

www.wbcsd.org

About the WBCSD's Development Focus Area

Through its Development Focus Area, the WBCSD is seeking to:

- **Raise awareness** of the business contribution to development, helping business and non-business stakeholders understand what is possible by providing case studies, guides and tools that advance our understanding of development challenges and opportunities for business.

- **Advocate** for change by working collaboratively with multiple stakeholders to create a more enabling business environment and seek synergies between official development assistance (ODA) and foreign direct investment (FDI).

- **Act** by working with our members, Regional Network partners and other stakeholders to broker new business ventures that are both good business – profitable and hence sustainable – and good for development.

Publications, case studies, speeches, and news articles on the topic of business and development are available via the Focus Area's website at http://www.wbcsd.org/web/development.htm