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2022



Methodology

Social  
Value  
Initiative

Product  
Social Impact  
Assessment



## Social Topics Report-2022

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### Literature reference

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### About the Social Value Initiative

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# 1 Introduction to the social topics and performance indicators 2022

This report defines the reference scales for each social topic per stakeholder group, and how they link to the relevant performance indicators (PIs) to achieve a certain score. In the 2018 releases of the Handbook and the Methodology Report the social topics and performance indicators were included in an appendix. Since the 2020 release they are defined in this separate report, and no longer in an appendix. This 2022 version includes additional clarifications and minor adaptations to the version of 2020.

The first two chapters explain several aspects that are of relevance for using and interpreting the reference scales and performance indicators, it aims to provide guidance on scoping and interpreting social topics. This should be seen as a reference guide for when you, as practitioner, run into interpretation issues when assessing the social topics.

The remaining chapters present the social topics definitions, reference scales, performance indicators and potential data sources for the stakeholder groups workers, users, local communities and small-scale entrepreneurs respectively.

## ***What has changed in this 2022 release:***

In this update of the Social Topics Report, the aim has been to provide additional guidance, clarifications and examples. Changing the meaning of reference scales or performance indicators has been explicitly out of scope, because we want to give the users of methodology a stable basis. In case there has been a change of reference scales or performance indicators, it had to do with clarifications or additional guidance.

The aim as described above has resulted in a longer introduction (chapter 1 and 2) that e.g. lay out additional recommendations about scoping and selecting social topics. For example, the distinction between small-scale entrepreneurs and workers has been clarified, and the difference between and overlap of some social topics is discussed.

Next to that, the definitions of the social topics have been strengthened further with direct links to international standards. This is to better show the foundation of the social topics, and where they come from. Links with the Universal Declaration of Human Rights, the International Labour Organization, and the OECD Guidelines are specified where relevant. Some of the social topic definitions have also been restructured for more clarity.

We hope the update can help many practitioners with assessing value chains from a social impact perspective.

## 2 General recommendations on scoping and selecting social topics

During our experiences in PSIA assessments, we encountered several issues related to scoping and choosing the right social topic and stakeholder group. In this section, we share recent insights and learnings, that aim to help the practitioner of the Handbook in making decisions. First, we discuss how we see the field of influence of a company in relation to their workers and to small-scale entrepreneurs. Then, we clarify the difference between a number of stakeholder groups, and finally we provide guidance on dealing with potential overlap between topics.

### 2.1 Company's field of influence

With reference to a company's field of influence, the activities carried out by workers or small-scale entrepreneurs in their daily life (outside their activities related to the supply chain or outside of defined working hours) are difficult to be influenced by the company. For instance, in many cases it is hard to distinguish in accident statistics whether a broken leg originates from a skiing holiday or an accident at work. Therefore, we did not define accident statistics as a performance indicator for health and safety for example. In the case of occupational health and safety, the purpose of the topic is to focus on what companies are doing to ensure and stimulate safe and healthy working practices while the worker (or contractor) is doing its work, and whether this effort is deemed to be successful.

With regards to small-scale entrepreneurs, as there is a relatively loose relationship between small-scale entrepreneurs and the company sourcing from them, it is hard to define the scope of responsibilities of a sourcing company and it is hard to understand if an accident or health impacts occurs when a small-scale entrepreneur was active for the sourcing company or not. Some examples:

1. Shea nuts or cocoa beans are often collected from forests in the harvesting period. Outside this period people have other jobs or perform other activities as small-scale entrepreneurs. Small-scale entrepreneurs can encounter dangers from wild animals or snakes during the harvesting work or at any moment of the day during the harvesting period. In this case, we consider the responsibilities of the company as the health impact that can occur during the direct activities that are relevant for the purchasing company, during the harvesting period. If impacts occur outside the harvesting period, while the small-scale entrepreneurs works for another company or is employed by another company, that other company, or the small-scale entrepreneur itself, is responsible for the health impacts occurring during that time.
2. Waste pickers that collect recyclable materials from municipal dumps can suffer from poor hygiene at the working place as well as when they are not working. In this example, we consider the responsibilities of the company as the impact that can occur year-round while they are at the working place.

The company has a responsibility for the health impacts during the work in the harvesting period (example 1) or year-round (example 2), so companies should support and promote better hygiene, provide basic protection against snakebites and raise awareness as far as needed. The responsibility of the company does not extend towards activities outside those that are related to the activities that relate to the value chain. However, a company could still contribute to e.g. better health and safety for communities that are not directly lead to the products they purchase, in that case it could contribute to local community impacts.



## 2.2 Distinguishing small-scale entrepreneurs and local communities

In case studies we found out that it in some cases it might be somewhat unclear how to deal with the difference and potential overlap between the local community and the small-scale entrepreneur stakeholder groups, and we propose the following solution based on a report by the World Bank. This report uses the following classifications to better understand the (financial) needs for smallholder farmers<sup>1</sup> (not other small-scale entrepreneurs, see below):

1. **Non-commercial smallholders** (around 500 million, covering 2.5 billion people in households), who often have no land or less than one hectare. Most food consumed is self-produced. Income comes from many sources; no or little access to any markets, which means these communities will rarely be sourced from by other companies.
2. **Commercial smallholders** in loose value chains (around 165 million, covering 825 million people). Loose value chains are characterised by farmers who often have between 1 and 2 hectares of land for some staple crops for their own consumption and some cash crops that are sold at (local) markets.
3. **Commercial smallholders in tight value chains** (around 35 million, covering 175 million people in households). Tight value chains are characterised by farmers who usually have more than 2 hectares and focus on cash crops. 85% participate in contract farming.

This implies that first group referred to as *non-commercial smallholders* and the second group referred to as *commercial smallholders in loose value chains*, do not produce significant amounts of crops for the market, except possibly for local markets and can be regarded as being outside the system boundary of the supply chain, although they can be affected by the operations that are indeed linked to the supply chain. This means there is a very small chance that companies sourcing crops from will ever be using these categories.

While the third category is the smallest in number of people, it seems to be the most relevant for companies who source products from these farmers, as these often produce for the global market and are thus within the system boundary describing the supply chain. We propose to consider this category as small-scale entrepreneurs. The first two groups we interpret as being in the Local community stakeholder group.

We did not identify literature to back up such a distinction for other small-scale entrepreneurs, as these are not so easy to distinguish, for instance by the cropping area of smallholders. Still we can postulate a parallel with the smallholders:

1. **Non-commercial small-scale entrepreneurs**, who make a living within the community, without delivering anything to a market; thus, getting all revenues from their own community. They are likely a duplicate from the first group of smallholders, as they might also produce their own food.
2. **Commercial small-scale entrepreneurs in a loose value chain**, that partially work for markets, and for their own community, like for instance repair services, building, local transport, farming services.
3. **Commercial small-scale entrepreneurs in a tight value chain**, who work for markets, like recycling services, transport, maintenance and construction of mining etc.

Also, here, we propose to interpret the first two groups as local community stakeholders and the third group as small-scale entrepreneurs. In the local community stakeholder group under employment we also look into the possibility that a company helps people working in a loose value chain, to become part of a tight value chain, and thus get the opportunity to become a small-scale entrepreneur instead of a local community member that only serves the local market.

<sup>1</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/539551468350106000/segmentation-of-smallholder-households-meeting-the-range-of-financial-needs-in-agricultural-families>

## 2.3 Distinguishing small-scale entrepreneurs and workers

Small-scale entrepreneurs has been defined as “people who supply the market from which larger companies can source”. In cases we’ve encountered small-scale entrepreneurs are often organized into some form of cooperative or group and not always operate totally independently. These cooperatives can facilitate collective bargaining power, communal use of resources, information or knowledge exchange, and general organization. In some cases these cooperatives can start to resemble businesses where the small-scale entrepreneurs might have contracts and agreements with the cooperative, which in some instances might then be classified as workers. However, a cooperative and business can be differentiated by the type of contract or agreement in which an individual is working, and the general structure of the organization. One major defining factor we have encountered is that the cooperatives are generally self-organized.

We have seen an example of this small-scale entrepreneur cooperation type in the case done by Fuji Oil, about shea kernels in Ghana. Women shea collectors are the foundation in their shea butter supply chain in Ghana and represent a unique group of small-scale entrepreneurs. Almost all of the women collectors work with a cooperative within their home villages. These cooperatives are usually self-organized, and provide different services depending on the village. However, even though these cooperatives do provide some services and support to individual collectors they are not directly responsible for the women collectors as an employer might be. They still remain working for themselves. For example, a principal difference between SSE and workers is that the SSE rarely have enforced working hours and perform their tasks to produce their product in their own time.

Looking from this perspective, small-scale entrepreneurs can be seen as individuals, or a self-organized group of individuals, that supply the market in which larger companies can source from. This does not relieve this sourcing company from its co-responsibility for the working conditions of the small-scale entrepreneurs during the sourcing period as discussed above. This clarification aims to make the distinction between a worker and a small-scale entrepreneur clearer.

## 2.4 Dealing with potential overlap of social topics

The social topics are not completely mutually exclusive, although overlap is avoided as much as possible in the definition of the topics. However, there might be some cases that are more difficult to know under which social topic an issue fits best. For example, if a company pollutes water, they can affect the access to material and immaterial resources, as well as the health and safety of local communities. If the local community is aware of the pollution and they don’t use the polluted water source, it is mainly a restriction of the access to resources. However, if they are not aware, and use the water source and as a result get sick, it is mainly an impact on health and safety. Of course, also a combination of both topics might be the case.

If a situation like this occurs in a social impact assessment case study, it is recommended to carefully consider the analysed impacts and decide under which social topic the issue should be considered. The considerations should be explained documented clearly in the goal and scope phase of the study.





A number of specific topics and their potential overlap is addressed below to further clarify:

- Distinguish between **responsible communication** and **health and safety** for users  
The topic of health and safety for users refers specifically to identifying health and safety impacts present within components, ingredients and intended use of the product. The communication of these impacts to the intended users is part of the responsible communication topic.
- Distinguish between **effectiveness and comfort** and **health and safety** for users  
Effectiveness and comfort is intended to be applied in a professional setting, and deals with the effectiveness of an offered product, i.e. the degree to which something is successful in achieving the intended result. For example, a well-designed tool for farmers might enable farmers to farm more effectively. When looking at the effectiveness of something that has an impact on health, it is recommended to include it under health and safety for users, to avoid potential double counting. Comfort can be something that goes beyond a healthy and safe product, so for example basic ergonomics are part of health and safety, while the additional pleasantness of a solution can be captured under comfort.
- Distinguish between **accessibility** and **affordability** for users  
Accessibility deals with the relation of a product and groups of people that have difficulty with reaching or obtaining a product easily due to some sort of disadvantage. Affordability mainly relates to the accessibility of products for low income groups, so this relates to a disadvantage from an economic perspective.
- Distinguish between **other social topics** and **health and safety** for local communities  
The topic of health and safety for local communities refers specifically to identifying health and safety impacts present within the manufacturing and operations processes of the company with reference to its effects on the local community. An infringement on health and safety caused by company operations will be attributed to this topic, whereas the provision of additional health resources is best attributed to 'access to material and immaterial resources', and the development of health related initiatives that are focused on increasing the skills of the local community are part of the 'skill development' topic.
- Distinguish between **community engagement** and **contribution to economic development** for local communities  
Community engagement specifically focuses on how the voice of local communities is integrated into the decision-making process of a company, and how a company engages with those groups. Contribution to economic development deals with other type of activities than those around decision making and aims to assess the opportunities that a company creates with relation to developing the local economy.
- Distinguish between **contribution to economic development and access to material and immaterial resources**  
Contribution to economic development has potential overlap with access to material and immaterial resources when it comes to providing access to resources that also contribute to economic development, such as infrastructure or electricity. To avoid double counting, the contribution for these type of resources should be covered under access to material and immaterial resources.
- Distinguish between **meeting basic needs** and **access to services and inputs** for small-scale entrepreneurs  
While meeting basic needs deals with how a small-scale entrepreneur can provide a decent living for its family, the topic of access to services and inputs related more to how the small-scale entrepreneur can run and develop their business. Both (partly) deal with economic flows, but the difference is in where the money goes to: either the family (meeting basic needs), or the business (access to services and inputs).



### 3 Guidance on the application of the topic scales and the performance indicators

The social topic reference scales are meant to be used after the hotspot identification phase. This hotspot identification is revealing the most important potential negative and positive performance in the value chain. If the hotspot identification pointed towards a negative contribution of a value chain actor, it is recommended to check the -2 level first, and move upwards from there, when data collected from the supplier provides sufficient evidence to determine if a performance indicator can be confirmed as being “true” or “false”. If the performance indicator is “true” check if the next level also has a performance indicator that can be assessed as “true”, repeat this until the level is reached where a “true” cannot be established on any of the performance indicators, which means the performance indicator is either “false” or undecided. This procedure also implies that a certain level on the scale can only be reached if the lower levels have at least one performance indicator with the value “true”.

If the hotspot identification did not reveal it as a potential negative hotspots, you can start from the 0 level and check whether it is potentially a +1 or a +2 level, by following a similar procedure as described above. This approach is illustrated in Figure 1.

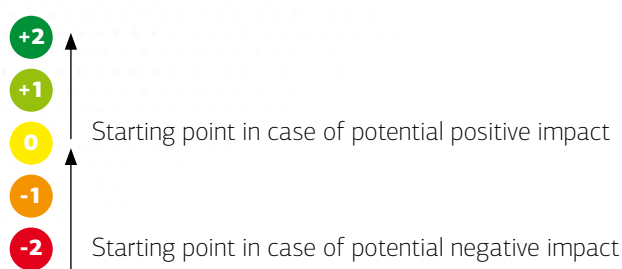


Figure 1 Illustration of approach for assessing performance indicators

Note that only one of the performance indicators on each level needs to be assessed as “true”. If more than one is “true” this just adds to the level of evidence.

The following sections give a generic description about how the performance indicators should be interpreted, starting with the performance indicators for workers, local communities and small-scale entrepreneurs, and thereafter discussion performance indicators for users.



### 3.1 Generic description and clarification of the performance indicators for workers, local communities and small-scale entrepreneurs

The performance indicators have been developed using as much as possible similar principles on each level across the different social topics. In this section the most relevant principles are described, but these principles could not always be applied when developing the social topics, hence they should be interpreted as a general description of the principles.

#### Performance indicators relating to level -2:

This level refers to an unacceptable performance, while there are no intentions to address this issue. The more or less standard performance indicators are:

- Absence of positive information, while the company is in an area where this situation often occurs according to statistics.
- Complaints, lawsuits and other signals that may signal issues.

In the 2018 version of the Handbook, we introduced a rule that “no data” would automatically result in a -2 score. This was rather unreasonable if there were no indications that there are problems (e.g. data on child labour in Sweden is unlikely to be found as child labour in Sweden is unlikely to be the case, although there is always a possibility this happens also in Sweden). The first bullet of these performance indicators addresses this; if there is no suspicion related to the area, there is no -2 level. If a suspicion is justifiable, and nothing indicates that the situation is better, a -2 score is appropriate.

As far as possible a table with suggested data sources has been added to each topic; these usually refer to websites that maintain statistic data and information of the topic on a global scale. They are especially relevant for the identification of the risks of non-compliance in a country region or sector. The performance indicators on the -2 and -1 level refer to these. Other relevant data sources are described in chapter 3 of the Handbook.

Note that these risks assessments are very generic, and do not need to be representative for the company or even region and sector that is being assessed. Furthermore, note that these statistics are not always very up to date.

#### Performance indicators relating to level -1:

This level refers to unacceptable performance in the recent past (suggested time period: 3 years), but a policy or corrective action has been defined to address this issue. The more or less standard performance indicators are:

- While the company is in an area where this situation often occurs according to statistics, there is evidence that the company has started to address the situation with a clearly defined timeline.
- The number of complaints, lawsuits and other signals have been significantly reduced during the last 3 years.

The first bullet mirrors the concept of the performance indicator defined for the -2 level, but if there is evidence that the company has started to address the situation with a clearly defined timeline, the performance indicator is true.

In some cases, we have also added a performance indicator in which the company itself discloses the policy and the effectiveness of the implementation with some examples. When such statements are indeed regarded as credible, for instance when they are in a verified sustainability report or other trustworthy statement, this may also be taken as evidence qualifying for level -1. The reason for not making this a default performance indicator is that companies only in rare cases report situations that are not compliant, so this will not often happen.

### Performance indicators relating to level 0:

Level zero is intended to reflect the compliance level. In the 2018 version this mostly referred to compliance to national law or international standards. In this 2020 version, we tried to describe this level based on internationally agreed conventions and declarations. For some topics this has raised the bar for the compliance level. Examples of other performance indicators on this level can be:

- Tangible evidence, such as wage slips for discrimination and remuneration, documentation of procedures to monitor absence of forced labour or child labour etc.
- Information obtained from unions, NGOs etc.
- The activities of the company or the small-scale entrepreneurs are certified under a labelling scheme or NGO standard. This is of course only meaningful if the standard addresses the topic.
- Audited statements and other credible statements from the company.

In both the level 0 and the +1 level, we sometimes refer to **‘above acceptable level’** or better than **‘average performance’**. Acceptable level refers to the level 0 that is described above, so mainly the compliance with international standards, and having tangible evidence that a proper management system in place with regards to this topic. Average performance refers to the industry standard performance of the specific social topic – and is mainly used when there’s no clear standard available. It is used for the topics user effectiveness and comfort, local community health and safety, small-scale entrepreneur women empowerment, small-scale entrepreneur health and safety, and small-scale entrepreneur fair trading relationships. Average performance in an industry can be determined by analysing performance of other companies or a sector average, in for example NGO reports. Another approach is to look at companies that are performing best in class, and if the assessed company is not yet on that same level, but getting close to it, it could be considered as performing better than average. The difficulty with ‘average performance’ is that average performance can be unacceptable in some situations.

### Performance indicators relating to level +1:

At the level of +1 the performance indicator is generally formulated as:

- The company has implemented a management system to continuously improve the situation on this topic and this has resulted in tangible improvements beyond the reference level in scale 0 (but does not need to be “best in class”).

Such information is likely to be found in sustainability reports, specific commitments and pledges companies have made etc. The credibility of this information should (as far as possible) be confirmed by external authorities, auditors, NGOs, unions, labelling organisations, or available in data from service providers, such as Ecovadis, that perform audits. Sometimes we also refer to newspaper articles from trustworthy journals. Please note that the +1 level can only be used, if the company complies with the lower levels as well.

### Performance indicators relating to level +2:

At the level of +2 the performance indicator is generally formulated as:

- The company has committed itself to be best in class regarding the performance on this topic, which has resulted in a very high performance in comparisons with its peers

While not all reference scales specifically refer to ‘best in class’, it should be noted that the +2 levels generally refer to this intention. The company can prove its commitment to be best in class for instance by investing and engaging in a public private partnership; this can be a qualifier for the +2 level, only if the issue described in the topic is very explicitly a target addressed by the NGO, and the NGO is indeed very active in the region. A public private partnership with a very broad scope usually does not strive to be best in class, and merely focusses on creating a minimum accepted level of performance. An example is the Sustainable Palm Oil Initiative (RSPO) will often not be specific enough to consider this at the level of +2 but can qualify for the level 0 or sometimes +1.







Because we refer to **best in class** in many of the +2 levels, it is further defined here. Best in class refers to the ability to show a track record regarding the way a company deals with a specific topic, in a way that delivers tangible results for a stakeholder (e.g. protecting the health and safety of local communities) around its operation. A company should seek out case studies of best-in-class results within their sector of operation. The basic elements, reasoning and justification of this example can be compared to the company's current progress towards health and safety.

An example regarding "best in class" can be illustrated with the example of the Campbell Award<sup>2</sup>, which is mainly given to multinational companies in the US. It may be less applicable for smaller companies in other parts of the world, but the examples could be illustrative of the things to look for. Then, to qualify as "best in class" a smaller company could use these illustrations to prove that they are performing on the same level as those who receive an award. Note that many awards only judge the intentions or the quality of reporting as such. Here we only refer to awards that judge clear and tangible outcomes.

## 3.2 Generic description and clarification of the performance indicators for users

The performance indicators for the user stakeholder category are designed to fit two types of users:

- In a business to consumer (b2c) context we often refer to opinions, verdicts and reports of consumer organisations and consumer watchdogs (on behalf of governments). In a few cases we refer to the opinions of experts, for instance ergonomic experts, sometimes to conventions, for instance on accessibility by people with disabilities.
- In a business to business setting (b2b) we also developed performance indicators that relate to how the worker who processes product perceives this, in terms of health and safety, comfort etc. This can be judged irrespective of how this product (be it a material, ingredient or component) is applied to make consumer products at the near end of the value chain.

Sometimes companies in a b2b context develop ingredients, materials or components that provide the opportunity to give a product a unique property that would be hard to create without the product. In that case the maker of this unique ingredient can also carefully claim this benefit of the use phase. For example (using two recent case studies):

1. Producing an ultra-strong fibre allows for the production of ultra-light weightlifting equipment, which can potentially reduce the risk of injuries and lower back pain of the worker.
2. Producing a low cost but healthy preservative for meat products, can under circumstances add to a healthy diet for low income groups.

In principle, b2b companies have the choice to either claim a benefit in for instance the handling at the direct client, or the benefit at the level of the final product. Sometimes it is possible to make claims on both aspects, if enough evidence is collected to make claims for both aspects.

<sup>2</sup> Campbell award: <http://www.thecampbellinstitute.org/research>

### 3.3 Generic approach regarding the required level of evidence

The Handbook has a chapter on data quality; the scoring matrix allows for identifying different levels of data quality. Often it will be difficult to avoid less than optimal data quality; this does not have to be a showstopper, but this limited data quality can be documented using the matrix presented in the respective chapter.

The performance indicators refer to different types of evidence:

#### 1. Credible evidence

In social topic reference scales or performance indicators, often we refer to 'credible evidence'. For example, reports from credible sources, such as NGOs, credible and independent news sources. Credible evidence and data refer to statements that have demonstrated the CRAAP principle (New Jersey Institute of Technology, 2021<sup>3</sup>). Currency – the timeliness of information within its context, Relevance – importance of the information related to the topic, Authority – source of the information is well established and has demonstrable knowledge on the subject, Accuracy – how truthful, correct and descriptive the information is, Purpose – reason the information exists and intent/motive of the content. These can include statements by NGOs, unions, workers, ratings agencies, sources of academic literature etc. that are evidence-based following a statement, substantiation, quote (SSQ) logic. For example, an NGO can describe an incident of unfair remuneration via a credible statement released to the public: "Workers for company A are not fairly compensated. As indicated by the pay slips of workers who provide labour hours in process B, this is below the minimum living wage. Employees are paid a total of C per month." Examples of sources that can be considered as credible evidence include:

- NGOs that are independent from influences by the supply chain actor and are active in the same region where the issue occurs, and who are indeed have defined the issue as a relevant part of their scope of activities. This can both refer to local NGOs as multinational NGOs. An important stamp of credibility is the membership of ISEAL, or the strong link to an international organisation.
- A relevant certification of a product or service (fairtrade, etc.)
- Newspapers and news sources that adhere to the CRAAP principle
- If it is about the user: product tests by independent laboratories and consumer organisation
- Recognitions and awards, only if awarded via a transparent procedure by an independent jury and if they focus on results rather than intentions
- Statements from representatives of the stakeholder group, like workers on an individual basis or via unions, small-holder cooperatives, user reviews etc. These need to be assessed on their credibility to count them as evidence, but at least they may reveal there is an issue

Next to that, having multiple sources reporting the same message can also increase credibility.

<sup>3</sup> New Jersey Institute of Technology (2021) How to Evaluate Information Sources: CRAAP Test, Research Guides. Available at: <https://researchguides.njit.edu/evaluate>.





## 2. **Scientific evidence**

In order to be able to claim a positive impact on for example health and safety or responsible communication for users, the proof must be based on clear evidence. Especially for the +2 level the claims must be backed-up by science-based evidence, because claims like these should not be based on empty promises. As such, science-based refers to sources that follow systematic, empirical methods that draw on observation or experiment. This usually involves rigorous use of the scientific method that justifies conclusions. These science-based sources are reviewed, independent and reproducible in the current context. Science-based evidence follows the CRAAP principle<sup>4</sup>. Examples of sources are:

- Scientific articles in peer reviewed publications; this includes consensus documents based on scientific papers. This also applies to reports from international organisations like ILO, WHO etc. if based on such science
- Reports, peer reviewed by an external independent party or person

3. In other cases, we refer **to assessments by public authorities** that might be used as evidence. Examples include:

- Statements which reveals compliance (or the opposite: non-compliance)
- Reports from watchdogs and government agencies and research organisations
- Legal proceedings, although this must be handled with care, for instance as sometimes a lawsuit is initiated simply to pressure a supply chain actor. A supply chain actor is only guilty if the judge has spoken and there are no further legal actions scheduled, many lawsuits can take many years to conclude. So, the fact that a lawsuit is in progress is not sufficient evidence for an issue to exist, but it a signal that something might be going on. In contrast, the fact that there are no lawsuits, does not mean the company is not operating in an illegal manner. The assessment of the chance that a supply chain actor will be convicted can often be assessed via other sources, such as publications and NGO reports.

4. **Self-declarations** from companies can also help to build evidence. Examples are:

- CSR reports or integrated reporting, as far as it has been verified by an external verifier
- Company reports that are sufficiently transparent to allow verification of the claim made

<sup>4</sup>New Jersey Institute of Technology (2021) How to Evaluate Information Sources: CRAAP Test, Research Guides. Available at: <https://researchguides.njit.edu/evaluate>.



### 3.4 Various forms of policies and management systems

Below, terms that are used in multiple reference scales and performance indicators are clarified.

A management system has the purpose to avoid, mitigate, or remediate negative impacts or to enhance positive impacts (GRI, 2018). A management system enables continuous improvement of the performance of a company. In order to qualify as a management system in the assessment, the system should contain most of the following elements (based on ILO-OSH 2001):

- **Policy:** is a deliberate system of principles to guide decisions and achieve rational outcomes.
- **Governance:** the act or process of governing or overseeing the control and direction towards the defined rational outcome. This requires clarification of the responsibilities in relation to the policies, and the competence and training activities to make people able to carry out their responsibilities. A documentation and communication system should be established and maintained. Examples of evidence: A description of the governance system and the human and other resources needed, such as training and education programs for employees, employee commitment regarding social issues.
- **Planning and implementation:** review of the current situation, the identification of risks, establishing objectives and rational outcomes with a clear timeline, managing the aspects that require change in an organization. This can also include specific projects, programs and initiatives. Examples of evidence: partnerships with NGOs to address a specific social issue, training and education programs for external stakeholders, events to raise awareness.
- **Monitor and evaluate performance:** monitoring, measuring and recording performance against the objectives and timelines shall be done on a regular basis, and the systems to do so shall be in place.
- **Action for improvement:** preventive and corrective actions resulting from the evaluation of the performance against the goals and the defined timeline. Includes arrangements for continuous improvement.

The management system elements can have different names in different organizations, and in some cases not all elements are publicly available. Most important is that there is proof of a system that ensures continuous improvement of performance on the social topic. Often, annual reports or CSR reports of companies provide a good starting point for providing evidence for management systems regarding social topics. For some of the performance indicators, specific requirements and/or examples of evidence can be formulated for the management system that is in place.



# 1 Social topics for workers

## 1.1 Occupational Health and safety (OHS)

### Definition and Rationale:

The extent to which the management maintains or improves the safety and overall health status of the workers.

The full WHO definition reads:

"Occupational health should aim for: the promotion and maintenance of the highest degree of physical, mental and social well-being of workers in all occupations; the prevention amongst workers of departures from health caused by their working conditions; the protection of workers in their employment from risks resulting from factors adverse to health; the placing and maintenance of the worker in an occupational environment adapted to his physiological and psychological capabilities; and, to summarize, the adaptation of work to man and of each man to his job."

All workers have the right to a safe and healthy workplace. Another possible definition of safe workplace, provided by OSHA, is a workplace that is free of serious recognized hazards and in compliance with OSHA standards. Workplace covers all the places where workers need to be or to go by reason of their work and which are under the direct or indirect control of the employer; The term health, in relation to work, indicates not merely the absence of disease or infirmity; it also includes the physical and mental elements affecting health, which are directly related to safety and hygiene at work.

We found a somewhat more visionary definition in a report by the Joined ILO/WHO Committee on Occupational Health. It also emphasises the creation of the right working culture, which is instrumental for the interaction of people and their work environment. This develops continuous oversight of OHS procedure within worker groups.

Working culture refers to the beliefs, thought processes and attitudes of employees as well as the ideologies and principles of the organization<sup>5</sup>. This includes characteristics such as relations between employees, treatment of employees by senior staff, recognition and appreciation, a discursive non-intimidating and non-discriminatory social setting, employee friendly policies & practical guidelines and encouragement of team building activities. In addition, mechanisms of feedback such as anonymous suggestion boxes, the appropriate grievance processes and implementation of improvements are important to encourage a strong working culture. Working culture as a broad term includes safety culture with specific reference to the influence that organizational culture has on matters relating to risk management<sup>6</sup>.

The term 'safety culture' became well known after the Chernobyl incident, when it became clear that the rules and regulations were quite well defined, but the managers and the workers had developed a very careless way of handling these; the problem was therefore in the safety culture. This thinking is further elaborated in a report from the European Agency for safety and health at work, which describes an organizational triangle consisting of structure, culture, and processes. In the example of Chernobyl, it turned out that there were problems in structure and processes but solving these would not have mattered a lot if the culture would not have been addressed.

The main focus of occupational health is on three different objectives: (i) the maintenance and promotion of workers' health and working capacity; (ii) the improvement of the working environment which is conducive to health and safety and (iii) the development of work organizations and working cultures in a direction which supports health and safety at work and in doing so also promotes a positive social climate, smooth operation and may enhance productivity of the undertakings.

<sup>5</sup> <https://www.managementstudyguide.com/work-culture.htm>

<sup>6</sup> <https://www.scribd.com/document/441606201/icsi-essentials-01-safety-culture-an>

# 1 Social topics for workers

## Reference scale for Occupational Health and Safety (OHS)

	Definition of the scale level	Performance Indicators
<b>+2</b>	The company is best in class compared to its peers on OHS performance	<ul style="list-style-type: none"> <li>Credible statistics show the OHS performance is best in class compared to its peers in the same sector and region, and this performance has improved over at least 3 years</li> <li>Credible statements from NGOs, unions and workers that confirm this</li> </ul>
<b>+1</b>	The company has a management system in place to pro-actively and continuously improve the working culture, beyond an acceptable level and can show tangible results of these efforts.	<ul style="list-style-type: none"> <li>Documents that provide a credible description of management system to promote continuous improvement of health and safety and the results of these efforts</li> <li>Credible statements from NGOs, unions and workers that confirm this</li> </ul>
<b>0</b>	Working conditions and working culture are adequately protecting occupational health and safety, which includes that equipment, the use of personal protection equipment, the prevention of harassment are conforming to the state of the art regarding safety and exposure.	<ul style="list-style-type: none"> <li>Documents like audits that show compliance with national standards, see for example the Global ILO LEGOSH database for OECD countries</li> <li>Documents that show certification schemes/standards on health and safety, audits.</li> </ul>
<b>-1</b>	There has been a neglect in the working conditions (culture) regarding the maintenance and promotion of occupational health and safety, which results in high accident rates and deteriorating health conditions of workers, but the company or facility has developed a corrective action plan with clear timeline for completion.	<ul style="list-style-type: none"> <li>While the company is in an area where this situation often occurs according to statistics, there is evidence that the company has started to address the situation with a clearly defined timeline.</li> <li>There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
<b>-2</b>	There is a neglect in the working conditions (culture) regarding the maintenance and promotion of occupational health and safety, which results in high accident rates and deteriorating health conditions of workers.	<ul style="list-style-type: none"> <li>Complaints, lawsuits and other signals</li> <li>Absence of positive information, while the company is in an area, where the risk of bad occupational health and safety situations often occurs according to generic statistics.</li> </ul>

## Data sources

ILOSTAT explorer: dataset SDG indicator 8.8.1 – Non-fatal occupational injuries per 100'000 workers – annual. This source provides non-fatal occupational injuries per 100.000 workers and specified by migration status and gender. See: [https://www.ilo.org/shinyapps/bulkexplorer13/?lang=en&segment=indicator&id=SDG\\_N881\\_SEX\\_MIG\\_RT\\_A](https://www.ilo.org/shinyapps/bulkexplorer13/?lang=en&segment=indicator&id=SDG_N881_SEX_MIG_RT_A)

World policy centre. This source provides information on the extend of the protection of human health in the constitutions per country. See: <https://www.worldpolicycenter.org/topics/health/constitutional-protections-of-health/policies>

Global ILO LEGOSH database with National Occupational Health and Safety standards can be found on <https://www.ilo.org/dyn/legosh/en/f?p=14100:1000:0::NO>. Database covering all national OSH frameworks for almost all countries.

European Agency for Safety and Health at work: EU-OSHA collects, analyses and disseminates information related to occupational safety and health across the EU. <https://osha.europa.eu/en/publications>: several datasets on risks in European countries.







## 1 Social topics for workers

### 1.2 Remuneration

#### Definition and Rationale:

The extent to which the management sufficiently compensates the workers.

The Universal Declaration of Human Rights (UDHR) Charter, under Article 23 expands on this topic: “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”

This topic is emphasised not only among articles in the UDHR but also the International Labour Organization and the OECD labour guidelines.

This social topic assesses the combination of wages and social benefits received by workers. It is important to define a number of concepts.

- **A National Poverty Line** is the minimum income level on which an individual is supposed to be able to survive. These National Poverty Lines are set by governments. National definitions of poverty and their practical implementation vary widely across countries. In some countries the National Poverty Line is calculated based on actual prices and revised regularly. In other countries the figure attached to the poverty line is only irregularly updated. The Poverty Line is usually set for an individual. Only few countries define a poverty level for a family. Richer countries deploy more generous living standards to define poverty than poorer countries. (description copied from the Wage Indicator project).
- **Minimum wage** is a legally determined gross wage level that may be defined above and below the living wage level. It is established by law, collective bargaining agreement or an industry standard. Unlike the definition of living wage, minimum wage is always defined per person.
- **Social benefits** refer to non-monetary employment compensation as far as offered by the employer (while in many countries such services are also offered by the government). Four basic categories of social security benefits can be included in workers earnings: retirement, disability coverage, Healthcare and, in case of termination of employment, separation benefits. Other social benefits that may be provided include medical insurance, dental insurance, paramedical insurance including preventive medicine, medicine insurance, wage insurance, paid sick leave, paid maternity and paternity leave (parental leave is covered in work-life balance).
- **Living wage**: There are various calculation methods to determine the living wage<sup>7</sup>. We use the definition used in the Wage-indicator project<sup>8</sup>, as this project also has a very large database with living wage, minimum wage and other data that can be accessed freely. This concept elaborates on Article 25 of the Human Rights charter that (among others) defines that: Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. Living wages are usually determined for families and individuals. Individuals are supposed to live alone and have a full-time job. “Standard” families are assumed to have two children, with one adult working full-time and one working 80% of a full-time job. Other assumptions regarding the families are sometimes also used, but here we use the “standard” family as this is the most. In the Wage indicator project the recommendation is that employers should at least pay the living wage for a single person, but should preferably pay the living wage for the “standard” family.<sup>9</sup>

<sup>7</sup> <https://www.globallivingwage.org/about/anker-methodology/>

<sup>8</sup> <https://wageindicator.org/salary/living-wage/faq-living-wage#2-1-what-is-the-difference-between-living-wage-and-minimum-wage->

<sup>9</sup> An example to illustrate the importance of family characteristics in the calculation of Living Wage. Let us assume the Living Wage for a Standard Family (2+2 family, 1.8 working) is EUR 244. When changing the family composition to 2+3 and keeping the family work intensity constant, the Living Wage increases to EUR 263 because a higher income is required to support a larger family. Assuming the same 2+3 family, but now with a lower working intensity of 1.6 (one adult works 100%, the other works 60%), the Living Wage increases to EUR 296. A Typical Family Living Wages is more burden for an employer. (source: Wage-indicator)

## 1 Social topics for workers

The calculation is based on the following assumptions:

- Living Wage reflects the local living standards and needs of workers and their families.
- Living Wage is calculated as a reference income of a full-time worker in gross terms (before taxation).
- Living Wage is calculated for adults who are of economically active age and competent to manage their family budget efficiently.
- Individuals without children rent a one-bedroom home and households with children live in a rented two-bedroom home, not centrally located or up-market.
- Individuals and families for whom the Living Wage estimates are most relevant cannot afford to own a motorbike or car and therefore need to rely on other means of transportation, usually public transport; children of such families commuting to schools can travel for free or with a substantial discount.
- All family members are in good health.
- Meals are prepared at home and ingredients are purchased from supermarkets or at markets in the lower price range.
- Expenses on clothes and footwear are accounted for.
- The phone tariff of 60 minutes per month per adult is included.
- Overtime pay bonus is not accounted for; the Living Wage should be earned during normal hours. The ILO Convention 1 (1919) states a maximum number of 48 working hours per week in all countries (ILO, 2008).
- When workers receive in-kind bonuses such as food, housing or travel allowances, these could be treated as an addition to the (living) wage received in cash; the Living Wage is the monetary equivalent of all regular income, including any regular in-kind provisions.
- Bonuses are not included in the calculation as these are irregular and their amount is uncertain.
- Living Wage is based on the assumption that monthly expenses should be covered by regular monthly income from labour; irregular or incidental income is assumed to be used for extraordinary expenses.
- Living Wages are estimated for employers who (should) pay the local Living Wage voluntarily, unless contracts are made with workers groups, trade unions and / or buyers.

The one but last bullet mentions extraordinary expenses, but not a more structural cover of social security. A complication is that in some social systems the government takes care of savings for old age and provides healthcare unemployment benefits etc, whereas some countries this does not happen (for instance the USA). In the latter case people are thought to use part of their income for savings to cover such costs, which means the living wage levels should be higher to accommodate for this. At the same time countries that offer such services frequently charge this through taxation or obligatory contribution to insurance systems. To reflect this, we have set the Living wage level as defined by the Wage indicator as sufficient for level +1 while in level +2 we require additional coverage as social security as follows:

- Retirement: The employer should provide at least a living wage after the locally agreed retirement age; if the government does not provide this, the company offers to provide or supplement the state offered services.
- Health insurance: The employer should at least supplement or provide health insurance coverage to cover treatment of serious and potentially disabling diseases, as far as the government does not provide this on a sufficient level
- Disability: The employer must offer insurance that provides at least a living wage in case of disability, until retirement, if the government does not provide this
- Separation benefits: This includes redundancy payments and severance pay. Severance pay is the amount paid after an employee's dismissal from their work and redundancy pay is the termination payments arising from terminating a worker on economic ground (redundancy or restructuring). The amount of redundancy and severance pay is generally calculated based on the worker's wage.

The levels are defined indicative, as local customs or laws may require companies not to fully implement such benefits.



## 1 Social topics for workers

### Reference scale for remuneration

	Definition of the scale level	Performance Indicators
<b>+2</b>	All workers receive the (major share of <sup>10</sup> ) additional social benefits as defined for retirement, health insurance, disability coverage and separation benefits on top of the living wage levels for a standard family defined in the Wage-indicator project.	<ul style="list-style-type: none"> <li>Audited statements and other credible statements from the company or information obtained from NGOs, unions and workers, showing the gross wage is equal or higher than the living wage, as published by the government or as found in sources such as the Wage-indicator, plus a reasonable coverage of the social benefits (i.e. retirement, health insurance, disability, separation benefits).</li> </ul>
<b>+1</b>	All workers are paid at least a living wage for a family as defined by the methodology of the Wage indicator.	<ul style="list-style-type: none"> <li>Audited statements and other credible statements from the company or information obtained from NGOs, unions and workers, showing the gross wage is equal or higher than the living wage for a family, as published by the government or as found in sources such as the Wage-indicator.</li> <li>In countries where minimum wage is higher than the living wage for a family, it can be sufficient to certify that minimum wage is paid.</li> </ul>
<b>0</b>	All workers are paid the living wage for a single household.	<ul style="list-style-type: none"> <li>Audited statements and other credible statements from the company, or information obtained from unions, NGOs and local workers providing evidence that all workers are paid the living wage for a single household is fulfilled.</li> <li>In countries where minimum wage is higher than the living wage for a single household, it can be sufficient to certify that minimum wage is paid.</li> </ul>
<b>-1</b>	Not all workers are paid the living wage for a single household or are not paid the legal or industry minimum wage and/or social benefits are not according to applicable law, but the company has committed to resolve this issue clearly defined timeline.	<ul style="list-style-type: none"> <li>While the company is in an area where this situation often occurs according to statistics, there is evidence that the company has started to address the situation with a clearly defined timeline.</li> <li>The number of complaints, lawsuits and other signals have been significantly reduced during the last 3 years.</li> </ul>
<b>-2</b>	Workers are paid below the poverty line in the country or region, or if this is not defined in the country or region, the payment is clearly insufficient, or workers are not paid the legal or industry minimum wage and/or social benefits are not according to applicable law. There is no commitment to address this issue.	<ul style="list-style-type: none"> <li>Complaints, lawsuits and other signals that may signal issues</li> <li>Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

### Data sources

Wage Indicator: provides detailed information on minimum wage, living wage and main labour laws in over 80 countries. See: <https://wageindicator.org/>

Global living wage coalition: this source provides information on living wages per country/region/sector. Based on a coalition started by ISEAL. See: <https://www.globallivingwage.org>

ILOSTAT: statistics on wages. Provides average earnings per sector, by sex, economic activity, per hour, month. See: <https://ilostat.ilo.org/topics/wages/>

OECD Data: average wages. Provides data on average wages, employee compensation, by activity. For OECD countries only. See: <https://data.oecd.org/earnwage/average-wages.htm#indicator-chart>

The World Bank data: Income share held by lowest 20%. This source provides insight in countries where many people live in poverty. See: <https://data.worldbank.org/indicator/SI.DST.FRST.20?view=map>

ILOSTAT explorer: dataset SDG indicator 1.3.1 – Proportion of population covered by social protection floors/systems (%)-annual. Provides percentage of children/household, poor and vulnerable people that receive social security. See: [https://www.ilo.org/shinyapps/bulkexplorer12/?lang=en&segment=indicator&id=SDG\\_0131\\_SEX\\_SOC\\_RT\\_A](https://www.ilo.org/shinyapps/bulkexplorer12/?lang=en&segment=indicator&id=SDG_0131_SEX_SOC_RT_A)

World policy centre. This source provides overview of legal frameworks on wages, including minimum wage and income protection in case of unemployment. See: <https://www.worldpolicycenter.org/topics/adult-labour-and-working-conditions/wages-and-income/policies>



## 1 Social topics for workers

### 1.3 Child labour

#### Definition and Rationale:

The extent to which a company works toward eradicating child labour and pro-actively raising awareness of issues associated with child labour.

Child labour is work that deprives children of their childhood, their potential and/or their dignity, and that is harmful to their physical and mental development. In its most extreme forms, child labour involves children being enslaved, separated from their families, exposed to serious hazards and illnesses and/or left to fend for themselves on the streets of large cities.

The ILO distinguishes<sup>11</sup> a number of categories of Child labour:

- *Children in employment*; this is the broadest category and includes children that are above and below the relevant minimum age. (by default 14 years, in some cases 12 or 13 years)
- *Children in child labour*: children below the age that permits them to perform labour
- *Children in the worst forms of child labour*, which can be further specified as:
  - Slavery
  - Prostitution
  - Drugs trafficking
- *Children in Hazardous work*; work that harms health, safety or morals
- *Children in light work* is allowed as long as this is not harmful, does not prejudice their attendance to school, and as long as this is above the age at which light work is legally permitted

Child labour reinforces intergenerational cycles of poverty and undermines national economies. It is not only a cause, but also a consequence of social inequities reinforced by discrimination.

Children and adolescents are especially vulnerable to hazards because they are still developing physically and mentally. They are less aware of risk than adults and therefore are more likely to be hurt. Companies of all sizes need to ensure that they do not use child labour anywhere in their operations and proactively educate employees about child labour and the issues associated with it.

<sup>10</sup> Small deviations are allowed

<sup>11</sup> Based on Ending child labour by 2025: A review of policies and programmes International Labour Office (ILO), Geneva, Second edition 2018





## 1 Social topics for workers

### Reference scale for child labour

	Definition of the scale level	Performance Indicators
+2	The company has made eliminating the use of child labour in its own organisation, its entire value chain including clients a top priority and can demonstrate the success of its approach.	<ul style="list-style-type: none"> <li>• Company actively and publicly engages and invests in in public private partnerships that has a proven track record in addressing the root causes of child labour in its relevant parts value chain</li> <li>• Recognition by independent NGOs and credible news reports</li> </ul>
+1	The company or facility has a management system in place to raise awareness of issues associated with child labour within its organisation, its subcontractors and its tier 1 suppliers, with the aim to address the root courses of child labour in the region it operates, and takes action as appropriate, like improving the accessibility to schools.	<ul style="list-style-type: none"> <li>• Evidence that describes the management system of the organisation, its subcontractors and its tier 1 suppliers is effective, for instance by embedding several of the following examples: <ul style="list-style-type: none"> <li>- Amended job descriptions to include responsibility for children's rights.</li> <li>- Staff is trained, empowered and incentivised to deliver on child rights goals.</li> <li>- There is a sensitive grievance mechanism for child rights issues.</li> <li>- There is an ombudsperson for children.</li> </ul> </li> </ul>
0	No incidents of child labour are discovered and the company or facility has a management system in place that enforces the policy prohibiting child labour.	<ul style="list-style-type: none"> <li>• Records proof of age upon recruitment, including copies of documents such as birth certificates, passports or religious, medical or other records.</li> <li>• The company has fully committed to the United Nations Global Compact as a participant or signatory member or has policies that are equivalent to the UNGC principles</li> </ul>
-1	Incidents of child labour but no incidents referring to the worst forms of child labour or children in Hazardous work have been discovered within the company or facility and a corrective action plan with a clear timeline for completion has been developed.	<ul style="list-style-type: none"> <li>• While the company is in an area where this situation often occurs according to statistics, there is evidence that the company has started to address the situation with a clearly defined timeline.</li> <li>• The number of complaints, lawsuits and other signals have been significantly reduced during the last 3 years.</li> </ul>
-2	Incidents of child labour, including the worst forms of child labour and children in Hazardous work have been discovered.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues.</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics.</li> </ul>

### Data sources

Antislavery.org. This source provides background information and status report about i.e. child labour. See: <https://www.antislavery.org>

UCW project: Statistics on child labour. A joined initiative with wide array of statistics on child labour by ILO, UNICEF and World Bank. See: [http://www.ucw-project.org/statistics-child-labour.aspx#ContentContent\\_Ct1](http://www.ucw-project.org/statistics-child-labour.aspx#ContentContent_Ct1)

UNICEF data. This source provides statistics on many indicators that are impacting children, including child labour, birth registration, child marriage, genital mutilation and various forms of violence. See: <https://data.unicef.org/topic/child-protection/child-labour/>

World policy centre: child labour. Provides an overview of the local laws regarding child labour, especially minimum age for admission to employment and the allowable hours at work. See: <https://www.worldpolicycenter.org/topics/child-labour/policies>

UNESCO eAtlas of Out-of-School Children. Provides an overview with percentages of out-of-school children per country. See: <https://tellmaps.com/uis/oosc/#/tellmap/-528275754>

Bureau of International Labour Affairs: International Child Labour & Forced Labour Reports. Provides an overview of products that are produced with child labour of forced labour per country. See: <https://www.dol.gov/agencies/ilab/resources/reports/child-labour>

World bank: % of children in employment. See: <https://data.worldbank.org/indicator/SL.TLF0714.WK.ZS>

## 1 Social topics for workers

### 1.4 Forced labour

#### Definition and Rationale:

The extent to which a company works towards eradicating forced labour and pro-actively raising awareness of issues associated with forced labour.

Article 4 of the Universal Declaration of Human Rights Charter states that “No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms”.

The ILO defines forced labour of adults, as work for which a person has not offered him or herself voluntarily (criterion of “involuntariness”) and which is performed under coercion (criterion of “menace of penalty”) applied by an employer or a third party. The coercion may take place during the worker’s recruitment process to force him or her to accept the job or, once the person is working, to force him or her to do tasks that were not part of what was agreed to at the time of recruitment or to prevent him or her from leaving the job.

ILO especially focusses on involuntariness, menace and penalty, not whether the work is harmful or dangerous. The role of the recruitment process is important. A Fair Recruitment Initiative has been identified to define and describe what is a fair recruitment procedure<sup>12</sup>.

Workers should be free to leave the workplace and manage their own time while not on duty, without interference or intimidation from management or security guards. If workers choose to leave their jobs, they should be free to do so, provided they have fulfilled their agreed obligations under a recognised employment contract.

<sup>12</sup> *General principles and operational guidelines for fair recruitment @ Definition of recruitment fees and related costs*. International Labour Office - Fundamental Principles and Rights at Work Branch, Labour Migration Branch – Geneva: ILO, 2019







## 1 Social topics for workers

### Reference scale for Forced labour

	Definition of the scale level	Performance Indicators
+2	The company has made eliminating the use of forced labour in its own organisation and its entire value chain, including its customers a top priority and can demonstrate the success of its approach.	<ul style="list-style-type: none"> <li>• Company actively and publicly engages and invests in public private partnerships that has a proven track record in addressing the root causes of forced labour in its entire value chain</li> <li>• Recognition by independent NGOs and credible newspaper reports</li> </ul>
+1	The company or facility has a management system in place that successfully eliminates the use of forced labour in its own organisation, its subcontractors and its tier 1 suppliers.	<ul style="list-style-type: none"> <li>• Evidence that the company undertakes due diligence regarding their recruitment practices in its own organisation and its subcontractors, and evidence that the company requires subcontractors and their suppliers to show audited evidence, self-assessment or acknowledgement of the principles of prohibiting retention of all or part of a worker's salary, benefits, recruitment fees, property or original documents, such as identity documents.</li> </ul>
0	There are no reports or signals that the company uses forced labour and All workers are employed under reasonable and documented terms which prohibits retention of all or part of a worker's salary, benefits, property or original documents.	<ul style="list-style-type: none"> <li>• Documentation of the terms and mechanisms to monitor and improve the position of the worker are in place, such as "speak up" line, training and awareness sessions, while there are no indications that the company or facility uses forced labour</li> <li>• The company has fully committed to the United Nations Global Compact as a participant or signatory member or has policies that are equivalent to the UNGC principles</li> </ul>
-1	Incidents of forced labour have been discovered within the company or facility and a corrective action plan with a clear timeline for completion has been developed.	<ul style="list-style-type: none"> <li>• While the company is in an area where this situation often occurs according to statistics, there is evidence that the company has started to address the situation with a clearly defined timeline.</li> <li>• The number of complaints, lawsuits and other signals have been significantly reduced during the last 3 years.</li> </ul>
-2	Incidents of forced labour have been discovered within the company or facility, and a corrective action plan with a clear timeline for completion has not been developed.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues.</li> <li>• Absence of positive information, while the company is in an area where this situation often occurs according to statistics.</li> </ul>

### Data sources

Anti-Slavery. This source Provides generic backgrounds and reports from specific countries, regions or issues. See: <https://www.antislavery.org/>

Global slavery index. Provides an overview (per country) of the prevalence, vulnerability and the government response with regards to forced labour. See: <https://www.globallslaveryindex.org/2018/data/maps/#prevalence>

U.S. Department of State: 2017 Trafficking in Persons Report. Provides an overview of law enforcements, country narratives around human trafficking, international conventions. See: <https://www.state.gov/reports/2017-trafficking-in-persons-report/>

Bureau of International Labour Affairs: International Child Labour & Forced Labour Reports. Provides an overview of products that are produced with child labour or forced labour per country. See: <https://www.dol.gov/agencies/ilab/resources/reports/child-labour>

### 1.5 Discrimination

#### Definition and Rationale:

The extent to which a company is engaged in preventing discrimination and actively promoting non-discrimination at the workplace. Discrimination refers to any distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment.

This topic is mentioned under several clauses within the Universal Declaration of Human Rights. The related articles refer to freedom of thought, religion and belief, equality before the law, freedom of opinion and expression and other rights and freedoms regardless of demographic. In general the topic has gained traction in popular culture with a call to address the systemic biases present in company processes and structures.

Freedom from discrimination is a fundamental human right and is essential for workers to choose their employment freely, to develop their potential and to gain economic rewards on the basis of merit.

In order to prevent discrimination, a company should not engage in or support distinction in hiring, remuneration, access to training, promotion, termination, or retirement which is based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, state of health (including HIV/AIDS status), age, or any other circumstance that could give rise to discrimination.



## 1 Social topics for workers

### Reference scale for discrimination

	Definition of the scale level	Performance Indicators
+2	The company or facility has a management system in place that pro-actively promotes non-discrimination in its organisation and the entire supply chain. The commitments, performance, progress and effectiveness of programmes are reported publicly. The top management of the company or facility have publicly recognised non-discrimination as a key priority.	<ul style="list-style-type: none"> <li>Investments and participation in public private initiatives and NGOs that effectively deal with the issue.</li> <li>Statements from credible authorities' organisations such as NGOs and unions.</li> </ul>
+1	The company or facility has a management system place that pro-actively promotes non-discrimination in its organization, its subcontractors and its tier 1 suppliers, for instance by at least two of the following: <ol style="list-style-type: none"> <li>1. Trainings/education programs and Events to raise awareness</li> <li>2. Employee committees to address certain issues</li> <li>3. Speak-Up Line</li> <li>4. Commitments from tier 1 suppliers</li> </ol>	<ul style="list-style-type: none"> <li>Public statements by the company, workers or unions</li> <li>Description of the management system objectives and timeline</li> </ul>
0	The company or facility has a management system in place to enforce the non-discrimination policy in its company.	<ul style="list-style-type: none"> <li>Wage slips or wage records of workers confirm equal pay for work of equal value.</li> <li>Established grievance mechanisms for workers to report a complaint or raise concerns about any actions that violates non-discrimination policy.</li> <li>The company has fully committed to the United Nations Global Compact as a participant or signatory member or has policies that are equivalent to the UNGC principles</li> </ul>
-1	Incidents of discrimination have been discovered, the company or facility has established a corrective action plan with a clear timeline for completion.	<ul style="list-style-type: none"> <li>While the company is in an area or sector where this situation often occurs according to statistics, there is evidence that the company has started to address the situation with a clearly defined timeline.</li> <li>The number of complaints, lawsuits and other signals have been significantly reduced during the last 3 years.</li> </ul>
-2	Incidents are reported revealing discrimination is frequently occurring or is part of the companies' culture and procedures.	<ul style="list-style-type: none"> <li>Complaints, lawsuits and other signals that may signal issues</li> <li>Absence of positive information while the company is in an area where this situation often occurs according to statistics.</li> </ul>



## 1 Social topics for workers

### Data sources

ILOSTAT explorer: dataset gender wage gap by occupation (%) – Annual. This source shows the gender wage gap per country and position. See: [https://www.ilo.org/shinyapps/bulkexplorer2/?lang=en&segment=indicator&id=EAR\\_GGAP\\_OCU\\_RT\\_A](https://www.ilo.org/shinyapps/bulkexplorer2/?lang=en&segment=indicator&id=EAR_GGAP_OCU_RT_A)

World policy centre. This source provides information legal frameworks regarding discrimination, gender discrimination, sexual harassment. See:

<https://www.worldpolicycenter.org/topics/adult-labour-and-working-conditions/equal-rights-at-work/policies>

World Directory of Minorities and Indigenous Peoples. This source helps identifying which minorities live in a certain country, and what their main characteristics are, such as religion, language and culture; it also assesses the level of discrimination in a country. See:

<https://minorityrights.org/directory/>

Indigenous Navigator. Information on country level about the level of implementation of rights and level of recognition of indigenous people. See:

<http://nav.indigenoustravel.com/index.php/en/>

The OECD Development Centre's Social Institutions and Gender Index (SIGI). This provides an assessment of the gender-based discrimination (SIGI; Social Institution and Gender Index). This has 4 dimensions: Discrimination in the Family, Restricted Physical Integrity, Restricted Access To Productive Resources and Restricted Civil Liberties. There are detailed reports per country. See:

<https://www.genderindex.org/>

World economic forum: gender gap report. The World economic forum publishes an annual Gender Gap Report, based on four thematic dimensions: Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. See:

<https://www.weforum.org/reports/the-global-gender-gap-report-2018>

United Nations Development Program: Gender Inequality Index (GII). The UNDP maintains and updates an annual Gender Inequality Index (GII), which is based on the Human Development Index (HDI); it focusses on Health, Empowerment (education) and participation in the labour market. See:

<http://hdr.undp.org/en/content/gender-inequality-index-gii>

US Department of State, Bureau of Democracy, Human Rights, and Labour. Provides country reports on human rights practices

<http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>

ILOSTAT explorer: dataset SDG indicator 5.5.2 - Female share of employment in managerial positions, and dataset Female share of employment in senior and middle management. See:

<https://ilostat.ilo.org/data/>



## 1 Social topics for workers

### 1.6 Freedom of association and collective bargaining

#### Definition and Rationale:

The extent to which workers have the right to establish and to join organisations of their choice without prior authorisation, to promote and defend their interests, and to negotiate collectively with other parties. They should be able to do this freely, without interference by other parties or the state, and should not be discriminated against as a result of union membership. The right to organise includes the right of workers to strike and the rights of organisations to draw up constitutions and rules, to freely elect representatives, to organise activities without restriction and to formulate programmes.

Freedom of association is a fundamental human right and, together with collective bargaining, a core dimension of the International Labor Organization's work. It applies both to becoming part of organisations inside (worker committees) or outside the organisation, such as unions. In this topic the role of the company policies is central national governments can restrict the freedom of association in various degrees, including a complete ban on unions. While companies cannot be expected to break laws, the assessment is related to the rights of workers. So, while a company can have excellent policies on a global scale, what counts is whether there is freedom of association for the workers employed in the facility under a jurisdiction that limits this freedom. In other words, what counts are the facts on the ground, not the intention of policies.

#### Reference scale for freedom of association and collective bargaining

	Definition of the scale level	Performance Indicators
+2	The company or facility engages in a dialogue with the collective representation of workers and incorporates their views into management decisions in a structured and well-defined manner.	<ul style="list-style-type: none"> <li>A charter that describes (1) how and when employee committees are consulted by management on important decisions with major consequences for workers and (2) how employees have the right to participate in dialogue with management before such a decision is made.</li> <li>Clear statements of worker committees that they are generally happy with the procedures in place.</li> </ul>
+1	The company informs workers of decisions that could affect their position, before they are taken and recognises and listens to the collective representation of organised workers in negotiations when they provide feedback.	<ul style="list-style-type: none"> <li>Statements from workers, unions and others that show that the company has committed to and put in practice a mechanism to inform workers before important decisions were taken</li> <li>Companies accept and execute the result of collective bargaining in a sector and other agreements made with unions.</li> </ul>
0	No incidents have been discovered that the company or facility prevents workers freedom of association and collective bargaining.	<ul style="list-style-type: none"> <li>Public statements by the company and publicly available description describing the management system on this topic</li> <li>Statements from unions and NGOs or from the workers</li> <li>Credible newspaper reports</li> </ul>
-1	Incidents has been discovered that show that the company or facility prevents workers' rights to freedom of association and collective bargaining, but a corrective action plan with a clear timeline for completion has been developed.	<ul style="list-style-type: none"> <li>The company has incidents of preventing workers' rights to freedom of association and collective bargaining or is located in high risk region or sector. However, information obtained from unions, NGOs and workers shows that are action plans yielding results and improving the situation.</li> <li>The number of complaints, lawsuits and other signals have been strongly reduced during the last 3 years.</li> </ul>
-2	Incidents have been discovered, that show that the company or facility prevents workers' rights to freedom of association and collective bargaining and a corrective action plan with a clear timeline for completion has not been developed.	<ul style="list-style-type: none"> <li>Complaints, lawsuits and other signals that may signal issues.</li> <li>Absence of positive information, while the company is in an area where this situation often occurs according to statistics.</li> </ul>

## 1 Social topics for workers

### Data sources

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The International Trade Union Confederation, ITUC global rights index. Provides an annual overview of global worker rights. See: <https://www.ituc-csi.org/>

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Wage indicator, Collective Bargaining Agreements Database. Provides collective agreements and the option to compare agreements. See: <https://wageindicator.org/labour-laws/collective-bargaining-agreements>

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ILOSTAT explorer: dataset Trade union density rate and Collective bargaining coverage rate. See: <https://ilostat.ilo.org/data/>

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US Department of States country reports on human rights including the Freedom of association and Collective bargaining. See: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/>

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United Nations: Special Rapporteur on the rights to freedom of peaceful assembly and of association <https://www.ohchr.org/en/issues/assemblyassociation/pages/srfreedomassemblyassociationindex.aspx>

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Conventions and standards for freedom of association: <https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/freedom-of-association/lang--en/index.htm>

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<sup>13</sup> [https://www.ilo.org/travail/areasofwork/WCMS\\_249047/lang--en/index.htm](https://www.ilo.org/travail/areasofwork/WCMS_249047/lang--en/index.htm)







## 1 Social topics for workers

### 1.7 Work-life balance

#### Definition and Rationale:

The extent to which a company enables workers to have choices over when, where and how they work and encourages healthy work-life balance.

Striking the right balance between the commitments of work and those of private life is central to people's well-being. Employers' demands on workers' time should take this principle into account. Too little work can prevent people from earning enough to attain desired standards of living. But too much work can also have a negative impact on well-being if people's health or personal lives suffer as a consequence, or if they cannot perform other important activities such as looking after their children and other relatives, having time for themselves, etc. The way people allocate their time is determined by both necessity and personal circumstances, which in turn are shaped by individuals' preferences and by the cultural, social and policy contexts in which people live.

This topic is of importance in the current climate of remote working where there are no longer physical boundaries between work and personal lives. It is important that workers have time to participate in cultural life, take rest and have leisure time. Paid holiday, work hours and other work expectations are central to this topic.

An international convention regarding work-life balances have been adopted in 1981, but these do not provide very specific guidelines we can directly use here<sup>13</sup>. However, we quote the following provisions shall be implemented in legislation by countries that have ratified this convention:

- Take account of the needs of workers with family responsibilities in community planning; and
- Develop or promote community services, public or private, such as child-care and family services and facilities.
- Family responsibilities shall not, as such, constitute a valid reason for termination of employment.

The "reduction of Hours of work recommendation (1962. E116)" states as general principles working hours should not exceed 48 hours, and the number of hours should be progressively reduced without lowering wages.

The Maternity Protection Convention of 2000 (N0183) provides for a minimum maternity leave of 14 week, while being entitled to a cash benefit which ensures that they can maintain themselves and their child in proper conditions of health and with a suitable standard of living and which shall be no less than two-thirds of her previous earnings or a comparable amount. Women returning to work must be returned to the same position or an equivalent position paid at the same rate. Also provides a woman the right to one or more daily breaks or a daily reduction of hours of work to breastfeed her child.

The ILO Holidays with Pay Convention (Revised), 1970 (No. 132) states that every person to whom the convention applies shall enjoy at least three working weeks of annual paid holiday for one year of service.

Based on this we apply the following minimum criteria for the compliance level:

1. Parents can at least take 14 weeks parental leave when a child is born (ILO N183)
2. Workers with families can take unpaid leave if they need to urgently support family members and relatives (ILO C156)
3. Workers can at least take 3 weeks of holidays per year (1970 ILO convention 132)

<sup>13</sup> [https://www.ilo.org/travail/areasofwork/WCMS\\_249047/lang--en/index.htm](https://www.ilo.org/travail/areasofwork/WCMS_249047/lang--en/index.htm)

# 1 Social topics for workers

## Reference scale for work-life balance

	Definition of the scale level	Performance Indicators
+2	The company or facility has a management system in place that promotes a healthy work-life balance. The commitments, performance, progress and effectiveness of programmes are among the best in class compared to peers.	<ul style="list-style-type: none"> <li>Documents and reports that explain the rules and enforcement of the rules that provide this work-life balance, as well as the facilities like for instance, the availability of training, coaching and for instance sport facilities, including evidence that they can be and frequently are used by all.</li> <li>The company can show it performs best in class compared to peers</li> </ul>
+1	The company or facility has a management system in place that promotes a healthy work-life balance that significantly exceeds the minimum requirements of the local law, and the compliance level defined above.	<ul style="list-style-type: none"> <li>Documents and reports that explain the rules and enforcement of the rules that provide this work-life balance.</li> <li>Reports from doctors, NGOs, unions and workers that indicate the work-life balance is appreciated by most workers</li> </ul>
0	The company or facility has a management system in place to enforce the policy on work-life balance as defined in the definition above for the compliance level.	<ul style="list-style-type: none"> <li>Documents and reports that explain the rules and enforcement of the rules that provide a basic work-life balance, and describe the way this is monitored, for instance with a speak-up line to report managers that allow excessive overtime to happen.</li> </ul>
-1	Hours worked in a normal working week, not including overtime, do not follow the ILO conventions regarding working time (max 48 hours, paid and unpaid leave and maternity leave), or there are other reports that points to serious negative consequences of an unhealthy work-life balance. But action is taken to avoid the negative impacts of excessive work.	<ul style="list-style-type: none"> <li>While the company is in an area where this situation often occurs according to statistics, there is evidence that the company has started to address the situation with a clearly defined timeline.</li> <li>The number of complaints, lawsuits and other signals have been significantly reduced during the last 3 years.</li> </ul>
-2	Hours worked in a normal working week, not including overtime, do not follow the ILO conventions regarding working time (max 48 hours, paid and unpaid leave and maternity leave). The company or facility takes no actions to correct this and ignores the negative impacts when they are identified.	<ul style="list-style-type: none"> <li>Complaints, lawsuits and other signals that may signal issues.</li> <li>Absence of positive information, while the company is in an area where this situation often occurs according to statistics.</li> </ul>

## Data sources

International Labour Organisation: Key Indicators of the Labour Market. The KILM annual report on Key labour market Indicators contains, among others, information on working hours; this service has been discontinued, but the report provides good background. See:

[https://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/WCMS\\_498929/lang--en/index.htm](https://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/WCMS_498929/lang--en/index.htm)

ILOSTAT explorer. Provides data to different statistics about working time per country and gender. See:

<https://ilostat.ilo.org/data/browse-by-subject/>

World policy centre. This source provides an overview of legal protection of workers to take leave for health needs, similarly there is data on the rights to have leave and days off. See:

<https://www.worldpolicycenter.org/topics/health/policies>

and

<https://www.worldpolicycenter.org/topics/adult-labour-and-working-conditions/regulations-on-rest-and-working-hours/policies>

Book on Maternity and Paternity law and practice in 185 countries: [https://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS\\_242615/lang--en/index.htm](https://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_242615/lang--en/index.htm)

International standards on working time: <https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/working-time/lang--en/index.htm>





## 2 Social topics for users

# 2 Social topics for users

The topics under this stakeholder category refer to the way a product or service affects the user. Often, we refer to properties of the product or service, but sometimes the way companies handle the service, the communication and for instance complaints, play a role.

Please note that the term user can have different meanings, as explained in the Handbook. We can think of a primary user; the user for which a product is ultimately designed (a bus passenger), a secondary use, the bus driver, who's health and comfort is also affected by the design of the bus.

This stakeholder group has less links with standards like the Universal Declaration of Human Rights, the International Labour Organization and the OECD guidelines; there are more direct relations with consumer protection agencies and data protection regulations.



### 2.1 Health and safety

#### Definition and Rationale:

The extent to which the product, under defined conditions (target market, intake) maintains or improves the health status and safety of the users in the target market. These conditions include the products' normal and intended use. Normal or intended use refers to the use of the product or service by end-users or consumers. Identifying intended use can be done through defining product characteristics, direction of use, packaging, shelf-life, where the product is sold and labelling instructions.

A company is only responsible for the intended use during the use phase. For example, user preference can differ for cooking time of pasta or the storage temperature of beverages. So here, normal and intended use are defined as the behaviour as communicated in marketing, manuals, and/or instructions on the packaging. For commonly used products, like hammers, nails, coffee cups or towels, such instructions are often missing, and one might refer to commonly accepted norms on how to use or not to use a hammer or towel. This means that providing information on how to use a product in a safe way does not fit under responsible communication, but under health and safety.

There are many product standards that regulate health and safety and other aspects of products. On all levels above level -2, we assume a product complies with the legal standards, so being in compliance with product standards is not a differentiator. This is also related to the problem that many legally allowed products can still cause significant health and safety problems; the most well known is the fact that it is still legal to sell tobacco products.

This topic does not only address the product characteristics in the strict sense, but also how the company manages and markets the product. For instance, if a company sells alcohol containing drinks, this will have serious impacts on the health of a population, however, if the company can somehow mitigate this by being able to provide evidence that a responsible drinking campaign has significantly decreased the health and safety impacts, the score can move from -2 to -1, provided hard evidence can be given.

A complication is that there are many ways products or ingredients of product can have an effect on health and safety on a long or short term, and there are many ways claims are made about the health impacts of a product or a substance; some are science based, some are not. Perhaps the most difficult problem is that science itself is not always clear which health effects can occur, or which links between a product property and a health or safety impact is significant. For example, the IARC<sup>14</sup> classification of carcinogenic substances distinguishes 5 classes of substances:

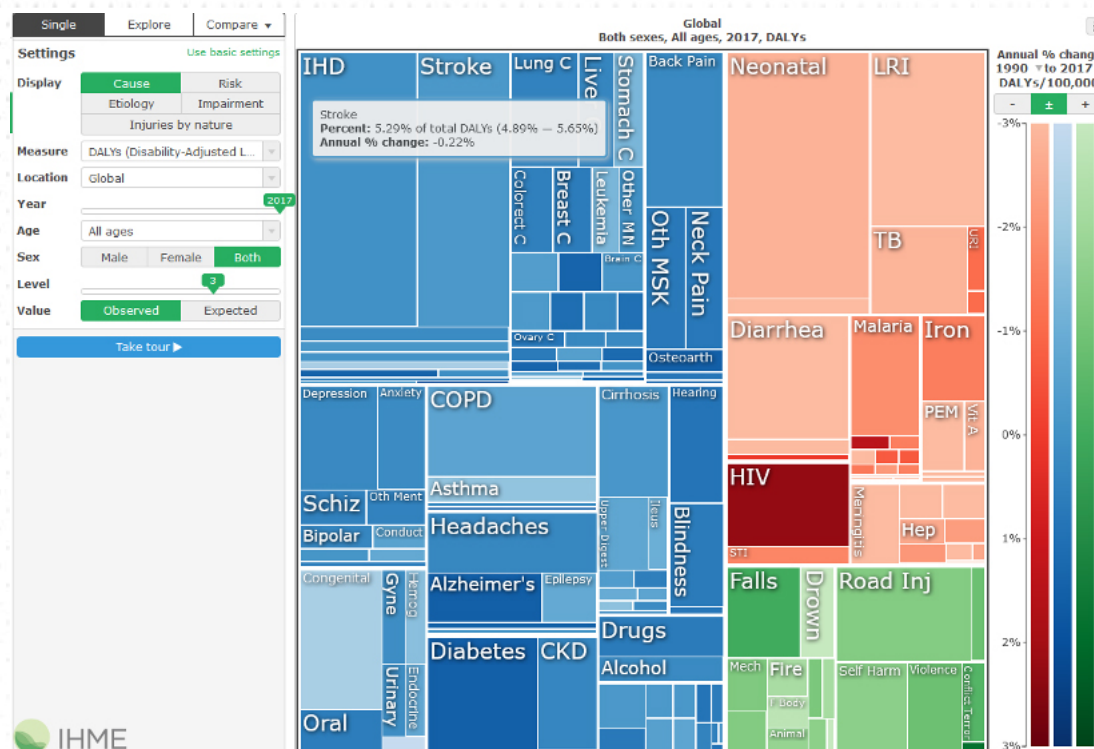
- Group 1: "Carcinogenic to humans": There is enough evidence to conclude that it can cause cancer in humans.
- Group 2A: "Probably carcinogenic to humans": There is strong evidence that it can cause cancer in humans, but at present it is not conclusive.
- Group 2B: "Possibly carcinogenic to humans": There is some evidence that it can cause cancer in humans but at present it is far from conclusive.
- Group 3: "Unclassifiable as to carcinogenicity in humans": There is no evidence at present that it causes cancer in humans.
- Group 4: "Probably not carcinogenic to humans": There is strong evidence that it does not cause cancer in humans. Group 4 is currently an empty category, as such strong evidence is very difficult to obtain.

The WHO uses the DALY metric to assess the health status of a population. DALY stands for the Disability Adjusted Life Years. It is calculated as a sum of the Years of Life Lost, and the Years of life lived disabled. For the disability calculation a disability rating scale has been developed. The figure below summarises the findings of the Global burden of disease, which gives an indication which health impacts seem to be the most relevant. On the website<sup>15</sup>, such overviews can also be made per region, whether they are environmental, work related or for instance behavioural related; this could sometimes be used as a reference if a product is contributing or detrimental to a specific health condition.

<sup>14</sup> International Agency for Research on Cancer

<sup>15</sup> <https://vizhub.healthdata.org/gbd-compare/>

## 2 Social topics for users



Summary of the global burden of disease as monitored by the WHO. The blue part specifies the health impact from non-communicable diseases, the red part refers to communicable, material, neonatal (infants) and nutritional diseases; the green colour refers to accidents (safety). The intensity of the colour shows the growth or decrease.

A useful overview of the most important health and safety risks to people can be found on another part of the WHO website<sup>16</sup>. Also these risks cannot always be related to products, but many products can have a significant detrimental or positive impact on health, as they can cure or mitigate some of the risks and health impacts, or actually cause these impacts and risks, like for instance salt, alcohol or toxic substances.

<sup>16</sup> <https://www.who.int/news-room/fact-sheets>

## 2 Social topics for users

Some random examples from the WHO health impacts that can be related to product categories:

- Alcohol causes 5.3% of all death and 13.5% of all DALYs in the age group of 20-39 year.
- Burns are among the leading causes of DALYs in low and middle income countries, and this can be attributed to unsafe cookstoves, flammable materials and equipment's in houses, chemicals that can cause burns
- Diabetes; 1.6 million death are caused by diabetes in 2016, and this is linked to unhealthy diets and lack of exercise
- Food safety: Eating contaminated (chemical, bacterial, viruses, parasites etc.) food causes an annual loss of 33 million DALYs. Remedies proposed by the WHO include better information, better handling and packaging and better practices in producing and processing food.
- Musculoskeletal conditions are the leading contributor to disability worldwide, with low back pain being the single leading cause of disability globally. This accounts for around 16% of the years lived with a disability worldwide. And for instance, costed the US around 1.4% of the domestic product. Main causes are overweight and lack of exercise, but also overloading can case these problems.

The procedure we propose is to first check if a product or component or ingredient has a significant positive or negative effect on health and/or safety of the user. The WHO overview can function as a checklist, but also this list is far from complete. If such effects are identified a further assessment can often be made by internal experts in product development (or related department). Otherwise, and for product that are not produced by the company literature and messages found in other sources can be used. The next step is then to find evidence for such assessments.

The significant reduction of negative impacts is in comparison to products that aim to fulfil an equivalent function for the same market. A significant reduction in negative impacts might refer to a decrease in disability adjusted life years (DALYs) as outlined by the World Health Organization (WHO). An equivalent metric is the use of Quality Adjusted Life Years (QALY). Some examples are provided in the definition and description of the topic. We also recognize that it can be very difficult to calculate the DALY/QALY impact of a product, so also other arguments or forms of evidence can be used, such as proof from independent experts.

For example, proving that a light-weight chain improves backpain significantly can be backed up by scientific claims that elaborate on causes of backpain. However, proving that light-weight chains are also decreasing hearing problems compared to steel chains is more difficult to substantiate with scientific evidence. In that case, no claims regarding reduction of hearing problems can be made.

In essence, we recommend companies to set its own benchmark by defining the peer products to which it compares its own products, and finds evidence relating to the this peer product. The benchmarking process as well as the comparison should be documented clearly.



## 2 Social topics for users

### Reference scale for Health and Safety

	Definition of the scale level	Performance Indicators
+2	There is solid science-based evidence that normal use of the product can contribute very significantly to a better health and safety AND the product or services is marketed and managed in such a way that it does reach the most vulnerable groups who would benefit most from this product and service.	<ul style="list-style-type: none"> <li>The evidence must contain two parts: <ul style="list-style-type: none"> <li>Scientific evidence or opinions from independent experts or independent organisations that are specialised in this area, confirming the product has properties that can significantly improve the health and safety of users</li> <li>Opinions from independent experts who confirm that the product indeed is marketed and managed in such a way that it reaches the most vulnerable groups</li> </ul> </li> <li>In a B2B situation a description of the efforts to design components and/or support the design of the final product that contributes to this achievement<sup>17</sup></li> </ul>
+1	The company has a dossier or other evidence that shows how the product or service has been successfully designed to create a maximum contribution to health and safety of the user and that the recommended use of the product contributes to a better health and safety for the intended users <sup>18</sup> .	<ul style="list-style-type: none"> <li>A dossier or evidence that contains elements such as: <ul style="list-style-type: none"> <li>The company has assessed how the product can optimise or harm the health and safety of the user; for instance, through reduction of salt, saturated fats or calories, or significantly improved ergonomics.</li> <li>The product developers have a verifiable audit trail on the efforts and decisions to optimise the health and safety of the user.</li> </ul> </li> <li>In a B2B situation a description of the efforts to design components and/or support the design of the final product that contributes to this achievement</li> </ul>
0	The normal use product and the way it is marketed and managed does not have any significant detrimental effect on the health and safety of the user.	<ul style="list-style-type: none"> <li>Absence of verifiable claims by authorities, consumer organisations and user groups that there is a significant detrimental health and safety impact (for B2B and B2C situations).</li> <li>Reports from authoritative sources that confirm there is no or a negligible health impact, in the way the product is used (for B2B and B2C situations)</li> </ul>
-1	The normal use of the product has negative health or safety impacts, but the producer has developed a corrective action plan to improve the product and in influence the way the product is used in order to significantly reduce the negative impacts.	<ul style="list-style-type: none"> <li>Verifiable information that the health and safety issue is recognised by the company and that the product and the way it is managed and marketed is being improved with a clear and credible timeline</li> <li>In a B2B context: verifiable information that the health and safety issue is recognised and that the component or ingredient and the way it is applied is being improved with a clear and credible timeline.</li> </ul>
-2	Any use of the product has direct negative health or safety impacts on short or long term.	<ul style="list-style-type: none"> <li>Reports from consumer organisations, NGOs, watchdogs and authorities that describe the negative impacts</li> <li>The product does not conform to the legal requirements and is not approved by the authorities.</li> </ul>

Note: the word *product* product can also refer to a component or ingredient in the case of a B2B context if that ingredient or component makes the product significantly healthier and safer, or the opposite.

Note: Vulnerable groups within this topic refers to groups who are vulnerable with regards to their health status.

<sup>17</sup> This can both relate to B2B partners who contribute to the product, or the services needed to reach the vulnerable groups.

<sup>18</sup> This does not imply it needs to be best in class compared to its peers.



## 2 Social topics for users

### Data sources

World Health Organisation: The Global Health Observatory. Provides data for many different indicators related to health. This can be useful to understand the health impact of products. See:

<https://www.who.int/data/gho/data/indicators>

World Health Organisation: Health Product Profile Directory. This source aims to stimulate and share data on new and yet to be developed medicines and cures. See:

<https://www.who.int/tdr/diseases-topics/product-directory/en/>

World Health Organisation: Fact sheets. The WHO fact sheets summarise the impacts of specific products or product categories, such as tobacco and alcohol, but also topics like food safety, food additives, drinking water, (indoor) household pollution, obesity, road accidents, salt (reduction), etc.

<https://www.who.int/news-room/fact-sheets>

European commission: The CE label indicates that a product is classified in a certain product category and that some very basic (not quality, health or safety related requirements) are fulfilled; so the CE label is not reflecting the adherence to health and safety standard. The Commission has many detailed Product safety rules. Per product category Provides rules on product safety in Europe. [https://ec.europa.eu/info/business-economy-euro/product-safety-and-requirements/product-safety/product-safety-rules\\_en](https://ec.europa.eu/info/business-economy-euro/product-safety-and-requirements/product-safety/product-safety-rules_en)

For toys, consumer and household products on the US market: [www.cpsia.gov](http://www.cpsia.gov) . [www.fcc.gov](http://www.fcc.gov) on electronic products and [www.fda.gov](http://www.fda.gov) on medicine and food products.

For products in Australia: [www.productsafety.gov.au/](http://www.productsafety.gov.au/)

The International Consumer Product Health and Safety Organization (ICPHSO) is an international, neutral forum for product safety stakeholders to learn, network and share information.

The International Consumer Product Health and Safety Organization (ICPHSO) is an international, neutral forum for product safety stakeholders to learn, network and share information.

<https://icphso.org/?>

Codex Food Safety Standard:

<http://www.fao.org/fao-who-codexalimentarius/about-codex/en/>

European commission: Product safety rules. Provides rules on product safety in Europe.

[https://ec.europa.eu/info/business-economy-euro/product-safety-and-requirements/product-safety/product-safety-rules\\_en](https://ec.europa.eu/info/business-economy-euro/product-safety-and-requirements/product-safety/product-safety-rules_en)



## 2 Social topics for users

### 2.3 Responsible communication

#### Definition and Rationale:

The extent to which the communication provided with the product and the marketing communication enables users to make informed choices with clear and reliable information.

Users need to be able to trust the claims a company makes about a product, since without this the user cannot make the right choices and may feel very unhappy about the product they are using. This information may, for instance, refer to technical characteristics (the amount of NOx from a diesel engine), or claims about sustainability. Misinformation may also include hiding relevant information among many irrelevant facts, which deters the user from looking into the topic. Responsible communication standards need to be applied to information provided in marketing, websites, brochures and manuals or via call centres, shopkeepers, etc., as far as the company has control.

- In a business to consumer context this enables users, especially consumers, to develop a better-informed choice of the usability of the product for its intended application, the quality and a healthier and more sustainable lifestyle.
- In a business to business context this helps the purchasing company to better understand how the product shall perform in the intended application and whether a component or material can indeed contribute to a more sustainable solution.
- In a business to business context, proper labelling and provision of other information and training can make the work for workers more comfortable and healthier as well as reducing risks for accidents, spillages and other negative effects. However, to avoid overlap, we do not consider this aspect here, but under the topic Health and safety.

## 2 Social topics for users

### Reference scale for responsible communication

	Definition of the scale level	Performance Indicators
+2	Claims made in marketing and product documentation regarding the performance and sustainability are not only recognised all backed up with science-based evidence, but they inspire and enable the user to adapt a more sustainable lifestyle.	<ul style="list-style-type: none"> <li>• Recognition by consumer organisations, NGOs etc. that confirm the credibility of claims and how the product supports a more sustainable lifestyle</li> <li>• Clear and recognized strategy describing how a company will continue to update its entire product portfolio to contribute to SDGs, Paris agreement, fighting pandemics etc. and how they intend to communicate this. This applies both to B2C and B2B contexts.</li> </ul>
+1	Claims made in marketing and product documentation regarding the performance and sustainability are all backed up with science-based evidence, 3rd-party market research or research following international and national standards. The evidence is publicly available and easy to access for all users and potential users.	<ul style="list-style-type: none"> <li>• Science based evidence that indeed supports the claims is easily available</li> <li>• Recognition from NGOs like consumer organizations that the claims are generally well supported by evidence.</li> <li>• In cases of a B2B context, evidence provided with the component or ingredient fulfils the criterion of being science based, and this evidence was shared with the end-manufacturer.</li> </ul>
0	The claims are made according to the regulation in the country of sale and the company adheres to commonly accepted principles, and no major examples of misleading communication has been found in the last three years.	<ul style="list-style-type: none"> <li>• Absence of challenges towards the claims in consumer reports or authorities that oversee claims. (Examples: consumer organization reports, newspaper articles, class action suits etc.)</li> <li>• In cases of a B2B context, absence of complaints by the end manufacturer that the component or ingredient did not perform according to specifications or was having issues regarding sustainability.</li> </ul>
-1	Misleading communication about the performance or sustainability of the product has been reported, but the recognizes the complaint and corrects the claims. This also includes making claims that may not be false, but unverifiable or irrelevant; for instance, a product is "healthy", unverifiable claims that energy is "green" etc. or paper comes from trees that needed to be cut "anyhow".	<ul style="list-style-type: none"> <li>• News items, NGOs consumer organisations, national legal authorities, watchdogs.</li> <li>• A grievance mechanism is in place which effectively addresses problems, during the period the product is being improved and the issues are solved.</li> <li>• In a B2B context, evidence that in case the component or ingredient delivered was (partially) responsible for the misleading communication, the B2B supplier has addressed this and has taken appropriate action.</li> </ul>
-2	Deliberate attempts are revealed to mislead authorities, laboratories and users on the key characteristics of the product This includes claims about sustainability, health, but also aspects regarding safety and technical performance.	<ul style="list-style-type: none"> <li>• News items, NGOs, consumer organizations, national legal authorities, watchdogs etc. that reveal such issues, for example, the diesel scandal and the use of small holes in cigarette filters to influence the result of cigarette smoking machines.</li> </ul>

### Data sources

<https://www.ftc.gov/news-events/media-resources/truth-advertising> US federal trade commission

The EU legislation on unfair practices: [https://europa.eu/youreurope/citizens/consumers/unfair-treatment/unfair-commercial-practices/index\\_en.htm](https://europa.eu/youreurope/citizens/consumers/unfair-treatment/unfair-commercial-practices/index_en.htm)

Many countries have similar authorities



## 2 Social topics for users

### 2.4 Privacy

#### Definition and Rationale:

The extent to which a company respects and protects users' privacy. Private data is defined as any information relating to an identified or identifiable natural person ('data subject'). An identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity<sup>19</sup>.

The 2013 OECD Privacy Guidelines<sup>20</sup> provide a generic set of guidelines, relating to policies to be set up by authorities. This is not providing very specific guidelines we can use to differentiate privacy policies and practices by companies around a specific product or service.

The EU General Data Protection Regulation's definition of personal information is more specific and can be seen as the most ambitious policy implementation practices. This guideline has become a de-facto standard, as any company in the world that manages personal data from even a single European citizen has to comply with these rules, or is punishable when representative of the company enters the EU. The EU General Data Protection Regulation includes requirements regarding the privacy relating to (source: GDPR Regulation (EU) 2016/679):

- Name, identification number, location data or online identifier
- Racial or ethnic origin
- Political opinions
- Religious or philosophical beliefs
- Trade-union membership
- Health or sex life
- Biometric or genetic data
- Criminal offence data

Below we refer to this list as the 'sensitive' data.

In cases where organisations collect or process personal information, procedures should exist for individuals to dispute, remove or correct inaccurate information. This topic may become more and more relevant with the emergence of the Internet of Things and CE-related services that are provided around a product.

While we have chosen to consider the GDPR as the compliance level, the +1 level is valid if additional protection is provided, and +2 is the level in which no data is shared to other organisations, while the peers of the company do so.

<sup>19</sup> European Commission 2016 Retrieved from: [https://ec.europa.eu/home-affairs/content/personal-data\\_en](https://ec.europa.eu/home-affairs/content/personal-data_en)

<sup>20</sup> <https://www.oecd.org/internet/ieconomy/privacy-guidelines.htm>



## 2 Social topics for users

### Reference scale for privacy

	Definition of the scale level	Performance Indicators
+2	The software used in the product or service differentiates itself from most of its peers as it effectively block mechanisms that collects or discloses privacy data to other organisations.	<ul style="list-style-type: none"> <li>The software used in the product or service or the relevant websites is recognised to differentiate itself from most of its peers as it does contain direct or indirect mechanisms that collects or discloses privacy data to other organisations.</li> </ul>
+1	The privacy protection provided with the product or service exceeds the requirements of the GDPR privacy law, as it provides additional protection, not required by the law.	<ul style="list-style-type: none"> <li>The software used in the product or service is recognized by consumer or privacy organizations to provide significant extra privacy performance on top of the GDPR requirements.</li> </ul>
0	The privacy protection provided with the product or service complies with the European GDPR privacy laws in all regions where it is active.	<ul style="list-style-type: none"> <li>Absence of challenges towards the claims in consumer watchdog reports or authorities that oversee claims. (Examples: consumer organization reports, newspaper articles, class action suits etc.)</li> <li>Self-declaration, for instance Compliance with the ISO 25001 standard series or disclosure of the internal procedures, e.g., for individuals to dispute remove or correct (inaccurate) information.</li> </ul>
-1	The data privacy protection is not in line with the GDPR; By using the product of service, one or more types of sensitive private data are shared without user consent and without transparency on how the data is used.	<ul style="list-style-type: none"> <li>Reports from authorities, NGOs and consumer watchdog reports indicating this practice.</li> </ul>
-2	The data privacy protection is not in line with the GDPR; Cases are reported where the company deliberately misuses one or more of the sensitive data categories of users in a way that harms individuals or minority groups.	<ul style="list-style-type: none"> <li>Reports from authorities, NGOs and consumer watchdog reports indicating that by using the product: <ul style="list-style-type: none"> <li>- Data is used in such a way that implicitly or explicitly excludes people or minority groups from services or benefits</li> <li>- Data is used in such a way that may limit people or minority groups from accessing jobs or participating in projects</li> </ul> </li> <li>Complaints from users concerning breach of privacy or loss of data.</li> </ul>

### Data sources

<https://gdpr-info.eu/> the full legal text, but for a more digestible version, we recommend:  
[https://en.wikipedia.org/wiki/General\\_Data\\_Protection\\_Regulation](https://en.wikipedia.org/wiki/General_Data_Protection_Regulation) or even more digestible:  
<https://youtu.be/j6wwwBqfSk-o> If you only have a minute: <https://youtu.be/u2lsSaDrjFA>



## 2 Social topics for users

### 2.5 Affordability

#### Definition and Rationale:

The extent to which product design, marketing and company business models affect affordability of products or services in relation to low-income or otherwise under-privileged people.

Affordability relates to the state of being cheap enough for people to be able to buy (Cambridge dictionary) . We could not identify a specific framework although affordability is very frequently used in the SDGs especially when it refers to medicines, food, housing, transport, education, seeds and tools for smallholders etc. Affordability is a relative concept; it has different meanings for different socio-economic groups like high-income, middle-oncome and low-income groups. There are specific NGOs for certain product groups, like the access to medicine foundation.

The negative side of the scale relates to practices where companies make products unaffordable to low-income groups who would greatly benefit form its function. In a normal situation, a competitor would satisfy this gap in the market. However sometimes companies are actively blocking such competition which allows them to charge unrealistically high prices.

#### Limitation of the scope

This topic only applies to products such as medicines and medical treatment, transport, education, (micro)nutrients, microfinancing and other banking services, and social relationships for low-income groups, including interpersonal and electronic communication systems.

Luxury goods and services, targeted at users who are middle and high-income earners cannot be included. This should be specified in the materiality assessment stage. Companies that make private jets, for instance, cannot be given a minus score if low-income groups cannot afford them. Private jets are not aimed to be used by low-income groups not are they basic amenities or goods.

This topic will be most relevant for products and services like:

- A piece of low cost medical equipment that is designed to be used in low-income areas
- A food preservative is very effective in avoiding food loss which may help to make food more available to low-income groups, if it does not significantly increase the price of food.
- If news media offers free access on information around COVID 19, this can be considered as significantly more affordable information to relevant groups.
- Medicines, micronutrients and vitamins that are offered to low-income people at a price level they can afford, this can be regarded as providing improved affordability.

## 2 Social topics for users

### Reference scale for affordability

	Definition of the scale level	Performance Indicators
+2	The solution offered by the company is regarded as a disrupter, in the sense it has dramatically increased the affordability for low income groups.	<ul style="list-style-type: none"> <li>Newspapers, blogs, reports or awards intended to reach a broad audience that mention the product as a disrupter in terms of affordability</li> <li>In a B2B situation a description of the efforts to (co-) design components in such a way that they are an essential part of making such a product possible.</li> </ul>
+1	The product or service is designed to make products more affordable for low-income groups.	<ul style="list-style-type: none"> <li>Reports from consumer organisations or organisations that represent low-income groups consider this solution more affordable compared to alternative solutions</li> <li>In a B2B situation a description of the efforts to design components and/or support the design of the final product that contributes to this achievement</li> </ul>
0	The affordability of a product, ingredient or service is comparable with other products and services in the same category.	<ul style="list-style-type: none"> <li>Observations and consumer reports</li> <li>In a B2B situation this applies to but is limited to the contribution of the delivered components</li> </ul>
-1	While a low-income group of users would greatly benefit from accessing a product or service, the company offers these under conditions that are unaffordable to these groups.	<ul style="list-style-type: none"> <li>Critical reports from authorities, consumer organisations or organisations, but no complaints about monopolistic behaviour</li> </ul>
-2	While a group of low-income users would greatly benefit from accessing a product or service, the company offers these under conditions that are unaffordable to this groups and/or it hampers attempts of competitors to sell alternatives solutions that are more affordable to these low-income groups.	<ul style="list-style-type: none"> <li>Critical reports from authorities, consumer organisations or organisations that reveal, monopolistic behaviour and attempts to stop competing, more affordable solutions to the same market</li> </ul>



## 2 Social topics for users

### 2.6 Accessibility

#### Definition and Rationale:

The extent to which a product design, marketing and company business models affect accessibility of products or services to disadvantaged groups of people. This disadvantage may refer to demographic-related minority groups where product or service design and delivery specifically hinders their access. For example, certain disadvantaged groups may have less access to a vaccine because it is not distributed equally among different neighbourhoods. And for example, sometimes healthy food alternatives are often not accessible to low income people because they are not distributed in these areas.

The term accessibility therefore broadly refers to users of products or services that are excluded from thought during the user experience design and concepting stage of product or service development. This can be discriminatory and lack inclusiveness of the end-user in mind. A note that disadvantaged people depends largely on culture and context.

A global framework is provided by the UN Convention on the Rights of Persons with Disabilities (UNCRPD) it defines disability as: *'Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others'*.

We base the topic on this UNCRPD convention. The website provides many examples to illustrate which service and product configurations would not comply with the UN Convention on the Rights of People with Disabilities:

- If a transport system (a product category defined in the UNCRPD) does not allow for wheelchair access, it does not comply.
- If a transport system does allow transport wheelchair access with very discouraging procedures, it probably also does not comply
- If such procedures cannot be used by people with hearing disabilities, it will also not comply.



## 2 Social topics for users

### Reference scale for accessibility

	Definition of the scale level	Performance Indicators
<b>+2</b>	The product or service is regarded as a disrupter, in the sense it has introduced products and services that were not, or had very limited availability to disadvantaged people.	<ul style="list-style-type: none"> <li>• Newspapers, blogs, reports or awards intended to reach a broad audience that mention the product as a disrupter in terms of accessibility.</li> <li>• In a B2B situation a description of the efforts to (co-) design components in such a way that they are an essential part of making such a product possible.</li> </ul>
<b>+1</b>	The product or service is designed in such a way that it significantly improves the access of disadvantaged people, and as far as applicable on the product category exceeds obligations of the UN Convention on the Rights of Persons with Disabilities and national regulations.	<ul style="list-style-type: none"> <li>• Reports from consumer organisations or organisations that (also) represent disadvantaged people</li> <li>• In a B2B situation a description of the efforts to design components and/or support the design of the final product that contributes to this achievement</li> </ul>
<b>0</b>	The product or service is designed in such a way that it does not hinder the access by disadvantaged people, and as far as applicable on the product category complies with the obligations of the UN Convention on the Rights of Persons with Disabilities and national regulations.	<ul style="list-style-type: none"> <li>• Statements or reports from consumer organisations or organisations that represent disadvantaged people</li> <li>• In a B2B situation this applies to but is limited to the contribution of the delivered components facilitates this design.</li> </ul>
<b>-1</b>	The company has a policy to design and market a product or service with an objective to improve accessibility, but the product in this study does not fulfil the basic standards as defined in the UN Convention on the Rights of Persons with Disabilities or national law that is based on this convention.	<ul style="list-style-type: none"> <li>• Critical reports from authorities, consumer organisations or organisations that represent disadvantaged people</li> <li>• Public policy document or press releases that states these objectives will be met in future.</li> </ul>
<b>-2</b>	The product is poorly designed and not usable or dangerous to use by disadvantaged people.	<ul style="list-style-type: none"> <li>• Critical reports from authorities, consumer organisations or organisations that represent disadvantaged people or other vulnerable groups</li> <li>• Customer complaints.</li> </ul>

### Data sources

UN convention on the rights of persons with disabilities (CRPD) <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities.html>

Specific for Medicines there is an access to medicine foundation <https://accesstomedicinefoundation.org/access-to-medicine-index> and a WHO action: <https://www.who.int/publications/10-year-review/medicines/en/>

EU implementation of the UNCRPD convention: <https://ec.europa.eu/social/main.jsp?catId=1202>



## 2 Social topics for users

### 2.7 Effectiveness and comfort

#### Definition and Rationale:

The extent to which the offered products or services affect the efficiency and comfort of users<sup>21</sup>.

- Effectiveness: the degree to which something is effective where effective is defined as: successful or achieving the intended result
- Comfort: something that makes your life easy and pleasant

User comfort is related to the sensory indicators of taste, touch, sound, smell and vision. Effectiveness compares the effort required to achieve the same result as with an alternative solution: the less effort required, the more effective the product/solution. The evidence required is mostly based on external judgments of the products, in comparison to other solutions in the same product or service category, recognising it will not always be easy to define the product and service category.

#### Limitation of scope

This topic is primarily intended to be applied to products used in a professional setting, where their comfort and efficiency affects workers and small-scale entrepreneurs, even though affluent consumers might also purchase these products. The Handbook aims to solve real societal sustainability problems and not the luxury problems of affluent consumers. For example: usually, the most expensive products are the most comfortable. A big SUV is designed to be comfortable and effective (or at least fast). This is not a sustainability-related feature: it does not make the world more sustainable, but affluent owners will be more satisfied. However, if such a car is used by the police, one may think that comfort and speed are useful. Another example is the design of a glove that enables surgeons to work more comfortably and achieve better results. Or a paint designed to be used for large ships that does not require uncomfortable personal protection to apply, although there is an overlap here with health and safety it also adds comfort and effectiveness, as wearing a mask is generally seen as being uncomfortable and could make the work less effective.

<sup>21</sup> Definitions from the Cambridge Dictionary

## 2 Social topics for users

### Reference scale for effectiveness and comfort

	Definition of the scale level	Performance Indicators
+2	There is credible evidence or 3rd-party market research that the offered product or service solution is best in class compared to standard solutions on effectiveness and comfort.	<ul style="list-style-type: none"> <li>Expert review in the field of ergonomics or other related areas who considers this product as best in class</li> <li>Newspaper articles, scientific papers, expert panels, who confirm that this solution has unique features that can be considered as setting a new standard in this solution category.</li> <li>In the case of B2B solutions reports from the client or third parties that the component or ingredient is has unique properties that is essential to set a new standard in this product category</li> </ul>
+1	There is credible evidence or 3rd-party market research that the offered product or service solution is significantly better to standard solutions on effectiveness and comfort.	<ul style="list-style-type: none"> <li>Expert review in the field of ergonomics or other related areas who considers this product as one a very good performer in this category.</li> <li>In the case of B2B solutions reports from the client or third parties that the component or ingredient is easy to process and handle</li> <li>In the case of B2B solutions reports from the client or third parties that the component or ingredient is an essential ingredient to maximise the effectiveness, efficiency or comfort of the end product.</li> </ul>
0	The product or service solution performs average in terms of or does not affect effectiveness or comfort compared to standard solutions.	<ul style="list-style-type: none"> <li>Expert review in the field of ergonomics or other related areas who consider this product as an average product</li> <li>Consumer organisations, expert panels, worker associations and user groups who describe the product as an average performer</li> <li>In the case of B2B solutions, reports from the client or third parties that the component or ingredient is not different in terms of effectiveness, handling and processing by workers applying it.</li> </ul>
-1	The product or service solution makes users less effective or comfortable compared to standard solutions.	<ul style="list-style-type: none"> <li>Expert review in the field of ergonomics or other areas who consider this product as an unsatisfactory solution compared to average performing products on the market</li> <li>Consumer organisations, expert panels, worker associations and user groups who describe the product as an unsatisfactory solution</li> <li>In the case of B2B solutions reports that the component or ingredient is difficult to handle and process by the workers applying it or not effective</li> </ul>
-2	The product or service solution contributes to ineffectiveness or discomfort.	<ul style="list-style-type: none"> <li>Consumer reports and complaints by users</li> </ul>

### Data sources

International organisation of consumer organisations:  
<https://www.consumersinternational.org/>

International organisation of ergonomic experts: <https://www.iise.org/aes/>



# 3 Social topics for local communities

As discussed at the start of this report, we consider local communities as families and communities that are (potentially) affected by the operation of the company via physical proximity or economic proximity (i.e. local communities around the physical location of the company or families that depend on the economic benefits of employees of the company). These groups do not play a significant role in supplying goods to a market, other than a local village market. In short, local communities are affected by the operations, but not part of the supply chain, whereas small-scale entrepreneurs are part of the supply chain.

A value-chain actor operating in a local community can impact and benefit from a healthy community, not because of its sourcing activities, but because of the way it engages with the community, and the way it supports it.

## 3.1 Health and Safety

### Definition and Rationale:

The extent to which the company or facility works to prevent and mitigate adverse impacts or enhance positive impacts on the health and safety of the local community, with particular attention to vulnerable groups such as indigenous people and women. The enhancement of positive impacts is not explicitly mentioned in the reference scales, but it is assumed that in the case that management systems are in place (+1 level) and it's communicated as a topic of high priority (+2 level), the positive impacts are enhanced as a result.

With regard to general safety, operations can impact community safety through accidents related to unsafe equipment or structural failures of buildings etc. Project-related land use changes can also lead to natural disasters such as landslides. Disease may spread as a result of business-related land use changes, for example when poor water drainage contributes to the spread of malaria. The generation and/or use of hazardous materials and pollution emissions may also lead to adverse health impacts. Organisations should institute environmental risk management systems for preventing, mitigating and controlling health damage from their operations. Finally, organisations may contribute to the health of local communities, for example by opening access to workers health services. Organisations should also communicate potential health and safety impacts of their operations to surrounding communities. Organisations culpable of negative health effects should engage in remediation or compensation efforts.



### 3 Social topics for local communities

#### Reference scale for Health and Safety

	Definition of the scale level	Performance Indicators
+2	The company or facility has publicly stated that health and safety for local communities is a high priority and publicly reports and discloses its commitments, performance, progress and effectiveness of the management system/initiatives/activities, confirming an exceptionally high performance on EHS.	<ul style="list-style-type: none"> <li>• Company has invested in and engaged with public-private partnerships to improve the health and safety in the region.</li> <li>• Statements by NGOs, local authorities, credible newspapers, awards etc. confirming how exceptionally well the company performs on EHS</li> </ul>
+1	The company or facility has a management system in place to address the health and safety of local communities beyond the requirements set in the local laws and this results in better than average performance on EHS.	<ul style="list-style-type: none"> <li>• A strategy to prevent and mitigate adverse health and safety impacts on local communities, and its results showing a better than average EHS performance published by the company</li> <li>• The company has been accredited with the ISO 14001 or equivalent certification and can show evidence of continuous improvement, resulting in a better than average performance</li> <li>• Evidence of effective and proactive action to improve community health and safety, for instance by education and awareness raising, better technology, pollution control, etc. resulting in a better than average performance</li> </ul>
0	The company has procedures in place that has prevented incidents causing significant health and safety impacts in the last 3 years.	<ul style="list-style-type: none"> <li>• No reports of significant impacts on the health and safety of local communities.</li> <li>• The company has a basic EHS system in place that complies with or is comparable with an EMAS or ISO 14001 regarding safety to the local community.</li> <li>• The company complies with all local laws, has all required permits relating to health and safety provided that these laws are aligned with international consensus, like for instance the Seveso Directive<sup>22</sup>.</li> </ul>
-1	Incidents of preventable significant damage, adverse impacts or risks to community health and safety have been discovered, but a corrective action plan with a timeline for completion has been developed, and this policy has led to a decrease of such incidents.	<ul style="list-style-type: none"> <li>• The situation has been unacceptable, but information obtained from NGOs and local community voices showing the policy is working</li> <li>• There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	Incidents of preventable significant damage, adverse impacts or risks to community health and safety have been discovered, and the company does not have the intention to address this.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Reports that some of the accidents can be linked to neglect of safety procedures and/or poor technology</li> <li>• Absence of positive information while the company is in an area and sector where this situation often occurs according to statistics</li> </ul>

#### Data sources

<https://www.worldpolicycenter.org/topics/health/constitutional-protections-of-health/policies> provides information whether protection of human health is in the constitution

<https://www.who.int/gho/en/> provides a generic metric for calculating health risks in terms of DALY (Disability Adjusted Life years) this may be of use to understand the health impacts; based on this system, there is a global burden of disease that shows quantitative data on all factors influencing human health

On chemicals: <https://ec.europa.eu/environment/seveso/index.htm>

Database with major accidents: <https://minerva.jrc.ec.europa.eu/en/minerva>

<sup>22</sup> <https://ec.europa.eu/environment/seveso/legislation.htm>





## 3 Social topics for local communities

### 3.2 Access to material and immaterial resources

#### Definition and Rationale:

The extent to which the company or facility works to prevent and mitigate adverse impacts on local communities or to restore and improve community access to material and immaterial resources.

When addressing the access to material and immaterial resources available to local communities, we do not refer to the ownership the community has, but the ability to use resources, such as land, (clean) water, clean soil, electricity, internet or mobile phones, transport, forms of cultural heritage, medical treatment etc. The common denominator is that these are basic resources vulnerable people need to have access to in order to live in a healthy community (as referred to in the definition of the Area of Protection). If one or more of these material and immaterial resources is missing or only available at specific intervals, the community's quality of life will decrease.

The presence of the company or facility shall thus not physically reduce and shall attempt to even increase the availability of those local resources. Example: promoting and providing access to clean water by installing an adequate network, rather than monopolizing all the available quantities. A more difficult consideration is the effect of the company's presence on local resource prices.

### 3 Social topics for local communities

#### Reference scales for access to material and immaterial resources

	Definition of the scale level	Performance Indicators
+2	The company has made the access to material and immaterial resources a top priority and is actively investing in this priority that have resulted in real improvements.	<ul style="list-style-type: none"> <li>Documents and statements that reveal the efforts and results</li> <li>The company invests in and participates in credible public private partnership to improve access to material and immaterial resources</li> </ul>
+1	The company or facility has an effective management system in place to continuously and significantly improve the local community's access to material and immaterial resources.	<ul style="list-style-type: none"> <li>Information obtained from NGOs and other credible sources showing the policy is working</li> <li>Company self-declaration containing clear examples and an overview of the results</li> </ul>
0	No incidents of actual damage, adverse impacts or risks to the community's access to material and immaterial resources that can be related to actions by the company have been discovered in the last three years.	<ul style="list-style-type: none"> <li>No complaints, lawsuits and other signals</li> </ul>
-1	The actions of the company have resulted in incidents of actual damage, adverse impacts or risks to the community's access to material and immaterial resources, but a corrective action plan with a timeline for completion has been developed.	<ul style="list-style-type: none"> <li>The situation has been unacceptable, but Information obtained from NGOs and local community voices showing the policy is working</li> <li>There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	The actions of the company have resulted in incidents of actual damage, adverse impacts or risks to the community's access to material and immaterial resources, but a corrective action plan with a timeline for completion has not been developed.	<ul style="list-style-type: none"> <li>Complaints, lawsuits and other signals that may signal issues</li> <li>Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

#### Data sources

<https://washdata.org/> reports access to household drinking water, as one of the material resources



## 3 Social topics for local communities

### 3.3 Community engagement

#### Definition and Rationale:

The extent to which the company or facility engages with community stakeholders through ongoing open dialogue and responds to their concerns and inquiries fairly and promptly, to continuously foster greater trust and relationship with the local community. Particular attention should be paid to engaging representatives of vulnerable groups such as indigenous people, youth and women.

The International Labour Organization is based on the principle of tripartism where matters are dealt with in dialogue between different stakeholder groups. In a similar way, community engagement is essential to create better decision-making for all parties involved on issues of public concern.

Community stakeholders include individuals or community groups that may be affected by the actions or products of an organisation. Organisations should consider these stakeholders in the development and implementation of business policies, particularly those that affect local environment, health and well-being. An organisation should attempt to engage with a broad range of stakeholders that represent balanced community interests. Community engagement should provide community members and leaders with a forum to voice concerns. Organisations should respond to these concerns with a strategic plan of action. Representatives at all levels of the organisation should engage in this continuous process. Organisations also foster community engagement through direct involvement in community initiatives and/or through financial support of community projects (e.g. Earth Day activities, recycling initiatives and visits to local schools).

The United Nation Economic commission for Europe UNECE has developed the Aarhus Convention that defines three rights for the public regarding environmental affairs and decision-making by governments: 1) the right to information, 2) the right to participate, 3) the right to justice.<sup>23</sup>

As this convention focusses on participation of the public in government organizations and not for companies, a more specific guidance can be found with the International Association for Public Participation which describes a number of levels as illustrated in the table below<sup>24</sup>. These levels are used in the definition of the performance indicators:

Level	Public participation goal	Promise to the public
Inform	Provide information	We will inform
Consult	Obtain feedback	We will inform and listen
Involve	Engage and understand all public concerns and aspirations	We will provide feedback on how your input influenced our decisions
Collaborate	Partner and involve in decision making and developing alternative choices	We will seek your advice and use it to the maximum extent possible
Empower	Place the decision in the hands of the public	We will implement what you decide

It is of course not always necessary to apply the full range of options on all decisions. The highest levels of engagement (collaborate) is especially needed when a decision can have very important consequences for the community.

<sup>23</sup> <https://www.unece.org/env/pp/welcome.html>

<sup>24</sup> Based on materials developed by the International association for Public participation: [www.iap2.org](http://www.iap2.org)



### 3 Social topics for local communities

#### Reference scale for community engagement

	Definition of the scale level	Performance Indicators
+2	The company or facility has a system or mechanism in place to enforce the policy to inform, consult involve and “collaborate” with the local community, (the level “collaborate” in the IAP classification).	<ul style="list-style-type: none"> <li>Documents and statements that reveal the efforts and results that show the policy at least covers the following elements:               <ul style="list-style-type: none"> <li>The company has implemented communication channels between the company or facility and the community to inform and hear their opinions and views.</li> <li>The company has implemented rules on how to consider community queries and grievances in the internal decision-making procedures</li> <li>The company has implemented rules that require them to base decisions on local community consent if such decisions have serious implications for the community.</li> <li>There is evidence that the company or facility has taken the inputs from community dialogues seriously and, where appropriate, has softened the consequences of the decision.</li> <li>The company or facility pays special attention to the voice of vulnerable groups, such as indigenous peoples and women.</li> </ul> </li> </ul>
+1	The company or facility has a system or mechanism in place to enforce the policy to inform, consult and <i>involve</i> the local community.	<ul style="list-style-type: none"> <li>Documents and statements that reveal the efforts and results that show the policy at least covers the following elements:               <ul style="list-style-type: none"> <li>The company has implemented formal communication channels between the company or facility and the community to inform and hear their opinions and views</li> <li>The company has implemented rules on how to consider community queries and grievances in the internal decision-making procedures</li> <li>The company or facility pays special attention to the voice of vulnerable groups, such as indigenous peoples and women.</li> </ul> </li> </ul>
0	The company or facility has a system or mechanism in place to enforce the policy to inform and consult the local community.	<ul style="list-style-type: none"> <li>Documents and statements that reveal the efforts and results that show the policy at least establishes formal communication channels between the company or facility and the community to inform then and to hear the opinions and views.</li> </ul>
-1	The company and facility do not make serious efforts to inform or consult the communities but the relationship with the local communities is normal.	<ul style="list-style-type: none"> <li>Some complaints but no fundamental criticism from NGOs and others about the behaviour of the company</li> </ul>
-2	The company and facility do not make any efforts to inform or consult the communities and has a strained relationship with the local communities.	<ul style="list-style-type: none"> <li>Complaints, lawsuits and other signals</li> <li>Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

#### Data sources

<https://minorityrights.org/directory/> this world directory of minority groups, helps identify which minorities live in a certain country, and what their main characteristics are, such as religion, language and culture; it also assesses the level of discrimination in a country, see world map below from <https://peoplesunderthreat.org/>

<http://nav.indigenousnavigator.com/index.php/en/> also develops country reports using a set of indicators that determine the indigenous peoples right and development

The international association for public participation provides useful guidance in understanding and designing a participation process: [www.iap2.org/page/about](http://www.iap2.org/page/about)

UNICEF focusses on engaging adolescent Participation and civic management: <https://www.unicef.org/documents/engaged-and-heard-guidelines-adolescent-participation-and-civic-engagement>





## 3 Social topics for local communities

### 3.4 Skill development

#### Definition and Rationale:

The extent to which the company contributes to skill development for the community at large. Skill development for the community at large creates a more resilient and healthy community, and potentially creates a resource for companies that look for new staff when needed. These mechanisms are promoted by organizations like ILO UNICEF, and the World bank who focus on children and adolescents and is an important performance indicator underlying almost all SDGs.

ILO focusses on what it calls the "skills mismatch", and distinguishes 4 categories:

1. Skill gap, the distance between the skill level in society and the skills required to do a job in the company
2. Skill obsolescence, the loss of skills due to the lack of use, or the risk the skills become irrelevant
3. Skill shortages, when there are jobs, but no qualified staff in the community
4. Over and under skilling, when people have skills above or below the job requirement

When the skill gap becomes really large, this can be seen as a detrimental (negative) impact on a local community, as it makes it very difficult for local communities to apply and get accepted for a job. When companies invest in skill development to benefit all members of the community, not only in connection to the potential future staff need, we see this as a positive impact.

Examples of the latter category are:

- Bernard van Leer Foundation founded by the Dutch van Leer company<sup>25</sup>
- The Jagdish Chandra Mahindra Memorial School established on the factory site of Sanyo Mahindra in India which facilitates training for the entire community around the factory (which is situated in a relatively remote area)<sup>26</sup>

<sup>25</sup> <https://bernardvanleer.org>

<sup>26</sup> <http://www.mahindrasanyo.com/corporate-responsibility/social-responsibility.html>

### 3 Social topics for local communities

#### Reference scale for skill development

	Definition of the scale level	Performance Indicators
+2	The company actively invests in reducing the skills mismatch in the region, and invests in a public private partnership or invests in other activities that significantly increases training capacity and quality in the region for most members of the local community, not specifically guided by the companies own needs.	<ul style="list-style-type: none"> <li>• Reports or publications that describe the public private partnership and the investments</li> <li>• Documentation stating who can access the education and that the conditions are affordable for the intended local community.</li> <li>• Statements from community members that confirm that most community members could attend and that they are applying or are ready to apply the skills they learned</li> </ul>
+1	The company actively contributes to reducing the skills mismatch, by offering skill development for a relevant share of members of the local community.	<ul style="list-style-type: none"> <li>• Reports from NGOs and others</li> <li>• Examples of training materials provided by the company or others</li> <li>• Procedures disclosed by the company</li> </ul>
0	The company is managing the skill gap in a way that members of the local community are sufficiently qualified when new staff is hired.	<ul style="list-style-type: none"> <li>• Reports from NGOs and others</li> <li>• Procedures disclosed by the company</li> </ul>
-1	There is a significant skill-gap between the future needs of the company and the skill levels of local community members, but the company has started to address this with an action plan with a clear timeline.	<ul style="list-style-type: none"> <li>• The skill level gap is significant, but Information obtained from NGOs and local community voices showing the policy is working</li> </ul>
-2	There is a significant skill-gap between the future needs of the company and the skill levels of local community members. The company is not doing anything to improve this situation.	<ul style="list-style-type: none"> <li>• Complaints and other signals</li> <li>• Complaints from indigenous communities that they are discriminated against when they apply for training</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

#### Data sources

<https://www.ilo.org/skills/lang--en/index.htm> provides insights in education and education gap; the mismatch between labour market needs and training.



## 3 Social topics for local communities

### 3.5 Contribution to economic development

#### Definition and Rationale:

The extent to which the company or facility contributes to the economic development of the local community. Although there are several definitions of economic development, we define this: *Economic development is the cultivation of activities that create a net gain of money into the community.*

The government is often regarded as the prime responsible for cultivating the conditions for economic development, but companies, play a very important role, as they bring the activities that generate an important share of the financial flows. The role they play can strengthen or weaken the economic development.

There are various ways a company can bring economic development to a community:

- Investing in an area and creating economic activities in the region; initially paying (local) companies for construction and infrastructure, and later by hiring staff or sourcing from local suppliers.
- Uplifting local community members by enabling them to become a small-scale entrepreneur
- Paying taxes and dues
- Contributing to better infrastructure, for instance because the facility needs a road and stable electricity, from which the local community can also benefit, if certain conditions are met. This is already covered under Access to material and immaterial resources.
- Etc.

While these are potential positive contributions, economic development can also be hampered by poor governance in a region. According to the World Bank International Development Association (IDA)<sup>27</sup>, economic development (or "economic transformation") is about changing the nature of jobs, changing what people do, where they do it and how they do this. Many social topics defined in this handbook are addressing parts of the puzzle, needed to bring economic development, but the creation of jobs and generating income for local communities is not covered elsewhere, so in this topic we focus on this. We also look at the things supply chain actors can have that are detrimental for economic growth and that is the role supply chain actors can play to weaken the government, for instance by engaging in tax evasion and corruption. The IDA framework sees this as an important factor that has an averse effect on economic development.

<sup>27</sup> <https://ida.worldbank.org/results/abcs/abcs-ida-jobs-and-economic-transformation>



### 3 Social topics for local communities

#### Reference scales for contribution to economic development

	Definition of the scale level	Performance Indicators
+2	The company actively invests in public private partnerships or invests in the local community, in a way it creates new business opportunities and jobs in the region and is recognised as a constructive force in the region that contributes to economic development.	<ul style="list-style-type: none"> <li>• Reports or publications that describe the public private partnership and the investments</li> <li>• Examples of public private partnerships provided by the company</li> <li>• Documentation showing how the company helps smallholders operating in loose value chain to become a commercial supplier on markets from which others can source</li> </ul>
+1	The company has a policy to stimulate job creation in the local community, by hiring new staff, working with local suppliers or sub-contractors. The policy includes a commitment to help increase the economic growth in the region.	<ul style="list-style-type: none"> <li>• Description of the policy by the company and signs that this policy is working</li> <li>• Comments from NGOs and locals including local governments</li> </ul>
0	The company employs local workers and sources from local communities purely based on business criteria like quality price and timing, and does not engage actions that can weaken the local governance mechanism.	<ul style="list-style-type: none"> <li>• Absence of complaints</li> <li>• Information obtained from unions, NGOs and locals confirming this</li> </ul>
-1	The company until recently deliberately did not support, or damaged attempts from local governments to facilitate economic growth, but has changed its attitude and has implemented a policy to end corruption, tax evasion and other forms of malpractice with a clearly defined timeline.	<ul style="list-style-type: none"> <li>• Information obtained from unions, NGOs and locals confirming that the situation is improving</li> <li>• There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	The company deliberately does not support, or damages the attempts of local authorities to create the conditions for economic growth, engaging in tax evasion, corruption and other detrimental policies or actions.	<ul style="list-style-type: none"> <li>• Complaints and reports from NGOs and other sources</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

#### Data sources

<https://stats.oecd.org/Index.aspx?QueryId=251> provides insights in employment and unemployment for many countries

<https://www.useful-community-development.org/definition-of-economic-development.html> explains in rather popular language how one can define economic development

<https://www.transparency.org/en/> Transparency international reports on corruption and other malpractices that indeed often hamper economic developments in a country using a corruption index score

The OECD and G20 have developed Global Tax Transparency Standards and an extensive report on Base Erosion and Profit Shifting, both for its members and developing countries; over 125 countries have joined this initiative, for a short explanation visit <http://www.oecd.org/tax/beps/>

There are several ways to assess the tax contribution of companies; some examples:

- A report on 76 Dutch companies can be found here: <https://www.vbdo.nl/wp-content/uploads/2018/11/TaxTransparencyBenchmark2018-1.pdf>
- An overview by the Australian edition of the Guardian <https://www.theguardian.com/australia-news/ng-interactive/2019/dec/12/tax-transparency-which-companies-pay-the-least-tax-in-australia>



# 4 Social topics for small-scale entrepreneurs

As discussed at the start of this report, we consider small-scale entrepreneurs as people that supply to markets from which larger companies can source. People who have small farms or other business activities, but that do not supply to markets from which larger companies can source, are considered under the stakeholder group local communities.

In short, small-scale entrepreneurs are part<sup>28</sup> of the economic value chain, whereas local communities are not part, but are affected by the value chain.

The definitions and scale levels focus on what the company does to ensure a proper livelihood for the community from which it sources.

## 4.1 Meeting basic needs

### Definition and Rationale:

The extent to which the small-scale entrepreneurs have purchasing power to support the family and to obtain the essential financial resources to sustain the farm or small company while meeting basic needs.

All small-scale entrepreneurs should have sufficient access to revenues to purchase basic, essential goods and services to support their family. Some resources will not be obtained in terms of monetary value as families often grow their own food and create their or maintain their own housing and tools. Still, in our definition of a small-scale entrepreneur we assume they are supplying to a market, which means they will need to earn money to run the business and invest in it.

Similar to the topic of remuneration for workers, it is not easy to define exactly the level that we assume basic needs are met. The best reference we have is the concept of living wage, which can be based on Article 25 of the Human Rights charter that (among others) defines that: Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. As small-scale entrepreneurs often do not only support themselves from a financial wage, but also through food that they grow for their own consumption we cannot directly refer to living wage but living income, which includes the non-financial rewards of their work.

<sup>28</sup> In some cases, it might be justified to add "potential suppliers, those who are likely to respond on RFPs, but who are not supplying at this moment"

## 4 Social topics for small-scale entrepreneurs

### Reference scale for meeting basic needs

	Definition of the scale level	Performance Indicators
+2	The company that sources from this supplier community has a well-defined policy and activities to actively increase the productivity and quality of the products in a way that raises the income above the level of basic needs, and supports the community of small-scale entrepreneurs with bridge loans when harvests or other sources of income are too low due to external factors. The results of this policy are recognised by the community.	<ul style="list-style-type: none"> <li>• Reports or opinions from NGOs and others that describes the actions and investments that aim to grow the income of the suppliers</li> <li>• Credible self-assessments of companies and case studies.</li> <li>• The company has invested in and engages in a public private partnership to raise the standard of living in the suppliers' community.</li> </ul>
+1	The company that sources from this supplier community has a policy and activities to actively increase the revenue, productivity and quality of the products to create shared value.	<ul style="list-style-type: none"> <li>• Reports or opinions from NGOs and others that describes the actions and investments that aim to grow the income of the suppliers</li> <li>• Credible self-assessments of companies and case studies.</li> </ul>
0	The company that sources from this supplier community ensures that basic needs are met.	<ul style="list-style-type: none"> <li>• Reports or opinions from NGOs that describe if and how suppliers can make end meet over the last 3 years.</li> <li>• Fairtrade labels or equivalent certifications that provides such a basis</li> </ul>
-1	The small-scale entrepreneurs cannot meet basic needs or could not invest in the maintenance of their farm and business in the most recent period, but the company that sources from these small-scale entrepreneurs is investing and engaging with these small-scale entrepreneurs to improve the situation with a plan that has a well-defined timeline.	<ul style="list-style-type: none"> <li>• The situation has been unacceptable, but Information obtained from NGOs and small-scale entrepreneur representatives showing the policy is working</li> <li>• There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	The small-scale entrepreneurs cannot meet basic needs at a minimum poverty level and could not invest in the further development of their farm and business in the most recent period, and no attempts are made by the company that sources from this community to improve this situation.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

### Data sources

<https://www.ifpri.org/> provides studies on the food production economics for instance estimations of food prices

<https://data.worldbank.org/indicator/SI.DST.FRST.20?view=map> provides insight in countries where many people live in poverty

[https://www.ilo.org/shinyapps/bulkexplorer12/?lang=en&segment=indicator&id=SDG\\_0131\\_SEX\\_SOC\\_RT\\_A](https://www.ilo.org/shinyapps/bulkexplorer12/?lang=en&segment=indicator&id=SDG_0131_SEX_SOC_RT_A) provides percentage of children/household, poor and vulnerable people that receive social security

<https://www.worldpolicycenter.org/topics/adult-labour-and-working-conditions/wages-and-income/policies> provides overview of legal framework on wages, including minimum wage and income protection in case of unemployment

[http://fsinplatform.org/sites/default/files/resources/files/GRFC%202019\\_Full%20Report.pdf](http://fsinplatform.org/sites/default/files/resources/files/GRFC%202019_Full%20Report.pdf)

provides acute food insecurity data for 53 countries, 2019 Report

<https://www.wfp.org/food-security-analysis>



## 4 Social topics for small-scale entrepreneurs

### 4.2 Access to services and inputs

#### Definition and Rationale:

The extent to which companies contribute to access to inputs such as credit, banking or a secure method for storing and saving money, good-quality seeds, water, medicine, fertilizer and services such as ICT, legal support, electricity and infrastructure (e.g. roads, bridges, schools). This topic has many similarities to the access to material and immaterial resources for local communities, but here we focus on the needs small scale entrepreneurs have to run and further develop their business.

Even if a small-scale entrepreneur can have basic needs meet as defined in topic 4.1, it may still be very hard to get access to services, if they simply do not exist in the region or tend to be available on an irregular basis, for instance because of drought makes access to water impossible if no buffers were made.

While the list of essential services is quite long, some services seem to be more important than others in order to run and grow a small company. Another factor is that companies that source from small-scale entrepreneurs, have more options to address the shortages in some services than others. Based on these two criteria we focus this topic on access to the following inputs or services:

- 1) Access to financial services, like loans, providing a safe deposit etc.
- 2) Access to information and opportunities for skill development
- 3) Access to inputs
  - a) In the case of smallholders, access to inputs like fertiliser seeds, water and farming tools
  - b) In the case of other small-scale entrepreneurs, access to tools and materials
- 4) Access to infrastructure, like roads, internet, phones and electricity

Access to other inputs are covered by other topics, like:

- Access to water for drinking and sanitation, under Health and Safety
- Access to medicines and hospitals under Health and Safety
- Access to schooling under Child labour
- Access to information on market prices under Fair trading relationships

These inputs are thus not covered under the topic defined here.



## 4 Social topics for small-scale entrepreneurs

### Reference scale for access to services and inputs

	Definition of the scale level	Performance Indicators
+2	The company that sources from this supplier's community has provided stability and quality of the access to all four services inputs (see Definition) a top priority.	<ul style="list-style-type: none"> <li>• Reports or opinions from NGOs, or credible self-assessments by the company and others that describes the actions and investments that aim to grow the availability of all services and inputs</li> <li>• The company has invested in and engages in a public private partnership to raise the access to all services and inputs</li> </ul>
+1	Access to the four services and inputs (see definition) is generally available, but the company that sources from this supplier's community has provided stability and quality of the access the scarcest services and inputs.	<ul style="list-style-type: none"> <li>• Reports or opinions from NGOs or credible self-assessments of companies and others that describes the actions and investments that aim to grow the availability of the scarcest services and inputs</li> <li>• Reports that identifies how the company participates in dialogue with local governments to address the issues identified</li> </ul>
0	Access to the four inputs and services is generally available to the suppliers to an extend it does not hamper their ability to run their farm or business. The company has not and does not play an active role in improving the situation.	<ul style="list-style-type: none"> <li>• Credible reports from international or national (development) organisations and NGOs that describe the situation in the small-scale entrepreneur community</li> <li>• Relevant certification from a credible NGO is available</li> </ul>
-1	Access to at least one of the four inputs and services is unavailable or frequently disrupted, causing significant problems for small-scale entrepreneurs, but the company that sources from these entrepreneurs has developed a policy with a clear timeline to contribute to addressing the most significant problems.	<ul style="list-style-type: none"> <li>• The situation has been unacceptable, but information obtained from NGOs and Small-scale entrepreneur representatives showing the policy is working</li> <li>• There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	Access at least one of the five inputs and services is either unavailable or frequently disrupted, causing significant problems for small-scale entrepreneurs, while the company that sources from these entrepreneurs take no action to address such problems.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

### Data sources

<http://www.fao.org/world-census-agriculture/wcarounds/wca2020/en/> The world census on agriculture provides an insight per sector of the characteristics of smallholder and large farms, the census is updated every ten years (starting in 1990)

<https://washdata.org/> reports access to household drinking water, as one of the material resources



## 4 Social topics for small-scale entrepreneurs

### 4.3 Women's empowerment

#### Definition and Rationale:

The extent to which a company sourcing from a community of small-scale entrepreneurs is contributing to the empowerment of female small-scale entrepreneurs and the woman (spouses, daughters etc.) contributing to male small-scale entrepreneurs.

The UNDP maintains and updates an annual Gender Inequality Index (GII), which is based on the Human Development Index (HDI); it focusses on Health, Empowerment (education) and participation in the labour market. A GII can range between zero and one. A score of zero indicated, man and woman are equal. A similar system is the OECD Gender index (SIGI; Social Institution and Gender Index) rates the position of women on 4 dimensions:

- 1) Discrimination in the family
  - a) Child marriage
  - b) Household responsibilities
  - c) Inheritance
  - d) Divorce (rights)
- 2) Restricted Physical Integrity
  - a) Violence against women
  - b) Female Genital Mutilation
  - c) Missing women
  - d) Reproductive Autonomy
- 3) Restricted access to productive and financial resources
  - a) Access to land
  - b) Secure access to non-land assets
  - c) Secure access to formal financial services
  - d) Workplace rights
- 4) Restricted civil liberties
  - a) Citizenship rights
  - b) Freedom of movement
  - c) Political voice
  - d) Access to justice

We choose to use the OECD index as a basis but recognize that companies sourcing from small-scale entrepreneurs will not have too much influence on three of the four dimensions, notably the restricted access to productive and financial resources.

## 4 Social topics for small-scale entrepreneurs

### Reference scale for women's empowerment

	Definition of the scale level	Performance Indicators
+2	The company that sources from these suppliers has made the empowerment of women in the supply chain a high priority. This has resulted in a situation where women have equal, or at least sufficient access to land, non-land resources, financial services and have equal workplace rights.	<ul style="list-style-type: none"> <li>• Reports or opinions from NGOs and others that describes the actions and investments that aim to empower women</li> <li>• The company has invested in and engages in a public private partnership to empower women in the supplier's community.</li> </ul>
+1	The company that sources from this supplier's community has developed a policy and activities to further improve the access to services for female entrepreneurs and it can report significant progress in the empowerment of women.	<ul style="list-style-type: none"> <li>• Reports or opinions from NGOs and others that describes the actions and investments that aim to improve the position of women.</li> <li>• The company organizes awareness sessions and has implemented tools like a speak-up line etc.</li> </ul>
0	The role of women is recognized, and the women rights are at an acceptable level.	<ul style="list-style-type: none"> <li>• According to the OECD SIGI database and the OECD regional studies the SIGI score is below 0.25 in the country or region and there are no signs the company is not behaving as the average</li> <li>• Reviews and opinions of local NGOs verifiers and other credible sources</li> <li>• Relevant certification from a credible NGO is available<sup>29</sup></li> </ul>
-1	Evidence indicates that there is a substantial risk that women are discriminated and exploited, but the company sourcing from this community, is actively supporting women groups and NGOs to stop this practice and empower them.	<ul style="list-style-type: none"> <li>• While the company is in an area where according to the OECD SIGI database and the OECD regional studies the SIGI score is above 0.25; procedures have been disclosed by the company together with some examples of cases where the company provided support</li> <li>• The situation has been unacceptable, but Information obtained from NGOs and small-scale entrepreneur representatives showing the policy is working</li> </ul>
-2	Evidence indicates that there is a substantial risk that women are discriminated and exploited. The company sourcing from this area does not take action or is even complicit in this process.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Absence of positive information while the company is in an area where according to the OECD SIGI database and the OECD regional studies the SIGI score is above 0.25.</li> </ul>

### Data sources

<https://www.genderindex.org/> provides an assessment of the gender-based discrimination (SIGI; Social Institution and Gender Index). This has 4 dimensions: Discrimination in the Family, Restricted Physical Integrity, Restricted Access to Productive Resources and Restricted Civil Liberties. There are detailed reports per country and there is a database <https://stats.oecd.org/Index.aspx?DataSetCode=GIDDB2019>

<https://www.weforum.org/reports/the-global-gender-gap-report-2018> The World economic forum publishes an annual Gender Gap Report, based on four thematic dimensions: Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. In addition, in the 2018 edition studies skills gender gaps related to Artificial Intelligence (AI).

<http://hdr.undp.org/en/content/gender-inequality-index-gii> The UNDP maintains and updates an annual Gender Inequality Index (GII), which is based on the Human Development Index (HDI); it focusses on Health, Empowerment (education) and participation in the labour market

<http://www.humanrightsdata.com/> CIRI assess a broader scope of human rights, but it is mentioned here as it is used in de SHDB as an indicator on women's empowerment and Human rights.

<https://www.unece.org/tradewelcome/tradewp6/tradewp6thematicareas/gender-responsive-standards-initiative/gender-responsive-standards-declaration.html> The UNECE has developed a Gender Responsive Standards declarations that aims to develop a framework for standard bodies seeking to make the standards they develop more gender responsive. The framework so far does not set strict criteria, so if an organisation representing a standard signs up, it is signalling its commitment, not its compliance, see:

<sup>29</sup> See UNCE link in the suggested sources





## 4 Social topics for small-scale entrepreneurs

### 4.4 Child labour

#### Definition and Rationale:

The extent to which a company works toward eradicating child labour and pro-actively raising awareness of issues associated with child labour in the community from which they source. Child labour is work that deprives children of their childhood, their potential and their dignity, and is harmful to physical and mental development. In its most extreme forms, child labour involves children being enslaved, separated from their families, exposed to serious hazards and illnesses or left to fend for themselves on the streets of large cities.

Child labour across various sectors (e.g. agriculture, domestic service, informal sector) is both a cause and effect of poverty. Insufficient adult labour availability, inadequate technology and practices, and cultural tradition mean that young children are often used for work. Lack of access to quality schools and cultural perceptions about the relevance of education, are further factors encouraging child labour.

The ILO distinguishes<sup>30</sup> a number of categories of Child labour:

- *Children in employment*; this is the broadest category and includes children that are above and below the relevant minimum age. (by default, 14 years, in some cases 12 or 13 years)
- *Children in child labour*: children below the age that permits them to perform labour
- *Children in the worst forms of child labour*, which can be further specified as:
  - Slavery
  - Prostitution
  - Drugs trafficking
- Children in Hazardous work; work that harms health, safety or morals
- *Children in light work* is allowed as long as this is not harmful, does not prejudice their attendance to school, and as long as this is above the age at which light work is legally permitted

Minor children can work at their own parents' farm, or workshop in activities not considered hazardous, as long as this does not affect their school attendance and their moral, social and physical development. Work must be appropriate to the subject's age and physical condition.

Work which by its nature or the circumstances in which it is carried out is likely to harm the health, safety or morals of children. Hazardous work must not be performed by any worker under the age of 18.

<sup>30</sup> Based on Ending child labour by 2025: A review of policies and programmes International Labour Office (ILO), Geneva, Second edition 2018



## 4 Social topics for small-scale entrepreneurs

### Reference scales for Child labour

	Definition of the scale level	Performance Indicators
+2	Company actively and publicly engages and invests in in public private partnerships that has a proven track record in addressing the root causes of child-labour in its entire supply chain.	<ul style="list-style-type: none"> <li>• Description of the investment and activities</li> <li>• Description of the results (additional children under 14 year that have access to schooling)</li> </ul>
+1	The company or facility has a management system in place to raise awareness of issues associated with child labour within the community from which the company sources, which addresses the root courses of child labour in the region it operates and takes action as the appropriate.	<ul style="list-style-type: none"> <li>• Organisation of awareness raising activities, such as training and provision of a speak-up line</li> <li>• Contribute to improving availability and accessibility of schooling in the region</li> </ul>
0	There is sufficient evidence to determine there is no child labour.	<ul style="list-style-type: none"> <li>• Statements from credible NGOs with expert knowledge in the region</li> <li>• Records of random checks from verifiers or the companies own staff</li> <li>• The company has fully committed to the United Nations Global Compact as a participant or signatory member or has policies that are equivalent to the UNGC principles</li> </ul>
-1	Incidents of child labour, but no incidents referring to the worst forms of child labour, have been reported in the community from which the company sources, or are prevalent in the region from which the company sources, but the company has developed a corrective action plan with a clear timeline for completion.	<ul style="list-style-type: none"> <li>• The situation has been unacceptable, but Information obtained from NGOs and small-scale entrepreneur representatives showing the policy is working</li> <li>• The number of complaints, lawsuits and other signals have been strongly reduced during the last 3 years.</li> </ul>
-2	Incidents of child labour, including incidents referring to the worst forms of child labour, have been discovered in the community from which the company sources, or are prevalent in the region from which the company sources and the company is doing nothing to stop this.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

### Data sources

[http://www.ucw-project.org/statistics-child-labour.aspx#ContentContent\\_Ct1](http://www.ucw-project.org/statistics-child-labour.aspx#ContentContent_Ct1) Joined initiative with wide array of statistics on child labour by ILO, UNICEF and World Bank; however, this cooperation closes December 31st, 2019 after which only the section "statistics on Child labour" will be updated.

<https://data.unicef.org/topic/child-protection/child-labour/> provides statistics on many indicators, next to child labour, that are impacting children, including Birth registration Child marriage, Genital mutilation and various forms of violence.

<https://www.worldpolicycenter.org/topics/child-labour/policies> provides an overview of the local laws regarding child labour, especially minimum age for admission to employment and the allowable hours at work.

<https://tellmaps.com/uis/oosc/#/tellmap/-528275754> The UNESCO UIS UNESCO Atlas of Out-of-School Children provides an overview with percentages of out of school children per country.



## 4 Social topics for small-scale entrepreneurs

### 4.5 Health and Safety

#### Definition and Rationale:

The extent to which a company, that sources from small-scale entrepreneurs, contributes to the improvement of healthy and safe working conditions and other measures to improve health and safety in this community of suppliers. Community health and safety effects refer to the specific stakeholder group. i.e. a co-operative of various small-scale entrepreneurs. It is important to note that the health and safety measures taken are related to the company's field of influence. The company is not liable for incidents beyond its control in the daily lives of small-scale entrepreneurs.

Health and safety measures are critical both to protect the small-scale entrepreneurs, their families and workers from possible injury and to avoid the occurrence of hazards. Misuse of chemicals, tools or machinery can cause serious health problems. It is important to ensure that small-scale entrepreneurs are aware of - and are trained to deal with - the health and safety measures, like the recommended handling practices for chemicals, the safe use of machineries and for instance working at height, etc.

While the WHO definition seems to be mostly applicable on Occupational Health and Safety for workers in larger companies, it provides a relevant view on how we can define Health and Safety:

*"The main focus in occupational health is on three different objectives: (i) the maintenance and promotion of workers' health and working capacity; (ii) the improvement of working environment and work to become conducive to safety and health and (iii) development of work organizations and working cultures in a direction which supports health and safety at work and in doing so also promotes a positive social climate and smooth operation and may enhance productivity of the undertakings. The concept of working culture is intended in this context to mean a reflection of the essential value systems adopted by the undertaking concerned. Such a culture is reflected in practice in the managerial systems, personnel policy, principles for participation, training policies and quality management of the undertaking."* Source: — Joint ILO/WHO Committee on Occupational Health<sup>31</sup>.

While the concept of working culture is too abstract to apply to a single small-scale entrepreneur, the group of entrepreneurs serving a company that sources from them can actively promote a working culture that encourages a healthy working culture.

<sup>31</sup> [http://www.ilo.org/safework/info/publications/WCMS\\_110478/lang--en/index.htm](http://www.ilo.org/safework/info/publications/WCMS_110478/lang--en/index.htm)

## 4 Social topics for small-scale entrepreneurs

### Reference scale for Health and Safety

	Definition of the scale level	Performance Indicators
+2	The company or facility has publicly stated that health and safety for the communities from which it sources is a high priority and publicly reports and discloses its commitments, performance, progress and effectiveness of the management system/initiatives/activities. This policy should have the broadest scope which means it should address issues as access to medicine, healthcare, sanitation and drinking water or other issues that need to be addressed in the community.	<ul style="list-style-type: none"> <li>• Company has invested in and engaged with public-private partnerships to improve the health and safety in the region and publishes its results over the last 3 years</li> <li>• Statements by NGOs, local authorities, credible newspapers, awards etc. with similar content.</li> </ul>
+1	The company or facility has a management system in place to continuously improve the working culture leading to significant better health and safety of the community with the stated objective to address health and safety beyond the generally accepted minimum or legal level.	<ul style="list-style-type: none"> <li>• Credible documents and statements from third parties that confirm that the company policy indeed increases the health and safety continuously</li> <li>• Credible statistics that the health and safety in this community is indeed better than average and indications that this can be at least partially linked to the efforts of the company</li> </ul>
0	The company or facility has a policy in place to stimulate a working culture that stimulates health and safety of the community.	<ul style="list-style-type: none"> <li>• Credible documents and statements from third parties or the company that show the contribution of the company in awareness raising and training and promotes the use PPE<sup>32</sup> and its efforts to make these available</li> <li>• The small-scale entrepreneurs work under a legal system that adequately enforces safe and health working practices.</li> <li>• The community works under a relevant and credible certification scheme</li> </ul>
-1	The company that sources from the community of small-scale entrepreneurs, is aware of high accident rates and unhealthy working conditions but developed a policy to address this.	<ul style="list-style-type: none"> <li>• The situation has been unacceptable, but Information obtained from NGOs and small-scale entrepreneur representatives showing the policy is working</li> <li>• There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	The company that sources from the community of small-scale entrepreneurs, is aware of high accident rates and unhealthy working conditions and takes no action to address this.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

### Data sources

<https://www.worldpolicycenter.org/topics/health/constitutional-protections-of-health/policies> provides information on the extend protection of human health is in the constitution

<https://www.who.int/gho/en/> provides a generic metric for calculating health risks in terms of DALY (Disability Adjusted Life years) this may be of use to understand the health impacts; based on this system, there is a global burden of disease that shows quantitative data on all factors influencing human health

<sup>32</sup> Personal protection equipment such as gloves, masks, overalls/coveralls, boots, goggles, etc.





## 4 Social topics for small-scale entrepreneurs

### 4.6 Land rights

This social topic was initially developed with smallholder farmers in mind and may not be applicable to all small-scale entrepreneurs. We refer to land, but for fisheries the rights to fish are equally important.

#### Definition and Rationale:

The extent to which the company sourcing from the community contributes to ensuring that the rights to the land and waterbodies are clearly defined, long term, enforceable, appropriately transferable, and socially and legally legitimate. Land tenure security exists when an individual or group is confident that they have rights to a piece of land on a long-term basis, protected from dispossession by outside sources. This social topic aims to assess small-scale entrepreneurs' legal rights to land and tenure security.

In the current climate, this topic includes the rights of indigenous and tribal peoples in the context of land ownership and tenure. The ILO treaties in direct relevance are the Indigenous and Tribal Peoples Convention, 1989 (No.169), and the older Indigenous and Tribal Populations convention, 1957 (No. 107)

Small-scale entrepreneur farmers rely on land for their livelihoods; fishing communities need access to lakes and rivers; indigenous peoples find deep cultural and spiritual value in their territorial land. Property is often allocated by tradition and culture. The vast majority of small-scale entrepreneurs do not have formal title to the land they farm. They may own the land through traditional structures, or they could be sharecroppers or renters. Lack of formal land tenure is often a constraint upon investment as well as the ability to raise finance.



## 4 Social topics for small-scale entrepreneurs

### Reference scale for land rights

	Definition of the scale level	Performance Indicators
+2	Risk of land grabbing and tenure security in the <i>entire region</i> from which the company sources is actively monitored and the company actively fights land grabbing with legal procedures and by engaging in and investing in public-private partnerships.	<ul style="list-style-type: none"> <li>• Reviews and opinions of local NGOs verifiers and other credible sources</li> <li>• Investments in and engagement with public private partnerships that have a track record of fighting land-grabbing</li> <li>• Legal procedures initiated or actively supported by the company showing its engagement</li> </ul>
+1	Risk of land grabbing and tenure security in the community from which the company sources is low and actively monitored and people can get support, like legal advice and protection to fight such procedures.	<ul style="list-style-type: none"> <li>• Explicit invitation to the community to register complaints and offering to take action to support the land rights</li> <li>• Reviews and opinions of local NGOs verifiers and other credible sources confirming this</li> </ul>
0	All small-scale entrepreneurs in the community from which the company sources have documented legal rights to land and access to fishing water.	<ul style="list-style-type: none"> <li>• Lack of reports that there is land grabbing or people do not have documented land-rights</li> <li>• Reviews and opinions of local NGOs verifiers and other credible sources</li> </ul>
-1	Evidence indicates that there is a substantial risk of land grabbing, but the company sourcing from this community, is actively supporting the community to stop this practice.	<ul style="list-style-type: none"> <li>• The situation has been unacceptable, but Information obtained from NGOs and small-scale entrepreneur representatives showing the policy is working</li> <li>• There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	Evidence indicates that there is a substantial risk of land grabbing. The company sourcing from this area does not take action or is even complicit in this process.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics.</li> </ul>

### Data sources

<https://landmatrix.org/> The **Land Matrix** is an independent land monitoring initiative that promotes transparency and accountability in decisions over LSLAs in low- and middle-income countries by capturing and sharing data about these deals at global, regional, and national level.

<https://www.farmlandgrab.org/> This website contains mainly news reports about the global rush to buy up or lease farmlands abroad as a strategy to secure basic food supplies or simply for profit. Its purpose is to serve as a resource for those monitoring or researching the issue, particularly social activists, non-government organizations and journalists.



## 4.7 Fair trading relationship

### Definition and Rationale:

The extent to which a company sourcing from small-scale entrepreneurs has or contributes to fair trading terms. The International Fair Trade Centre<sup>33</sup> defines fair trading terms in its charter as follows:

*Trading terms offered by Fair Trade buyers seek to enable producers and workers to maintain a sustainable livelihood; that meets day-to-day needs for economic, social and environmental well-being and that allows to improve conditions over time. There is a commitment to a long-term trading partnership that enables both sides to co-operate and grow through information sharing and joint planning.*

Since around 1950 various initiatives have been developed to create a fairer trading situation especially for farmers in commodity crops such as coffee, cocoa, tea etc. This has resulted in The International Fair Trade Centre, that has developed a charter, and has a large number of Fairtrade organizations as member.

While this is not directly evident from the definition of the International Fair Trade Centre declaration above we believe that the following aspects are very important to create fairer trading terms:

- Can the buyer behave as a monopolist; i.e. does the small-scale entrepreneur have an alternative when the buyer offers very low prices, delayed payment or has other unreasonable conditions?
- Does the small-scale entrepreneur have access to essential information, to make a fair deal, for instance transparency on volumes, quality requirements, the market price in this and other regions?
- If the small-scale entrepreneur works under a multiyear contract, are the conditions fair and reasonable?
- Corruption could have detrimental effects on the fair trading relationships

One way to achieve this is for small-scale entrepreneur to organize themselves in cooperatives so they can create a better negotiation position, share information on pricing, quality standards etc.

Companies who are sourcing from such small-scale entrepreneurs, can also contribute to creating fair trading relationships:

- Source from communities that are certified under a credible fair-trade label
- Apply direct sourcing by leaving out the middleman, and also avoid the burden and cost of certification and auditing<sup>34</sup>. However, this type of trade is not well defined.
- Companies own initiatives that are based on concepts as shared value etc.
- Support the cooperatives in development of better (agricultural) practices.

<sup>33</sup> <https://www.fair-trade.website/>

<sup>34</sup> Example: Fair trade international: <https://www.fairtrade.net/>

### Reference scale for fair trading relationship

	Definition of the scale level	Performance Indicators
+2	The company or facility has publicly stated that a fair-trading relationship with the communities from which it sources is a high priority and publicly reports and discloses its commitments, performance, progress and effectiveness of the management system/initiatives/activities.	<ul style="list-style-type: none"> <li>• Company has invested in and engaged with a local public-private partnerships to improve the trading relationship in the region and the partnership can demonstrate significant progress in the last 3 years</li> <li>• Statements by NGOs, local authorities, credible newspapers, awards etc. with similar content.</li> </ul>
+1	The company or facility has a commitment to a long-term trading partnership that enables both sides to co-operate and grow through information sharing and joint planning.	<ul style="list-style-type: none"> <li>• Credible documents and statements from third parties that confirm that the company policy indeed is effective in translating this commitment into real action</li> <li>• Credible statistics that the trading relationship in this community is indeed improving and better than average and that this can be at least partially linked to the efforts of the company</li> </ul>
0	The company sourcing from the small-scale entrepreneurs does this under the condition that trading terms seek to enable producers and workers to maintain a sustainable livelihood; that meets day-to-day needs for economic, social and environmental well-being and that allows to improve conditions over time.	<ul style="list-style-type: none"> <li>• Credible documents and statements from third parties or the company that show the contribution of the company in awareness raising and training regarding the establishment of cooperatives or making local buyers aware of the requirements set by the company</li> <li>• Credible documents that show that the company insists on maintain fair trade relationships in its internal procedures</li> <li>• The community works under a relevant certification scheme</li> <li>• The small-scale entrepreneurs work under a legal system that adequately enforces fair trade relationships</li> </ul>
-1	The company that sources from the community of small-scale entrepreneurs, is aware of unfair trading relationships and corruption, but has developed a policy with a clearly defined timeline to address this and work towards a fair trading relationship.	<ul style="list-style-type: none"> <li>• The situation has been unacceptable, but Information obtained from NGOs and small-scale entrepreneur representatives showing the policy is working</li> <li>• There are incidents of complaints, lawsuits and other signals but they have been significantly reduced during the last 3 years</li> </ul>
-2	The company that sources from the community of small-scale entrepreneurs, is aware of very unfair trading relationships and corruption, but takes no action to address this.	<ul style="list-style-type: none"> <li>• Complaints, lawsuits and other signals that may signal issues</li> <li>• Absence of positive information while the company is in an area where this situation often occurs according to statistics</li> </ul>

### Data sources

<https://www.fairtrade.net/> Joined initiative of many fair-trade organisation

<sup>35</sup> Example\*: Ethical Addictions <https://eacoffee.co.uk/> or Bonsucro <https://www.bonsucro.com/>





More background information about the Handbook and the development process is available on [www.social-value-initiative.org](http://www.social-value-initiative.org)

In 2022 the Social Value Initiative has the following members:



This Report has been prepared by PRé Sustainability.

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