HUMAN-CENTERED BUSINESS MODEL
SOCIAL AND ENVIRONMENTAL PRINCIPLES

Developed with Generous Support from the French Government
CONTENTS

Foreword ..................................................................................................................................................... iii
Introduction of the Human-Centered Business Model (HCBM) ............................................................... v
Global Architecture of Agreements and Instruments ........................................................................... viii

SECTION ONE:
HCBM SOCIAL SUSTAINABILITY PRINCIPLES, GOALS AND INDICATORS ....................................... 1
DEVELOPMENTS AND TRENDS CONCERNING SOCIAL SUSTAINABILITY ........................................ 3
  Historical Background ............................................................................................................................... 3
  Agenda 2030 and SDGs – the post-2015 sustainable business agenda and current developments in the
  environmental, social and ethical/integrity fields of sustainability ...................................................... 7
  Social Sustainability, Trends and Challenges ..................................................................................... 15
HCBM SOCIAL SUSTAINABILITY PRINCIPLES AND GOALS .............................................................. 22
  Setting the Stage .................................................................................................................................. 22
  HCBM Principle Respect for Human Rights ......................................................................................... 24
  HCBM Principle Adequate Wages and Dignified Family Living ........................................................... 27
  HCBM Principle Healthy and Safe Work Environment ......................................................................... 30
  HCBM Principle Equal Treatment and Equal Employment Opportunities ........................................... 33
  HCBM Principle Collective Rights ........................................................................................................ 38
  HCBM Principle Leisure and Paid Leave ............................................................................................. 40
  HCBM Principle Employee Training, Education and Lifelong Learning ................................................. 41
  HCBM Principle for Positive Community Impact ................................................................................ 43
  HCBM Principle for Consumer Protection .......................................................................................... 44
HCBM SOCIAL SUSTAINABILITY INDICATORS .................................................................................. 46
IMPLEMENTATION OF HCBM SS PRINCIPLES BY MSMEs, SMEs AND MULTI-NATIONAL
ENTERPRISES (MNEs) ............................................................................................................................ 49
  MSMEs, SMEs and Social Sustainability ............................................................................................... 49
  Social Sustainability Principles and Multi-National Enterprises (MNEs) ................................................ 57
SOCIAL CONCLUSIONS AND RECOMMENDATIONS ........................................................................... 69

SECTION TWO:
HCBM ENVIRONMENTAL SUSTAINABILITY PRINCIPLES, GOALS AND INDICATORS ...................... 70
GLOBAL ARCHITECTURE OF AGREEMENTS AND INSTRUMENTS IN ENVIRONMENT .................... 72
  TYPE I: .................................................................................................................................................. 74
  TYPE II: ................................................................................................................................................ 74
  TYPE III: ............................................................................................................................................... 74
HISTORICAL BACKGROUND AND OVERVIEW OF RECENT ENVIRONMENTAL
DEVELOPMENTS AND TRENDS ........................................................................................................... 75
  Challenges for Business and Environment Looking Forward ............................................................. 76
  Organisation for Economic Co-operation and Development (OECD) ................................................. 78
  International Finance Corporation (IFC) and The World Bank Group ................................................ 79
The Agenda 2030 with its Sustainable Development Goals (SDGs) are challenging governments, enterprises and the other stakeholders to engage in a broad collaborative effort for sustainable development.

The concept of the Human-Centered Business Model (HCBM) derives from the conclusion that an entirely new business ecosystem is needed for entrepreneurs who strive for social, ethical and environmental impact and economic success of their companies. The Model seeks to create an alternative approach to doing business that combines – on an equal level of importance – profit-seeking with social and environmental sustainability by introducing six pillars for establishment of a human centered business ecosystem to enable and accelerate development of profitable environmentally and socially sustainable enterprises.

It is with profound gratitude, great honor, and pride that I wrote this foreword to introduce to the readers the authors of this paper.

Dr. Teodorina Lessidrenska is not only the author of the “social” key piece of the HCBM “puzzle”, She integrated her “social” work with the “environmental” research work, done by Mr. David Boyer, to produce this manuscript. She has been a unique and irreplaceable partner along the entire journey of the Project. Teodorina’s combination of unique technical knowledge, professional experience implementing multi stakeholder programs on sustainable development in emerging economies worldwide, a shared vision of the business ecosystem approach of the Project and human skills are the ingredients of our professional complicity, and were invaluable and truly indispensable in difficult moments when we fought together to defend the project against criticisms and skepticisms.

Mr. Boyer is an exceptional environmental professional with invaluable experience in multiple sectors and in international development, gifted with rare writing clarity. David brought to the Project his expertise in natural resources management, decades of experience in more than 20 developing countries in Asia, Africa and Latin America and deep knowledge of environmental challenges and solutions.

The result is a clear presentation of social and environmental principles that entrepreneurs can adopt as values to inspire and guide sustainable enterprises. The few selected case studies, mostly analyzed by interns from several universities, are evidence that sustainable behaviors are possible and are not incompatible with profitability. The paper also presents the link between each of these principles to the Sustainable Development Goals set by the 2030 Agenda and provides practical
suggestions for existing performance indicators that can potentially be used to measure the real results in each of the principles.

This is part of a set of research papers covering the six pillars of the Human-Centered Business Model (HCBM). It has incorporated the feedback from five months consultations with the HCBM Partners followed by extensive discussions during a HCBM Workshop that took place in Rome on 12-13 November 2018, and the input from a number of peer-reviewers.

I trust readers will find this paper very comprehensive, thoroughly structured, with useful references to resources and real case studies, of easy reference for students and practical ideas for entrepreneurs.

Let me end with a warning to the readers: this Paper’s reading could be addictive, and you may find yourself unable to stop reading also the other papers of the Human-Centered Business Model and become, in the end, a supporter of the sustainable development business.

**Marco Nicoli**

*Special Advisor to the Director of the OECD Development Centre*
The Human-Centered Business Model (HCBM) project aims to create an innovative and alternative approach to sustainable business, that is based on key globally accepted sustainability principles and addresses not only the internal systems within an enterprise but also the external context, the “business ecosystem” in which the enterprise operates.

The HCBM is centered on human beings and the environment in which we live and brings sustainable value and long-term benefits to the enterprise and its shareholders and to the broader communities. This is achieved first through shifting company's social and environmental interests from “tertiary” or “external” interests to primary corporate goals that stand alongside the drive for profit. The HCBM approach is based on the idea that there is no trade-off between economic, financial, environmental social and ethical goals, and that supporting the latter will bolster the former.

The HCBM represents in practical terms the concept of integrated sustainability at the enterprise level as it requires the Human Centered Enterprises (HCEs) to put profit on the same priority level as social, environmental and ethical principles. The HCEs are expected to address all main dimensions of sustainability simultaneously: the Economic dimension, in terms of ensuring long term economic and financial performance; the Social dimension, by creating value for the society; the Environmental dimension, through a responsible management and re-construction of natural resources; and the so called Ethical/Integrity dimension that represents ethical and legal compliance and impacts of the HCEs.

Furthermore, the HCBM takes a holistic approach, that addresses both the internal systems within the Human-Centered Enterprise (HCE) and the external business context, by creating an enabling, sustainable and competitive “business ecosystem” that includes fiscal, financial, legal and regulatory regimes, procurement conditions, and stakeholder relationships based on the HCBM Principles, as presented in Figure 1.

In this respect, the HCBM extends the integrated sustainability approach to include the company stakeholders (government, investors, customers, suppliers and other stakeholders) and the external “business ecosystem” and they are advised to consider and accede to the HCBM Social, Environmental and Integrity Principles.
The HCBM ecosystem presents a complete policy and regulatory framework for sustainable businesses, structured around six pillars:

(1) **Guiding Principles Pillar** that sets the core economic, social, environmental and integrity principles that have to be adopted by the Human-Centered Enterprise (HCE) (plus some optional ones to make the model flexible to different economic and social realities), together with corresponding performance indicators;

(2) **Legal Framework and Corporate Governance Pillar** that focuses on adapting existing legal/regulatory frameworks and corporate governance mechanisms and/or developing new ones, to allow enterprises to exercise their businesses in coherence with the guiding principles. This pillar builds on relevant practices from different legal systems;

(3) **Financial Pillar** that consists of adapted existing financial instruments (like the Green Bonds, social bonds, etc.) or innovative financial mechanisms, developed in order to attract sensitive investors who share the same social and environmental values. Thus, the HCE is expected to provide an appealing option to impact investors;

(4) **Fiscal Pillar** will be “levelling the playing field” by proposing fiscal incentives and disincentives (penalties) based on the HCE performance measured by indicators against the targets established for each guiding principle, thus based on the positive/negative impact;

(5) **Procurement Pillar** will develop new, or adapt existing, corporate and public procurement policies, with an attention to the entire supply chain; and

(6) **Stakeholders relationship Pillar** – the last HCBM pillar aims to identify the stakeholders of the HCEs and to guide the development of collaborative relationships between the enterprises and their stakeholders.

**FIGURE 1.**
The HCBM differs from all the existing initiatives for doing business in a more sustainable way (e.g. Social Enterprises, Cooperatives, Benefit Corporations, etc.) and from the range of Corporate Social Responsibility practices for the following elements:

- Differently from Social Enterprises, the HC Enterprises will have – as common denominator – a “core set of principles and corporate objectives” that will create a very strong identity;
- Differently from CSR policies, the HCB Enterprises will embed – in their bylaws – a common set of corporate principles and goals covering economic, social and environmental sustainability;
- Differently from the Benefit Corporations the HCBM is not a new legal form but a coherent “business ecosystem”.

The HCBM Principles are the fundamental set of values representing the core of the Model. They are embedded in the values and beliefs governing the behavior of the HCEs and are accepted and supported by the other stakeholders in the HCBM ecosystem. Each HCBM Principle is presented through specific Goals – each HCBM Goal defines specific rules and propositions that the HCEs are expected to follow.

The HCBM Principles and Goals are supported by extensive research and inventory of the global normative regulatory and voluntary sustainability frameworks addressing sustainability business practices. The HCBM Principles and Goals are in line with the existing relevant economic, social, environmental, ethical and integrity international and regional legal instruments, principles and rules for sustainable development, CSR policies, and principles voluntarily adopted by the private sector largely agreed upon by the international community to regulate business conduct.
GLOBAL ARCHITECTURE OF AGREEMENTS AND INSTRUMENTS

Throughout the paper we use a typology, adapted and modified from ILO and OECD publications (ILO 2008; OECD 2009; OECD 2014) and other classifications, that organizes the key CSR and sustainability instruments in three major levels and a few categories. This typology, presented below, outlines the elements of the architecture of an emerging global system of instruments for sustainable business:

**Normative Level I: International Norms-setting Instruments** – international agreements, conventions and declarations that reflect agreed international normative principles, directed to government for domestic implementation, can help business understand what to do (ILO 2008; OECD 2009), for example:

- **Overarching**, across all sustainability dimensions: Sustainable Development Goals (SDGs), Agenda 2030, Agenda 21, etc.
- **Social**: Universal Declaration of Human Rights, ILO Conventions, ILO Declaration on Fundamental Principles and Rights at Work, etc.
- **Ethical/integrity**: OECD Convention on Combating Bribery of Foreign Officials in International Business Transaction, etc.

**Functional/Operative Level II: International Instruments** – principles, codes, guidelines, frameworks, standards and tools that are linked to the international norms-setting agreements and directed to the business sector and in some cases to business and civil society:

- **Category 1. Instruments Developed by Intergovernmental Bodies** – originating from the UN and other intergovernmental organizations, officially-agreed and/or recognized by governments principles and frameworks that offer authoritative guidance to the business sector on expectations of behavior and also help understand what to do, and sometimes also how, for example: ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
(MNE Declaration), **OECD Guidelines for Multinational Enterprises** (OECD Guidelines), **UN Global Compact** (UNGC) Principles, International Finance Corporation (IFC) **Performance Standards**, etc.

**Category 2. Private International Instruments with Government Recognition**—developed privately and officially agreed or/and recognized by governments frameworks, guidelines and standards, developed with participation of business/civil society, that offer guidance on expectations of behavior and provide guidance on how to implement such standards: **International ISO standards** (e.g. ISO 26000, ISO 14000 series, etc.), **Global Reporting Initiative (GRI) Sustainability Reporting Standard and Guidelines**.

**Category 3. Private Instruments**—codes, frameworks, guidelines, standards and tools, linked to business initiatives and sometimes aligned with international norms, developed by business and other business entities to address specific business needs, predominantly sectoral: **Responsible Care Principles and Guidelines**, **ICMM Sustainable Development Principles**, **Electronic Industry Code of Conduct**.

**Regulatory Level III: National and International Regulatory Instruments and Initiatives**—regulations, policies, principles, codes, guidelines on national level put in place by governments, governmental institutions, stock exchanges, and other market regulators, or other national organizations and initiatives:

**Category 4. Mandatory Initiated by Governments**—regulations, policies and mandatory requirements put in place by governments or governmental implementation institutions concerning sustainability performance and reporting of companies. Some requirements focus on a given sector, topic or region. For example the **EU Directive on disclosure of non-financial and diversity information by certain large companies** (European Commission. 2014).

**Category 5. Mandatory Initiated by Other Regulators (Stock Exchanges, etc.)**—sustainability policies and mandatory requirements put in place by stock exchanges and investors address the sustainability performance and reporting of companies. Some requirements focus on a given sector, topic or region. For example, the **Johannesburg Stock Exchange** mandates all listed companies to disclose ESG practices.

**Category 6. Voluntary Guidance Initiated by Governments or Other Regulators**—guidance and recommendations put in place by governments, governmental implementation institutions, stock exchanges and market regulators that address the sustainability performance and reporting of companies. Some focus on a specific sector, topic or region. For example: the EU **Flagship Initiatives**¹ that will help SMEs achieve sustainable growth; etc.

---

¹ Europe Strategy 2020 has identified new engines to boost growth and jobs. Three priority areas are addressed by 7 flagship initiatives: **Smart growth** (Digital agenda for Europe; Innovation Union; Youth on the move), **Sustainable growth** (Resource efficient Europe; An industrial policy for the globalisation era), **Inclusive growth** (An agenda for new skills and jobs; European platform against poverty).
This research focuses on Level II, Categories 1 and 2 International Instruments with governmental recognition and their alignment with HCBM Social and Environmental Principles. The rationale for this is that these instruments are aligned with the Level I normative instruments, most of them are accepted and officially endorsed by significant number of governments, many of them are influencing the development of social and environmental sustainability regulations, and these instruments are most widely used by companies worldwide. Thus, alignment of the HCBM Principles, Goals and Indicators with Level II, Categories 1 and 2 International Instruments will provide for global acceptance and ensure the ability of the HCBM to act as enabler of and accelerator for sustainable business development influenced by the leading normative sustainability instruments. Examples of Level II, Categories 1 and 2 International Instruments are presented in Table 22 as well as in Section One and Two of this publication.
SECTION ONE

HCBM SOCIAL SUSTAINABILITY PRINCIPLES, GOALS AND INDICATORS
The purpose of Section One of this paper is to build on the work done to date by partners of HCBM, by identifying in greater detail, the HCBM Social Sustainability Principles (SSP) and their corresponding Social Sustainability Goals (GSSP). While the SSP presents the generally accepted HCBM values, the GSSP represents specific social performance behavior and expectations that the HCEs are expected to follow. The HCBM is placed in the context of the past, current and emerging developments and trends in corporate sustainability.

Section One of the paper is aiming to:

Present the HCBM Social Principles and their corresponding Social Sustainability Goals and show their relevance and alignment to key sustainability instruments, initiatives and tools, key governmental and corporate developments, trends and best practices as well as to the SDGs.

Propose Social Sustainability Indicators for each of the Social Sustainability Goals. The preliminary selection of proposed indicators for each of the HCBM Social Principles has been validated via consultation with HCBM partners and paper peer reviewers; and is backed by existing international standard frameworks and best practices.

Provide a base for further consultation for elaboration of the HCBM Social Sustainability Principles and Goals and their corresponding performance indicators as part of the preparations for specific HCBM pilot projects.

Identify best practices, guides, tools and other practical instruments that will help HCEs to implement the HCBM Social Sustainability Principles.

Give examples and cases of companies that have begun incorporating these social principles in their business culture and organizational performance.

The HCBM Social Sustainability Principles and Goals are presented in their correlation to global sustainability instruments from Level II officially endorsed by most governments; and specifically to the main instruments among those most widely recognized and applied by enterprises worldwide which have have global multi-stakeholder recognition and acceptance.

Each HCBM Social Sustainability Principle (SSP) is described with definitions clarifying its corresponding Social Sustainability Goals (GSSP) and illustrated with examples from case studies. For each GSSP, it is proposed an immediate or progressive implementation. Information is provided about the practical value of each principle for the HCE, based on overview of the relevance of each principle to Micro, Small and Medium Enterprises (MSMEs), and business stakeholders.
DEVELOPMENTS AND TRENDS CONCERNING SOCIAL SUSTAINABILITY

Historical Background

In the United States of America (USA) in 1791, the First strike in building trades by Philadelphia carpenters took place for a 10-hour work day. On December 15, 1791, the US Bill of Rights was adopted. The First of the 10 Amendments in the Bill of Rights guarantees freedoms of religion, speech, the press, and the rights of peaceful assembly and petition. At the beginning of the 20th century, the appearance of large corporations and the era of the ‘robber barons’ (businessmen who illegally amassed large fortunes) led to the development of the antitrust movement and the corporate social contract doctrine. In response to such phenomenon, corporations emphasized philanthropy and some forms of corporate citizenship to sustain that government regulation was unnecessary.

In France, the law of 15 July 1893, instituted free medical assistance; the law of 9 April 1898, considerably facilitated the worker compensation claims; the law of 27 June 1904, created the service départemental d’aide sociale à l’enfance, a childbirth assistance program; and on 14 July 1905, an elderly and disabled persons assistance program was initiated. France also had, by the 1900s, the most extensive network of child welfare clinics and free or subsidized milk supplies in the world.

The establishment of global, regional and national, social principles, frameworks, standards and practices relevant to business, as well as to other organizations in the last two centuries, is rooted in the development and evolution of legal and regulatory initiatives backed by human rights and labor movements in Europe and North America.

The concept of social responsibility remains outside the spotlight during the 1960s and 1970s when the environmental movements picked up speed and attention was on the basic needs approach to economic development. Sustainable development (SD)
was introduced as a concept in 1987 in the Brundtland report.² The report stated that “*Humanity has the ability to make development sustainable – to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs*”. In 1992, at the first World Summit in Rio de Janeiro, this definition was adopted as the universal definition of sustainable development, and currently it continues to be the most widely applied among the growing number of SD definitions.

Consistent across most interpretations and business applications of sustainability⁴ is a focus on economic, environmental, and social priorities and dimensions, a three-pillar approach referred to in different business contexts as ‘the triple bottom line’ (economic, social, environmental), the 3 E’s (economy, ecology, equity), or the 3 P’s (prosperity, planet, people).² However, although recognized as equally important as economic or environmental sustainability in the Brundtland Report, social sustainability continues to lack broad recognition during the first decade after the 1992 Rio Summit (Omann, 2006; Littig and Griessler 2005; Partridge 2005; Kunz 2006; Cuthill 2010; Dempsey et al. 2011; Vallance 2011).

Since the first World Summit, with the rapid growth in scale and power of the private sector there has been a widespread recognition by governments, civil society and companies alike that business has specific responsibilities towards both society and the environment. The Corporate Social Responsibility (CSR) evolved as voluntary beyond-compliance business response to the growing stakeholder expectations and pressures for social responsibility by business in increasingly interconnected and transparent fast-changing world.

But since the late 1980s, much of the debate on sustainability and CSR has been dominated by ecological perspectives, while the social dimension has not been well defined (Hutchins & Sutherland, 2008). Thus, until early 21 century, social sustainability is characterized often as the least attended, least developed and the least quantifiable part of sustainability. Although it has more recently entered the spotlight, to date social sustainability still lacks clear definition and standardized measurement metrics.

With the start of 21 century, business self-regulation and voluntary business initiatives took a central place in the CSR movement, involving for example, codes of conduct, improvements in occupational health and safety, environmental management systems, social and environmental reporting, support for community projects and philanthropy. A variety of instruments emerged globally and locally as well to help

---

² **Brundtland Report**, also called *Our Common Future* (World Commission on Environment and Development.1987. *Our Common Future*. Oxford: Oxford University Press. [http://www.un-documents.net/our-common-future.pdf](http://www.un-documents.net/our-common-future.pdf), was released in 1987 by the *World Commission on Environment and Development* (WCED). It introduced the concept of sustainable development and described how it could be achieved. Sponsored by the *United Nations* (UN) and chaired by Norwegian Prime Minister *Gro Harlem Brundtland*, the WCED explored in the report the causes of environmental degradation, attempted to understand the interconnections between social equity, economic growth, and environmental problems, and developed policy solutions that integrated all three areas.


companies implement CSR including principles, management standards, reporting indicators among others. The United Nations (UN) Funds and Programmes\(^5\) and Specialized Agencies, particularly the International Labor Organization (ILO), The Human Rights Council,\(^6\) the UN Office of the High Commissioner on Human Rights, and The Organization on Economic Cooperation and Development (OECD) took the lead in international sustainability norms-setting. In parallel, the development of environmental and social governmental policies and regulations generally was slowed down, partially by the explosion of voluntary CSR business initiatives. Environmental regulation, compliance and sustainability reporting remained among the priority sustainability areas influenced by governments. Globally, during the last 20+ years, diverse approaches emerged as combination of government, multilateral, civil society and business engaged in public-private partnerships (PPPs) and multi-stakeholder initiatives (MSIs) associated with standard setting, reporting, monitoring, auditing and certification.\(^7\)

Since its establishment, the EU has shown remarkable leadership in CSR and sustainability policy development stimulating implementation of coordinated approaches and solutions among the EU member countries and worldwide. The EU Commission has defined CSR as the responsibility of enterprises for their impact on society. CSR is expected to be company led, while public authorities play a supporting role through a mix of voluntary policy measures and, where necessary, complementary regulation.

In 2011, the EC Communication “\textit{A renewed EU strategy 2011–14 for Corporate Social Responsibility}” (COM (2011) 681) outlined the latest EU’s policies on CSR, including on Improving Company Disclosure of Social and Environmental Information.

---

\(^{5}\) Examples of Funds and Programmes are: UNDP (United Nations Development Programme), UNEP (United Nations Environment Programme), UNFPA (United Nations Population Fund), UNICEF (United Nations Children’s Fund) and WFP (World Food Programme). UN Funds and Programmes are directly under the authority of the General Assembly and the Secretary-General and are entirely funded through voluntary contributions by UN member states. They have been charged with operational activities at country level, i.e. policy advisory functions, consultancy for governments and project implementation.

\(^{6}\) Examples of Major Specialized Agencies are: the World Bank Group, WHO (World Health organization), FAO (Food and Agricultural organization), ILO (International Labour organization), IFAD (International Fund for Agricultural Development), UNIDO (United Nations Industrial Development organization) and UNESCO (United Nations Educational, Scientific and Cultural Organization), which all deal normatively and operationally with development issues. The Specialized Agencies are bound only contractually to the UN and do not receive binding directives from the General Assembly or the Secretary-General. They have their own membership, their own governing structure and collect assessed (mandatory) contributions from their member states with regard to core (normative) functions. The Specialized Agencies have the mandate for global norm and standard-setting.

\(^{7}\) Combination of government, multilateral, civil society and business engaged in public-private partnerships (PPPs) and multi-stakeholder initiatives (MSIs) associated with standard setting, reporting, monitoring, auditing and certification, such as for example:
- UN-based initiatives such as the UN Global Compact (UNGC), the UN Principles for Responsible Investment (PRI);
- Certification schemes such as ISO14001, SA8000, Forest Stewardship Council, Marine Stewardship Council;
- Anti-sweatshop initiatives such as Fair Labor Association, Worker Rights Consortium, Clean Clothes Campaign, Global Alliance for Workers and Communities, Worldwide Responsible Apparel Production;
- Global Reporting Initiative (GRI), Ethical Trading Initiative and AA1000, attempt to improve certain aspects of management, monitoring and reporting systems, as well as learning through stakeholder engagement;
- the Sustainable Stock Exchanges (SSE) initiative, a peer-to-peer learning platform organized by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Programme Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI), bringing together exchanges to work in collaboration with investors, regulators, and companies, on enhancing corporate transparency - and ultimately performance - on ESG (environmental, social and corporate governance) issues and encourage sustainable investment.
Two directives, the directive on the annual financial statements\(^8\) and the Directive 2014/95/EU on mandatory disclosure of non-financial and diversity information\(^9\) combined with the EC Guidelines on non-financial reporting C 215/8/ 5.7.2017, set the course towards comprehensive, integrated financial and extra-financial business reporting in the EU and contributed to the international sustainability reporting agenda. The HCBM E&S Principles – Social Principles Literature Review (available at https://globalforumljd.com/new/communities-of-practice/human-centered-business-model) provides a brief regional and national perspective on the governmental frameworks and approaches supporting and enabling implementation of social sustainability by companies in the European Union and UK, in the USA, Canada and in Brazil.

---

**BOX 4**

The European Commission Strategy on CSR, adopted since 2011, promotes CSR in the EU and specifically recommends six key global initiatives and their globally accepted and most widely applied by business instruments (EC. 2011):

- United Nations Global Compact Principles
- United Nations Guiding Principles on Business and Human Rights
- ISO 26000 Guidance Standard on Social Responsibility
- International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy
- OECD Guidelines for Multinational Enterprises
- GRI Sustainability Reporting Standards and Guidelines

The Directive 2014/95/EU and the EC Guidelines on non-financial reporting C 215/8/ 5.7.2017 laid down non-binding rules on disclosure of non-financial and diversity information by large companies and recommend companies to use “International, European or national guidelines” such as the globally accepted and most widely used by companies worldwide, Global Reporting Initiative (GRI) Sustainability Reporting Standards and Guidelines with the GRI framework and disclosures for sustainability reporting. The EC CSR Guidelines are built upon the main most widely applied instruments listed above and take into consideration a number of other globally accepted initiatives providing codes, standards and frameworks for sustainable business development and CSR.

---

\(^8\) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (the Accounting Directive) (European Parliament and Council. 2013) encourages the EU Member States to provide for different accounting and disclosure requirements, and reporting obligations, including with respect to the contents of the management report and the inclusion of a ‘corporate governance statement’, for so-called micro-entities, small and medium-sized companies, and large undertakings in accordance with the “think small first” principle.

\(^9\) In 2014 the European Parliament passed a vote to require mandatory disclosure of non-financial and diversity information by certain large companies and groups on a ‘comply or explain’ basis. This vote amends Directive 2013/34/EU with a new so called EU Directive on disclosure of non-financial and diversity information by certain large companies (European Commission.2014) and affects all European-based “Public Interest Entities” (PIEs) of 500 employees or more as well as parent companies. It requires member states to have the relevant legislation in place as of December 2016. It is expected the first company reports will be published in 2018 covering financial year 2017-2019.
In parallel, the Socially Responsible Investors (SRI) and the Responsible Investment (RI) funds,\textsuperscript{10} the Stock Exchanges (SEs) and other market regulators also become increasingly involved in development of sustainability initiatives and establishment of requirements aiming at strengthening companies’ sustainability performance. For example, the World Federation of Exchanges’ (WFE) ESG Guidance and Metrics identify material environmental, social and governance (ESG) metrics which the exchanges, WFE members, are expected to incorporate into their ESG disclosure guidance and governance requirements to companies listed on their market.

Throughout the last 50 years, the overarching sustainable development goal has been not only to increase environmental and social sustainability but to begin integrating sustainability into business, including not only environmental considerations but to promote inclusive business, human rights, integrity and ethical consideration, from Multinational Enterprises (MNEs) to Micro, Small and Medium Enterprises (MSMEs). However, the sustainability integration of smaller businesses and industries, central to the economies in developing countries, has been frequently overlooked. The constraints smaller businesses and industries operate under, such as limited human and financial resources, restrict their ability to participate in global policy processes\textsuperscript{11} and have raised a plethora of private codes and labels, sustainability reporting tools and process to introduce sustainability to the MSMEs and help companies reduce impacts and maximize benefits. Still, these efforts remain isolated and with minimum effect on the overall performance of the MSME sector globally.

Agenda 2030 and SDGs – the post-2015 sustainable business agenda and current developments in the environmental, social and ethical/integrity fields of sustainability

“For any company seeking to be sustainable, it begins with operating with integrity – respecting fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption.”


\textsuperscript{10} The World Summit also had impact on the continuing expansion of Socially Responsible Investment (SRI) and Responsible Investment (RI) funds, and the proliferation of sustainability research institutes, rating agencies and benchmarking institutions focused on research and assessment of the Environmental, Social and Governance (ESG) performance of companies and their rating. The company ratings and the produced ESG company data is used by asset managers to manage Socially Responsible Investment (SRI) and Responsible Investment (RI) funds. The current major research providers offering full ESG ratings according to Novethic (Novethic 2013 and www.novethic.com) are EIRIS-vigeo (United-Kingdom/France), MSCI ESG research (USA), oekom (Germany), Sustainalytics (Netherlands) Inrate (Switzerland) or EthiFinance (France).

\textsuperscript{11} Stephens, Anthea, Private sector involvement in implementing multilateral environmental agreements (MEAs): A closer look at the natural products industry, World Conservation Union (IUCN), South Africa.
A 20-year follow-up to the Earth Summit took place in Rio de Janeiro in 2012 through the Rio+20 United Nations Conference on Sustainable Development (UNCSD). UNCSD galvanized a process resulting in a set of Sustainable Development Goals (SDGs) which will carry on the momentum generated by the Millennium Development Goals (MDGs) and fit into a global development framework beyond 2015.

In September 2015, convened by the UN, more than 150 heads of states adopted a set of Sustainable Development Goals (SDGs) to end poverty, protect the planet and ensure prosperity for all as part of the ambitious 2030 Agenda for Sustainable Development.

The Sustainable Development Goals (SDGs) define the global sustainable development priorities and aspirations for 2030 and aim to mobilize global efforts around a common set of goals, SDG indicators and specific targets. The final proposed list of SDGs indicators was provided by the Inter-Agency and Expert Group on Sustainable Development Goal Indicators in 2016.

The SDGs have been agreed by all governments, yet their success relies heavily on action and collaboration by all actors. The SDGs call for worldwide action not only among governments, but business, civil society and all stakeholders to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. Thus, the launch of the SDGs opened opportunity for further acceleration of and more strategic coordination among the business-driven actions linked to sustainable development and to the sustainable development actions of other stakeholders.

Even more, unlike their predecessor, the Millennium Development Goals (MDGs), the SDGs explicitly call on all businesses to “apply their creativity and innovation to solve sustainable development challenges” (The UN Department of Economic and Social Affairs (DESA), Division for SDGs).

The previous MDGs were perceived by the private sector as a burden unrelated to the core business strategies. As the SDGs form the global agenda for human development, they offer a platform for companies to proactively demonstrate how their business helps to advance sustainable development, both by minimizing negative impacts and maximizing positive impacts on people and the planet. Covering a wide spectrum of sustainable development topics relevant to companies—such as poverty, health, education, climate change and environmental degradation—the SDGs have the potential to become the bridge connecting business strategies with the global and local sustainability priorities and societal needs.

There are signs that enterprises are beginning to see business opportunities in the SDGs to address the world’s sustainable development challenges by developing solutions that create value for the company, its stakeholders and the society. As

---

12 The SDGs cover all social, environmental and developmental issues, in both developed and developing countries. Each of the 17 SDGs contains a number of interconnected targets, which results in a truly cross-cutting approach in implementation of activities, monitoring, evaluation and reporting on progress towards the SDGs. (Leadership Council Sustainable Development Solutions Network, 2015).
unmet economic, environmental and social sustainability challenges create new market opportunities for companies and sustainable products and services meets these needs; it is expected that a new global development agenda will provide growing business opportunities and will strengthen the drivers that foster enlightened business leaders who are genuinely motivated to formulate and implement a new-era of corporate sustainability.

This evolving paradigm change is demonstrated through the new post-2015 business engagement framework, developed by the UNGC and its global network of signatories. The framework is aiming to shift the corporate mindsets and business models in order to mainstream responsible business practices and achieve the SDGs, the so-called Global Goals. It coins an extended definition of business sustainability that goes well beyond financial performance: “Corporate (business) sustainability is a company’s delivery of long-term value in financial, environmental, social and ethical terms” to achieve it companies must “push sustainability deep into the corporate DNA” by doing “five things: first and foremost operate responsibly in alignment with universal principles, support and strengthen the society and the communities, provide leadership by making commitments at the highest level, report annually on their efforts, and engage locally where they have a presence.” (UNGC. 2015. Guide to Corporate Sustainability).

The recent empirical and theoretical research data collected by the UN Global Compact (UNGC) points to a number of factors that help motivate corporate leaders and entrepreneurs to proactively steer their companies to embark on the sustainable development opportunities and challenges. The drivers – dynamic and always changing – can be understood in two broad categories: society-based drivers and market-based drivers:

i. Society-based drivers, such as policies established by Governments and expectations created by citizen and civil society organizations, that reward more responsible and sustainable organizations, continue to provide a strong motivation for corporations to reduce the negative impacts they may have on society and on the environment and to adopt more responsible business practices.

ii. Market drivers, found within the markets themselves, include the sustainability-related requirements and preferences expressed by business partners and investors, as well as the increasing engagement of employees and consumers, directly effect and relate to a company’s core business and related strategies. These drivers are poised to gather greater force in the coming era.
According to the UNGC, the corporate sustainability orientation “is rooted in three dimensions –

i) respecting universal principles;
ii) action to support broader UN goals; and
iii) engaging in partnerships and collective action at the global and local levels.”

(UNGC. 2015. Guide to Corporate Sustainability)

Our analysis of available research on the lessons from the CSR implementation in the past 20+ years shows that maximizing the business performance in these three domains will require not only establishment of a company culture based on sustainability principles and sustainability-focused leadership and governance within the companies. It will require also an external business ecosystem where government and other business stakeholders interact with the companies, act in line with common sustainability principles as companies and work in partnership with them toward the SDGs.

A well-defined and practical system of sustainability instruments, to guide and assist the activities of companies and the other elements of the business ecosystem, is also of importance for the successful global uptake of corporate sustainability.

The momentum created by the SDGs has energized the efforts for definition of roles and improved consistency in the sustainability instruments. Several initiatives, led by some UN Agencies, multilateral organizations, and private multi-stakeholder organizations, have developed a group of core instruments that have a common point of departure in the international conventions on human rights, labor and environment and are designed to be generally acceptable by most companies operating globally in most sectors. Most governments and the UN recognize these initiatives and their instruments are often addressed as “core” or “main” building blocks of the “emerging global CSR system” or “emerging global triple bottom line (TBL) architecture”.

Our research of best sustainability business practices and literature review of CSR, Corporate Governance (CG), Sustainability Reporting analysis and other sustainability publications (EU 2011, 2017; OECD 2008, 2014, 2017, 2018; KPMG 2017; UNCTAD 2008; Ernst &Yong 2017, SustainAbility; etc.) identified among these international sustainability instruments, seven main international instruments addressing the social sustainability of enterprises:

- OECD Guidelines for Multinational Enterprises
- United Nations Global Compact Principles
- United Nations Guiding Principles on Business and Human Rights
- International Labor Organization Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy
- IFC’s Environmental and Social Performance Standards
- ISO 26000 Guidance Standard on Social Responsibility
- The Global Reporting Initiative (GRI).
The research confirms that these core international sustainability instruments have gained maximum global recognition, official endorsement by governments, multi-stakeholder acceptance and are most commonly used by companies worldwide. The seven initiatives behind these seven instruments are distinguished by collaborative efforts to establish some degree of functional complementarity and linkages among the instruments with some level of consistency on priority topics covered by these instruments and on language and expectations. These global initiatives are playing important key roles in shaping national regulatory and legal frameworks addressing business and sustainability.

This section of the paper presents explicitly the relevance and alignment of each HCBM Social Sustainability Principle and Goal with each of these seven main international sustainability instruments listed below and in Table 22:

**OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES (2012)**
The OECD Guidelines are developed by the Organization for Economic Co-operation and Development (OECD) and represent the most recognized and widely endorsed by governments and the business community recommendations to governments and MNEs for responsible business performance in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation, in the international environment in compliance with applicable laws and the most internationally recognized standards. For this reason, the Guidelines has been updated on several occasions to bring it into line with changes to international law. Five updates took place between 1976 and 2011.

**UNITED NATIONS GLOBAL COMPACT (UNGC)**
The UNGC is the largest policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. According to the UNGC, corporate sustainability starts with a company’s value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence and know that good practices in one area do not offset harm in another. The ten UNGC principles are derived from United Nations Declarations and Conventions. UNGC signatories are required to issue an annual Communication on Progress (COP), a public disclosure to stakeholders on progress made in implementing the ten principles. Violations of the COP policy (e.g. failure to issue a COP) can result in a signatory’s status being changed to ‘noncommunicating’ and can eventually lead to expulsion.

**UNGC Principles addressing Human Rights**

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.
UNGC Principles addressing Labor

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

The UN Global Compact is the United Nations global corporate responsibility initiative. The relationship between the Guiding Principles on Business and Human Rights and the UN Global Compact are outlined on the UNGC website (www.unglobalcompact.org/docs/issuesdoc/humanrights/Resources/GPs_GC%20note.pdf (accessed 09 April 2018)). A range of tools and guidance materials, many of which are also relevant to small and medium-sized enterprises are also available on the website of the UNGC (https://www.unglobalcompact.org/library).

UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

The Guiding Principles on Business and HR were developed to put into operation the “Protect, Respect and Remedy” Framework. While they do not by themselves constitute a legally binding document, the Guiding Principles elaborate on the implications of existing standards and practices for States and businesses, and include points covered variously in international and domestic law. International Labor Organization Tripartite Declaration of Principles Concerning Multinational Enterprises on Social Policy

**Tripartite Declaration Of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration)**

The MNE Declaration is the only ILO instrument that provides direct guidance to enterprises on social policy and inclusive, responsible and sustainable workplace practices. It also provides guidance on “due diligence” processes – consistent with the UN Guiding Principles on Business and Human Rights – in achieving decent work, sustainable businesses, more inclusive growth and better sharing of the benefits of FDI, particularly relevant for the achievement of Sustainable Development Goal 8.

The latest revision has enriched the MNE Declaration by adding principles addressing specific decent work issues related to social security, forced labor, transition from the informal to the formal economy, wages, access to remedy and compensation of victims.

INTERNATIONAL FINANCE CORPORATION (IFC) AND THE WORLD BANK ENVIRONMENTAL AND SOCIAL FRAMEWORK

IFC’s Environmental and Social Performance Standards define IFC clients’ responsibilities for managing their environmental and social risks. The 2012 edition of IFC’s Sustainability Framework, which includes the Performance Standards, applies to all investment and advisory clients whose projects go through IFC’s initial credit review process after January 1, 2012.
IFC Sustainability Framework, Policy and Performance Standards on environmental and social sustainability, 2012: This Performance Standard applies to business activities with environmental and/or social risks and/or impacts. For the purposes of this Performance Standard, the term “project” refers to a defined set of business activities, including those where specific physical elements, aspects, and facilities likely to generate risks and impacts, have yet to be identified. Where applicable, this could include aspects from the early developmental stages through the entire life cycle (design, construction, commissioning, operation, decommissioning, closure or, where applicable, post-closure) of a physical asset. OECD Guidelines for Multinational Enterprises (principles and guidance on policy and management) are also included in this alignment.

IFC Sustainability Framework: IFC’s approach to sustainability is governed by IFC’s Sustainability Framework and the Corporate Governance methodology. They are designed to help IFC’s clients improve their business performance, enhance transparency, engage with the people affected by the projects IFC finances, protect the environment, and achieve greater development impact.


The World Bank Environmental and Social Framework (ESF): Formerly known as “safeguards”, The ESF was approved in 2016 and went into effect in October 2018. Although not directly applied to enterprises, ESF is a globally recognized key instrument that is expected to strengthen the national systems in borrowing countries and thus will have influence on the potential for development of HCBM ecosystems in these countries. The framework brings the World Bank’s environmental and social protections into closer harmony with those of other development institutions, and makes important advances in areas such as transparency, non-discrimination, social inclusion, public participation, and accountability – including expanded roles for grievance redress mechanisms. It places greater emphasis on the use of borrower sustainability frameworks and capacity building, with the aim of constructing sustainable borrower institutions and increasing efficiency. The ESF introduces comprehensive labor and working condition protection; an over-arching non-
discrimination principle; community health and safety measures that address road safety, emergency response and disaster mitigation; and a responsibility to include stakeholder engagement throughout the project cycle. It concludes nearly four years of analysis and engagement around the world with governments, development experts, and civil society groups, reaching nearly 8,000 stakeholders in 63 countries. The framework is part of a far-reaching effort by the World Bank Group to streamline its work and to boost development outcomes in Bank projects by placing strong emphasis on sustainability, responsible use of resources, and monitoring and evaluation.

**ISO 26000**

The International Standards Organization (ISO) is an independent, non-governmental international organization with a membership of 161 national standards bodies. ISO 26000 is a guidance standard on how business and organizations can operate in a socially responsible way. It helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions, and shares best practice on social responsibility. It is aimed at all types of organizations regardless of activity, size or location. The standard states that an organization should, at appropriate intervals, report about its performance on social responsibility to the stakeholders affected. ISO 26000 represents broad international collaboration; representatives from government, NGOs, industry, consumer groups and labor organizations from around the world were involved in its development. ISO 26000 defines 7 ‘core subjects’: 1. Organizational governance, 2. Human rights, 3. Labor practices, 4. The environment, 5. Fair operating practices, 6. Consumer issues, 7. Community involvement and development.

ISO 26000 brought a new category ISO standards linked to CSR, these include: ISO 37001 on anti-bribery management systems designed to instill a culture of honesty, transparency and integrity in organizations, ISO 37101 on sustainable development and communities, and the ISO 20400 whose sustainable procurement guidelines are fully based on ISO 26000. New projects are also in the works, including an International Workshop Agreement (IWA 26) aimed at helping organizations integrate the social responsibility principles of ISO 26000 with other ISO management systems standards.

**GRI SUSTAINABILITY REPORTING STANDARDS**

The Global Reporting Initiative (GRI) helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being. This enables real action to create social, environmental and economic benefits for everyone. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest. The Consolidated Set of GRI Standards is issued by the Global Sustainability Standards Board (GSSB) in October 2016. The consolidated GRI Standards includes the three Universal Standards – GRI 101, 102 and 103 – and the three series of topic-specific Standards: 200 (Economic topics), 300 (Environmental topics) and 400 (Social topics).
The linkage document Linking GRI Standards and the EU Directive on non-financial and diversity disclosure (GRI, Global Sustainability Board, February, 2017) shows how the GRI Standards can be used to comply with all aspects of the European Directive on the disclosure of non-financial and diversity information. The SDG Compass Linking the SDGs and GRI, released by the GRI and the WBCSD in January 2017, links the Sustainable Development Goals (SDGs) to the relevant indicators and disclosures in the GRI Standards and Sector Disclosures. These linkages are based on a more detailed analysis available on the SDG Compass website.

GRI has collaborated with the main instruments and initiatives UNGC, UNGP, The ILO Principles, OECD Guidelines, IFC Performance Standards, ISO 26000 and with a number of other key initiatives on development of linkages documents and alignment between the GRI Standards, disclosures and measurement frameworks and the instruments, including: Carbon Disclosure Project (CDP), Acumen Lean Data Initiative (Acumen), Sustainability Accounting Standards Board (SASB), International Integrated Reporting Council (IIRC), IRIS by the Global Impact Investing Network (GIIN), The Earth Charter, etc.

The existing research data (OECD, UN, IFC, ISO, ISEAL and GRI) and our own literature review, show that the system of seven main instruments is in line with the key global international agreements, declarations, conventions and norms and receive the highest degree of global recognition by business and governments and the other stakeholders. These key international instruments, together with the key agreements and conventions were used as initial resources for creation of the HCBM Principles.

One of the goals of this research is to apply the main sustainability instruments, backed up by the latest legal developments and identified good business practices in social sustainability, for further improvement and elaboration of the HCBM principles and as a base for selection of proposed HCBM indicators. We have presented the alignment of each HCBM SS Principle and its corresponding Goals with each of the above international main instruments in Table 21 and further in this section in the parts describing the HCBM SS Principles.

Social Sustainability, Trends and Challenges

Since the late 1980s, much of the debate on sustainability has been dominated by ecological perspectives, while the social dimension has not been well defined (Hutchins & Sutherland, 2008). Thus, despite the extensive body of literature on the social pillar of sustainability, there is still need for a better understanding of the meanings and interpretations of that concept. There is no single blueprint definition to social sustainability, and the definitions that exist are often derived according to discipline specific criteria or study perspectives.

There seem to be several challenges concerning the evolution of the social sustainability field as part of the business practice:

- The social sustainability concepts are built on “concepts, such as community, society, and inclusiveness, that themselves have no clear definition” (Davidson 2007) similar to the business concepts of social sustainability.

- Social sustainability is an analytical and a normative concept, but these aspects are not always clearly separated, leading to confusion (Littig and Griessler 2005) as objectives and indicators often reflect current political agendas as well as theoretically unfounded assumptions (Littig and Griessler 2005). Sometimes, as Davidson (2009) has observed, the term social sustainability is simply used to describe the current systems of social welfare and policy, not measurable changes in the social performance of organizations.

- The social sciences have concerned themselves with a wide variety of social objectives, strategies and measurement instruments, but often with little consideration of the sustainability perspective (Metzner 2000 as cited in Spangenberg und Omann 2006 and Colantonio et al. 2009) and little focus on implementation practicality, simplicity and efficiency. “This deficit makes it difficult to systematise the different elements responding to certain problems or project priorities, which dominate the current debate, and this in turn is a major obstacle for any attempt to prioritise among the criteria developed in an ad hoc fashion, for strategy development and assessment” (Spangenberg und Omann 2006).

- Finally, there is no optimum for indicators and it is problematic to establish benchmarks (Colantonio 2007).

From a corporate perspective, as defined by the UN Global Compact (UNGC), social sustainability is about identifying and managing business impacts, both positive and negative, on people. It is about understanding and addressing the company’s impacts on its labor force, contractors, suppliers, clients, and on the communities and the society in general. It is also about company’s role in and deep connection with the society and its proactive contributions toward human development and wellbeing now and in the future.

In the context of this paper, in practical terms, social sustainability should address activities and impacts 1) within the company, involving for example areas such as human rights, fair labor practices, occupational health and safety, wellness and work-life balance, as well as diversity and gender equality and 2) outside the company, involving for example company’s social role, community engagement and impacts, as well as product responsibility (including product safety), among others.

In the last years, social issues such as income inequality, the future of work and unemployment, gender equality and health have joined the climate change and the financial markets stability as top priorities on the global business agenda.

---

New regulations, growing stakeholder influence and changing market dynamics are driving at an increasing rate the internalization of the social sustainability issues in the business strategies, management and reporting. Entrepreneurs are challenged by governments, investors, clients and customers to identify and quantify the main social sustainability issues and risks, recognize what are their impacts on the company’s business performance, relationships, resources and talent for development. Companies are expected to develop responsive strategies that protect and create value both for shareholders, for their main stakeholders and for the society.

Governments, regulators and stock exchanges and investors continue to play a key role in driving CSR and social sustainability uptake around the world. Governmental initiatives driven by the Agenda 2030 are increasingly driving social sustainability activities in the business sector. For example, ‘Sustainable environment and infrastructure’ is one of the key pillars of the UAE Vision 2021, the government’s long-term strategy for socioeconomic development. The year 2017, was the ‘Year of Giving’ in the UAE, a government initiative focusing on three pillars – Corporate Social Responsibility, Volunteering, and Serving the Nation. Regulation is driving human rights in companies in India: The recent ratification by India of International Labor Organization (ILO) Conventions 138 and 182 indicates the importance of human rights to the country.

Sustainability reporting continues to be one of the key driving factors for improvement in business ESG and social sustainability performance. Public reporting has direct impact on company’s reputation and attractiveness for investors, clients and customers. In Europe, while the full effect of the EU Non-Financial Reporting Directive is not expected to be felt for another year or so, it is possible that awareness of the Directive has raised the reporting rates in some EU countries. Under the Directive, companies that do not disclose their social, environmental and Board diversity policies can be named publicly. This risk of reputational damage may already have convinced some non-reporters to start reporting with more expected to follow suit. In the emerging markets, historically, new regulation does come out of crises. In emerging markets there is interest in socio-economic impact, which will drive further disclosure regulation around impact assessment and valuation of how companies impact the socio-economic conditions in the communities where they operate and the social and environmental impacts of their products and services. Investors are beginning to understand the logic that underlines the concept of treating social issues as material. But many companies, especially smaller and MSMEs fail to address social value creation effectively, although these enterprises have great potential as they are well integrated in the communities.

Internalization in the business strategy and operations of social sustainability and reporting on social sustainability performance issues by companies is an important fast developing field. "What can be measured can be managed" describes in a nutshell the importance of sustainability reporting, based on well-defined practical social metrics and measurement tools and methodologies, for enabling companies to establish proper systems for social sustainability governance and management. With the works of ILO on development of the ILO Principles and the release of the UN Global Principles on Business and Human Rights and their Reporting Framework, and the updates of the main instruments (including OECD, GC, GRI) the companies
are becoming increasingly aware and better equipped with tools to manage, monitor, and report their performance on Human Rights issues. The challenge is still to further strengthen the qualitative indicators and methods for tracking performance on Human rights and on other social issues.

Elsewhere, investors and market regulators are increasingly paying attention to how companies are building and protecting long-term value. Some of the leading stock exchanges and many from emerging markets, are starting to mandate ESG disclosure from their signatories that requires not only reporting numbers but also better description of the business logic and sustainability behind the numbers. Among the 65 stock exchanges that currently partner with the Sustainable Stock Exchanges (SSE) initiative, this is a trend expected to continue over the long term. As a result, companies that are not already producing sustainability reports should consider doing so, as this is fast becoming a mainstream expectation in most markets around the world. According to Principles for Responsible Investment Initiative (PRI), some institutional investors explicitly consider Environmental Social and Governance (ESG) criteria when considering strategies of certain funds. Some investors have specific ESG funds, while other investment strategies look to integrate ESG criteria across their investment portfolio.

**BOX 7**

The Sustainable Stock Exchanges Initiative (SSE) - a collaboration between the Principles for Responsible Investment, UNCTAD, the UNEP Finance Initiative and the UN Global Compact - is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency - and ultimately performance - on ESG issues and encourage sustainable investment. The SSE reports (SSE, 2017) that stock exchanges are increasingly taking actions that contribute to creating more sustainable capital markets. The SSE now has 60 Partner Exchanges, listing over 30,000 companies and representing a market capitalization of over USD 55 trillion. Eight of the 50 countries examined have implemented a stewardship code that addresses ESG factors; six of these eight are voluntary and two were adopted under a “comply-or-explain” basis. Thirteen countries have government policies in place requiring asset owners to disclose how ESG factors are considered in the investment process. (OECD, 2017)

A recent study by UNEP Finance Initiative, UN Global Compact and the PRI, UNEP Inquiry into the Design of a Sustainable Finance System, analyzed fiduciary duty in Australia, Brazil, Canada, Germany, Japan, South Africa and the United Kingdom and concluded that “failing to consider long-term investment value drivers, which include environmental, social and governance issues, in investment practice is a failure of fiduciary duty.” Investors are also paying increasing attention to long-term investment and recognizing the long-term financial implications of environmental and social issues. This recognition is reflected in the development of stewardship codes and initiatives to encourage investors to monitor and engage with companies. (OECD, 2017)
Investment strategies may be challenged further to ensure ESG criteria are part of the decision-making process. Fund managers are interacting with staff leading responsible investment initiatives and aiming to ensure that ESG factors are integrated into investment analysis and decision making. (PRI 2017 www.unpri.org/page/prilaunches-esg-integration-guide-for-equity-investors and OECD 2017 https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf)

Impact Investment: Impact ventures can originate in many places, but there is largely untapped potential in impact ventures driven by large corporations taking on new opportunities for growth.

For example, M-Pesa now reaches more than 90% of households in Kenya and has been credited with lifting 2% of the population there out of extreme poverty. Cemex’s Patrimonio Hoy home construction program, has helped more than half a million families save two thirds of the time and one third of the cost of construction. The program is used by families to add rooms to their homes and enabled them to do it more cost effective and safely. Peter Bakker, President and CEO, World Business Council for Sustainable Development (WBCSD) summarizes that “By translating social needs and ambitions into innovative business solutions, multinational corporations have a critical role to play in accelerating the SDG agenda and helping to realize its ambitions.”

According to a 2017 KPMG report, the main next challenge for business is to “come through with meaningful contributions to the global effort to achieve the SDGs” (KPMG.2017). Swedish companies and Nordic companies in general, due to cultural and other reasons, are increasingly interested in demonstrating how they create value

---

15 M-Pesa (M for mobile, pesa is Swahili for money) is a mobile phone-based money transfer, financing and microfinancing service, launched in 2007 by Vodafone for Safaricom and Vodacom, the largest mobile network operators in Kenya and Tanzania. It has since expanded to Afghanistan, South Africa, India and in 2014 to Romania and in 2015 to Albania.
in society and the SDGs provide a means for doing so. In 2017, the top 10 countries where a majority of the top 100 companies reference the SDGs in their CR reporting are European or Latin American countries. In Latin America, there has been huge effort on the part of NGOs and industry bodies like the WBCSD to publicize the SDGs as the preeminent framework for designing and implementing sustainability activities. Additionally, thanks to the way the SDGs were designed, many companies have mapped their existing CSR activities onto to SDGs in order to demonstrate how they are contributing to sustainable development. Regulators and industry bodies are also supportive. For example, The Brazilian Corporate Sustainability Index, an index on the Sao Paolo Stock Exchange, encourages companies to commit to the SDGs and embed them in their management approach. Among the world’s largest companies (G250), European companies are leading the way, while US companies lag behind in integrating SDGs in their sustainability and overall business strategy and activities.

**KPMG, Ernst and Young, PwC and SustainAbility in their analysis, point out that “Human rights is firmly an issue on the global business agenda.”** The UN Guiding Principles on Business & Human Rights have established the responsibility of businesses to respect human rights, avoid infringing them and to remedy any negative human rights impacts they are involved with. “Six years after the launch of the Principles, KPMG’s survey shows that a majority of the world’s largest companies now recognize human rights as a business issue. Almost three quarters (73 percent) of N100⁶ς corporate responsibility reports and nine out of ten (90 percent) G250⁷ reports acknowledge the issue...However, only around two thirds of these (62 percent of both the G250 and N100) report that they have a human rights policy in place at their organizations. The human rights policy is the fundamental building block of corporate action on human rights, therefore the lack of such a document at many companies suggests they still have a lot of work to do.”

The message is “companies must move from simply reporting human rights risks to identifying, responding to and remediating the impacts. This will require a step change in mindset. What’s more, over the next few years, a significant amount of work is required to further test and explore what good human rights business performance actually looks like. For example, does putting a dollar value on human rights help or harm people, and does it actually help companies understand their human rights performance? What alternative ways are there to measure performance? These questions will have to be answered to ensure continued progress in the field of business and human rights.”

The SDGs and the Agenda 2030, are challenging companies, governments and the other stakeholders to engage in a broad collaborative effort for sustainable development. But most of the existing initiatives that offer sustainability, ESG and CSR instruments, including guiding principles and best practices on corporate governance, or provide “socially- and environmentally-sensitive” financial instruments, are focusing

---

⁶ The **N100** (in the 2017 KPMG survey) refers to a worldwide sample of 4,900 **companies** comprising the top 100 companies by revenue in each of the 49 countries researched in this study. These **N100** statistics provide a broad-based snapshot of CR reporting among both large and mid-cap **firms** around the world.

⁷ The **G250** (in the 2017 KPMG survey) refers to the world’s 250 largest **companies** by revenue based on the Fortune 500 ranking of 2016.
predominantly on the company. They do not offer any sort of holistic, comprehensive approach, that incorporates internal corporate governance solutions and company performance policies together with external ecosystem of fiscal policies, financial mechanisms, procurement policies, and other elements enabling sustainable business development. Currently, insufficient alignment among the diverse CSR initiatives and instruments, combined with siloed mentality and lack of incentives and coordination, both within the companies and externally among their stakeholders in the external “business ecosystem,” are still allowing “business as usual” and continue to limit the collective impacts and progress towards the SDGs.

Social sustainability is characterized often as the least quantifiable part of sustainability. The challenges in defining and measuring social sustainability result from the complexity of the context specific social issues, diversity of legitimate meanings, and a reluctance to engage diverse and local sources of knowledge in both academic and practical business research leading to lack of cross-disciplinary communication. Another challenge in the practical implementation of social sustainability is the complexity of interrelations among the various social issues and among the social and the environmental, economic and ethical sustainability aspects of business.

The multidimensionality of sustainability has been reiterated by the Rio+20 and the UN Sustainable Development Solutions Network (SDSN) clearly expressed the need for an integrated approach towards sustainability at a systems level. According to the document An Action Agenda for Sustainable Development (SDSN 2013), “the challenges addressed by the proposed SDGs are inherently integrated”. Consequently, one of the positive impacts of the SDGs is bringing focus and attention to the social aspects of sustainability and CSR and creating a momentum for collaborative work on social impact and social business performance metrics and tools.

The Human Centered Business Model (HCBM) addresses the above trends and challenges by creating an alternative approach to doing business, one that is based on globally accepted sustainability principles and addresses not only the Human-Centered Enterprise (HCE) but also the “business ecosystem” in which the HCE operates. The HCBM set of fundamental Social Sustainability Principles for doing business in a sustainable, socially responsible way, applied to both companies and their “business ecosystem”, are able to scale up the worldwide adoption of and positive outcomes from the international CSR and sustainability initiatives and instruments, to expand the multi-stakeholder collaboration and to multiply the business contribution to the SDGs on both local and global levels.

---


19 The SDGs cover all social, environmental and developmental issues, in both developed and developing countries. Each of the 17 SDGs contains a number of interconnected targets, which results in a truly cross-cutting approach in implementation of activities, monitoring, evaluation and reporting on progress towards the SDGs. (Leadership Council Sustainable Development Solutions Network, 2015).
HCBM SOCIAL SUSTAINABILITY PRINCIPLES AND GOALS

Setting the Stage

The HCBM Social Sustainability Principles (SSP or SS Principles) are in line with existing relevant global norms and international legal instruments addressing sustainable development and business, CSR policies, and principles voluntarily adopted by the private sector largely agreed upon by the international community to regulate business conduct.

The HCBM Principles are serving several purposes, for example:

- Provide a common ethical and practical framework to guide individual and collective efforts in the HCE concerning its activities and impacts in the areas of human rights and labor rights, in accordance with the common human rights and labor rights laws and norms;
- Ensure that governance and systems are set up to guide, monitor, manage and evaluate the HCEs human rights and labor rights performance and impacts;
- Prevent actions that cause harm through due diligence and provide remedy in case harm has been done.

The HCBM Social Sustainability Goals (GSSP) are clustered in thematic groups, each group corresponding with specific Social Sustainability Principle and addressing specific issues, for example:

a) respect for human rights in its many aspects including GSSPs on respect of human dignity, right to integrity, right to equality, right to privacy, right to freedom, right to work, right to health and non-complicity in HR abuses;

b) adequate wages and dignified standard of living in its several aspects including GSSPs on wages that guarantee an adequate standard of living for the health and well-being of workers and their family, wages that guarantee the right to security in the event of unemployment, sickness, disability, widowhood, old age;

c) just and favorable work conditions to ensure a safe and healthy work environment including providing appropriate measures to ensure that pregnant women are not obliged to perform work that will be prejudicial to the health of the mother or the child; guaranteeing maternity leave;
d) equal treatment and equal employment opportunity including for example, no
discrimination for sex, or race or skin color, disability, social origin, religion, or
political opinions; equal pay for equal work;

e) prohibition of child labor, slavery and servitude;

f) freedom of association and right to collective bargaining including respect the
exercise of the right to strike;

g) respect of leisure and paid leave including parental leave; etc.

Each of the HCBM SS Principles are described with definitions and recommendations
clarifying practical implementation of its corresponding goals. For each GSSP is
noted if it is required (Essential) or nonobligatory (Optional) and if it is proposed
to be implemented by the HCE immediately (Immediate Realization IR) or in a
period of time (Progressive Realization PR).

The accumulated experience in the business sector from implementation of the social
principles of the UN Global Compact Principles and the OECD Guidelines, and the
Human Rights and ILO Principles and Guidelines, is building a momentum towards
systemic integration of social sustainability into the business governance, operations
and reporting.

The HCBM social sustainability principles present an effort to capture some of
the current new social sustainability developments in the context of CSR and
sustainable development. This is done along with the main task of bringing clarity
to and better understanding of the meaning of each social sustainability principle
and its practical implementation in companies.

In the following presentation of the HCBM SS Principles and Goals, special
attention is paid to the alignment between the HCBM principles and the seven main
international instruments addressing enterprises’ social sustainability, identified
among the main international sustainability instruments:

- OECD Guidelines for Multinational Enterprises
- United Nations Global Compact Principles
- United Nations Guiding Principles on Business and Human Rights
- International Labor Organization Tripartite Declaration of Principles concerning
  Multinational Enterprises on Social Policy
- IFC’s Environmental and Social Performance Standards and the World Bank ESF
- ISO 26000 Guidance Standard on Social Responsibility
- The Global Reporting Initiative (GRI).

The alignment of each HCBM SS Principle and Goal with each of the above
international main instruments is presented in Table 21 and in this section as part
of SS Principles descriptions.
HCBM Principle Respect for Human Rights

The HCBM Respect for HR Principle and its corresponding Goals are rooted in with the Universal Declaration of Human Rights, the human rights treaties, declarations and conventions addressing: prevention of discrimination, rights of women, rights of the child, rights of older persons, rights of persons with disabilities, right to social welfare, right to work and to fair conditions of employment, rights to health, freedom of association and other HR issues. They summarize the essence of the Foundational and Operational Principles, particularly principles 11, 12, 13, 17, 22 and 23, of the “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework”, on the issue of human rights and transnational corporations and other business enterprises. States have a duty and responsibility to respect, protect and fulfil human rights, while enterprises have the responsibility to respect human rights within its sphere of influence. Internationally recognized human rights are relevant for business beyond mere compliance with the law. The scope of the enterprise’s responsibility in this regard shall not depend on the local context in which it is operating. It shall be considered whether the company is causing or contributing to adverse human rights impacts through its own activities within the local context.

To respect human rights, organizations have a responsibility to exercise due diligence to identify, prevent and address actual or potential human rights negative impacts resulting from their activities or the activities of those with which they have relationships. Due diligence may also alert an organization to a responsibility to influence the behavior of others, where they may be the cause of human rights violations in which the organization may be implicated. Specific to human rights, a due diligence process should, in a manner that is appropriate to the organization’s size and circumstances, include the following components:

---

20 Human rights are rights inherent to all human beings, whatever our nationality, place of residence, sex, national or ethnic origin, color, religion, language, or any other status. We are all equally entitled to our human rights without discrimination. Human rights include:
- The right to life, liberty and security of person
- The right to freedom from torture and slavery
- The right to recognition and equality before the law
- The right to freedom of thought, opinion, expression, conscience and religion
- The right to freedom of peaceful assembly and association
- The right to property
- The right to decent work and education
- The right to rest and leisure
- The right to an adequate standard of living

21 According to ISO 26000, the organization’s sphere of influence includes relationships within and beyond an organization’s value chain. However, not all of an organization’s value chain necessarily falls within its sphere of influence. It can include the formal and informal associations in which it participates, as well as peer organizations or competitors. An organization is responsible for the impacts of decisions and activities over which it has formal and/or de facto control. (de facto control refers to situations where one organization has the ability to dictate the decisions and activities of another party, even where it does not have the legal or formal authority to do so). Such impacts can be extensive. In addition to being responsible for its own decisions and activities, an organization may, in some situations, have the ability to affect the behavior of organizations/parties with which it has relationships. Such situations are considered to fall within an organization’s sphere of influence.
a human rights policy for the organization that gives meaningful guidance to those within the organization and those closely linked to the organization;

- means of assessing how existing and proposed activities may affect human rights;
- means of integrating the human rights policy throughout the organization;
- means of tracking performance over time, to be able to make necessary adjustments in priorities and approach; and
- actions to address the negative impacts of its decisions and activities.

The enterprise shall address the two elements of complicity: (1) An act or omission (failure to act) by an enterprise that helps, facilitates, legitimizes, assists, or encourages another entity to carry out human rights abuses; (2) Knowledge on the part of the enterprise about its act or failure to act would facilitate such abuses of human rights. An enterprise can become aware of, prevent and address risks of complicity by integrating the common features of legal and societal benchmarks into its due diligence processes. In order to resolve grievances and disputes over human rights impacts of its decisions and activities, the enterprise should establish a grievance mechanism for those who believe their human rights have been abused to bring this to the attention of the organization and seek redress. To discharge its responsibility to respect human rights, the organization should also establish, or otherwise ensure the availability of, remedy mechanisms for its own use and that of its stakeholders.

Example of an act of complicity by a company (2): complaint has been filed in a US court against a company for allegedly hiring or otherwise directing paramilitary security forces that used extreme violence and murdered, tortured, unlawfully detained or otherwise silenced trade union leaders of the union representing workers at the company’s facilities in a third country.

Knowledge about an act of complicity by another entity (1): An oil company is being sued in the USA for alleged complicity in serious abuses committed by foreign government forces in the building of a natural gas pipeline. The list of alleged abuses include rape and forced labour.

Complicity is associated with the concept of aiding and abetting an illegal act or omission. While their boundaries are imprecise and evolving, three forms of complicity can be described.

- Direct complicity - occurs when an organization knowingly assists in a violation of human rights.
- Beneficial complicity - involves an organization or subsidiaries benefiting directly from human rights abuses committed by someone else. Examples include an organization tolerating action by security forces to suppress a peaceful protest against its decisions and activities or use of repressive measures while guarding its facilities, or an organization benefiting economically from suppliers’ abuse of fundamental rights at work.
- Silent complicity - can involve the failure by an organization to raise with the appropriate authorities the question of systematic or continuous human rights violations, such as not speaking out against systematic discrimination in employment law against particular groups. (adapted from ILO; ISO 2600; UDHR; GRI; etc.)
The opportunities to support human rights will often be greatest among the enterprise’s own operations and employees. Additionally, the enterprise will have opportunities to work with its suppliers, peers or other organizations and the broader society. In some cases, the enterprise may wish to increase their influence through collaboration with other organizations and individuals. Assessment of the opportunities for action and for greater influence will depend on the particular circumstances, some specific to the organization and some specific to the context in which it is operating. (ISO 26000.2011; UN GP Reporting Framework.2015)

Box 11

“The benefits and opportunities for companies that are recognized as respecting human rights include:

- **Improved risk management** with less chance of business disruptions, public campaigns and criticism, litigation, reputational harm, and harm to employee retention and recruitment;
- **Greater access to business opportunities** with governments, financers and business customers and buyers, who increasingly recognize the reduced risk to themselves when working with a company that effectively manages risks to human rights;
- **Positive recognition**, including from socially responsible investors and civil society organizations, of the company’s improving human rights performance and its efforts to address challenges;
- **Improved relationships** with workers, communities and other stakeholders in societies, resulting in greater trust and a stronger social license to operate;
- Improved ability to **preserve their reputation** when negative impacts occur, given better public understanding of their overall efforts to avoid such incidents;
- Improved **ability to recruit the next generation of young leaders**, who are increasingly focused on companies’ performance in this area;
- A comparative **advantage with a growing number of stock exchanges and public and private financial institutions** scrutinizing companies’ non-financial performance, including with regard to human rights.”

(the text is from UN Guiding Principles Reporting Framework with Implementation Guidance, 2015)
Table 1 shows the proposed Goals under the HCBM HR Principle (SSP-1):

GSSP-1.1. Enterprises shall respect human rights, particularly, the right to human dignity, the right to integrity, the right to equality, the right to privacy, the right to freedom, the right to work, the right to health – Essential Principle of Immediate Realization.

GSSP-1.2. Enterprises shall make sure that they are not complicit in human rights abuses, whether in issues involving internal stakeholders (such as employees) or external stakeholders (such as suppliers) – Essential Principle of Immediate Realization.

<table>
<thead>
<tr>
<th>HCBM Social Sustainability Principles Group SS-1: RESPECT FOR HUMAN RIGHTS (A)</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>GSS-1.1. Enterprises shall respect human rights, particularly, the right to human dignity, the right to integrity, the right to equality, the right to privacy, the right to freedom, the right to work, the right to health</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Essential IR</td>
<td>SS-1.1. Enterprises shall respect human rights, particularly, the right to human dignity, the right to integrity, the right to equality, the right to privacy, the right to freedom, the right to work, the right to health</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal</td>
<td>GSS-1.2. Enterprises shall make sure that they are not complicit in human rights abuses, whether in issues involving internal stakeholders (such as employees) or external stakeholders (such as suppliers)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Essential IR</td>
<td>SS-1.2. Enterprises shall make sure that they are not complicit in human rights abuses, whether in issues involving internal stakeholders (such as employees) or external stakeholders (such as suppliers)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly

Both GSSP-1.1. and GSSP-1.2. are policy-shaping principles that represent general fundamental expectations and are widely used by companies worldwide. Both are proposed as Goals for Immediate Realization.

**HCBM Principle Adequate Wages and Dignified Family Living**

The significant role of employment in human development is universally accepted. The creation of jobs, as well as wages and other compensation paid for work performed, are among an organization’s most important economic and social contributions. Meaningful and productive work is an essential element in human development; standards of living are improved through full and secure employment. Its absence is a primary cause of social problems. (ILO.2008. Social Justice Declaration)
The Universal Declaration of Human Rights recognizes the **right to just remuneration that ensures an existence worthy of human dignity** as a fundamental human right\(^\text{23}\) and in Article 25 clarifies: “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.”

The preamble to the **Constitution of the International Labor Organization** identifies the provision of an adequate living wage as one of the conditions for universal and lasting peace based on social justice. As there is no universally accepted amount that defines adequate wage, the enterprise should provide wages and other forms of remuneration at minimum in accordance with national laws, regulations or collective agreements. An enterprise should pay wages at least adequate for the needs of workers and their families. In doing so, it should consider the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups. It should also consider economic factors, including requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment. In determining wages and working conditions that reflect these considerations, an enterprise should bargain collectively with its workers or their representatives in trade unions, where they so

---

\(^{23}\) Article 23 states: “Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.” (ILO. [http://www.claiminghumanrights.org/udhr_article_23.html](http://www.claiminghumanrights.org/udhr_article_23.html))
wish, in accordance with national systems for collective bargaining. (adapted from ILO; ISO 26000; UDHR; etc.)

Relevant to this principle is the broader area of **work conditions**, which in addition to wages, includes other forms of compensation, working time, rest periods, holidays, disciplinary and dismissal practices, maternity protection, access to medical services. Conditions of work greatly affect the quality of life of workers and their families and economic and social development. In this respect, it is recommended that enterprises give fair and appropriate consideration to the quality of conditions of work, provide decent conditions of work with regard to wages, hours of work, weekly rest, holidays, health and safety, maternity protection and ability to combine work with family responsibilities. Provide conditions of work for all workers that permit, to the greatest extent possible, work-life balance and are comparable with those offered by similar employers in the locality concerned. Wherever possible, the enterprise should allow observance of national or religious traditions and customs.

**Proposed Goals under HCBM Adequate Wages and Dignified Family Living Principle**

**TABLE 2**

<table>
<thead>
<tr>
<th>SSP-2. ADEQUATE WAGES AND DIGNIFIED FAMILY LIVING PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-2.1. Business shall provide wages that guarantee an adequate standard of living for the worker and his/her family (remuneration and appropriate health insurance and retirement plan that ensure dignified life for the worker and the family including health, food, education, housing etc.). Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GSSP-2.2. Contribution to quality of life in the employee’s families. Optional</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly

are presented in Table 2 and below:

**GSSP-2.1. Business shall provide wages that guarantee an adequate standard of living for the worker and his/her family (remuneration that ensures dignified life for the worker and the family including health, food, education, housing etc.)** is an Essential Goal of Progressive Realization – it has a specific narrow scope, and it lacks consensus on definitions and how to be achieved; there is dependency from many factors and conditions impacting the ability of the enterprise to meet the expectations under this principle; it implementation require significant investments and need to establish specific corporate culture.
GSSP-2.2. **Contribution to quality of life in the employee’s families** is proposed as an Optional Goal as this is a new fast evolving area where metrics are still in testing phase, implementation takes time and resources and companies are encouraged to experiment depending on their capacity and level of preparedness and to share good practices.

**HCBM Principle Healthy and Safe Work Environment**

**Health and safety at work** concerns the promotion and maintenance of physical, mental and social well-being of workers through: prevention of harm to health caused by working conditions, protection of workers from risks to health and the adaptation of the occupational environment to the physiological and psychological needs of workers.

These include, Accidental, chronic pollution and other workplace hazards that are harmful for workers and have impacts on communities and the environment. Health and safety concerns arise over dangerous equipment, processes, practices and substances (chemical, physical and biological). For example, “Use of chemicals at work” is defined as any work activity which may expose a worker to a chemical, including production, handling storage, and transport of chemicals. Also includes the disposal and treatment of waste chemicals and the maintenance of equipment and containers for chemicals. There must be systems and specific criteria for the classification of all chemicals according to the type and degree of their intrinsic health and physical hazards.

**Healthy workplace** – According to the definition by WHO (WHO. 2010. WHO Healthy Workplace Framework and Model: Background and Supporting Literature and Practices by Joan Burton. http://www.who.int/occupational_health/healthy_workplace_framework.pdf), healthy workplace is one in which workers and managers collaborate to use a continual improvement process to protect and promote the health, safety and well-being of all workers and the sustainability of the workplace by considering the following, based on identified needs:

- health and safety concerns in the physical work environment;
- health, safety and well-being concerns in the psychosocial work environment including organization of work and workplace culture;
- personal health resources in the workplace; and
- ways of participating in the community to improve the health of workers, their families and other members of the community.

Enterprises are expected to address the occupational health and safety issues through setting up policies, monitoring and risk analysis systems, provision of necessary safety equipment, continuing training of their employee, H&S audits and certifications, etc.
For example, in the mining sector, employers must take all measures to minimize the risks to safety and health in mines under their control, and (a) ensure that the mine is designed, constructed and provided with electrical, mechanical and other equipment, including a communication system, to provide conditions for safe operation and a healthy working environment; (b) take steps to maintain the stability of the ground in areas to which persons have access in the context of their work; and (c) regularly inspect the working environment to identify the various hazards to which the workers may be exposed. In ports, bodies employing port workers should ensure that all port workers are properly instructed in the hazards of their occupations and the precautions that are necessary to avoid accidents. They have a duty to provide the workers with any personal protective equipment and protective clothing and any life-saving appliances. Port workers must also be informed of legal requirements relating to their protection. Workers shall have the right and the duty at any workplace to participate in ensuring safe working conditions to the extent of their control over the equipment and methods of work and to express views on the working procedures adopted as they may affect safety and health.

According to ISO 26000 the enterprises should take the following actions concerning occupational health and safety:

- develop, implement and maintain an occupational health and safety policy based on the principle that strong safety and health standards and organizational performance are mutually supportive and reinforcing;
- understand and apply principles of health and safety management, including the hierarchy of controls: elimination, substitution, engineering controls, administrative controls, work procedures and personal protective equipment;
- analyze and control the health and safety risks involved in its activities;
- communicate the requirement that workers should follow all safe practices at all times and ensure that workers follow the proper procedures;
- provide the safety equipment needed, including personal protective equipment, for the prevention of occupational injuries, diseases and accidents, as well as for dealing with emergencies;
- record and investigate all health and safety incidents and problems in order to minimize or eliminate them;
- address the specific ways in which occupational safety and health (OSH) risks differently affect women (such as those who are pregnant, have recently given birth or are breastfeeding) and men, or workers in particular circumstances such as people with disabilities, inexperienced or younger workers;
- provide equal health and safety protection for part-time and temporary workers, as well as subcontracted workers;
- strive to eliminate psychosocial hazards in the workplace, which contribute or lead to stress and illness;
- provide adequate training to all personnel on all relevant matters;
- respect the principle that workplace health and safety measures should not involve monetary expenditures by workers; and
- base its health, safety and environment systems on the participation of the workers concerned and recognize and respect the rights of workers.”
Favorable working conditions are aspects of the work environment that can contribute to maintaining and enhancing employees’ health, while ensuring that productivity is sustained and improved. For example, research by National Research Centre for the Working Environment (Det Nationale Forskningscenter for Arbejdsmiljø), in Denmark shows that favorable working conditions are created by positive work factors including for example the work environment, leadership style, teamwork, motivation, personal resources and job satisfaction, and how they influence employees’ health and productivity.

Proposed Goals under Healthy and Safe Work Environment Principle are presented in Table 3:

GSSP-3-1. Respect/comply with labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment is proposed for Essential Immediate Realization because it is fundamental, policy-shaping goal;

GSSP-3-2. Right to a safe and secure working environment for all workers, including migrant workers, in particular women migrants, and those in precarious employment. Essential Progressive Realization (with incentives to be applied immediately) – this is a goal of utmost importance but might require time and investment to set up the systems ensuring full implementation;

GSSP-3.3. Favorable and healthy conditions of work is proposed for Essential Progressive Realization (with incentives to be implemented immediately) – the subject of favorable working conditions is still an evolving field, metrics and systems are in process of testing and companies are encouraged to create a culture supported by policies and systems that create, support and maintain favorable working environment.

24 The study has identified the following most important work environment factors which lead to better health among employees and, consequently, to better labour productivity and company results:
• maintaining a high degree of influence in the work performed;
• having an active job – this means having a combination of high demands and a large degree of influence, reward and recognition for the work performed;
• receiving adequate social support from colleagues and executives;
• good resources such as influence, social support and acknowledgement in their work – this leads to increased motivation and commitment among employees, in turn resulting in better health, well-being and results for the organisation;
• team spirit and trust in the competencies of the team – especially when there is a high degree of mutual dependence in performing tasks or carrying out projects within the team;
• fairness, trust and employees’ perception of support in the workplace – these can contribute to better health and improved job performance;
• leadership style – in particular, transformational leadership, where the manager expresses a common vision for the future, this stimulates employees intellectually, presents a role model for employees, and has a positive impact on their well-being and work results;
• personal resources such as self-confidence and self-respect – these factors correlate positively with health and well-being. However, the study shows that high self-confidence can sometimes be unhealthy if the employee has a low degree of influence, as the person will continue trying to obtain something which is not possible. (National Research Centre for the Working Environment. 2007)
### TABLE 3

<table>
<thead>
<tr>
<th>SSP-3, HEALTHY AND SAFE WORK ENVIRONMENT PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-3.1. Respect/comply with labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GSSP-3.2. Right to a safe and secure working environment for all workers, including migrant workers, in particular women migrants, and those in precarious employment. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GSSP-3.3. Favorable and healthy conditions of work Essential IR</td>
<td>X</td>
<td>X</td>
<td>Essential IR = Essential Immediate Realization; Essential PR = Essential Progressive Realization; Optional = Optional Realization; X = addressed indirectly</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

HCBM Principle Equal Treatment and Equal Employment Opportunities

In general terms, **equality at work** means equal opportunities for all individuals to apply and develop fully the knowledge, skills and competencies that are relevant to the employment activities they wish to pursue.

**Discrimination in respect of employment and occupation** is any distinction, exclusion or preference made based on race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation. The terms “employment” and “occupation” include access to vocational training, access to employment and to particular occupations, and terms and conditions of employment. (ILO, Discrimination (Employment and Occupation) Convention, 1958 (No. 111)) The **elimination of discrimination regarding employment and occupation** is one of the fundamental rights at work defined by The International Labor Organization (ILO) (ILO, 1998. Declaration on Fundamental Principles and Rights at Work)

Enterprise should confirm that its employment policies are free from discrimination based on race, color, gender, religion, national extraction, social origin, political opinion, age, or disability. Emerging prohibited grounds also include marital or family
status, personal relationships, and health status such as HIV/AIDS status. These conditions are in line with the general principle that hiring policies and practices, earnings, employment conditions, access to training and promotion, and termination of employment should be based only on the requirements of the job. For peasants and owners of small or family enterprises, especially the women and ethnic groups, equal access to land (including by inheritance), training, technology and capital is key. (adapted from ILO; ISO 2600; UDHR; CEDAW; etc.)

The following are adapted from the ISO 26000 examples of vulnerable groups:

- Women and girls are frequently denied access to resources and opportunities on equal terms with men and boys. Women have the right to enjoy all human rights without discrimination, including in education, employment and economic and social activities.

- People with disabilities are often discriminated, in part because of misperceptions about their skills and abilities. An organization should contribute to ensuring that men and women with disabilities are accorded dignity, autonomy and full participation in society.

- Indigenous peoples can be considered a vulnerable group because they have experienced systemic discrimination that has included colonization, dispossession from their lands, separate status from other citizens, and violations of their human rights. Indigenous peoples enjoy collective rights, and individuals belonging to indigenous peoples share universal human rights, in particular the right to equal treatment and opportunity. The collective rights include: self-determination (which means the right to determine their identity, their political status and the way they want to develop); access to and management of traditional land, water and resources; maintaining and enjoying their customs, culture, language and traditional knowledge free from discrimination; and managing their cultural and intellectual property. An organization should recognize and respect the rights of indigenous peoples when carrying out its decisions and activities.

- Migrants, migrant workers and their families may also be vulnerable owing to their foreign or regional origin, particularly if they are irregular or undocumented migrants.

- People discriminated against on the basis of descent, including caste. This form of discrimination is based on a history of rights abuse justified by the wrongful notion that some people are considered unclean or less worthy because of the group into which they are born.

- People discriminated against on the basis of race. People are discriminated against because of their race, cultural identity and ethnic origin. Racism is often present in regions with a history of slavery or oppression of one racial group by another.

- Other vulnerable groups include, for example, the elderly, the displaced, the poor, illiterate people, people living with HIV/AIDS and minority and religious groups.
Enterprises should equalize opportunities for persons with disabilities and should eliminate discrimination on the basis of disability. Dismissal on the grounds of maternity is prohibited. (Convention on the Elimination of all forms of Discrimination against women (CEDAW), art.11; Convention on the Rights of Persons with Disabilities Art.4)

**Gender equality** - The word gender describes the socially-constructed roles and responsibilities that societies consider appropriate for men and women. Gender equality means that men and women have equal power and equal opportunities for financial independence, education, and personal development. In the business context, enterprises should ensure: women are allowed access to job opportunities and resources, elimination of sexual harassment at the workplace, building gender-balanced leadership teams, protecting the rights of pregnant women, ensure equal pay for equal work, promotion of women empowerment and building women’ leadership competencies, etc.

**Equal pay for equal work** is a concept of labor rights, meaning that individuals in the same workplace should receive equal pay. As most commonly the concept is used in the context of gender discrimination and gender pay gap, recently it has become a hot topic in the global debate about gender equality. However, equal pay for equal work goes beyond just gender and addresses the unequal treatment of people based on sexuality, height, weight, accent, or race in the workplace. In many countries, governments have taken action to legally protect people from gender discrimination in the workplace and in the wider society. In the absence of legislation, companies are expected to take into account the Universal Declaration for Human Rights, the ILO Conventions (*ILO.1951. Equal Remuneration Convention No100*), and other conventions and agreements, such as for example the African Charter on Human and People’s Rights. For more on Equal Employment Opportunities Principles see HCBM E&S Principles – Equal Employment Opportunity paper available at https://globalforumljd.com/new/communities-of-practice/human-centered-business-model.

**Proposed Goals for Equal Treatment and Equal Employment Opportunities Principle** are presented below and in table 4:

**GSSP-4.1. Elimination of discrimination in respect of employment and occupation. Essential, Immediate Realization** - general and fundamental policy-shaping, defines the company’s culture and values, a policy base that provides a foundation for more specific actions;

---

25 The aim of maternity protection is to protect the health of mothers and their babies, and to minimize (and ultimately eradicate) the difficulties and disadvantages that working women face as a result of giving birth. According to the ILO Maternity Protection Convention, 2000 (No. 183) and the accompanying Maternity Protection Recommendation, 2000 (No. 191), the ILO Workers with Family Responsibilities Convention, 1981 (No.156) and the related Recommendation No. 165, maternity protection includes: maternity leave around childbirth; health protection at work for pregnant and breastfeeding women; cash and medical benefits; employment protection and non-discrimination; and breastfeeding support after returning to work. It also includes a number of work–family balance policies and practices at the workplace, including a range of flexible working arrangements; paternity and parental leave; and childcare support.

26 In the USA, the Equal Pay Act of 1963 states that it is illegal to pay men and women working in the same place different salaries for similar work. The right for equal pay for equal work/work for equal value is protected legally in the EU (Equal Treatment Directive 2006/54/EC), in the UK (Equality Act 2010), in Iceland, Canada, Australia and Taiwan.
GSSP-4.2. Equal pay for equal work/work for equal value. Essential, Progressive Realization (with incentives to be applied immediately) - specific focus, many factors impact ability to implement this principle, require the company’s culture and governance to step up first;

GSSP-4.3. Enterprises shall promote equal opportunities between men and women: Positive Action. Essential, Immediate Realization - specific focus but one of the top priorities on the business agenda today, gives competitive advantage;

GSSP-4.4. Equal Opportunities. Business shall contribute to promote equal opportunities for persons with disabilities. Essential, Progressive Realization - specific focus, many factors impact ability to implement this principle, requires investments;

GSSP-4.5. Special protection for vulnerable workers: a. minors; b. pregnant women; and c. persons with disabilities - for Essential Progressive Realization

<table>
<thead>
<tr>
<th>Table 4</th>
<th>SSP-4. EQUAL TREATMENT AND EQUAL EMPLOYMENT OPPORTUNITIES PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-4.1.</td>
<td>Elimination of discrimination in respect of employment and occupation. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Goal GSSP-4.2.</td>
<td>Equal pay for equal work/work for equal value. Essential IR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal GSSP-4.3.</td>
<td>Enterprises shall promote equal Opportunities between men and women: Positive Action Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Goal GSSP-4.4.</td>
<td>Equal Opportunities. Business shall contribute to promote equal opportunities for persons with disabilities. Optional</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal GSSP-4.5.</td>
<td>Special protection for vulnerable workers: minors, pregnant women, persons with disabilities, LGBT. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly
HCBM Principle Prohibition on Child Labor, Slavery and Servitude

ILO defines “child labour” as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.

A slave is a person owned by someone and slavery is the state of being under the control of someone where a person is forced to work for another (UN; ILO). According to the EU Charter of Fundamental Human Rights Servitude is ‘human exploitation falling short of slavery’.

According to the ILO forced labor refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities. Forced labor, contemporary forms of slavery, debt bondage and human trafficking are closely related terms though not identical in a legal sense. Most situations of slavery or human trafficking are however covered by ILO’s definition of forced labor. (ILO. http://www.ilo.org/global/topics/forced-labour/news/WCMS_237569/lang--en/index.htm)

An organization should not engage in or benefit from any use of forced or compulsory labor. No work or service should be exacted from any person under the threat of any penalty or when the work is not conducted voluntarily. An organization should not engage or benefit from prison labor, unless the prisoners have been convicted in a court of law and their labor is under the supervision and control of a public authority. Further, prison labor should not be used by private organizations unless performed on a voluntary basis, as evidenced by, among other things, fair and decent conditions of employment. Other common forms of forced labor include human trafficking for the purpose of forced labor, coercion in employment, forced labor linked to exploitative labor contract systems, and debt-induced forced labor, also known as ‘debt-bondage’ or ‘bonded labor’. The victims are most likely from groups subject to discrimination or performing work on an informal or precarious basis. This can include women and girls forced into prostitution, migrants trapped in debt bondage, and sweatshop or farm workers, among other groups. Due diligence is expected of an organization in order to prevent and combat all forms of forced or compulsory labor within its activities. (adapted from ILO; ISO 2600; UDHR; CEDAW; GRI; etc.)

An enterprise has duty to take immediate measures to secure elimination of the worst forms of child labor. ‘Worst forms of child labor comprises: (1) all forms of involuntary

---

27 Forced or compulsory labor is all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily. (ILO Forced Labour Convention, 1930 (No. 29)).

28 A slave is considered as a property of another as the one controlling them purchases them or owns them from their birth (Slavery Law and Legal Definition | USLegal, Inc. https://definitions.uslegal.com/s/slavery/).

29 Human trafficking is the recruitment, transportation, transfer, harboring, or receipt of persons by improper means (such as force, abduction, fraud, or coercion) for an improper purpose including forced labor or sexual exploitation. (UN Protocol to Prevent, Suppress, and Punish Trafficking in Persons, Especially Women and Children, summary Web page at http://www.unodc.org/unodc/en/treaties/CTOC/index.html).
servitude, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict; and (2) 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.

Table 5 shows the proposed Goals for HCBM Prohibition on Child Labor, Slavery and Servitude Principle, also listed below:

GSSP-5.1. Prohibition of any form of child labor, including recruitment and use of child soldiers. Essential Goal of Immediate Realization – fundamental, policy shaping, global acceptance.


TABLE 5

<table>
<thead>
<tr>
<th>Goal GSSP-5.1.</th>
<th>Prohibition of any form of child labor. Essential PR</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal GSSP-5.2.</th>
<th>Prohibition of forced labor, slavery and human trafficking. No recruitment and use of child soldiers. Essential IR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly

The HCBM takes into account the latest guidelines and practical approaches for addressing fundamental principles and rights at work by companies. The expectation on HCEs is to respect human and labor rights and if their products or services are linked to child labor or/and forced labor rights abuses, they have a responsibility to take reasonable steps to try to change that situation, such as work with supplier for a change of their practices or change supplier.

**HCBM Principle Collective Rights**

The ILO has identified the fundamental rights at work, including the freedom of association and effective recognition of the right to collective bargaining, in the Declaration on Fundamental Principles and Rights at Work and a number of conventions. (ILO. Declaration on Fundamental Principles and Rights at Work.1998; ILO. C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) Convention concerning Freedom of Association and Protection of the Right
Strike action, also called labor strike, labour strike, or simply strike, is a work stoppage caused by the mass refusal of employees to work. A strike usually takes place in response to employee grievances. The right to strike is not set out explicitly in ILO Conventions and Recommendations (it is mentioned in Convention No. 87 and No. 98 without specific provisions), but it is addressed in the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the International Covenant on Civil and Political Rights (ICCPR). It has been challenged by the International Organization of Employers since the late 1980s. However, the government representatives of the European Union, Latin America, the Caribbean and Nordic countries have embedded their support of the right to strike at the ILO with other existing international human rights treaty obligations.

Workers and employers, without distinction whatsoever, have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. Representative organizations formed or joined by workers should be recognized for purposes of collective bargaining. Terms and conditions of employment may be fixed by voluntary collective negotiation where workers so choose. Workers’ representatives should be given appropriate facilities that will enable them to do their work effectively and allow them to perform their role without interference. Collective agreements should include provisions for the settlement of disputes. Workers’ representatives should be provided with information required for meaningful negotiations (ILO). The International Covenant on Economic, Social and Cultural Rights, art.8.c recognizes the right to strike, provided that it is exercised in conformity with the laws of the particular country.

Proposed Goals for HCBM principle Collective Rights are presented in Table 6 and in the text below:

**GSSP-6.1. Freedom of association and Right to Collective Bargaining. Essential Progressive Realization (with incentives to be applied immediately)** - fundamental policy-shaping, defines the company’s culture and values, but the ability of a company to follow on this principle is influenced by many factors – competition in terms of cost of labor, also legal, cultural and other factors;

---

30 However, two resolutions of the International Labour Conference itself – which provide guidelines for ILO policy – in one way or another emphasized recognition of the right to strike in member States. The “Resolution concerning the Abolition of Anti-Trade Union Legislation in the States Members of the International Labour Organisation”, adopted in 1957, called for the adoption of “laws ... ensuring the effective and unrestricted exercise of trade union rights, including the right to strike, by the workers ” (ILO, 1957, p. 783). Similarly, the “Resolution concerning Trade Union Rights and Their Relation to Civil Liberties”, adopted in 1970, invited the Governing Body to instruct the Director-General to take action in a number of ways “with a view to considering further action to ensure full and universal respect for trade union rights in their broadest sense”, with particular attention to be paid, inter alia, to the “right to strike ” (ILO, 1970, pp. 735-736).
GSSP-6.2. Enterprises shall respect the exercise of the right to strike - Essential Progressive Realization (for Immediate Realization if required by the national law) - the ability of a company to follow on this principle is influenced by many factors - sector and size, also legal, cultural and other factors.

### TABLE 6

<table>
<thead>
<tr>
<th>SSP-6. EMPLOYEE/S COLLECTIVE RIGHTS PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-6.2. Enterprises shall respect the exercise of the right to strike. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly

### HCBM Principle Leisure and Paid Leave

Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay. The right “to rest and leisure”, including reasonable limitation of working hours and periodic holidays with pay” is enshrined in the Universal Declaration of Human Rights (Art.24). Many of these aspects are addressed by national laws and regulations or by legally binding agreements between those to whom work is performed (employer/contractor) and those who perform the work (employee/home workers, etc.). The situation with contracted labor, particularly live-in domestic workers, is critical as they are expected to be available 24/7.31

An important first step for companies in this aspect is respect for the right of workers to adhere to normal or agreed working hours established in laws, regulations or collective agreements. The companies are expected also to:

- respect the family responsibilities of workers by providing parental leave and, when possible, childcare and other facilities that can help workers achieve a proper work-life balance; and

---

31 The ILO research shows that amongst domestic workers worldwide, more than half have no legal right to weekly limits on working hours, their working hours are often less predictable than those of other workers, they are expected to work long hours, more than 60 hours per week in certain countries. Domestic workers are also often excluded from legislation regulating the right to rest and less than half of domestic workers in the world are legally entitled to weekly rest and annual leave. Not even an uninterrupted nightly rest is guaranteed for live-in domestic workers, especially those with care responsibilities for children, elders, sick or disabled family members, whose sleep is often interrupted to provide unscheduled care in addition to their daily tasks.
compensate workers for overtime in accordance with laws, regulations or collective agreements.\textsuperscript{32}

Based on regulations or collective agreements, enterprises should provide all workers, at a minimum, with rest, leisure and reasonable limitation of working hours and periodic holidays with pay, as well as remuneration for public holidays. (ICESCR, Art. 7)

The proposed Goal for HCBM Leisure and Paid Leave Principle is presented below and in table 7:

\textbf{GSSP-7.1. Enterprises shall respect leisure and paid leave including maternal leave for mothers. Essential, Progressive Realization (when there are no requirements by the law) – being of critical importance for the health and wellbeing of the workers and their families, this goal should be supported and implemented with careful evaluation of specific conditions on national level and existing good practices.}

\textbf{TABLE 7}

<table>
<thead>
<tr>
<th>SSP-7. EMPLOYEE LEISURE AND PAID LEAVE PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-7.1.</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Enterprises shall respect leisure and paid leave including maternal leave for mothers. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

\textit{Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly}

\textbf{HCBM Principle Employee Training, Education and Lifelong Learning}

The human development and training in the workplace include an organization’s approach to training and upgrading employee skills, and performance and career development reviews. It also includes transition assistance programs to facilitate continued employability, and the management of career endings due to retirement or termination. (ISO 26000)

According to ISO 26000, \textbf{employability} refers to the experiences, competencies and qualifications that increase an individual’s capacity to secure and retain decent work.

\textsuperscript{32} According to the ILO, when requesting workers to work overtime, an organization should take into account the interests, safety and well-being of the workers concerned and any hazard inherent in the work. An organization should comply with laws and regulations prohibiting mandatory and non-compensated overtime, and always respect the basic human rights of workers concerning forced labor.
Organizations can use workplace policy and initiatives to further human development by addressing important social concerns, such as fighting discrimination, promoting health and wellbeing and improving the diversity of their workforces. They can also use workplace policy and initiatives to increase the capacity and employability of individuals.

There are growing expectations for both governments and companies to address the challenges of job security and employability of in regard with the fast spreading robotization and dramatic transition to a future of work with less jobs and more people. The companies should prepare to meet the expectations and challenges resulting from fast moving trends, such as: talent deficit in specific sectors and disappearance of jobs in other sectors; job satisfaction and happiness at the workplace impacts on talent retention and employee loyalty; expanded role of job training and work-based learning; need for radical changes in the educational system and learning methods; expansion of job mobility; etc. Some of the actions a company can take and have an impact include for example:

- Participate in and expand work-based learning activities to promote successful transitions from school to work and improve the quality of skills development of potential and current employees;
- Promote job retention and re-employment through retraining programs in response to structural changes;
- Foster the participation of individuals from disadvantaged groups - low-skilled, youth, migrants - in life-long learning and employability programmes by addressing barriers to participation;
- Foster a better use of existing skills by promoting innovation and the introduction of high-performance work practices;
- Support job mobility through better skills recognition and training and re-training strategies for employee facing job loss and jobseekers;
- provide all workers at all stages of their work experience with access to skills development, training and apprenticeships, and opportunities for career advancement, on an equal and non-discriminatory basis;
- ensure that, when necessary, workers being made redundant are helped to access assistance for new employment, training and counselling;
- establish joint labor-management programs that promote health and well-being.

The GSSP addressing Employee Training, Education and Lifelong Learning Principle and responsibilities of HCEs are presented in Table 8 below, and their elaboration is noted:

GSSP-8.1.1. Training and Education. Essential Immediate Realization – policy-shaping and operational aspects are well established and applied by companies worldwide;
GSSP-8.1.2. Policies and actions for improvement of employability of the human resources. Optional – this is a new area where companies are encouraged to take action.

**TABLE 8**

<table>
<thead>
<tr>
<th>SSP-8. EMPLOYEE TRAINING, LIFELONG LEARNING AND SKILLS DEVELOPMENT PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-8.1.</td>
<td>The enterprise should provide training to its employees to improve their skills, should encourage lifelong learning and assist career ending resulting from termination of employment or retirement. Essential IR/PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GSSP-8.2.</td>
<td>The enterprise should take action to improve the employability of its human resources. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

*Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly*

**HCBM Principle for Positive Community Impact**

**Community** is the residential or other social settlements located in a geographic area that is in physical proximity to an organization’s sites or within an organization’s areas of impact. The area and the community members affected by an organization’s impacts will depend upon the context and especially upon the size and nature of those impacts.

**Community involvement and community development** are both integral parts of sustainable development. Community involvement goes beyond identifying and engaging stakeholders regarding the impacts of an organization’s activities. An organization’s community involvement should arise out of recognition that the organization is a stakeholder in the community, sharing common interests with the community and should include support for and building a relationship with the community. An organization’s contribution to community development can help to promote higher levels of wellbeing in the community.

Issues of community development to which an organization can contribute include creating employment through expanding and diversifying economic activities and technological development. It can also contribute through social investments in wealth and income creation through local economic development initiatives; expanding education and skills development programmes; promoting and preserving culture and arts; and providing and/or promoting community health services. Community development may include institutional strengthening of the community, its groups and
collective forums, cultural, social and environmental programmes and local networks involving multiple institutions. While the involvement of a company in community development might include philanthropic activities, philanthropic activities alone are only a small fraction of company’s engagement with the community and they do not achieve the objective of integrating social responsibility towards the communities into the organization.

The HCBM Communities Principle and the Goals, addressing the community responsibilities of HCEs are listed below and presented in Table 9 where their elaboration is noted:

GPSS-9.1. The company should aim for positive community impact from its operations. Essential for Immediate Realization.


GSSP-9.3. Protection and preservation of the cultural heritage. Respect protect and preserve the culture, knowledge and language of indigenous people. Essential for Progressive Realization.

### TABLE 9

<table>
<thead>
<tr>
<th>SSP-9, POSITIVE COMMUNITY IMPACT PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-9.1. The enterprise should aim for positive community impact from its operations. Essential IR</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GSSP-9.2. Impact on Quality of Life in the Community. Essential PR</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Goal GSSP-9.3. Protection and preservation of the cultural heritage. Respect protect and preserve the culture, knowledge and language of indigenous people. Essential PR</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X=addressed indirectly

**HCBM Principle for Consumer Protection**

**Consumer and Product Responsibility** are related to, among other matters, fair marketing practices, protection of health and safety, sustainable consumption, dispute resolution and redress, data and privacy protection, access to essential products and services, addressing the needs of vulnerable and disadvantaged consumers,

**Protection of consumers’ health and safety** involves the provision of products and services that are safe and that do not carry unacceptable risk of harm when used or consumed. The protection should cover both the intended use and foreseeable misuse. Products and services should be safe, regardless of whether legal safety requirements are in place. **Safety** includes anticipation of potential risks to avoid harm or danger. As all risks cannot be foreseen or eliminated, measures to protect safety should include mechanisms for product withdrawal and recall.

The three HCBM Consumers/Product Responsibility Goals, addressing the responsibilities of HCEs to the consumers of their products and services are listed below and in Table 10, and their elaboration is noted:

**GSSP-10.1.** The company must ensure protection of its customers’ health and safety. Essential Immediate Realization.

**GSSP-10.2.** The company must meet the requirements for labeling and marketing. Essential Immediate Realization.

**GSSP-10.3.** The company must protect its customers’ privacy and data. Optional.

**TABLE 10**

<table>
<thead>
<tr>
<th>SSP-10. CUSTOMER PROTECTION PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GSSP-10.1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The enterprise must ensure protection of its customers’ health and safety. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal GSSP-10.2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The enterprise must meet the requirements for labeling and marketing. Essential PR/IR</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Goal GSSP-10.3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The enterprise must protect its customers’ privacy and data Optional</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Essential IR = Essential Immediate Realization; Essential PR = Essential Progressive Realization; Optional = Optional Realization; X = addressed indirectly

The listed above ten HCBM Social Sustainability Principles and Goals are presented in the HCBM Principles, Goals and Indicators Table 20 and in the HCBM Social Sustainability Principles, Goals and Indicators Table 11.
Driven by need for corporate transparency and credible communications, by demands for reporting on the issues of sustainability, as well as for constructive engagement of companies with their stakeholders on how to address their environmental, social, economic, ethical and governance expectations, the corporate sustainability reporting has evolved in all business sectors worldwide.

**Sustainability reporting** helps organizations to consider their impacts on a range of sustainability issues defined by the international reporting frameworks and through companies’ stakeholder consultations. By enabling companies to measure, understand and communicate their economic, social, environmental, ethical and governance performance, and then set goals, the sustainability indicators are of critical importance to manage change more effectively. Sustainability reporting aims to provide the enterprise and its stakeholders with a holistic view of the enterprise’s activities and performance. Its main goals are:

1) Society-based drivers, such as policies established by Governments and expectations created by citizen and civil society organizations, that reward more responsible and sustainable organizations, continue to provide a strong motivation for corporations to reduce the negative impacts they may have on society and on the environment and to adopt more responsible business practices.

2) Market drivers, found within the markets themselves, include the sustainability-related requirements and preferences expressed by business partners and investors, as well as the increasing engagement of employees and consumers, directly effect and relate to a company’s core business and related strategies. These drivers are poised to gather greater force in the coming era.

(UN Global Compact, GRI. 2016)
Sustainability performance indicators (SPI) are used to measure and manage a company’s performance and to monitor and report on future progress. The HCBM has grouped the HCBM SPIs in four categories, each covering either the economic, social, environmental or ethical/integrity aspects of sustainability.

- **Economic sustainability performance indicators (EPI):** company turnover, cash flow, profit, return on investment, sales, market share, etc.

- **Social sustainability performance indicators (SSPI):** human rights, labor practices, and broader issues affecting consumers, community, and other stakeholders in society.

- **Environmental sustainability performance indicators (ESPI):** greenhouse gas emissions, water consumption, waste output, etc.

- **Integrity/Ethics performance indicators (IPI):** anticorruption, etc.

As noted in the HCBM literature review and principles research, enterprises’ social sustainability is characterized often as the least quantifiable part of sustainability. The challenges in defining and measuring social sustainability result from the complexity of the context specific social issues, diversity of legitimate meanings, and a reluctance to engage diverse and local sources of knowledge in both academic and practical business research leading to lack of cross-disciplinary communication.

However, during the last 10+ years, growing interest in the social sustainability field and the social aspects of corporate performance resulted in some agreement on several social issues of importance for the stakeholders globally. With the release of the first Guidelines on Sustainability Reporting at the World Summit for Sustainable Development in 2001 in Johannesburg, South Africa, the Global Reporting Initiative (GRI) delivered for the first time a global multi-stakeholder agreement and acceptance by governments, the UN and all major stakeholder groups, on social sustainability indicators with measurement protocols developed through a global multi-stakeholder process.

Currently, there is an emerging body of work led by the GRI and the UN Global Compact on how business may measure their contributions to SDGs, including the social dimension of sustainability, as well as work by the Sustainability Accounting Standards Board (SASB), the World Bank Group and IFC, the International Integrated Reporting Council (IIRC), the World Business Council for Sustainable Development (WBCSD), and other international organizations-led and private initiatives.

**The Social Sustainability Indicators (SSPI) proposed in this paper have been selected after an extensive review of the main international instruments and other sources:**

- legal and public policy frameworks set at international and national level, guidelines that set sustainability norms and principles for companies that guides their sustainability reporting practices;

---

33 A large team of consultants is charged with the task to propose indicators for the HCBM Social, Environmental and Integrity Principles. The work is done in three parallel workstreams.
requirements set, and due diligence performed by the financial sector, the private sector, public authorities and consumers’ organizations;

- reporting frameworks addressing the needs of specific stakeholders;

- the GRI Sustainability Reporting Standards;

- and after review of good practices of companies in Europe, USA, Canada and Brazil, leaders in sustainability reporting and social sustainability.

**Our objective has been to identify for the HCBM pilot phase an initial set of well tested social indicators with maximum acceptance globally across maximum variety of sectors and types stakeholders.** Our selection of proposed indicators for the HCBM Social Sustainability Principles and Goals is based on the findings from our research showing that the Global Reporting Initiative (GRI) is the international instrument for sustainability reporting used by the largest number of enterprises globally and most-widely used by a spectrum of large corporations and smaller enterprises; it is also the only existing Sustainability Reporting Standard and the only one so far providing a framework with indicators (disclosures) and practical technical guidance in all dimensions of sustainability for development of sustainability reports.

The enclosed Chapter TABLES of this paper, Table 11 aligns the proposed HCBM Social Indicators (SSPI) and the HCBM Social Sustainability Principles (SSP) and their respective Goals (GSSP) described in detail in the previous chapters in this section.

The proposed SSPI are presented together with their respective metrics and measurement protocols which illustrate how the HCBM Social Sustainability Principles and their respective Goals can be tracked. Some Principles and Goals are tracked by GRI indicators and measuring protocols and in other cases - by indicators from other sources. This initial set of SSPI provides a starting point for the necessary multi-stakeholder consultations and pilot testing that will further define and refine the HCBM Social Sustainability Performance Indicators.

At this stage, for the HCBM it is premature to set targets in regard with the HCBM principles and goals. These will be set through extensive consultation with industry through multi-stakeholder process during the implementation of the pilot projects.
The MSMEs are the major engine of job creation across OECD economies. Yet, the majority of the MSME sector is lagging behind in creating quality jobs and in addressing the sustainable development challenges. It is well acknowledged that the large enterprises and MNEs have strong influence on the MSMEs sustainability performance through their supply chain relationships. However, it is also important to underline the key role governments play in the transition to a sustainable MSMEs sector.

The Trade Union Advisory Committee (TUAC) to the OECD is an interface for trade unions with the OECD. In its Policy considerations issued at the OECD SME Ministerial in Mexico City, February 2018, TUAC states that “Small- and medium size enterprises policies (SMEs) can contribute decisively to inclusive and green growth and quality job creation” and that “governments need to design and implement the right regulatory framework and the right macroeconomic policies for the SMEs’ potential to be unleashed.”

This chapter addresses the challenges and solutions of pursuing socially sustainable objectives for Micro, Small and Medium enterprises (MSMEs), with the identification of some case studies.

**MSMEs, SMEs and Social Sustainability**

A 2017 global report of the UN Working Group on business and human rights found a low level of awareness by SMEs globally of the Guiding Principles and identified the need for more accessible and user-friendly information and practical tools which are tailored to the realities faced by SMEs. A main challenge is that awareness of the Guiding Principles remains low even among the government agencies and business/industry associations that support SMEs.
The development of national action plans on business and human rights offers an opportunity to raise awareness of the Guiding Principles, to clarify that they apply to all enterprises, and to stress the importance of also bringing on board MSMEs.

Our research of SME cases on the practical implementation of human rights in European enterprises shows that although small enterprises may have less capacity to perform human rights due diligence, as compared to larger companies, simple steps can be taken to respect human rights.

The presence of child labor and forced labor in some GSCs is acute in the lower segments of the chain. Migrant workers and homeworkers are found in many GSCs and may face various forms of discrimination and limited or no legal protection (ILO. 2016)

A 2016 ILO report on decent wages in Global Supply Chains (GSCs) shows decent work deficits in such areas as occupational health, wages, and working time. All of these deficits impact the employment relationship and the protections employment can offer and have contributed to the undermining of labour rights, particularly freedom of association and collective bargaining. Informality, non-standard forms of employment and the use of intermediaries are common.

The presence of anti-discrimination legislation is a strong prerequisite for equal opportunities practices in the SME sector. In general, equal opportunities practices have remained voluntary for the private sector in many countries. Research (ILO.2003) shows that equal opportunities policies and practices is lower among SMEs than among larger firms, especially in the case when the policies are voluntary. In contrast, the formal policies are very common among large firms, whether the policies are voluntary or not.

According to a 2015 research by the Equality and Human Rights Commission in the UK, larger SMEs in the UK are more likely to want to do more on equality and see it as an important priority - twenty per cent of SMEs with 100-249 staff want to do more.

---


“Studiosus”: Studiosus is a German tourism tour operator which specializes in modern study tour journeys. Studiosus has 320 employees in Germany and works with 570 tour guides in travel destinations all around the world. A cross-functional ‘social compatibility committee’ consisting of representatives from the tourism, marketing, public relations, tour guide and management systems departments and top management is responsible for key decisions in relation to Studiosus’ sustainability management.

In 2011, an NGO study on the potential human rights impacts of the tourism sector was published. Studiosus’ quality and sustainability manager used this overview to develop a self-assessment excel template to understand more about Studiosus’ potential human rights impact in each of its operating countries. The assessment was sent to country and procurement teams. The country managers were encouraged to use existing meetings and conferences for confidential face-to-face conversations with local service providers to obtain relevant information. A short conversation guide was developed to support them in this process.

The evaluation of the self-assessment highlighted the following areas for potential human rights impacts throughout Studiosus’ operating countries: • Working conditions in transport and accommodation sector (busses and hotels) • Child labour/child protection • Protection of minorities against discrimination • Protection of privacy • Impacts on livelihood of local communities (especially food and water and community involvement).

In view of the outcomes of the human rights self-assessment, Studiosus’ social compatibility committee decided to review and update key processes to mitigate some of the potential impacts identified. This concerned the cooperation with local service providers, program conceptualization, and the information provided to customers. A range of internal discussion rounds with other relevant departments informed the review process. Simultaneously, the human rights topic was integrated in existing training formats for employees and annual seminars for Studiosus’ tour guides. The review process resulted in an updated sustainability matrix with human rights related measures for each company division (e.g. transport, accommodation, tour guides, travel destination) updated on a regular basis. Exemplary measures introduced in the past years included: • Cross-functional working groups to integrate social clauses in contracts with services providers • Regular updates of customer catalogues to include human rights related information • Establishment of a human rights alert e-mail address • Development of a Supplier Code of Conduct • Development of a Studiosus Tour Guides’ Code of Conduct for encounters on travel • Development of a Code of Conduct regarding appropriate behavior when photographing.

Compared with 7 per cent of all SMEs, SMEs in the Retail and Wholesale sector are less likely (73%) to feel that they need to do more than they currently do on equality compared with 60 per cent of all SMEs. SMEs are most likely to have in place policies related to equality at the workplace, human rights policies, and to have assessed their human rights impacts when asked by a client to whom they supply goods or services.
Overall, the main challenges for SMEs and especially MMES are low awareness of what the law requires and limited attention to the effectiveness of their equality policy and procedures. In many developing countries where the business awareness on these issues is low, that could mean that SMEs are missing out on the benefits of a diverse and inclusive workforce.

**CASE STUDY**

"Stormberg AS": "Stormberg AS", a small Norwegian wholesaler, follows a CSR approach aiming at recruiting persons who otherwise would have difficulties with entering the labour market. At least 25 % of their employees should be recruited from persons who are disadvantaged at the labour market. Presently, almost 30 % of the employees are former prisoners, school drop outs and people with a drug abuse problem. Stormberg collaborates in this respect with an organization, “Way Back”, helping prisoners and former prisoners with their rehabilitation. The company benefits from very loyal employees, resulting in very low personnel fluctuation and absenteeism. Only four people have left the company since it was established in 1998. (CSR and Competitiveness – European SMEs’ Good Practice – Consolidated European Report)

The challenges concerning **safe and healthy work conditions in the SME sector** are a combination of high costs for implementation of health and safety measures (particularly insurances and protection measures in the event of work-related injury), lack of awareness, lack of training, lack of legislation and enforcement if existing legislation, as well as behavioral issues.

**CASE STUDY**

"LR Gebäudereinigung": The German medium-sized cleaning company “LR Gebäudereinigung”, among others, provides cost-free German classes for its employees with migration background to improve their language skills or organizes a workshop on environmental issues held annually for trainees. The trainees can create an own concept for environmental protection in the context of their workplace. Through this measure the young employees develop creativity and get inspired to improve and ensure their responsible behavior at work. Good ideas had been considered by the management and became standards of the firm’s environmental policy. (CSR and Competitiveness – European SMEs’ Good Practice – Consolidated European Report)

Thirty-four developing countries lack an employment injury insurance system representing approximately 60 per cent of the world’s labour force, the majority employed in SMEs, has ineffective protection in the event of a work-related injury or illness (ILO 2014).36 In June 2015, the German Ministry of Employment and Social Affairs (BMAS) and the German Ministry for Economic Cooperation and Development (BMZ)

---

created a workplace injury and disease prevention and protection fund - the Vision Zero Fund (VZF) - currently hosted within the framework of the ILO’s “sustainable supply chains initiative”. The VZF aims to achieve zero fatal and severe work-related injuries and diseases by improving occupational safety and health practices and conditions in sectors that link to GSCs. It aims to strengthen institutional frameworks such as labor inspectorates and employment injury insurance schemes in countries linked to such GSCs.

The world loses more than four per cent of annual GDP because of work-related injuries and diseases. A 2014 survey of 30 SMEs from different sectors in India observes that minor accidents, ergonomics problems, old and outdated machinery, and lack of awareness are among the leading health and safety problems in SMEs. The survey collected a set of Health and Safety Practices recommendations that summarize the minimum necessary actions that could lead to improvement in the working conditions in SMEs (Saf Health Work):

- Encouragement by employers to use proper protection equipment when required, even during small operations; regular counseling and audits at regular intervals by the officials and adopting and maintaining the standard operating procedures for every operation carried out in the unit.

- Adequate inspection and testing of electrical installations and equipment.

- Proper housekeeping, such as removal of metal scrap to avoid any accidents.

- Units that deal in chemical operations have recommendations about bulk storage as a possible safety issue.

- In working sites, the safety and environmental policy must be written down and maintained regularly.

- Some individual units cannot afford Safety Officers; the complex consisting of many MSMEs can together fund a safety officer, to be made mandatory as per law.

- Ergonomics suggestions given by the executives must be taken into consideration for safe working in the unit. The important ones are taking care to see that the working posture of the employees is proper and comfortable; a proper workplace with adequate lighting should be provided.

37 The VZF targets specific sectors and countries. The initial focus of VZF projects is on the garment and agri-food value chains. Current pilot countries include Ethiopia, Madagascar and Myanmar and operations in Lao PDR and Tunisia will start in 2018. The VZF projects contribute to the Global Action for Prevention on Occupational Safety and Health (OSH-GAP) Flagship Programme and the ILO Programme of Action 2017-2021 on Decent Work in Global Supply Chains.
Behavior-based safety (BBS) trainings for employee and management.

Organization of outside help and mutual aid such as agreements with the local police, fire department, and hospitals.

The findings from the survey are matched with secondary data collected from organizational reports such as World Health Organization, Ministry of MSMEs, electronic data bases such as Science Direct, Wiley and Open Access Journals showing that these simple measures are key for the health and safety in the SMEs in all sectors and countries, especially in developing countries.

Cases of child labor in MMSEs, especially in small farms in Africa, Asia and Latin America, show that enforcement of the law, as well as sustainable economic development strategies implemented on national and local levels that look at ways to address cultural and economic aspects of the problem, are key to the elimination of child labor.

---

**CASE STUDY**

**“Skretting AS”**: The Norwegian medium-sized fish feed producer “Skretting AS” realizes a considerable reduction of sickness absence by goal-oriented measures like individual follow-up, training during work hours, emphasis on diet and nutrition etc. Employees find it meaningful to work at a company that is responsible and value based.

**“MELBUD”**: The medium-sized Polish construction company “MELBUD” with a substantial workforce-oriented CSR approach assesses its socially responsible acting as undoubtedly helpful in running the company. Because of these efforts, it is possible to considerably reduce fluctuation and migration of staff. Despite a mass emigration of Polish construction workers – especially after the accession to the EU – and a strong competition on the regional labour market, the company does not have to be afraid to lose its human resources, although this is a common problem among other companies operating in this industry. Owing to implemented systems of incentives, the employees have a feeling of professional stabilization, they identify themselves with the company and this results in a better atmosphere, a more serious approach to the tasks to be fulfilled and higher engagement. The effects of this policy are not immediate, however, and can only be observed about 2 – 3 years after employment of a new person.

---

38 Behavior-based safety (BBS) focuses on the identification and modification of critical safety behaviors, and emphasizes how such behaviors are linked to workplace injuries and losses. Communication has consistently been identified as a key element of safety program effectiveness, safety behavior change, safety training effectiveness, and safety culture/climate. Research indicates that BBS has reduced accident rates by 40–75% within 6–12 months of its implementation. BBS training is found to facilitate a growing number of safe behaviors, help reduce the number of unsafe behaviors, and assist in decreasing the number of unsafe conditions in the organization. A well-planned and implemented behavioral safety system such as BBS can instill workforce stewardship of safety systems and lead to fewer accidents, incidents, near-misses, and property damage; acceptance of the safety systems; and increased reporting of defects, near-misses, and accidents (Saf Health Work. 2015 Mar; 6(1): 46–55).
The government of Indonesia has a strong legal and policy framework on child labor. Under national labor law, 15 is the standard minimum age for employment, and children ages 13 to 15 may perform only light work that is not dangerous and does not interfere with their schooling. Children under 18 are prohibited from performing hazardous work, including any work in environments “with harmful chemical substances.” However, the Human Rights Watch shows available evidence that demonstrates that thousands of children under 18 years old work in hazardous conditions on tobacco farms in Indonesia, exposed to nicotine, toxic pesticides, extreme heat, and other dangers. (HRW. 2016).

In the UK, the Modern Slavery Act passed in March 2015. It aims to prevent the use of forced labor and child labor in the UK and abroad by making larger enterprises accountable for the practices of their suppliers. Recent criminal cases have revealed forced and child labor taking place currently within the operations of UK firms. The SMEs are seen as equally responsible for fostering modern slavery conditions as their larger counterparts. Despite this, only a very small percentage of UK companies are taking proactive steps to tackle the issues.

Of the SMEs surveyed in 2015 and 2016, one in ten has ensured all their UK workers are in receipt of minimum wage. Only 5% of businesses have ever mapped their supply chains, in the attempt to uncover modern slavery, and just 4% have provided training to staff or suppliers on how to spot the signs of possible slavery among suppliers (Chartered Institute of Procurement and Supply, 2016 https://www.cips.org/en-sg/news/news/uk-smes-overwhelmingly-unaware-of-the-modern-slavery-acts-impact-on-them-cips-research-finds/). Based on the survey, the UK Chartered Institute of Procurement and Supply summarizes simple first steps a MMES can take in addressing the modern day slavery issues:

- Inform yourself – do your research on the legislation and understand what is being asked of your organizations;
- Identify key risks areas and vulnerability;
- Understanding, prioritizing and dealing with risk;
- Develop and include policy and governance procedures – assign a champion/s to lead and implement ethical and sustainable procurement policies and procedures and gain senior management buy-in;
- Develop a statement;
- Engage and train staff – use your champion/s to educate the business at the right level. Procurement teams require a thorough understanding, as do stakeholders that have direct supplier relationships;

The survey was conducted by YouGov for CIPS between 07/12/15 and 21/12/15 among 263 UM companies, all of which had annual turnover below £36m.
“Euroquímica de Bufi & Planas S.A.”: Being active in the Spanish chemical sector, “Euroquímica de Bufi & Planas S.A.” offers its employees to become stockholder of the company and, consequently, the right to participate in the enterprise’s general assemblies and meetings and in the enterprise’s profits. Furthermore, the enterprise is active in internal promotion policies based on fairness and merits, whereby the social advantages provided by the enterprise are the same for the whole staff. The company also offers a continuous labor training policy for the staff. These training activities can be internal (based on an established annual plan) or external-to-the-enterprise. Euroquímica has also elaborated a training plan for employees’ descendants (between 16 and 18 years) interested in carrying out a summer internship. As far as remuneration issues are concerned, Euroquímica follows a punctual payment policy, whereby extra payments (i.e. Christmas and holidays remuneration) are paid in advance to the local practices, so workers may benefit from this money earlier.

“denkstatt GmbH”: The small Austrian consulting company “denkstatt GmbH” has launched an internal project to support the health of its employees, consisting of a multitude of individual actions. The company provides the employees with biological fruits and milk free of charge, and one or two employees cook about 3 times a week a healthy meal for all during their working time. Furthermore, the enterprise offers a substantial sports programme (football, swimming, badminton, running, riding a bicycle etc.). In addition, the employees have the possibility to regenerate in the framework of a “powernap” (a short recreation sleep of 20 minutes). The working rooms with a lot of foliage plants have a homelike, pleasant atmosphere.

On issues of work-life balance and dignified family living, enterprises that face labor shortages generally place greater importance on their human resources management than those that do not. In most of the industrialized countries in some sectors such as IT sector, the SMEs are showing great progress in providing work-life balance to their employees. When it comes to managing work-family balance, SMEs in the IT sector as well as specific service sectors, have less hierarchical management structures making implementation of simple measures more feasible. A study conducted by the Centre for Families, Work and Well-Being at the University of Guelph in Canada in 2000 revealed that more than 80% of SMEs have adopted at least one flexible work time measure to facilitate the harmonization of professional and personal responsibilities. This is understandable in the context of labor shortages and a scarcity of skilled
human resources which forces organizations to improve the quality of the workplace, not only to recruit but to retain their employees.

However, in other sectors, such as in the food and agriculture, textile, footwear and garment production, in mining, and in the retail sector, especially in the developing countries, the MMES are lagging in addressing the needs for dignified family living, work and life balance for their employees. The several company cases and other resources provided show good practices from SMEs in Europe and other parts of the world and tools for addressing work-life balance and dignified family living in MMSEs.

Social Sustainability Principles and Multi-National Enterprises (MNEs)

This section of the paper will help illustrate how large corporations have applied through their business values, policies, and practices some of the HCBM Social Principles, often in combination in an integrated approach with other HCBM Principles.

The MNEs have long been under scrutiny from governments, activists and NGIs and communities where they operate for negative social impacts and environmental degradation. Their operations bring a range of new social issues to communities of operation in combination with benefits from jobs, business and supply chain opportunities to meet the needs of the corporate workers and operations.

With the rise in the use of Corporate Social Responsibility (CSR) and sustainability reporting that encompasses social, environmental, governance and ethical issues, alongside national laws and multilateral treaties, conventions, linked to greater social awareness with the means to action and litigation, the MNEs across all sectors have begun to address environment, social, economic, integrity and ethical issues in a more organized way in a framework of activities throughout the company. These activities in general include stakeholder relations and engagement, linked to sustainability strategy, governance, policies and action, and supported by an overall company Code of Ethics.

The selected companies begin to illustrate some of the Social Principles of a Human Centered Business Model (HCBM). Company sustainability policies and CSR reporting addresses human rights, labor rights and health and safety at the workplace in the context of the operational site and in the context of the supply chain. Social well-being and development issues, such as health and education are addressed alongside local economic issues of skills development for hire of local workers, to purchase of local content and procurement of materials, goods and food from the community.

This section presents specific good practices relevant to different HCBM Social Principles, extracted from more detailed company cases. The company cases presented in Annex A look at 4 high ranking European companies as assessed in the CHRB’s 2017
scoresheets in order to identify examples of good practise on human rights. Inditex, Spain, apparel; Adidas, Germany, apparel; Unilever, UK, agricultural products; Marks & Spencer, UK, agricultural products and apparel; in addition there are cases of two French companies: Total, oil and gas company presented in Annex B and Michelin, tire company presented in Annex C and the Swedish company, H&M, apparel is presented in Annex D. Some of the Social Principles listed below refer to Swiss (Nestle, food and drink), as well as US/UK (Ford Motor Company UK), German (Siemens), Brazilian (Natura, cosmetics) and other multinational companies. Particular attention is paid for the human rights activities of each company and the performance indicators used for measurement that are relevant to the implementation of the HCBM and the HCBM SSP. These case studies and the good practice materials are not an endorsement or critic of the Company, but rather a means to illustrate how some companies are practicing key principles of the Human Centered Business Model.

RESPECT FOR HUMAN RIGHTS

Total is a global integrated energy producer and provider, a leading international oil and gas company, and the world’s second-ranked solar energy operator with SunPower, with activities in more than 130 countries. The company states the following in the Human Rights – Briefing Paper – July 2016: “Respect for Human Rights is one of our three key business principles.” The Company also states that respect for Human Rights in our activities is paramount to maintain the degree of trust we need – inside and outside our Group – to develop our projects. The Chief Executive Officer, Patrick Pouyanne, states that in our Human Rights Guide, we identified three focal Human areas – the workplace, local communities and security.

In their Code of Conduct, the Group commits to respect three main internationally recognized Human Rights standards and in particular:

- The key conventions of International Labor Organization (ILO)
- The voluntary Principles on security and Human Rights (The “Voluntary Principles”)
- The United Nations Guiding Principles on Business and Human Rights (The “Guiding Principles”)

Total has created a Human Rights Coordination Committee, organized by the Ethics Committee Chairman. A discussion forum that meets quarterly, its members include representatives of the Public Affairs, Corporate Legal Affairs, Corporate Communications, Security, Civil Society Engagement, Human Resources Departments and Branch Representatives. The meetings mainly address international activities, human rights tools and resources under development and the expressed expectations of civil society. (see Communication on Progress (COP) - UN Global Compact)

In June 2013, the Group developed a strategic Human Rights Roadmap and action plan, validated by the Group’s executive committee, with the objective to systematically embed respect for Human Rights into the company’s risk and impact management processes, for example, in the mergers & acquisitions, social performance, security,
procurement, training and human resources processes. This roadmap has been updated for 2016-2018 (see Registration Document 2016)

The main human rights policies, directives and rules are the following:

- Compliance Policy and Program (Internal document)
- Safety Golden Rules (see TOTAL’s Golden rules - 2015)
- Purchasing Fundamental Business Principles
- Societal Policy (Internal Document)
- Rules of Procedures of the Board of Directors

Respect for human rights is one of the Total’s priority business principles, alongside integrity (preventing corruption and fraud and anti-competitive practices) and HSE standards.

“We recognize that it is not enough to simply put in place policies. Beyond our policies are structures and initiatives which we continue to undertake to ensure that the policies are implemented across our business activities…Our approach to embedding respect for Human Rights is based on four pillars:

1. Written policies and commitments
2. Awareness raising and training
3. A dedicated organization to listen and advise

The German Multinational Siemens, the largest industrial manufacturing company in Europe, collaborates with some 90,000 suppliers in about 150 countries. Siemens’ trademark supply chain program “Sustainability in the Supply Chain” is based on a holistic approach that comprises the steps “Prevent – Detect – Respond” and concentrates on minimizing risks. The Code of Conduct for Siemens Suppliers is primarily based on the principles of the UN Global Compact and the International Labor Organization, but it is also reflected in our Business Conduct Guidelines, which are binding for all employees. (https://www.siemens.com/global/en/home/company/sustainability/sustainablesupplychain.html).

According to Siemens’ Code of Conduct “an integrated approach to supplier management creates the conditions for the overall optimization of the value chain. It safeguards our global competitiveness and guarantees that our wide-ranging aspirations regarding sustainability are met. Our requirements are therefore embedded in unified, mandatory procurement processes. A key part of this for us involves ensuring that our suppliers agree with the principles of the Code of Conduct. The Code of Conduct defines Siemens sustainability standards and principles for Siemens Suppliers and Third-Party Intermediaries, who are obliged to comply with its provisions”, as follows:
“Legal compliance – to comply with the laws of the applicable legal systems”.

Prohibition of corruption and bribery – to tolerate no form of and not to engage directly or indirectly in any form of corruption or bribery and not to grant, offer or promise anything of value to a government official or to a counterparty in the private sector to influence official action or obtain an improper advantage.

Fair competition, anti-trust laws and intellectual property rights – to act in accordance with national and international competition laws and not to participate in price fixing, market or customer allocation, market sharing or bid rigging with competitors; to respect the intellectual property rights of others.

Conflicts of interest – to avoid all conflicts of interest that may adversely influence business relationships.

Respect for the basic human rights of employees

▶ to promote equal opportunities for and treatment of its employees irrespective of skin color, race, nationality, social background, disabilities, sexual orientation, political or religious conviction, sex or age;

▶ to respect the personal dignity, privacy and rights of each individual;

▶ to refuse to employ or make anyone work against his will;

▶ to refuse to tolerate any unacceptable treatment of employees, such as mental cruelty, sexual harassment or discrimination;

▶ to prohibit behavior including gestures, language and physical contact, that is sexual, coercive, threatening, abusive or exploitative;

▶ to provide fair remuneration and to guarantee the applicable national statutory minimum wage;

▶ to comply with the maximum number of working hours laid down in the applicable laws;

▶ to recognize, as far as legally possible, the right of free association of employees and to neither favor nor discriminate against members of employee organizations or trade unions.

Prohibition of child labor – to employ no workers under the age of 15 or, in those countries subject to the developing country exception of the ILO Convention 138, to employ no workers under the age of 14.

Health and safety of employees

▶ to take responsibility for the health and safety of its employees;
to control hazards and take the best reasonably possible precautionary measures against accidents and occupational diseases;

- to provide training and ensure that employees are educated in health and safety issues;

- to set up or use a reasonable occupational health & safety management system.

**Environmental protection**

- to act in accordance with the applicable statutory and international standards regarding environmental protection;

- to minimize environmental pollution and make continuous improvements in environmental protection;

- to set up or use a reasonable environmental management system.

**Supply chain** – to use reasonable efforts to promote among its supplier’s compliance with this Code of Conduct; to comply with the principles of nondiscrimination with regard to supplier selection and treatment.

**Conflict Minerals** – to take reasonable efforts to avoid in its products the use of raw materials which directly or indirectly finance armed groups who violate human rights.” (Siemens, Code of Conduct).

Siemens evaluate and review adherence to the Code of Conduct at regular intervals as part of an overall Supplier Management Process, which comprises the following three levels:

- Supplier Selection and Qualification

- Supplier Evaluation

- Supplier Development

Siemens check compliance with the duties and principles of the Code of Conduct with the aid of:

- Risk-based Approach

- Sustainability Self-Assessments

- Incident-Driven Inspection

- Supplier Quality Audits

- External Sustainability Audits
By involving Siemens suppliers, employees and external audit experts, detection modules are used to perform a risk assessment of all suppliers. Siemens carries out audits at the suppliers’ sites and covers most of the purchasing volume in higher risk countries through supplier assessments.

“With our regular audits and in continuous dialog with our suppliers, we work together for a sustainable and increasingly transparent supply chain.” (Siemens, Code of Conduct)

**ADEQUATE WAGES AND DIGNIFIED FAMILY LIVING**

**Inditex, gives a good example on implementation of this principle and the Living Wage (in the supply chain) Indicator.** Inditex’s Code of Conduct for Manufacturers and Suppliers establishes that a decent wage should always be sufficient to meet at least the basic needs of workers and their families and any other which can be considered as reasonable additional needs. According to the Inditex’s Annual Report 2015, the Company has worked in conjunction with IndustriALL Global Union, the University of Northumbria and Cambridge University’s Centre for Business and Public Sector Ethics to develop an assessment methodology to drive the payment of living wages throughout Inditex's supply chain. Moreover, the commitment of manufacturers and suppliers to paying a living wage is enshrined in the Global Framework Agreement signed with IndustriALL. It is also part to the ACT group. The Company works with its suppliers to improve living wage practices through promoting collective bargaining, responsible purchasing practices, improved working methods and systems, collaboration with other stakeholders, and supporting campaigns. The Company’s Annual Report indicates that there have been progresses on wages within Inditex’s supply chain, in particular in Asia and America’ and shows a graph with the evolution of compliance with the Code of Conduct in active factories on matters of wages, representing 72,4% in 2014 and 74,2% in 2015.

**H&M is addressing the issue of long Working Hours (in the supply chain):** The Company has a full policy on working hours for suppliers. H&M updated its Code of Conduct in February 2016 and replaced it with its Sustainability Commitment. Signing the Sustainability Commitment is mandatory for any supplier or business partner before entering a business relationship with the Company. The Company states in the Sustainability Commitment the following: ‘Working hours in a week, as well as overtime hours, shall comply with national law, ILO Conventions or collective agreement, whichever affords the greater protection for workers, and be defined in contracts. In any event, employees shall not on a regular basis be required to work in excess of 48 hours per week and should be provided with at least one day off for every 7-day period. The total hours in any 7-day period shall not exceed 60 hours. Overtime shall be voluntary, not exceed 12 hours per week and shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.’

However, in the H&M reports there is no explicitly mentioning of respect for minimum breaks. The Company also reports work carried out as part of its ‘Fair Living Wage
roadmap’ and in a document in response to Human Rights Watch. However, it seems that reduction in overtime is related to the change in purchasing practices rather than work carried out by suppliers.

**EQUAL TREATMENT AND EQUAL EMPLOYMENT OPPORTUNITIES**

**Inditex**, the Spanish Apparel multinational addresses the Women’s rights (in the supply chain) in its Code of Conduct for Manufacturers and Suppliers: “Manufacturers and suppliers shall not apply any type of discriminatory practice with regards the recruitment, compensation, access to training, promotion, termination of the employment agreement or retirement, based on race, caste, creed, nationality, religion, age, physical or mental disability, gender, marital status, sexual orientation and/or union membership or political affiliation”. Inditex engages with the Shaki Health programme to create good practices in health, hygiene, nutrition, menstrual and reproductive health with St. John’s Medical School, and participation in the **Freedom Fund** to raise awareness and implement coordinated activities to combat employment schemes such as the sumangali practice.40

**PROHIBITION ON CHILD LABOUR, SLAVERY AND SERVITUDE**

In its 2015 Annual report, **Inditex reports** that over 90% of suppliers in each of the different regions where Inditex has suppliers comply with the company’s Code of Conduct requirements on child labour. The CHRB notes that however, this does not guarantee that there is no risk (90% compliance, not 100%), and the company does not report operations or suppliers considered to have significant risk. Besides, the company does not report measures taken to contribute to the effective abolition of child labour.

The same 2015 Inditex Report shows that over 90% of suppliers in each of the different regions where Inditex has suppliers comply with the company’s Code of Conduct requirements on forced labor. Once again, the CHRB notes that this does not guarantee that there is no risk (90% compliance, not 100%), and the company does not report operations or suppliers considered to have significant risk. Besides, the company does not report measures taken to contribute to the elimination of all forms of forced or compulsory labour.

**Michelin** undertakes to ensure labor conditions and relationships respecting human dignity, and to ensure that these labor conditions are safe and in compliance with ILO norms and local laws and regulations. In its reports Michelin states firm positions on elimination of child labor and forced labor:

“The Group is fundamentally opposed to child and forced labor, in full compliance with the principles of the International Labor Organization.

The Group is fundamentally opposed to child and forced labor, in full compliance with the principles of the International Labor Organization.”

---

40 The term ‘Sumangali’ refers to certain worker recruitment and retention practices in the spinning sector and in the textile and garment industries in India, in which typically young unmarried women.
COLLECTIVE RIGHTS

Total explains his approach to collective rights according to the Section in the GRI Index about Freedom of Association and Collective Bargaining. (see Global Reporting Initiative (GRI) – Sustainable Performance): Explanation of the material topic and its boundary; The management approach and its components; Evaluation of the management approach. The General Secretary of IndustriALL Global Union, Jyrki Raina, states for the Global agreement signed between Total and IndustriALL - 2015 , that “We applaud Total for its commitment to better rights and conditions for workers. IndustriALL’s agreement with Total makes it clear that trade union rights and freedoms must be upheld across the company’s operations and throughout its global supply chain. Total promises to act in strict neutrality in its relations with unions and is prepared to terminate contracts with suppliers if they breach the agreement. It sends a strong message to Total’s suppliers and provides new levels of protection for workers”.

H&M ensures Freedom of association and collective bargaining in its supply chain. The Company states in the Sustainability Commitment the following: ‘All workers, without exception or distinction, have the right to join or form a trade union of their own choosing and to bargain collectively. Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace. Where the right to freedom of association and collective bargaining is restricted under national law, the employer encourages and does not hinder the development of parallel means for independent and free association and bargaining.’

The Inditex’ Code of Conduct for Manufacturers and Suppliers states that they “shall ensure that their employees, without distinction, have the right of association, union membership and collective bargaining. No retaliation may arise from the exercise of such right and no remuneration or payment whatsoever may be offered to the employees in order to hinder the exercise of such a right. Likewise, they shall adopt an open and collaborative attitude towards the activities of Trade Unions. Workers’ representatives shall be protected from any type of discrimination and shall be free to carry out their representative functions in their workplace. Where the rights to Freedom of Association and Collective Bargaining are restricted under law, the appropriate channels to ensure a reasonable and independent exercise of such rights must be designed”. All candidate suppliers are pre-evaluated so that only suppliers that respect the Code of Conduct are qualified to receive orders. The Annual Report shows a chart with the percentage compliance with the Code of Conduct standards, including respect for freedom of association and collective bargaining, by geographical region. Additionally, the company engages in different programmes and projects in cooperation with IndustriALL representatives, local trade unions suppliers and workers in order to improve suppliers’ practices in relation with freedom of association and collective bargaining.

Michelin has pledged to uphold the ten fundamental principles of the United Nations Global Compact and complies with the OECD Guidelines for Multinational Enterprises. It recognizes the Universal Declaration of Human Rights and the conventions of the International Labor Organization, particularly in relation to freedom of association and
protection of the right to organize (see section 6.1.5), the elimination of discrimination in employment and occupation (see section 6.1.6 b), and the abolition of forced labor and effective abolition of child labor.

LEISURE AND PAID LEAVE

**Ford Motor Company UK** offers generous support and benefits including assigning each woman a specific HR associate for the duration of her pregnancy and leave. They currently offer 52 weeks maternity leave for all employees and 100 per cent maternity pay for the entire 52-week period (providing employees have 26 weeks service after the 15th week before the expected week of childbirth). Ford’s rationale was to attract more female employees, in recognition that 70 per cent of car purchasing decisions are influenced by women, and that women’s skills are under used in the labour market. The outcome has been high satisfaction levels among staff and a 98 per cent rate of return of women from maternity leave.

TRAINING

**Nestle, Switzerland**

Europe is in the midst of a youth unemployment crisis as one in four young Europeans (5.6 million people in total) aged 18 to 25 are unemployed. The International Labor Organization estimates that youth unemployment across Europe, the Middle East, North Africa, and Developed Economies reached 18.1% in 2012. A lack of vocational and educational training schemes, unprepared job applicants, and a stagnant European economy are all to blame.

Concerned with these trends, Nestlé created the ‘Nestlé Needs YOUth’ program in late 2013, with the aim of hiring 10,000 young people and 10,000 trainees or apprentices below 30 years of age in Europe by 2016. Furthermore, as part of the program, Nestlé joined forces during 2014 with 200 other companies to form ‘Alliance for YOUth’, which mobilizes companies to commit to developing programs to provide meaningful work experiences, generate jobs, and offer training opportunities for more than 100,000 youth across Europe. In light of the program’s success in Europe and its relevance worldwide, the company is expanding this program globally. The expansion started in Mexico, reaching by October 2015 all the countries in Zone Americas, including the USA. (WBCSD)

COMMUNITIES

**Vale, Brazil**

Some of the largest operations of Vale in Brazil are in remote areas and lack a structured network of local suppliers. To address this gap, Vale’s Local Content Department has initiated the *Inove* program. Its goal is to support the development of local small and medium enterprises (SMEs) and provide their managers and workers with the relevant skills to meet Vale’s procurement needs and build a positive legacy in the regions where Vale operates. 500 SMEs supported; More than 4,000 people trained.
**Natura, Brazil**

In order to help maintain the biodiversity of the Amazon forest, Natura also fosters social biodiversity. This concept allows the region’s communities to benefit financially from being suppliers of Natura’s raw materials. Natura provides incentives for local communities to preserve the forest, and then Natura and the communities share the benefits. These practices are embodied in Natura’s *Ekos* brand, which the company launched in 2000.

The *Ekos* line is produced using raw materials from the rainforest, including cacao, guarana, Brazil nuts, and less-known products like andiroba and copuassu. Natura uses rainforest communities’ knowledge of local plants and their various properties to create its products, essentially transforming their traditional knowledge into modern technology. By relying on these communities to source raw materials, Natura is investing in and incentivizing them to protect the forests where they live.

**CONSUMERS**

**Coca-Cola, USA**

The Coca-Cola Food Safety Conference in Shanghai represented a landmark event for the Company’s Global Food Safety Program and for the entire food and beverage industry. It involved capability building at all steps in the supply chain, including suppliers and sub-suppliers, and it embraced sharing knowledge and raising the food safety competence for those both within and external to the Coca-Cola System. The conference was set up to build capability in the areas of Global Good Agricultural Practices (Global GAP), Good Manufacturing Practices (GMP), Food Safety Knowledge Network (FSKN), Hazard Analysis and Critical Control Points (HACCP), Risk Assessment, ISO 22000:2005 and PAS 220:2008, and implementing and auditing management systems.

Key elements and achievements in Coca-Cola’s Global Food Safety Program:

- The evaluation of the food safety capability needs through the assessment of our suppliers and sub-suppliers;
- The comparison and alignment of these food safety needs with those from the global food industry;
- The partnering with key suppliers, customers, academia and external organisations for the design and delivery of training modules;
- The training of representatives of all steps of our supply chain during four days in English and Chinese simultaneously;
- The evaluation of the food safety knowledge of attendees before and after the training;
- The sharing of the individual assessment results with attendees;
The digital capturing of all presentations in both English and Chinese languages »
Ensuring the sustainability of the efforts through the open availability of training materials on the internet as well as sharing the overall results and learning with the industry.

Factors that contributed to the success included:

- The strong commitment of The Coca-Cola Company Quality and Product Integrity Top Management to this program and the conference;
- The Coca-Cola Company’s promise not to treat food safety as a competitive advantage;
- The collaboration with organisations such as Michigan State University (MSU) and The Global Food Safety Initiative (GFSI) which both pave the road and lead the global efforts for food safety improvement in the food supply chain.

According to Coca-Cola, fair marketing, factual and unbiased information and labeling and fair contractual practices provide information about products and services in a manner that can be understood by consumers. This allows consumers to make informed decisions about consumption and purchases and to compare the characteristics of different products and services.

Coca-Cola recognizes that consumers play an important role in sustainable development by taking ethical, social, economic and environmental factors into account based on accurate information in making their choices and purchasing decisions. Sustainable consumption is consumption of products and resources at rates consistent with sustainable development, it also encompasses a concern for animal welfare, respecting the physical integrity of animals and avoiding cruelty. Coca-Cola states that an organization’s role in sustainable consumption arises from the products and services it offers, their life cycles and value chains, and the nature of the information it provides to consumers.

According to Coca-Cola’s GFSI, consumer data protection and privacy are intended to safeguard consumers’ rights of privacy by limiting the types of information gathered and the ways in which such information is obtained, used and secured.

**Groupe Credit Agricole (France)**
Crédit Agricole S.A. has created a compliance system for all its French subsidiaries based on the principles and obligations set out by the French Data Protection Authority (CNIL) on the protection of personal data belonging to employees, customers or any related third party.

In order to conform to the CNIL’s preliminary requirements, Crédit Agricole S.A. has implemented a mutual discussion forum with Group entities so it can suggest reporting and authorization request templates. A system of exchange has also been set up for Crédit Agricole’s network of Regional Banks. As a general rule, any new information or application system must, from the outset, make provision for personal
data protection and banking secrecy measures pertaining to customers or, more
generally, related third parties.

Bibliography of resources and tools related to Social Sustainability Principles utilized
by business are found in the HCBM S&E Principles – Social Literature Review together
with the Social Sustainability Principles, Goals and Indicators Bibliography, available at
https://globalforumljd.com/new/communities-of-practice/human-centered-business-
model.
SOCIAL CONCLUSIONS AND RECOMMENDATIONS

RECOMMENDATION FOR IMPLEMENTATION OF THE HCBM SOCIAL PRINCIPLES BY SMES:

- Special attention should be drawn on raising SMEs’ awareness on Human and Labor Rights and their specific support requirements as to this regard.
- Foster co-operation of businesses and their representatives in the adoption of CSR and social sustainability strategies.
- Encourage governments for development of regulation specifically tailored to the SME sector, including special incentives for adoption of HR Principles, for addressing gender, child labor and forced labor imbalances, healthy and safe working environment, and removing gender prejudice within enterprises.
- To encourage socially responsible investment and reinforcing respective business transparency by fostering the elaboration of “triple-bottom line” annual reports among companies.

RECOMMENDATIONS CONCERNING THE SOCIAL SUSTAINABILITY PRINCIPLES:

Continue the research and analysis to define and present the alignment between the HCBM Social Sustainability Principles and the main international sustainability instruments and initiatives relevant to HCBM, for example the World Bank Group’s Human Capital Project and Human Capital Index (HCI), and relevant tools and initiatives by the OECD;

Research on the innovative HCBM Social Sustainability Principles to expand the collection of innovative good practices of companies addressing specific labour rights and community impacts in the private sector, including for example: Adequate Wages and Dignified Family Living; Equal Treatment and Equal Employment Opportunities (equal opportunities between men and women; equal opportunities for persons with disabilities; special protection for vulnerable workers); Leisure and Paid Leave; Employee Training, Lifelong Learning and Skills Development; Impact on Communities;

Analysis of collected best practices, company cases and amount of data collected from UNGC COP, GRI Reports, Integrated Reports, SRI and Investment Analyst Reports on companies, and other resources with the goal to propose corresponding initial HCBM Social Performance Targets for the Social Sustainability Principles and Indicators. The HCBM Indicators will be used by the HCEs and their stakeholders to measure performance progress towards corresponding Performance Targets.
SECTION TWO
HCBM ENVIRONMENTAL SUSTAINABILITY PRINCIPLES, GOALS AND INDICATORS
The Human-Centered Business Model (HCBM) offers an alternative approach to doing business, one that is based on globally accepted sustainability principles and addresses not only the Human-Centered Enterprise (HCE) but also the “business ecosystem” in which the Human Centered Enterprise (HCE) operates. A harmonized set of fundamental HCBM principles and goals for doing business in environmentally sustainable and responsible way, applied to both companies and their “business ecosystem” can scale up the multi-stakeholder collaboration and multiply the business contribution to the SDGs on both local and global levels.

The purpose of Section Two of this paper is to:

Present key governmental and corporate developments, trends and best practices in environmental sustainability relevant to the Human-Centered Business Model (HCBM) Environmental principles; and highlight HCBM’s principles alignment with key environment international agreements and conventions, voluntary instruments, initiatives and tools.

Propose an initial set of Environmental Sustainability Performance Indicators (ESPI), together with respective metrics and measurement protocols.

Provide a base for consultation on the HCBM environment principles and corresponding environment performance goals and indicators. Present an analysis of the linkages between each of the HCBM Environmental Principles and Goals and the most widely used and globally accepted voluntary sustainability initiatives for identification of the most commonly used indicators.

Identify best practices, guides, tools and other practical instruments that will help Human Centered Enterprises (HECs) to implement the HCBM Environment Principles.

Select examples and cases of companies that have begun incorporating these environmental principles into their business culture and organizational performance.

In the HCBM Social and Environment paper, we use a typology, adapted and modified from International Labour Organization (ILO) and Organisation for Economic Co-operation and Development (OECD) publications (ILO 2008; OECD 2009; OECD 2014) and other classifications, that organizes the Corporate Social Responsibility (CSR) and sustainability instruments in three major levels and a number of categories, representing the elements of the architecture of an emerging global system of instruments for sustainable business.
GLOBAL ARCHITECTURE OF AGREEMENTS AND INSTRUMENTS IN ENVIRONMENT

In addition to the global architecture of agreements, initiatives and instruments addressing the social aspects of sustainability in Part One, presented below are examples of agreements, instruments and initiatives applicable to the environmental aspects of sustainability.

**Normative Level I: International Norms-setting Agreements** - agreements, conventions and declarations that reflect agreed by governments international normative principles, directed to government for domestic implementation, can help business understand what to do (ILO 2008; OECD 2009), for example:

- **Overarching**, across all sustainability dimensions: SDGs, Agenda 2030, Agenda 21,
- **Social**: Universal Declaration of Human Rights, ILO Conventions, ILO Declaration on Fundamental Principles and Rights at Work, etc.
- **Ethical/integrity**: OECD Convention on Combating Bribery of Foreign Officials in International Business Transaction, etc.

**Functional/Operative Level II: International Instruments** - principles, codes, guidelines, frameworks, standards and tools that are linked to the international norms-setting agreements and directed to the business sector and in some cases to business and civil society:

- **Category 1. Instruments Developed by Intergovernmental Bodies** - originating from the UN and other intergovernmental organizations, officially-agreed and/or recognised by governments principles and frameworks that offer authoritative guidance to the business sector on expectations of behavior and help understand what to do, and sometimes also how, for example: UN Global Compact Principles, International Finance Corporation Performance Standards, etc.
Category 2. Private International Instruments with Government Recognition—developed privately and officially agreed or/and recognized by governments frameworks, guidelines and standards, developed with participation of business/civil society, that offer guidance on expectations of behavior and provide guidance on how to implement such standards: ISO standards (e.g. 14000 environment series) or GRI Sustainability Reporting Guidelines and the GRI Standards for example.

Category 3. Private Instruments—codes, frameworks, guidelines, standards and tools, linked to business initiatives and sometimes aligned with international norms, developed by business and other private entities to address specific business needs, predominantly sectoral: Responsible Care Guidelines, ISEAL or the Greenhouse Gas Protocol.

Regulatory Level III: National and International Regulatory Instruments and Initiatives— regulations, policies, principles, codes, guidelines on national level put in place by governments, governmental institutions, stock exchanges, market regulators, or other national organizations and initiatives:

Category 4. Mandatory Initiated by Governments— regulations, policies and mandatory requirements put in place by governments or governmental implementation institutions concerning sustainability performance and reporting of companies. Some requirements focus on a given sector, topic or region. For example the EU Directive on disclosure of non-financial and diversity information by certain large companies (European Commission.2014).

Category 5. Mandatory Initiated by Market Regulators (Stock Exchange)— sustainability policies and mandatory requirements put in place by stock exchanges and market regulators address the sustainability performance and reporting of companies. Some requirements focus on a given sector, topic or region. For example, the Johannesburg Stock Exchange mandates all listed companies to disclose ESG practices (http://www.sseinitiative.org/fact-sheet/jse/) and because of the level of authority possessed by the exchange, it is considered a Strong Exchange Self-Regulatory Organisation (SRO) Model; mandatory corporate governance regulation for the securities market, issued by The Securities Regulator (SUboveVAL) impacts the National Stock Exchange of Costa Rica Bolsa Nacional de Valores S.A. and its signatory companies, etc.

Category 6. Voluntary Guidance Initiated by Governments or Other Regulators— guidance and recommendations put in place by governments, governmental implementation institutions, stock exchanges and market regulators that address the sustainability performance and reporting of companies. Some focus on a specific sector, topic or region. For example, the EU Flagship Initiatives41 that will help SMEs achieve sustainable growth; Guide to Sustainability Reporting for Listed Companies issued by the Singapore Exchange, etc.

41 EuropeStrategy 2020 has identified new engines to boost growth and jobs. Three priority areas are addressed by 7 flagship initiatives: Smart growth (Digital agenda for Europe; Innovation Union; Youth on the move), Sustainable growth (Resource efficient Europe; An industrial policy for the globalisation era), Inclusive growth (An agenda for new skills and jobs; European platform against poverty).
Currently, the private sector not only adhere to national, state and multilateral environmental policies, laws and agreements; business also utilize standards, certifications and ecolabels to show consumers their use of environmentally friendly ingredients and processes.

**Environmental management standards** for business management and operation need to be independent, third-party, and verifiable set of specifications (such as ISO 14001 or Greenhouse Gas Protocol) which provide publicly recognized means to an organization to demonstrate its commitment to maintaining and enhancing the quality of environment.

The International Organization for Standardisation (ISO) has identified three broad types of **voluntary labels**, with ecolabelling fitting under the strongest Type 1 designation.

**TYPE I:**

- A voluntary, multiple-criteria based, third party program that awards a license that authorises the use of environmental labels on products indicating overall environmental preferability of a product within a particular product category based on life cycle considerations.

**TYPE II:**

- Informative environmental *self-declaration* claims.

**TYPE III:**

- Voluntary programs that provide quantified environmental data of a product, under pre-set categories of parameters set by a qualified third party and based on life cycle assessment and verified by that or another qualified third party.42

**This paper focuses on Level II International Instruments and this section will present their alignment with HCBM Environmental Principles and Goals.** It examines the main internationally accepted and endorsed by governments worldwide environmental principles, codes, guidelines, frameworks, standards and tools that are linked to the international norms-setting agreements for use by the business sector and in some cases to business and civil society.

42 [https://www.globalecolabelling.net/what-is-eco-labelling/](https://www.globalecolabelling.net/what-is-eco-labelling/).
HISTORICAL BACKGROUND AND OVERVIEW OF RECENT ENVIRONMENTAL DEVELOPMENTS AND TRENDS

Private sector environmental requirements first came in the form of policy and regulations. As early as the mid-18th century, the Industrial Revolution resulted in the rapid urbanization since workers moved to settlements around mechanized industrial centers. Economic success also came social and environmental impacts, and UK environmental law is therefore rooted in a response to industrialization. Many would say that the current approach to environmental policies, laws and regulations and the national level that were directed at the private sector began in the 1960s’, early 1970s’ and the national and federal in Europe and North America, then further developed in other countries globally.

The modern concept of sustainable development was a topic of discussion at the 1972 United Nations Conference on the Human Environment (Stockholm Conference) and the driving force behind the 1983 World Commission on Environment and Development (WCED, or Brundtland Commission). In 1992, the first UN Earth Summit resulted in the Rio Declaration, Principle 3 of which reads: “The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations.” Sustainable development has been a core concept of international environmental discussion ever since, including at the World Summit on Sustainable Development (Earth Summit 2002), and the United Nations Conference on Sustainable Development (Earth Summit 2012, or Rio+20).

Throughout the last 50 years, the trend has been not only to increase environmental sustainability but to begin integrating environment into business as one of the pillars of sustainable development, building a more wholistic approach that includes social, economic, inclusive business, human rights, integrity and ethical consideration and insuring that policy and practice leads to more inclusive, equitable business for the benefit of all.

Many enterprises are now involved in global supply chains, as a result, the contributions of small and medium size businesses and industries, central to the economies of rural areas, and in developing countries, are frequently overlooked. Constraints SME businesses and industries operate under, such as limited human and financial
resources, restrict their ability to participate in global policy processes. This has also given rise to an array of International Treaties, private codes and labels, sustainability reporting, tools and process to help business reduce impacts and maximize benefits. Environmental issues addressed by businesses are no longer just air, water, waste and chemical pollution impacts, but include greenhouse gas management, biodiversity, phytosanitary, and voluntary labeling and standards, to creating a green and circular economies.

It has been argued that, the global corporate social responsibility agenda is shaped largely by northern agendas and has been understood to include ‘voluntary actions’ of large enterprises as well as compliance with national environmental laws and international environmental agreements. Multi-national and larger businesses are not only reporting on their corporate social responsibility and environmental conservation, but on how their operations align with Sustainable Development Goals (SDGs) and contribute to community social development and environmental protection along their supply chains. Small to medium enterprise (SME) plays an important role in these supply chains and as part of the global business ecosystem for products and services have also begun adopting a range of business models that address sustainable development, which include economic, social and environmental, rights-based principles and provide a more sustainable way of doing business than current practice and may be voluntarily adopted by entrepreneurs. The HCBM E&S Principles - Environmental Literature Review with Annotated Bibliography, available at https://globalforumljd.com/new/communities-of-practice/human-centered-business-model, provides a more in-depth review of the environmental voluntary initiatives and legislative developments in Europe, North America and Brazil.

Challenges for Business and Environment Looking Forward

The SDGs and Agenda 2030 are challenging enterprises, governments and the other stakeholders to engage in a broad collaborative effort for sustainable development. But most of the existing initiatives that offer sustainability, ESG and CSR instruments, including guiding principles and best practices on corporate governance, or provide “socially- and environmentally-sensitive” financial instruments, are focusing predominantly on the company. They do not offer any sort of holistic, comprehensive approach, that incorporates internal corporate governance solutions and company performance policies together with the external ecosystem of fiscal policies, financial mechanisms, procurement policies, and other elements enabling sustainable business development. At present, there is no effective mechanism for individual investors, civil society and governments to hold companies to account for investing in and promoting good corporate performance on sustainable development.

43 Stephens, Anthea, Private sector involvement in implementing multilateral environmental agreements (MEAs): A closer look at the natural products industry, World Conservation Union (IUCN), South Africa.
Currently, insufficient alignment among the diverse CSR initiatives and instruments, combined with siloed mentality and lack of incentives and coordination, both within the companies and externally among their stakeholders in the external “business ecosystem,” are still allowing “business as usual” and continue to limit the collective impacts and progress towards the SDGs. In addition, within the realm of environment there is emergence of new business and community ecosystem approaches to make business production, products and services more environmentally sensitive or “green”.

The “Circular Economy” is an industrial system in which the potential use of goods and materials is optimized, and their elements returned to the system at the end of their viable life cycles. Supply chain sustainability and product life cycle sustainability are integral to the circular economy. Materials and products have a closed-loop life cycle and, ideally, all elements that go into the creation of a product are reused, recycled or remanufactured rather than discarded. The philosophy is based on a holistic perspective of processes and technologies that goes beyond the focus of delivery, inventory and traditional views of cost. The underlying principle is that responsible products and practices are not only good for the environment but are also important for long-term profitability.\(^4^4\) In a circular economy, economic activity builds and rebuilds overall system health. The concept recognizes the importance of the economy needing to work effectively at all scales - for large and small businesses, for organizations and individuals, globally and locally. Transitioning to a circular economy does not only amount to adjustments aimed at reducing the negative impacts of the linear economy. Rather, it represents a systemic shift that builds long-term resilience, generates business and economic opportunities, and provides environmental and societal benefits.\(^4^5\)

The “Green Economy” is defined as an economy that aims at reducing environmental risks and ecological scarcities, and that aims for sustainable development without degrading the environment. It is closely related with ecological economics but has a more politically applied focus. The 2011 UNEP Green Economy Report argues “that to be green, an economy must not only be efficient, but also fair.”

“A green economy as one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive.”\(^4^6\)

An inclusive green economy is an alternative to today’s dominant economic model, which exacerbates inequalities, encourages waste, triggers resource scarcities, and generates widespread threats to the environment and human health. Over the past decade, the concept of the green economy has emerged as a strategic priority for many governments.\(^4^7\)

\(^4^4\) http://whatis.techtarget.com/definition/circular-economy
\(^4^5\) https://www.ellenmacarthurfoundation.org/circular-economy/overview/concept
\(^4^6\) http://whygreeneconomy.org/information/unep-green-economy-report/
\(^4^7\) https://www.unenvironment.org/explore-topics/green-economy/about-green-economy
While, “Green Growth” means fostering economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. It focuses on the synergies and trade-offs between the environmental and economic pillars of sustainable development. Importantly, green growth does not neglect the social pillar; on the contrary, without good governance, transparency, and equity, no transformative growth strategy can succeed. Moreover, there is no one-size-fits-all strategy for implementing green growth; rather, specific policies and actions need to respond to national priorities and circumstances. Green growth is not a replacement for sustainable development. Rather, it provides a practical and flexible approach for achieving concrete, measurable progress across its economic and environmental pillars, while taking full account of the social consequences. Importantly, green growth does not neglect the social pillar; on the contrary, without good governance, transparency, and equity, no transformative growth strategy can succeed. It is closely related with Green Economy.

These emerging concepts, alongside the array of Level 1, 2 and 3 environmental initiatives, standards and ecolabels are often difficult for business to navigate and incorporate into their corporate culture and operations. Clients and consumers are often confused by these overlapping approaches and tools.

Most of governments and international organizations lead, participate and/or recognize several initiatives as the main global initiatives in sustainable business and CSR (environment, social, economic). The environmental sustainability instruments developed by the main global initiatives and organizations, listed below, are often addressed as building blocks of the emerging global Corporate Social Responsibility (CSR) architecture and the HCBM Environmental Principles have been aligned with these instruments:

### Organisation for Economic Co-operation and Development (OECD)

*Environmental policy tools and evaluation.* Ensuring policies are economically efficient and environmentally effective.

**Key areas of work:**

- Behavioural Economics for Environmental Policy (BEEP)
- Carbon pricing
- Cost-benefit analysis
- Emission trading systems
- Environmental taxation

---

49 [http://www.greengrowthknowledge.org/about-us](http://www.greengrowthknowledge.org/about-us)
• Mortality impacts
• Morbidity impacts
• Policy reform
• Spatial Planning Instrument and the Environment (SPINE)

OECD, *Resource productivity and waste OECD* is promoting the sustainable use of materials to reduce their negative environmental impacts, encouraging resource efficiency and the transition towards a circular economy.

**Key areas of work:**

• Circular economy (RE-CIRCLE)
• Cost of inaction and resource scarcity (CIRCLE)
• Extended Producer Responsibility
• Resource efficiency
• Sustainable material management
• Transboundary movements of waste
• Waste and nanomaterials
• Waste prevention and minimisation

**International Finance Corporation (IFC) and The World Bank Group**

IFC’s Environmental and Social Performance Standards define IFC’s responsibilities for managing their environmental and social risks. The 2012 edition of IFC’s Sustainability Framework, which includes the Performance Standards, applies to all investment and advisory services whose projects go through IFC’s initial credit review process after January 1, 2012.

- 2012 Performance Standards
- 2012 Guidance Notes.

*IFC Sustainability Framework, Policy and Performance Standards on environmental and Social Sustainability, 2012.* This Performance Standard applies to business activities with environmental and/or social risks and/or impacts. For the purposes of this Performance Standard, the term “project” refers to a defined set of business activities, including those where specific physical elements, aspects, and facilities likely to generate risks and impacts, have yet to be identified. Where applicable, this could include aspects from the early developmental stages through the entire life cycle (design, construction, commissioning, operation, decommissioning, closure or, where applicable, post-closure) of a physical asset. OECD Guidelines for Multinational Enterprises (principles and guidance on policy and management) are also included in this alignment.
The World Bank Environmental and Social Framework (ESF), formerly known as “safeguards”, was approved in 2016 and went into effect in October 2018. Although not directly applied to enterprises, ESF is a globally recognized key instrument that is expected to strengthen the national systems in borrowing countries and thus will have influence on the potential for development of HCBM ecosystems in these countries. The framework brings the World Bank’s environmental and social protections into closer harmony with those of other development institutions, and makes important advances in areas such as transparency, non-discrimination, social inclusion, public participation, and accountability – including expanded roles for grievance redress mechanisms. It places greater emphasis on the use of borrower sustainability frameworks and capacity building, with the aim of constructing sustainable borrower institutions and increasing efficiency. The ESF introduces comprehensive labor and working condition protection; an over-arching non-discrimination principle; community health and safety measures that address road safety, emergency response and disaster mitigation; and a responsibility to include stakeholder engagement throughout the project cycle. It concludes nearly four years of analysis and engagement around the world with governments, development experts, and civil society groups, reaching nearly 8,000 stakeholders in 63 countries. The framework is part of a far-reaching effort by the World Bank Group to streamline its work and to boost development outcomes in Bank projects by placing strong emphasis on sustainability, responsible use of resources, and monitoring and evaluation.

United Nations Global Compact Principles

The UN Global Compact (UNGC) Mission states: “By committing to sustainability, business can take shared responsibility for achieving a better world.” Corporate sustainability starts with a company’s value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence and know that good practices in one area do not offset harm in another. By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

ENVIRONMENT:

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE/PARIS AGREEMENT

The United Nations Framework Convention on Climate Change (UNFCCC) is the first step in addressing the climate change problem. Today, it has near-universal membership. The 197 countries that have ratified the Convention are Parties to the Convention. The ultimate aim of the Convention is to prevent “dangerous” human interference with the climate system. At the 21st Conference of the Parties in Paris in 2015, Parties to the UNFCCC reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low carbon future. The Paris Agreement builds upon the Convention and – for the first time – brings all nations into a common cause to undertake take ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so. As such, it charts a new course in the global climate effort.

ISO 14000 SERIES OF STANDARDS AND GUIDANCE FOR ENVIRONMENT

International Standards Organisation (ISO) is an independent, non-governmental international organization with a membership of 161 national standards bodies. The ISO 14000 family of standards provides practical tools for companies and organizations of all kinds looking to manage their environmental responsibilities. ISO 14001:2015 and its supporting standards such as ISO 14006:2011 focus on environmental systems to achieve this. The other standards in the family focus on specific approaches such as audits, communications, labelling and life cycle analysis, as well as environmental challenges such as climate change. This International Standard helps an organization achieve the intended outcomes of its environmental management system, which provides value for the environment, the organization itself and interested parties. Consistent with the organization’s environmental policy, the intended outcomes of an environmental management system include:

- enhancement of environmental performance;
- fulfilment of compliance obligations;
- achievement of environmental objectives.

In addition to ISO 14000, there is specific guidance for Small to Medium Enterprise (SME) in 14001:2015 and ISO 14046 for water footprint. ISO 20400 is a standard for sustainable procurement; ISO 20121 for sustainable Events and ISO 37101 for Sustainable Development in Communities. ISO Guidance documents related to ISO 14000, and other mentioned, range from free to those for sale. All documents are found below:

- Environmental labels and declarations
- Environmental management - The ISO 14000 family of International Standards
- GHG schemes addressing climate change
The guidance in these International Standards can help an organization to enhance its environmental performance and enables the elements of the environmental management system to be integrated into its core business process.

ISEAL ALLIANCE (ISEAL Alliance) represents the global movement of sustainability standards. Businesses and governments increasingly recognize that sustainability standards deliver better social and environmental outcomes and long-term commercial results. Credible sustainability standards, exemplified by ISEAL members, continue to be the leading tools for driving sustainability at scale. ISEAL developed the Credibility Principles through a year-long global consultation with a diverse group of more than 400 stakeholders. Our goal was to pinpoint the fundamental qualities that make standards most likely to achieve positive impacts. The principles provide a guide for any standard that assesses sustainability. Companies, governments and NGOs can also use them as a reference point for benchmarking or internal audits.

The goal of all ISEAL Codes of Good Practice is to support standards systems to deliver positive social and environmental impact. ISEAL Codes of Good Practice complement each other to achieve this:

- The ISEAL Code of Good Practice for Setting Social and Environmental Standards (Standard-Setting Code) supports the development of standards that are relevant and transparent and that reflect a balance of stakeholder interests;

- The ISEAL Code of Good Practice for Assuring Compliance with Social and Environmental Standards (Assurance Code) helps to ensure accurate results from assessments of compliance and to encourage the use of assurance to support learning; and

- The ISEAL Code of Good Practice for Assessing the Impacts of Social and Environmental Standards Systems (Impacts Code) supports standards systems to measure and improve the results of their work and to ensure that standards are delivering their desired impact.

Individually, each Code is useful in strengthening a component of a standards system. However, users of standards and other stakeholders will have a higher level of confidence in the effectiveness of a standards system when the Codes are implemented together.
THE GLOBAL REPORTING INITIATIVE (GRI)
Guidance on sustainability reporting and disclosures). Global Reporting Initiative (GRI) helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being. This enables real action to create social, environmental and economic benefits for everyone. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest. GRI Secretariat, Consolidated Set of GRI Standards, This Standard is issued by the Global Sustainability Standards Board (GSSB) in October 2016. The consolidated GRI Standards includes the three Universal Standards – GRI 101, 102 and 103 – and the three series of topic-specific Standards: 200 (Economic topics), 300 (Environmental topics) and 400 (Social topics). GRI Secretariat, Linking GRI Standards and the EU Directive on non-financial and diversity disclosure, GRI, Global Sustainability Board, February, 2017. This linkage document shows how the GRI Standards can be used to comply with all aspects of the European Directive on the disclosure of non-financial and diversity information. SDG Compass, GRI, WBCSD, Linking the SDGs and GRI, January 2017. The following table links the Sustainable Development Goals (SDGs) to the relevant indicators and disclosures in the GRI Standards and Sector Disclosures. These linkages are based on a more detailed analysis available on the SDG Compass website: www.sdgcompass.org.

The existing research data (OECD, UN, IFC, ISO, ISEAL and GRI) and our own literature review, show that the systems of primary environmental sustainability instruments (above) is in line with the key global international agreements, declarations, conventions and norms and utilize a multi-stakeholder consultative approach to develop these instruments. Our literature review of CSR, Corporate Governance (CG), Sustainability Reporting analysis and other sustainability publications (EU 2011, 2014; OECD 2008, 2014, 2017, 2018; UNCTAD 2008; KPMG 2017; PwC 2017; E&Y 2017; SustainAbility; etc.) and our review of good business practices in environmental sustainability, show that the seven main instruments presented above receive the highest degree of global recognition by business and governments and the other stakeholders. These key international instruments, together with the key environmental agreements and conventions linked to them, were used as initial resources for creation of the HCBM Environmental Principles.
HCBM ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) AND GOALS (GESP)

One of the goals of this research is to apply the six key environmental sustainability instruments listed above, backed up by the latest legal developments and identified good business practices in environmental sustainability, for elaboration of the HCBM Environmental Principles and Goals and further - for selection of proposed HCBM Environmental Indicators.

Within the Human-Centered Business Model (HCBM), there are eight environmental principles to pursue environmental sustainability, presented in Table 21 and in Table 20. Each of the eight HCBM Principles is described in detail below together with their corresponding Goals and the relevance of the HCBM principles and goals to the seven main environmental sustainability instruments is shown in tables.

Precautionary Approach and Environmental Compliance Principle

The precautionary principle, a guideline in environmental decision making, has four central components: taking preventive action in the face of uncertainty; shifting the burden of proof to the proponents of an activity; exploring a wide range of alternatives to possibly harmful actions; and increasing public participation in decision making tools and practice. It is the cornerstone of environmental decision-making.

Environmental Compliance means conforming to environmental laws, regulations, standards and other requirements such as site permits to operate. In recent years, environmental concerns have led to a significant increase in the number and scope of compliance imperatives across all global regulatory environments.

Enterprises must comply not only with national, subnational, regional, and local environmental regulations and laws, but also with the voluntary environmental agreements with regulating authorities that are considered binding and developed as a substitute for implementing new regulations.
Enterprises must respond to cases brought against them through the use of international dispute mechanisms or national dispute mechanisms supervised by government authorities, such as cases of non-compliance related to spills, etc. Adherence and compliance with existing local, national and international environmental policies, laws and regulations is considered by most countries, multilateral institutions and voluntary instruments as baseline requirement for enterprises operating in one location or globally.

As shown in Table 12 below, the HCBM Precautionary Principle (ESP-1) and its Goals (GESP-1.1.) are aligned with the six main environmental sustainability instruments.50

**TABLE 12**

<table>
<thead>
<tr>
<th>ESP-1. PRECAUTIONARY APPROACH AND ENVIRONMENTAL COMPLIANCE PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-1.1. Businesses should support a precautionary approach to environmental challenges. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GESP-1.2. Compliance with national, sub-national, regional, and local environmental laws and regulations. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GESP-1.3. Compliance with the international environmental conventions and agreements and promotion of greater environmental responsibility and climate change action. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GESP-1.4. Enterprises should prevent environmental damage and ensure damage repair. Enterprises are subject to the polluter pays principle and to the principle of environmental liability. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly

The HCBM Environmental Compliance Goals (GESP-1.2 and GES-1.3.) also align with the following conventions and policies: Paris Agreement on Climate Change; UN Framework Convention on Climate Change (UNFCCC); North American Agreement on Environmental Cooperation (NAAEC) (implements environment portion of NAFTA); Convention on Wetlands of International Importance (Ramsar Convention); Rio Declaration on Human Environment, principle 4. Non-compliance within an organization indicates the inability of management to ensure that operations conform to certain environmental performance and impact requirements and parameters.

50 D Kriebel, J Tickner, P Epstein, J Lemons, R Levins, E L Loechler, M Quinn, R Rudel, T Schettler, and M Stoto, The precautionary principle in environmental science, Lowell Center for Sustainable Production, Department of Work Environment, University of Massachusetts-Lowell, Lowell, Massachusetts 01854, USA.
Environmental liability is an obligation based on the “polluter pays principle” that a polluting party should pay for all damage caused to the environment by its activities. In some countries, this is a strict liability if the damage can be attributed to a specific party.\(^5\) Enterprises should prevent and bear the cost of preventing environmental damage and should bear the costs of damage repair, such as pollution clean-up, etc. Businesses should identify and assess their environmental risks and manage them to prevent undesirable effects.

In case of damage to the environment, enterprises should repair it by restoring previous conditions and if not possible, compensate the community for the loss with an equivalent area/space or ecosystem. The above table shows the HCBM Environmental Liability Principle (GESP-1.4) alignment with the main environmental sustainability instruments. It also aligns with the policies of Stockholm Declaration on Human and Environment International Convention for the Prevention of Pollution from Ships (MARPOL) + Directive (EC) nº 2004/35 on environmental liability Stockholm Declaration on Human Environment, principle 9 International Convention on Civil Liability for Oil Pollution Damage (CLC), among others.

### Minimize Consumption of Materials and Water Resources Principle

According to the Department of Agricultural Economics at Michigan State University, efficient resource allocation means that there is efficiency in the production and consumption systems. “Production Efficiency” involves producing the best value of goods and services with given resources.\(^6\)

“Eco-efficiency” is the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle, to a level at least in line with Earth’s estimated carrying capacity. Eco-efficiency and reducing waste and waste disposal are closely linked in business operations. The type and amount of materials the organization uses indicate its dependence on natural resources, the impacts it has on their availability and on the environment. The organization's contribution to resource conservation can be indicated through its approach to recycling, reusing and reclaiming materials, products, and packaging. The waste management hierarchy—reduce, reuse, recycle—expresses the order of importance of these ideas.

An enterprise must identify products and services with large environmental impacts or those of which it procures in substantial amounts. Then the enterprise must work to identify environmentally and socially preferable alternatives. Reducing the

---

51. [www.businessdictionary.com/definition/environmental-liability.html](http://www.businessdictionary.com/definition/environmental-liability.html)
environmental impact of materials by minimizing consumption and preferring recycled content and rapidly renewable choices ensures resources are available for future generations. An enterprise should track its purchases and give priority to procuring from environmentally friendly suppliers. Businesses should use their purchasing power to choose environmentally friendly goods and services as this action can make an important contribution to sustainable consumption and production along the whole value chain.

Likewise, Access to fresh water is essential for human life and health. An enterprise should be conscious of and minimize its impact on water resources through its withdrawal and consumption of water. Enterprises are expected to ensure continuing improvement in their environmental performance and minimization of the negative environmental impacts on water resources through water consumption from their own and their suppliers’ activities, services and products. Withdrawals reduce the volume of water available for use by local communities and wildlife, usually altering the surrounding ecosystem to perform its functions.

Therefore, if an enterprise or its intermediaries must withdraw water, it should minimize the overall withdrawal, and be aware of the overall impact of withdrawal based on the particular type of water source as well as the overall economic, social, and environmental risks and consequences. An enterprise should measure the significance of its water withdrawal determined by the overall size of the water source, whether the source

---

### TABLE 13

<table>
<thead>
<tr>
<th>ESP-2. MINIMIZE CONSUMPTION OF MATERIALS AND WATER RESOURCES PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal GESP-2.1.</strong> Enterprise should optimize the use of resources. Materials used by an enterprise should be minimized. Essential PR</td>
<td>X</td>
<td>X</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Goal GESP-2.2.</strong> Recycle input materials used/Reclaimed products and their packaging materials must be maximized. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Goal GESP-2.3.</strong> Enterprises must minimize their consumption of water and water withdrawal. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Goal GESP-2.4.</strong> Enterprise must avoid environmental damage to water sources significantly affected by withdrawal of water. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Goal GESP-2.5.</strong> Water recycled and reused must be increased. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

*Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly*
is a protected area, the biodiversity value, and the value or importance of the water source to local communities and indigenous peoples. If a water source is determined to be a significant water source, withdrawal should only happen if the benefits of the withdrawal substantially outweigh the environmental damage (Precautionary Principle). An enterprise should strive to use recycled and reused water to increase water efficiency and reduce total water withdrawals and discharge.

An enterprise's contribution to resource conservation can be indicated by the organization's approach to recycling, reusing and reclaiming materials, products, and packaging. The HCBM Consumption of Resources Goals, shown in Table 13 above, align with Stockholm Declaration on Human Environment, principle 9; UN Global Compact Principles, GRI, ISEAL, ISO 14000, IFC and OECD policies and guidance.

**Reduction of Energy Consumption and Optimization Principle**

Efficient energy use, sometimes simply called energy efficiency, is the goal to reduce the amount of energy required to provide products and services. Energy consumption refers to the amount of energy consumed by an individual or organization, or to the process or system of such consumption. Nearly every modern convenience, provided through late 20th century/early 21st century lifestyle, results in increases in the amount of energy consumed.53

The purchase and use of energy can have various impacts because of the extraction of materials from the earth’s crust and the production of persistent toxic emissions from the combustion of fuels. Various forms of energy are available for consumption, including fuel, electricity, heating, cooling or steam. Energy can be self-generated or purchased and can come from renewable or nonrenewable sources. Using energy more efficiently and opting for renewable energy sources is essential for combating climate change and for lowering an organization’s overall environmental footprint. Energy consumption can occur throughout the upstream and downstream activities connected with an enterprise’s operations. This can include consumers’ use of products the organization sells, and the end-of-life treatment of these products.

The types of energy consumed by an enterprise as well as the percentage of renewable energy used can display an organization’s environmental values and its impacts on climate change. For example, non-renewable fuel consumption is often the primary contributor to greenhouse gas emissions. Companies should select energy sources based on (i) whether the energy is renewable (ii) the amount and type of energy consumed, (iii) the amount and type of energy sold.

---

53 [www.reference.com/science/energy-consumption-a687ac74c2cac2ee](http://www.reference.com/science/energy-consumption-a687ac74c2cac2ee)
Energy consumption can occur outside an enterprise, the enterprise must monitor its value chain, both upstream and downstream, operations, and influence/reduce energy consumption. Upstream categories include purchased goods and services, fuel-energy related activities, transportation and distribution, waste generated in operations business travel, employee commuting, etc. Downstream categories include transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, leased assets, franchises and investments.

### TABLE 14

<table>
<thead>
<tr>
<th>ESP-3 ENERGY CONSUMPTION OPTIMIZATION PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-3.1. Enterprise should increase the proportion of renewable energy used for energy consumption within the organization. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Goal GESP-3.2. Compliance with national, sub-national, regional, and local environmental laws and regulations. Essential IR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Goal GESP-3.3. An enterprise must improve energy efficiency and maximize reduction of energy consumption through reduction initiatives in its operations. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Goal GESP-3.4. Reduction in energy requirements of products and services should be made whenever possible. Essential PR</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly

The HCBM Energy Consumption Goals shown in Table 14 are aligned with the UN Global Compact Principles, GRI, ISEAL, ISO 14000, IFC and OECD policies and guidance. They require long-term commitment and investments for technological and operational improvements and are expected to be implemented in a period of time in different stages by the HCEs.

### Minimization of Waste Generation and Disposal Principle

The waste management hierarchy—reduce, reuse, recycle—expresses the order of importance of these ideas:

- Reduce needless consumption and the generation of waste.
- Reuse any item that can be reused or give it to a person or charity that can reuse it.
- Recycle whatever discards remain if you can and only dispose what you must.

The enterprise should keep in mind that recycling is the least preferred option. For there to be a complete cycle, the things that are sent to be recycled must come back to the enterprise. So, the enterprise must look for recycled content products whenever it buys, otherwise the enterprise is not truly recycling.\(^{54}\)

Eco-efficiency is the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle, to a level at least in line with Earth’s estimated carrying capacity. Seven elements or steps companies can make to improve Eco-efficiency. Eco-efficiency and reducing waste and disposal are closely linked in business operations.

A company should minimize and manage water discharges, the generation, treatment and disposal of waste and spills of chemicals, oils, fuels, and other substances, in terms of quantity, quality, and destination of the discharge since the unmanaged discharge of effluents with a high chemical or nutrient load can affect aquatic habitats, the quality of available water supply, and the overall function of nearby communities.

**TABLE 15**

<table>
<thead>
<tr>
<th>Goal GESP-4.1.</th>
<th>Enterprise should avoid generating waste and if this is not possible it should ensure efficient management of its waste and effluents. Essential IR</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-4.2.</td>
<td>Enterprise should increase the proportion of renewable energy used for energy consumption outside the organization. Essential PR</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GESP-4.3.</td>
<td>Significant spills must be dealt by the enterprise with the aim to minimize 1) the number of spills, and 2) their impact based on spill’s location, volume, and material. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GESP-4.4.</td>
<td>Transportation of hazardous waste should be minimized. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Goal GESP-4.5.</td>
<td>Water bodies affected by water discharges and/or runoff should be minimized and reduced. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly

An enterprise should reduce the total weight of discharged effluent and waste by following ecofriendly disposal methods (reuse, recycling, composting, etc.) as well as the total weight of all waste. A company should balance disposal options and uneven environmental impacts using waste minimization strategies. In addition to the six main environmental sustainability instruments, the HCBM Waste Generation and Disposal Goals shown in Table 15 align also with Directive (EU) No 2008/98 waste, 1996 Protocol to the Convention on Prevention of Marine Pollution, and several multilateral environmental agreements.

**Minimization of Emissions into Air Principle**

Emissions is the term used to describe the gases and particles which are put into the air or emitted by various sources. There are many sources of emissions. These have been grouped into four categories: point, mobile, biogenic, and area. Steps to reducing air emissions include: reducing toxic emissions from industrial sources; reducing emissions from vehicles and engines through new stringent emission standards and cleaner burning gasoline; and addressing indoor air pollution though voluntary programs.

Reducing emissions into air is key to combatting climate change. Reduction in the emission of regulated pollutants leads to improved health conditions for workers and local communities and can enhance relations with affected stakeholders. It also opens economic opportunities for the enterprise as new climate change relevant technologies and markets are created. This is especially the case for enterprises that can use or produce energy and energy-efficient products more effectively with minimum GHG emissions.

Greenhouse Gas (GHG) emissions are a major contributor to climate change and are governed by the UN Framework Convention on Climate Change and the subsequent UN Kyoto Protocol. The gases include CO2, CH4, N2O, HFCs, and PFCs. Some GHG are also air pollutants that have significant adverse impacts on ecosystems, air quality, agriculture, and human and animal health. Enterprises can prioritize reduction initiatives that have the potential to contribute significantly to reduction, using a specific target. In addition to the OECD Guidelines, ISEAL, GRI and ISO 14064, the HCBM Emissions to Air Goals in Table 16 align with the UN Framework Convention on Climate Change; Paris Agreement on Climate Change; and with The Greenhouse Gas Protocol that represents another globally accepted framework offering a methodology for GHG measurement.
Impact on Biodiversity Principle

Most biodiversity is threatened by multiple factors, but natural habitat loss is generally viewed as the largest single cause of biodiversity loss worldwide. When humans convert wild areas for agriculture, forestry, urban development, or water projects (including dams, hydropower, and irrigation), they reduce or eliminate its usefulness as a habitat for the other species that live there. Protecting biodiversity ensures the survival of plant and animal species, genetic diversity, and natural ecosystems. Moreover, biodiversity impacts livelihoods, clean water supply, food security, and resilience to environmental disasters, particularly in rural areas. Therefore, special efforts must be made to preserve biodiversity.

Based on the Convention on Biological Diversity, enterprises should contribute to “the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, considering all rights over those resources and to technologies, and by appropriate funding”.

Wherever feasible, operational sites should be on already converted lands unless there are no feasible alternatives and comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs.

If the environmental assessment indicates that a project would significant convert or degrade natural habitats, the project must take mitigation biodiversity through its activities, products and/or services measures, including minimizing habitat loss, and establishing and maintaining an ecologically similar protected area.

---

<table>
<thead>
<tr>
<th>Goal GESP-5.1.</th>
<th>Enterprises should reduce and minimize both direct and indirect greenhouse gas (GHG) emissions and their intensity, including ozone-depleting substances (ODS), and nitrogen oxides (NOX) and sulfur oxides (SOX), and other significant air emissions. Essential PR</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-5.2.</td>
<td>If GHG emission is unavoidable, an enterprise should strive to develop a CO2 offset to mitigate unavoidable emissions. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly
The HCBM Impact on Biodiversity Principle and Goals shown in Table 17 below are in line with the ISEAL and the GRI.

The GRI have been harmonized with the UN Convention on Biological Diversity; the Rio Declaration on Human Environment, principle 4; the Ramsar Convention; the International Union for Conservation of Nature (IUCN) Guidelines for Applying Protected Area Management Categories, and other international agreements and instruments.

### TABLE 17

<table>
<thead>
<tr>
<th>ESP-6 IMPACT ON BIODIVERSITY PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal GESP-6.1.</strong> Enterprise should limit the number of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Goal GESP-6.2.</strong> Enterprise must avoid making significant negative impacts on biodiversity through its activities, products and/or services. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Goal GESP-6.3.</strong> Enterprise play major role regarding the protection of biodiversity by increasing the areas of habitats protected or restored by the enterprise alone or/and in partnership with a third party. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Goal GESP-6.4.</strong> Enterprises must identify endangered plant and animal UCN Red List Species and national conservation list. Species with habitats in areas affected by operations and where its activities pose a threat to the species, and it must initiate appropriate steps to avoid harm and to prevent the extinction of Species. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly*
Practice Environmentally Responsible Business Principle

Running an environmentally friendly business helps reduce the impact on the environment and preserves natural resources. The enterprise can help the environment in many ways. For example, it can:

- use products that reduce the enterprise’s reliance on natural resources (e.g. rainwater tanks, solar hot water systems)
- use products that are made from recycled material (e.g. office supplies made from recycled plastic, furniture made from recycled rubber)
- look at all business activities to see if anything can be done differently (e.g. reducing air travel by holding conference calls instead of interstate meetings).

Making a business environmentally friendly not only benefits the environment but can also save money through efficiency. Businesses should adapt their business model and design and implement processes and practices that promote greater resource productivity aiming to reduce material and energy flows, waste and avoid pollution.

Based on the Aarhus Convention, enterprises should facilitate free access to environmental information on activities, products and services and about the environmental performance of the organization. The OECD Extended Responsibility Scheme applies this concept to all businesses and supply chains.

Transparency should lead to a maintained and open dialogue with interested parties, particularly staff, customers, the local community, public administrations and other relevant parts. In case of corporations and to ensure local accountability, an organization should provide environmental information related to each site.

The Human Centered Enterprise (HCE) is expected to initiate due diligence for supplier environmental impact as early as possible in the development of a new relationship with a supplier by applying screening based on environmental criteria. Through assessments, the organization must stay informed about the significant actual and potential negative environmental impacts in its supply chain and it should strive to minimize them through changing the organization’s procurement practices, the adjustment of performance expectations, capacity building, training, and changes to processes. The Environmentally Responsible Business Principle and corresponding Goals are presented in Table 18.

### TABLE 18

<table>
<thead>
<tr>
<th>ESP-7 ENVIRONMENTALLY RESPONSIBLE BUSINESS PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal GESP-7.1.</strong> Enterprises should provide environmental information and ensure transparency. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Goal GESP-7.2.</strong> Extension of UN Global Compact’s Principles 7-9 through the value chain for minimization of the negative environmental impacts in the supply chain. Essential PR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Goal GESP-7.3.</strong> Extended Producer Responsibility. Essential PR</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

**Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly**

---

**Adopt Circular Economy Principle**

A circular economy is an industrial system in which the potential use of goods and materials is optimized, and their elements returned to the system at the end of their viable life cycles. **Supply chain sustainability** and **product life cycle sustainability** are integral to the circular economy. Materials and products have a **closed-loop life cycle** and, ideally, all elements that go into the creation of a product are reused, recycled or remanufactured rather than discarded.\(^{56}\)

The HCEs should determine their environmental aspects considering a Life Cycle perspective and all the associated direct and indirect impacts. Actions should be adopted to manage, control and reduce relevant environmental impacts, taking into account the organizations’ capacity to influence third parties.

Beyond legal compliance, enterprises should undertake initiatives to promote greater environmental performance. Businesses should increase self-regulation, guided by appropriate codes, charters and initiatives integrated into all elements of business planning and decision-making. This is aligned with UN Agenda 21 and Stockholm Declaration on Human Environment, principle. Based on the Stockholm Declaration, businesses should adopt a data-driven improvement cycle and measure and monitor on a regular basis, the key characteristics of its operations, products and services that can have a significant environmental impact. Outputs of measurement and monitoring activities should be considered in decision making processes.

---

\(^{56}\) https://www.ellenmacarthurfoundation.org/circular-economy/overview/concept
The HCEs should cooperate with and adhere to local and global programs and initiatives and be part of the solution when it comes to face environmental challenges.

Based on the UN Global Compact, the HCEs should promote and work on the design, development, implementation and dissemination of environmentally friendly technologies, processes, activities, products and services, considering a life cycle perspective. The HCBM Adopt Circular Economy Principle and Goals are presented in Table 19.

**TABLE 19**

<table>
<thead>
<tr>
<th>ESP-8 ADOPT CIRCULAR ECONOMY PRINCIPLE</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-8.1. Enterprises should adopt a circular economy (CE) perspective and approach. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Goal GESP-8.2. Enterprises should adopt self-regulation and control. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Goal GESP-8.3. Enterprises should measure in order to improve. Essential IR/Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Goal GESP-8.4. Enterprises should take into account the environmental needs and expectations of interested parties (stakeholders). Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Goal GESP-8.5. Enterprises should get involved in addressing the local and global environmental challenges. Essential PR</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal GESP-8.6. Businesses should encourage the development and diffusion of environmentally friendly technologies. Essential PR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Essential IR= Essential Immediate Realization; Essential PR= Essential Progressive Realization; Optional=Optional Realization; X - addressed indirectly
ENVIRONMENTAL SUSTAINABILITY PERFORMANCE INDICATORS (ESPI)

The HCBM Indicators help HCEs to translate their commitments to principles and into tangible concrete “deliverables.” At the same time, they communicate to the company’s internal and external stakeholders, and the outside world, the responsibilities the company is willing to fulfill and in what way.

One of the purposes of the research is to propose Environmental Sustainability Performance Indicators (ESPI) for each of the HCBM Environmental Sustainability Principles (ESP) and Goals (GESP) that can be used by Human Centered Enterprises (HCEs) to measure and report on their environmental sustainability performance.

Our selection of proposed indicators for the HCBM Environmental Sustainability Principles and Goals is guided by the aim to identify for a HCBM pilot test phase. An initial set of well tested environmental indicators with maximum acceptance globally across a wide variety of sectors and among diverse stakeholders’ types. It is based on the findings from our research showing that the Global Reporting Initiative (GRI) is the international instrument for sustainability reporting used by the largest number of enterprises globally and most-widely used by a spectrum of large corporations and smaller enterprises. GRI so far is the only existing Sustainability Reporting Standard providing a framework with indicators (disclosures) and practical technical guidance in all dimensions of sustainability for development of sustainability reports.

The enclosed in Chapter TABLES in this paper Table 20 illustrates how the HCBM Environmental Sustainability Principles and Goals can be tracked by using GRI indicators and measuring protocols and in some cases – by indicators from other sources. It provides a starting point for the necessary multi-stakeholder consultations and pilot testing that will further define and refine the HCBM Environmental Sustainability Performance Indicators.

The proposed Environmental Sustainability Indicators (ESPI) have been selected after extensive review of the main international instruments and other sources:

- legal and public policy frameworks set at international and national level, guidelines that set sustainability norms and principles for companies that guides their sustainability reporting practices;
requirements set, and due diligence performed by the financial sector, the private sector, public authorities and consumers’ organizations;

- reporting frameworks addressing the needs of specific stakeholders;

- the GRI Sustainability Reporting Standards;

- and after review of good practices of companies in Europe, USA, Canada and Brazil, leaders in sustainability reporting and social sustainability.

Table 20 aligns the proposed Environmental Sustainability Indicators and measurement protocols with the HCBM Environmental Sustainability Principles and Goals. For each individual principle and its goals are assigned one or more Environmental Sustainability Indicators (ESPI). The proposed here Environmental Sustainability Indicators will undergo further review and revision after consultations with the HCBM partners and peer reviewers.

At this stage, it is premature to set targets in regard with the HCBM principles and goals. These will be developed through extensive consultation with industry through multi-stakeholder process during the implementation of the pilot projects.
CASE STUDIES OF ENTERPRISES THAT ILLUSTRATE HCBM ENVIRONMENTAL PRINCIPLES

This section of the paper will illustrate how some large enterprises have already begun adjusting their business philosophy, policies, and practices to align with HCBM Environmental Principles, often in an integrated approach that encompasses other Principles within the HCBM Model.

The focus will be on extractive industries (oil, gas, minerals), often thought of as one the most impactful businesses on the environment with accompanying social impact on communities where they operate. These large actors in the industry working in multiple countries around the world, often in conflict zones often among impoverished communities with few rights or legal representation.

Large Enterprises Aligning with HCBM Environment Sustainability Principles

Extractive industries have long been under scrutiny from governments, environmental groups and communities where they operate for environmental pollution and degradation. Their operations also bring a range of new social issues to communities of operation, and for some benefits from jobs, business and supply chain opportunities to meet the needs of oil operation workers. For those industries that extract and process hydrocarbons (oil, gas, coal, etc.) it has been accepted by the scientific community, that emissions from extraction and use of these fuels are one of the major contributors to greenhouse gases that has led to climate change.

Corporate Social Responsibility (CSR) reporting that encompasses social, environmental, governance and ethical issues has been on a rise alongside respect of national laws and multilateral treaties and conventions for enterprises and business to adhere. Greater social awareness of the role business plays in addressing environmental
and social needs, alongside economic benefits, has moved the extractive industry sector, and many other sectors, to embrace an approach that address environment, social, economic, integrity and ethical issues in an overall framework for the company. These generally include stakeholder relations and governance policies and action, supported by an overall company Code of Ethics and policies on Anti-Corruption.

Enterprise's sustainability policies and CSR reporting addresses environment both at the local and operational site context, but also within a global context that address role and actions the company will take towards reducing the impacts of climate change. Social well-being and development issues, such as health and education are addressed alongside local economic issues of skills development for hire of local workers, to purchase of local content and procurement of materials, goods and food from the community. These companies begin to illustrate some of the Environmental Principles of a Human Centered Business Model (HCBM) and examine how extractive industries influence and can create value within the business ecosystem they operate.

The cases we selected are: the Italian integrated energy company, Ente Italiano Idrocarburi (ENI or Eni) S.p.A. “an Italian company with a worldwide presence” and TOTAL (France) a global energy company in oil and gas.

Specifically, we are interested at areas of the HCBM Environment Sustainability Principles (ESP) that these enterprises are already taking actions and illustrate good example of acting within these Principles.

We also look at where the enterprises are taking an integrated approach and have policies and programs address HCBM Principles in social, ethical and integrity. Within these efforts these enterprises also contribute to developing a Green Economy and responsible business through research and innovation in renewable energy, carbon capture, and more efficiency in energy, water and other critical resources. In protecting biodiversity, they address key environmental principles which also effect social well-being. The selection of these corporate case studies doesn’t imply endorsement nor critic of the enterprises, but rather a means to illustrate how some companies are practicing key principles of the Human Centered Business Model.

In addition, we also examine the Small to Medium enterprise sector, the challenges SMEs face participating in the opportunities offered by Green, and Circular economies, or participating in supply chains with these requirements, and successes by working, together with government, larger industries and supporting nongovernmental actors in promoting eco-innovation.
ENI S.p.A. Company Overview

The Italian energy and chemical company, ENI S.p.A., has a long history dating back to 1926. ENI is one of the global oils and gas super-players – operating in 71 countries worldwide and employing around 33,000 people. As of March 31, 2018, the company’s market capitalization was calculated at $64 billion. Eni is consistently ranked among the top 150 companies on the Fortune Global 500 list according to revenue. In 2016, the company was listed in 65th place. Eni has operations in oil and gas exploration, production, refining and selling operations, electricity and chemistry.

UPSTREAM

Upstream refers to ENI’s onshore and offshore projects, from choosing oil exploration blocks and drilling wells through to the hydrocarbon production operations. The strengthening of the Upstream business is one of the key elements of the new Eni strategy.

MIDSTREAM AND DOWNSTREAM

Midstream refers to activities associated with the transportation and storage of hydrocarbons; downstream includes oil refining and distribution.

ENI’s new strategy involves restructuring this sector to improve its efficiency and productivity. Biorefineries and green chemistry underpin Eni’s green economy. The Midstream sector brings together the work of the Gas, LNG (liquefied natural gas), Power and Trading business units, all of which report to the Gas & LNG Marketing and Power management and are increasingly being integrated into the Upstream sector. The Downstream sector, meanwhile, encompasses gas and power retail activities via the company Eni gas e luce.

ENI GLOBAL OPERATIONS

ENI has an integrated approach to contributing to the development of the countries in which the company works. Their approach dates to the founder Enrico Mattei’s view that oil-producing countries should be self-sufficient in terms of their energy supplies and seeks to improve access to energy in the countries in which it operates. ENI’s corporate communications note an approach:

“that establishes an equal relationship with oil-producing countries, creating the basis for a model of responsible economic development.” “ENI today aims to help producing countries become independent in energy supply through dialogue and respect for cultures.”

POLITICAL/LEGAL ISSUES

“ENI’s ownership of domestic gas transportation had long been under attack from the European Commission. In 2012, under Mario Monti, the Italian government make
it clear that Eni would have to relinquish its 52% ownership of SNAM Rete Gas, the
gas network owner. The European Commission had also pressured Eni to sell its
ownership stakes in several international pipelines on the basis that it had limited
competition in the Italian gas market by restricting third-party access” (Grant, 579).

With environmental awareness becoming much more important among the social
issues, ENI came under attack by environmental groups for “the company's lack
of investment in renewable energy sources and concerned over the environmental
consequences of individual projects – most notably ENI’s tar sand project in Congo”
(Grant, 580).

Since 2017, Friends of the Earth Nigeria and Friends of the Earth Europe have been
supporting the community of Ikebiri for their court case against ENI in Milan, Italy,
seeking clean-up and compensation for the pollution that ENI has brought to their
land in the Niger Delta. The Ikebiri community comprises several villages in the State
of Bayelsa, Nigeria. The community’s main economic activities include palm-wine
tapping, canoe carving, fishing, farming, animal trapping and traditional medical
practices. Nigeria is calling for adequate compensation and clean-up of an oil spill
dating back to 2010, which has yet to be addressed. “The Italian oil giant ENI, which
operates in Nigeria through its subsidiary Nigerian Agis Oil Company (NAOC), is
responsible for the spill, caused by equipment failure” as stated by. The King of Ikebiri,
plaintiff, and the lawyers representing them are Luca Saltalamacchia.

ENI SUSTAINABILITY STRATEGY

ENI’s overall sustainability strategy includes:

- ENI draws inspiration from fairness, transparency, honesty and integrity principles,
  adopting the highest standards and international guidelines when managing its
  activities, in every operating context.

- ENI considers sustainability as an engine of a continuous improvement process
  that guarantees achievements over time and strengthens economic performance
  and reputation.

- ENI is engaged in a wide range of activities that are aimed at promoting the
  respect of people and their rights, of the environment and, more generally, of the
  widespread interests of collectivities that reside where Eni works.

- ENI undertakes to conduct its activities by considering the stakeholders' interests,
  being aware that the creation of reciprocal value is possible through dialogue and
  the sharing of objectives.

ENI’s sustainability model:

To operate in a sustainable manner means to create value for stakeholders, and to
use resources so that the needs of future generations will not be compromised,
respecting people, the environment and the society. It contains sections on policies and commitments for:

- Stakeholder relations
- Human Rights
- Relations with communities and contributions to local development
- Climate strategy
- Safeguarding biodiversity and the ecosystem
- ENI contributes, through its activities, to a sustainable development of the countries where it operates, creating opportunities for local people and companies.
- ENI guarantees the sustainability of its activities by applying a model that crosscuts all processes and all company’s functions. It is conceived for a long-term strategy providing a coherent framework for innovation development as well as risk mitigation and risk prevention management strategy.

**ENI CLIMATE CHANGE STRATEGY**

Environmental Sustainability Principles 7: EMISSIONS INTO AIR-(G)-Essential

7.1- Enterprises should reduce and minimize both direct and indirect greenhouse gas (GHG) emissions and their intensity including ozone-depleting substances (ODS), and nitrogen oxides (NOX) and sulfur oxides (SOX), among other significant air emissions.

ENI has a Strategy for Decarbonisation:

"Our challenge is to build a low-carbon future in which everyone can access energy resources sustainably." Claudio Descalzi

The energy industry is facing the dual challenge of guaranteeing access to cheap energy for the entire global population – which will grow from 7 to 10 billion people by 2050 – and ensuring that this is done in a sustainable way for the environment, limiting the temperature rise to within 2°C.

ENI position on COP21:

ENI acknowledges the scientific evidence on climate change produced by the Intergovernmental Panel on Climate Change (IPCC).
ENI governance on climate:

“We are one of the key players in the energy sector and as such are aware that we have an important role to play in combating climate change. For this reason, we have defined a strategy for reducing climate-altering emissions, which includes both operational and managerial interventions.”

The global climate agreement reached in Paris was a positive step due to the ambitious goals it set out.

Energy scenarios and the Climate Change Conference

Comparing scenarios

The UN Climate Change Conference (COP21) in Paris

COP22 a Marrakesh: the “action COP”

ENI asserts, “Ensuring that supply meets demand while respecting the objectives of the Paris Agreement requires a significant reduction in the emissions intensity of the current energy mix. This will determine in a gradual transition to lower carbon intensity sources.

Over the next 20 years, albeit at a progressively slower rate, world oil demand is expected to continue to grow at least until 2035. There will be improvements in transport efficiency, and an increase in the spread of electric vehicles, but their impact on replacing oil will remain marginal, held back by the slow process of replacing the car pool. Moreover, despite essentially stable demand, the decline in existing production will require new discoveries and new developments.”

ENI HAS DEVELOPED A CLIMATE STRATEGY THAT ENCOMPASSES SEVERAL HCBM ENVIRONMENT SUSTAINABILITY PRINCIPLES:

- ENI assumes an active role in the international scene, in adopting different solutions that deal with the problems of climate change, including the development of flexible mechanisms and of new instruments to reduce deforestation and to promote technology transfer towards developing countries.

- ENI invests in scientific research with the aim to develop new technologies for the reduction of emissions that alter the climate and a more efficient and sustainable production of energy.

- ENI undertakes to reduce greenhouse gas, improving plant efficiency and increasing the use of fuel that contains less carbon.

- ENI adopts a system that detects, analyses and manages risks connected to climate change, to carry out proper mitigation and adjustment measures concerning its operational activities.
ENI promotes the sustainable management of water resources in actions that are oriented towards the adjustment of the consequences of climate change. ENI promotes a conscious and sustainable use of energy, through internal and external information and education campaigns, and by inserting sustainability criteria, when selects and evaluates its suppliers.

Gela and the environment

The bio oil produced by the Gela refinery is a new-generation fuel that will allow for compliance with the provisions of European law on the minimum energy content of biofuel in those fuels introduced to the market (10 per cent as at 2020).

Gela: new activities in a wide-ranging project

Gela is a symbolic city that represents ENI’s industrial history in Sicily. The Upstream activities conducted here are carried out by Eni Mediterranean Idrocarburi SpA (EniMed), which owns 11 concessions onshore and two offshore. The EniMed production in Sicily originates from 11 oil fields and eight gas fields, with a total of 148 wells in production, 62 of which are in the district of Gela and nearby. The launch of new onshore and offshore hydrocarbon exploration and production activities is expected in Sicily, to promote the potential of operative fields as well as a series of maintenance operations. The development of offshore gas deposits in Argo and Cassiopea in the Strait of Sicily is one of the main initiatives of the Memorandum of Understanding for the Gela area, which was signed in November 2014. These Upstream projects will bring benefits to the area, as they promote employment and respect the environment. Redevelopment of the Gela refinery should be complete by the end of 2018. Thanks to the design of the plant, it will be possible to produce green diesel in compliance with the recent regulations governing the reduction of greenhouse-gas emissions at every stage, and to use the plant’s entire capacity in processing second-generation raw materials. Also, at Gela, a new training centre concentrating on health, safety and the environment was inaugurated in 2017.

SAFEGUARDING BIODIVERSITY AND THE ECOSYSTEM - ENI BIODIVERSITY AND ECOSYSTEM SERVICES (BES) POLICY

“Biodiversity is the variability of life on Earth. It supports the provision of ecosystem services, the benefits that people and businesses obtain from ecosystems such as food, fresh water, air and climate regulation. The conservation of biodiversity and ecosystem services (BES) is necessary for human wellbeing, a key component of the global sustainable development agenda and is of increasing importance to Eni and its stakeholders.”
ENI operates in a wide range of environments around the world, with different ecological sensitivities and regulatory regimes. We are committed to the conservation of BES by implementing an effective BES management model which aligns with the strategic goals and targets of the Convention on Biological Diversity. This integrated approach to BES management is based on sound conservation science and internationally accepted good practices. BES management is a key component of Eni’s Health, Safety and Environment Integrated Management System (HSE IMS) and operating practices. Eni’s approach to BES management ensures that interrelationships between environmental issues such as BES, climate change, water management, and social issues, like the sustainable development of local communities, are identified and properly managed.

ENI commits to operating beyond compliance in all countries and throughout the project lifecycle, from inception to decommissioning. Priority BES values are identified as early as possible in the decision-making process. The company follows a risk-based approach which takes into account the complexities of each project and the value of the local natural environment and social context. Dependencies and potential impacts on priority BES values are assessed and managed, whilst exploring opportunities to make a positive contribution to BES. Through the adoption of the mitigation hierarchy, Eni prioritizes preventive over corrective measures and drives continuous improvement of BES management performance towards no net loss or net gain of biodiversity, depending on project-specific risks and context. Eni’s BES management model systematically implements its commitments by integrating BES considerations into global activities and decision-making processes along the project lifecycle supported by technical guidance. Biodiversity risk exposure is routinely monitored by screening new and existing sites (operated, in joint ventures and non-operated) for proximity to protected areas, important sites for biodiversity and for the presence of threatened species. Eni uses the results of this screening. BES values include species, habitats, ecosystem and ecosystem services that exist within an operational area.

The sequence of actions to anticipate and avoid, and where avoidance is not possible, minimize, and, when impacts occur, restore, and where significant residual impacts remain, offset for biodiversity-related risks and impacts on affected communities and the environment. CSBI, A cross-sector guide for implementing the Mitigation Hierarchy, 2015 to identify priority sites for action and set targets for biodiversity risk management as part of the company’s Strategic HSE Plan. At existing priority sites, risk exposure is addressed by identifying and assessing, BES dependencies and direct, indirect and cumulative impacts potentially associated with company’s activities, both at landscape and site-scale. At all new sites, BES assessments are
performed as part of environmental, social and health impact assessments. Based on the outcome of the above assessments, BES Action Plans (BAPs) are implemented to ensure the delivery of BES impact mitigation and effective management of Eni’s exposure to biodiversity risk.

Active engagement with stakeholders, both at company and site level, is central to the implementation and continuous improvement of Eni’s BES management model and ensures the effective implementation of the mitigation hierarchy. ENI promotes a transparent and continuous dialogue with relevant stakeholders and partnership with conservation NGOs, and with national and international scientific institutions. ENI works in long term partnerships with international non-governmental organizations (NGOs) and scientific institutions for implementing Eni’s commitments and ensuring alignment with international good practice. Early stage consultation and collaboration with local communities and NGOs, indigenous peoples, governments and academia helps Eni to understand their concerns, determine dependencies on BES and identify management options that include these needs:

- ENI considers the conservation of biodiversity ecosystems and the services they provide as a fundamental component of sustainable development in the
implementation of its projects and is committed to integrate their conservation during the whole life cycle and all its operational sites.

- ENI considers, when evaluating projects and in operational practices, the presence of protected areas and of areas of biodiversity value, the presence of threatened and endangered species and of ecosystem services that are ecologically and socially important.

- ENI identifies and assesses all potential impacts of its operations on biodiversity and implements mitigation actions, including offsets in order to minimise any adverse effects.

- ENI evaluates the interaction of its activities with ecosystem services, and promotes efficient water management, especially in areas under water stress, and the reduction of emissions in air, water and soil, and;

- ENI promotes investment projects and initiatives that combine the conservation biodiversity and ecosystems with the sustainable development of local communities and raises awareness on these topics through dedicated initiatives.

- ENI’s comprehensive approach to environment with their larger CSR policies is an illustration of how economic, environmental, social, integrity and ethical principles can come together through a variety of instruments and voluntary initiatives, stakeholder engagement and over all policy support internally. Many of the outcomes of implementing these strategies also foster innovation, and new business opportunities in the transition from a carbon economy to a green economy.

TOTAL (France)

TOTAL is a global gas and oil integrated energy producer and provider, a leading international oil and gas company, and the world’s second-ranked solar energy operator with SunPower, with oil, gas and solar activities in more than 130 countries. In Europe it also retails gas and solar energy.

The French oil and gas company operates five refineries and nine petrol depots in France. Recently, it has invested €275 million ($324 million) to transform a refinery at La Mede, in southern France, into a plant that can make 500,000 tons of biodiesel per year. TOTAL is no strange to protest, lawsuits and claims on environmental damage. In 2017, 13 sites were being picketed by members of the French farmers’ union FNSEA, the blockades were intended to pressure the French government over recent trade agreements that would allow imports of meat, sugar, and ethanol from countries “that do not respect the same conditions of production as French products.” TOTAL’s decision to import palm oil for biofuel refinery was only “the last straw”, stated
FNSEA, union boss Christiane Lambert. In 2005, The Burma Campaign UK today welcomed the climbdown by TOTAL Oil – which was being sued in French courts over its involvement in forced humanitarian fund in an out of court settlement.

As research for the HCBM Social Sustainability Principles a detailed case study on how TOTAL applies Human Rights and with which level of transparency as well as other social principles which TOTAL applies in in operation and interactions with communities (Annex B). TOTAL has also made a commitment to the environment as part of their integrated CSR reporting, addressing climate and local environment among others. Climate is an integral part of TOTAL corporate strategic vision.

**INTEGRATING CLIMATE INTO TOTAL’S STRATEGY**

Climate issues are stated as an integral part of TOTAL’s corporate strategic vision, aimed at keeping global warming below 2°C in relation to pre-industrial levels by 2100.

“We (TOTAL) have a responsibility to provide cost-effective, reliable and clean energy to as many people as possible, while managing energy consumption and the related emissions.

As a responsible industrial player, we are taking action to develop these new energies. TOTAL efforts are focused on solar energy and bio energies.

Benefitting from an abundant and decentralized energy source, the solar photovoltaics industry has seen significant technological advances, especially in energy storage, which have contributed to making it more competitive, profitable and efficient.

As for Bio energies remain the only renewable alternative to fossil fuels for producing liquid fuels such as biodiesel, bioethanol and bio jet fuel.”

**PV Salvador:** Harnessing Sustainable and Competitive Energy in the Acama Desert

Launched in June 2014, PV Salvador is a ground-based photovoltaic power plant located in Chile’s Atacama Desert, one of the world’s most arid and sunny regions. The plant has been providing Chile with electricity since early 2015 and is the world’s first solar plant to deliver electricity at the same cost as the traditional power grid.

**TOTAL’s ambition is to have close to ”20% low-carbon businesses in 20 years’ time”**. These businesses include midstream and downstream gas, renewable energies, energy storage and energy efficiency as well as clean fuels and carbon capture, utilization and storage technology. They are on track to represent close to 20% of our

---

portfolio in 20 years’ time. As an energy source that is more cost-effective and above all produces less carbon emissions than other fossil fuels, natural gas is one of the keys to the energy transition. TOTAL ceased coal operations in 2016.

To maintain the advantage that gas offers over coal, however, TOTAL committed to limiting methane emissions to a strict minimum, as methane’s global warming potential is much higher than that of CO2. TOTAL is continuing our efforts to reduce our methane emissions from the production and transportation of gas, which represent today less than 0.5% of marketed operated production. TOTAL has a committed partnership with the Climate & Clean Air Coalition, an association supported by the United Nations that aims to improve methane emission measurement and reduction methods across the industry. TOTAL is also investing downstream in the gas value chain to keep pace with growing demand and carry gas all the way to residential end users. With 2016 acquisition of Lampiris, TOTAL markets gas and power to one million European consumers with 2017 acquisition of PitPoint, we are the leading provider of natural gas vehicle fuel in Europe.

Another way TOTAL seeks to limit CO2 emissions in the atmosphere involves capturing the CO2 at the source and storing it underground or reusing it. This technology is called carbon capture, utilization and storage (CCUS). TOTAL plays an active role in developing this technology both independently and through partnerships, with the aim of evaluating its real potential in the fight against climate change and making it effective, safe and feasible on a large scale. A pioneer in this area, TOTAL invested heavily in the Lacq Pilot Project and contribute to other initiatives elsewhere in the world, in particular in Norway.

TOTAL GLOBAL INITIATIVES

TOTAL is actively involved in these areas, through international organizations and initiatives:

- Oil & Gas Climate Initiative
- Business Leadership Criteria on Carbon Pricing
- Paying for Carbon
- World Bank Carbon Pricing Leadership Coalition
- Zero Routine Flaring by 2030
- Climate & Clean Air Coalition
- Task Force on Climate-related Financial Disclosures (TCFD)

TOTAL has a dedicated website to communicate its climate indicators to the public: Total Climate Indicators.

The Third focus of TOTAL’s climate strategy is to continue invest in the solar industry. TOTAL have been committed to developing renewable energies, and solar energy in particular for more than 30 years. Through SunPower and TOTAL Solar, TOTAL has expertise is present across the entire value chain, from manufacturing photovoltaic
cells to developing utility-scale plants and installing solar home systems. In 2016, TOTAL acquired Lampiris and Saft, a leading provider of energy storage solutions, thereby confirming strategic expansion in gas and power marketing activities. These two major additions to TOTAL Group enable the company to fulfill its goal of remaining at the forefront of the solar industry. Investing in solar energy is in line with TOTAL’s natural gas strategy. Stating, these two energy sources are compellingly complementary in terms of availability and cost: readily available natural gas resources can make up for the intermittent nature of solar energy, while the fixed price of electricity generated from solar energy can help smooth fluctuations in natural gas prices as they change with the market.

**BIODIVERSITY: TOTAL’S APPROACH AND GUIDELINES FOR DAILY ACTION**

TOTAL states a clear objective to avoid impacting biodiversity as much as possible everywhere the company operates throughout the entire life cycle of our facilities and products.

*Taking tangible measures to avoid, reduce, mitigate and, when necessary, compensate for any loss of biodiversity.* “We deploy this approach throughout the project life cycle to minimize the impact of our operations on biodiversity and, if the situation allows, help create a positive impact.”

*Taking ecosystem sensitivity into account.* “We implement enhanced assessment and monitoring procedures in regions where biodiversity is particularly sensitive and apply strict environmental requirements that can go beyond the demands of current legislation and regulations. In addition, we have made a voluntary commitment to refrain from operating in certain regions”.

*Managing biodiversity.* “Our environmental management system (EMS) systematically integrates the management of risks and impacts on biodiversity. We are particularly attentive to ecosystem services related to climate and water resources. From the outset, each industrial project includes an assessment of biodiversity risk through a baseline study and an impact study. This risk is regularly monitored at every stage of the project, until the last unit is dismantled”.

*Reporting.* TOTAL reports to its stakeholders on its performance with regard to biodiversity.

---

**BOX 22**

**Yemen LNG: Coral at the Center of Our Marine Biodiversity Action Plan**

Total discovered vibrant coral reefs during the pre-project studies for the Yemen LNG liquefaction plant in Balhaf, on the country’s southern coast. As a result, our experts modified the initial construction plans to limit the impact on the ocean currents, coral and fish population. In making these decisions, we consulted with the International Union for Conservation of Nature (IUCN) and the local nature conservation authority. Certain coral colonies were relocated to protect them from damage and allow them to thrive in conditions similar to those in their original habitat. This transplantation, carried out by Total’s teams, was the largest ever undertaken worldwide.
TOTAL’s biodiversity indicators reporting are found at TOTAL’s Performance Site

TOTAL’s reporting standards align with:

- Global Reporting Initiative (GRI)
- International Petroleum Industry Environmental Conservation Association (IPIECA)
- Global Compact
- Carbon Disclosure Project (CDP)

TOTAL’s Performance Site contain the following indicators:

- Economic indicators
- Safety and health indicators
- Environmental indicators
- Climate indicators
- Social indicators
- Community indicators

These sets of indicators begin to illustrate a comprehensive approach to reporting that encompasses HCBM Principles.

More details on Total’s Environmental Policies and performance are presented in the enclosed case study of Total (Annex H).

Corporate Approaches to Mitigating Green House Gases

Environmental Sustainability Principles 7: EMISSIONS INTO AIR-(G)-Essential

7.2- If GHG emission is unavoidable, an enterprise should strive to undergo efforts efficiently mitigate and offset emissions.

The number of companies incorporating a carbon price into their business and investment, a recent CDP report shows, with an increase of 23 percent over last year. The more than 1,200 companies that are currently using an internal carbon price (or are planning to within two years) are using them to determine which investments will be profitable and which will involve significant risk in the future, as carbon pricing
programs are implemented around the world. Sometimes, they also use them to reach emissions reduction goals. Not all carbon prices are created equal, and companies differ in how they set their specific price. Here are look at some of these common methods:

**SHADOW PRICE**

Some companies create a “shadow price” to evaluate potential investments. This approach attaches a hypothetical or assumed cost for carbon emissions—for example US$30 per metric ton of CO2-equivalent (MTCO2 e)—to better understand the potential impact of external carbon pricing on the profitability of a project. Companies also create a range of shadow prices to test sensitivities or build them into financial models with various assumptions, probabilities, and discount rates.

It is used by companies including BHP Billiton, Duke Energy, EMC, Google, NRG and Shell, as a risk assessment tool. It is the hypothetical or assumed cost of carbon emissions used to evaluate large investment decisions and profitability of projects in light of government regulation and/or the impacts of climate change. Compared to the more direct approach that companies such as Microsoft are taking, however, shadow pricing is not actually reflected in a company or division’s profit and loss statement, thus it may not have the same incentivizing effect.

**INTERNAL TAXES, FEES, OR TRADING SYSTEMS**

Some companies are creating explicit formal internal financial incentives and programs that can play a critical role in achieving aggressive greenhouse gas reductions. Some have created an internal tax or fee—for example, US$10 per MTCO2 e—that is assessed on various activities or expenditures. Others have set up internal trading programs where business units or facilities buy and sell credits to meet GHG targets.

**Microsoft**, for example, designed its own system to account for the price of its carbon emissions. The company pledged to make its operations carbon neutral in 2012 and does so through a “carbon fee,” which is calculated based on the costs of offsetting the company’s emissions through clean energy and efficiency initiatives. Each business group within Microsoft is responsible for paying the fee depending on how much energy it uses. Microsoft collects the fees in a “central carbon fee fund” used to subsidize investments in energy efficiency, green power, and carbon offsets projects. Still, by limiting carbon fees to operational activities, Microsoft has yet to address a large chunk of their emissions.

**IMPLICIT PRICE**

Some companies do not establish an explicit carbon price but calculate the implicit cost per MTCO2e based on how much the company spends to reduce GHG emissions. For example, a company may have set an aggressive GHG reduction target and is
allocating internal capital to energy efficiency or renewable energy to achieve it. It is simply a price calculated based on how much a company spends to reduce its greenhouse gas emissions, including the cost of complying with regulations. Here, the price reflects actions taken, rather than being a charge that drives change.

Recognizing how much a company spends to meet its internal greenhouse gas targets and/or regulatory requirements can encourage greater action. Some companies, for example, employ an implicit pricing strategy as the first step before establishing a direct carbon fee is used by companies including Unilever and Novo Nordisk. A vast range of internal carbon prices are used by companies in Europe, coinciding with the variety of policies that operate in the region, as well as a history of active engagement by companies on climate.

Some companies set their carbon price based on policies in the countries where they operate. For example, companies with operations in the European Union might decide to use a carbon price equal to that of the European Union Emissions Trading System (EU ETS) allowances, and those operating in the Northeastern United States might adopt the carbon price that results from the Regional Greenhouse Gas Initiative market.

**INCORPORATING CARBON PRICES FROM EXISTING POLICIES**

Some companies set their carbon price based on policies in the countries where they operate. For example, companies with operations in the European Union might decide to use a carbon price equal to that of the European Union Emissions Trading System (EU ETS) allowances, and those operating in the Northeastern United States might adopt the carbon price that results from the Regional Greenhouse Gas Initiative market.

---

USING SELF-IMPOSED CARBON FEES

Many companies take a more aggressive approach by setting a self-imposed carbon fee on energy use. This involves setting a fee on either unit of carbon dioxide generated or a proxy measurement like energy use. These programs also often include a plan for using the fees such as investment in clean energy or energy efficiency measures. This can be an effective method for incentivizing more efficient operations.

Conoco Phillips focuses its internal carbon pricing practices on operations in countries with existing or imminent greenhouse gas (GHG) regulation. As a result, its carbon price ranges from $6-38 per metric ton depending on the country. For operations in countries without existing or imminent GHG regulation, projects costing $150 million or greater, or that results in 25,000 or more metric tons of carbon dioxide equivalent, must undergo a sensitivity analysis that includes carbon costs.

SETTING INTERNAL CARBON PRICES TO REACH EMISSIONS REDUCTION TARGETS

Other companies set an internal carbon price based on their self-adopted GHG emissions targets. This involves determining an emissions reduction goal and then back-calculating a carbon price that will ensure the company achieves its goal by the target date. This method is a broader approach focused more on significantly reducing emissions while also mitigating the potential future risk of carbon pricing policies.

Novartis, a Swiss-based global healthcare company, uses a carbon price of $100/tCO2 and cites potential climate change impacts as a motivator. The company has its own greenhouse gas emissions target, which it is using to cut emissions to half of its 2010 levels by 2030. These internal policies mean that Novartis, which is included in the European Union’s Emissions Trading Scheme (EU ETS), has been able to sell surplus allowances and thus far avoid an increase in operating costs.

Currently, 12 carbon tax systems, some of which have been in place since 1990, sit alongside the EU and Swiss emission trading systems, the UK’s carbon price floor, and the French government’s plans to introduce a price floor for the electricity sector. Notably, UK company prices are trending at the level of the UK’s price floor, around $25.70 in 2016. (CDP Carbon Price Report 2016).

Internal carbon prices used by companies in Canada resemble the price levels set by Provincial policies operating in Québec, Alberta and British Columbia. Québec has a GHG cap and trade system in place with the current price at around $12.60. Alberta’s...

There is little consistency in the pricing process and price levels among U.S. companies. Prices start as low as >$1 and range as high as $150. Companies reported references to the EU Emissions Trading System (ETS) and Californian Cap and Trade system, either because they fall under their compliance, or in order to model potential future pricing scenarios in the absence of a federal carbon price. Others internalize implicit carbon prices that already affect their business—including energy price forecasts, allowance prices, costs of energy efficiency standards, all manner of environmental and related compliance costs, and even costs that might result from the U.S. Clean Power Plan. In 2016, two U.S. companies, Ameren Corporation and Covanta Energy Corporation, disclosed internalizing the U.S. Environmental Protection Agency’s social cost of carbon (CDP Carbon Price Report 2016).

**Small to Medium Enterprise in the “Green Economy”**

This section will also look at cases of small to medium enterprise and good examples of where SMEs and governments’ work together to promote a green, circular economy that fosters development and diffusion of environmentally friendly technologies; and how green investors are enabling green economy in their supply chains or promote eco-innovation. A representation of how working in like-minded network or business ecosystem across public and private sector can enable environmental responsible business and enterprise, operating ethically with integrity, can drives creation of a green, circular economy that provides equitable social benefits and tangible social outcomes. Small and medium-enterprises (SMEs) are often praised as the economic and employment backbone of thriving economies as well as the driving force for innovation and value-added production. in which traditional sectors are declining and new, more knowledge-intensive sectors are emerging.

During the last 2-3 decades many OECD countries went through different generations of promotion policies to strengthen the role of SMEs. It has contributed to a laboratory of experiences in which many different approaches, tools and methodologies have been tested. During these years a certain wisdom was commonly accepted:

- There are very different (un)successful ways of promoting SMEs and that SME development strategies need to fit to the local and national socio-political context.

- There is no one-fits-all solution.
Many countries had success with decentralized SME strategies, others, especially smaller countries, were able to promote competitive SMEs through rather centralized approaches. Some countries focused rather on the promotion of large enterprises in which SMEs became the followers rather than leaders of growth. Others again focused mainly on SME promotion and created a highly competitive entrepreneurial class (e.g. like the German Mittelstand with its famous “hidden champions”, SMEs with a highly specialized and export orientation). Despite SMEs, even those in the retail sector, can have significant impacts on the environment, including those from nonregulated activities such as resource consumption, packaging and methods of hazardous and nonhazardous waste disposal.

**Livelihoods Fund for Family Farming**

How can smallholder farmers continue to provide 70% of the world’s food when they cannot feed their own families? How can the world keep breathing when forests are disappearing, and soils are undergoing constant degradation? How can businesses increase the sustainability of their activity without losing their competitive edge?

On the strength of the Fund’s success in financing CO2 improvements in developing countries, in 2015 a second investment fund was launched, the Livelihoods Fund for Family Farming (L3F), by Danone, Mars Inc., Firmenich and Veolia. This fund will invest €120 million in projects that will positively impact the lives of 2 million people, by converting 200,000 small farms to sustainable agriculture methods.

The Livelihoods Funds support the efforts of underprivileged rural communities in developing countries to restore their ecosystems. When villages and small farmers can access sustainable farming practices and simple, and expensive technologies, they can restore their soils, thus boosting their food security and increasing their incomes. Livelihoods Fund projects are co-constructed with local communities, NGOs and players in the public and private sectors. They are set up for the long-term (10 to 20 years) in order to give local communities time to make the projects their own and ensure that the benefits are long-lasting. These companies are investing along their supply chains for dairy products, vanilla and other food stuffs used in production.

**“Eko-Expert”** is a small wool blowing contractor and wool recycling company in Finland, having developed a unique technology to reuse the building insulations that otherwise would end up on the dumping ground when buildings are renovated or pulled down. This technology results in an economic advantage for the customers through the savings in insulation expenses. A concrete example on the savings that Eko-Expert can offer is a building contract of a national construction company. In the process of renovating six apartment buildings savings of about € 35,000.- for the client (the construction company) could be realised, resulting in turn in cheaper prices for the residents in the buildings.
According to Environment Canada (2003), of the 2 million Canadian SMEs, the 400,000 most pollution-intensive are in the agriculture, primary and manufacturing sectors. A study prepared for the Organization for Economic Co-operation and Development (OECD) found that SMEs in the United States are significant contributors of pollution in three branches of manufacturing: chemicals, primary metals and building materials (e.g., stone, clay and glass). National, regional and local governments often offer technical assistance to help SMEs develop environmental management systems and improvement. ISO 14000 Environment series has guidance for SMEs and a growing number of these involved in global trade and supply chains have adopted these standards. Many SME’s are taking a comprehensive approach to CSR, inclusive of environment. This is a trend that is likely to prevail within the SME sectors.

BOX 29

“Farm-Fill Umweltinnovations- und Vertriebs GmbH”, a micro Austrian retailer has as an important business objective to distribute toys that can be recycled, being made up of natural and renewable resources. The plants that constitute the major raw material for the product grow without fertilisers and pesticides on set-aside agricultural land. Thereby, local suppliers are referred to. At the same time, by playing with this toy children are familiarised with natural products while being encouraged to develop creativity. Furthermore, Farm-Fill is supporting several non-profit organisations.

These cases look beyond environmental compliance and efficient operations to look at the examples where SMEs, often in partnerships with government, academia and market actors, to benefit from a green, circular economy. According to European Commission figures, more than 99% of all European businesses are SMEs. They provide two out of three of all private-sector jobs and contribute to more than half of the total value-added created by businesses in the EU. Moreover, SMEs are the backbone of the European economy, responsible for wealth and economic growth, in addition to their key role in innovation and R&D. All these enterprising companies are trying to find their niche in the economy and respond to needs in society. For SMEs to offer their workers decent wages and working conditions, they must be able to negotiate decent deals with their buyers. The more competitive SMEs are, the stronger their bargaining power will be within international value chain. But their size is such that their market influence is very small. Equally SME capabilities for developing new products are inevitably restricted. In the same way, even earlier in the chain of knowledge and innovation, their access to expertise, finance and markets is more challenging for SMEs working alone. However, the brightest ideas come from small and medium-sized companies.

BOX 30

To boost local production economies, the German small kitchen producer “Die Möbelmacher GmbH” started a regional initiative to get other local manufacturers also involved into sustainable production methods. The company selects its suppliers through their commitment to local production systems. The firm manufactures only locally grown materials. To assure regional economic circuits, the enterprise initiated and participates in various co-operations with other firms, the local forest management and even universities. Once a year, regional producers come together for a “Day of the Region” to exchange experiences and inform others about their own sustainable business approach.
Eco-innovation is essential to respond developing a vibrant “Green Economy” that meets society’s needs, creates high quality jobs, and enable successful profitable businesses able to invest in further innovation. SMEs have a crucial role to play in this area - both as eco-innovators and as recipients of green technologies. This has often required partnership among SME’s in a sector, government and investors, or with support from larger actors in the supply chain. Increasing these business ecosystems for eco-innovation and green economy come through partnerships with a diverse set of actors or within the business supply chain itself.

**ADEME, France**

One of the earlier efforts to promote eco-innovation was ADEME in France, was created in 1992 from the merging of 3 existing agencies (waste management, air quality and energy management). Under the joint authority of the Ministries for: Higher Education and Research, Ecology, and Sustainable Development, Energy. ADEME’s objective was to be the point of reference and privileged partner for the general public, companies and local authorities. ADEME’s areas of activity include:

- Sustainable Cities and Territories
- Sustainable Production and Energies
- Buildings
- Air Quality Transportation
- Brownfields & Pollution of Soils
- Urban Organisations
- Sustainable Consumption & Waste
- Bioresources Smart Grids and Renewable Energy
- Agriculture and Forestry
- Companies & Eco-technologies
- Extended Producer Responsibility
- Waste Prevention and Management
- Eco-design & Sustainable Consumption

ADEME’s role was to generalise good practices that save energy, protect the environment and support to innovation & R&D; with nearly 1000 staff in 26 regional branches and 3 representations in overseas territories, and an office in Brussels.

**PROMOTING ECO-INNOVATION AMONG SMES THROUGH THE INVOLVEMENT OF THE ENTIRE SUPPLY CHAIN: FROM RAW MATERIALS TO RETAILERS.**

The case looks at Promotion of Eco-innovation through the involvement of cluster of SMEs (Progetto Lissone) in Northern Italy to overcome difficulties in sharing best practices and in focusing on Life Cycle Thinking as a leverage for competitiveness. Furniture supply chain is presented with a Target Audience of SME, Trade association, Chamber of commerce and industry, Life cycle Analysis (LCA) practitioners.60

---

The presented case history refers to a pilot project conducted in Northern Italy since 2007, in a furniture district characterized by a high number of SMEs representative of the entire supply-chain: from designer to retailers. The project is undertaken by “Progetto Lissone”, a consortium including over 200 SMEs which is owned for 51% by the municipality of Lissone and was developed in collaboration with the Research Unit on Sustainable Development of the University of Milano Bicocca.

The study was performed for identifying how to involve SMEs and how to disseminate eco-innovation and life cycle thinking starting from the identification of the most important impacts trough a qualitative LCA of the entire supply chain (from cradle to grave) and a quantitative LCA of a specific piece of furniture. In the project, a new model of business was developed, because the cluster of SME’s started activities of collaborative innovation from designer to retailers, promoting local production in new perspectives.

**OUTCOMES (ENVIRONMENTAL, SOCIAL, ECONOMIC IMPACTS):**

The outcomes of the pilot project highlight the importance of a wider involvement of supply chain stakeholders. In this context, the role of a firms’ consortium is crucial in promoting and disseminating best practices among associated firms; furthermore, it is necessary to encourage both networks of producers acting in the same sector (e.g. association of furniture producers) and stakeholders of the whole supply chain (designers, producers/craftsman, retailers, consumers).

Since its initial experience, the project enlarged. An attempt to create a short supply chain in Lombardy combining the efforts of two consortia of SMEs (Progetto Lissone, consisting of SMEs working on furniture design, production and selling and a Consorzio Forestale Lario Intelvese, consisting of SMEs working on forest management, harvesting and logging). The project is intended to integrate forest management, furniture production, recycling of production waste and energy production with the aim to optimize materials and energy flows and to reduce the overall impact on environmental compartments considering strategic and economic perspectives. The idea is to support a group of companies willing to work on the sustainability concept with environmental knowledge and to put the conveyed knowledge into every-day practice, involving the whole related supply chain and rising awareness among the customers.
ENVIRONMENTAL CONCLUSIONS

From large corporations to small and medium enterprises, there is a move towards taking greater environmental responsibility in their operations, communities of operation, within supply chains crossing national borders, and towards a global view on climate change and their role in mitigating or innovating in a “Green Economy” and “Circular Economy”. The trend is towards an integrated approach that includes social, economic, integrity and ethical principles alongside environmental principles. Enterprises use a variety of existing voluntary and standards measurement tools and reporting methodologies to address these wide range of interrelated issues.

Business are more often working in an “ecosystem” composed of: businesses who supply raw material and inputs, technical services, marketing and logistics throughout the production cycle or supply chain; governments and other regulators creating legal and other requirements; institutions that. Larger market actors and regulators increasing seeks a wholistic approach to environment. The HCBM Human Centered Business Model and its Principles are designed not only as a framework for individual businesses to address diverse societal and business issues, but also for these associated businesses working in tandem within a framework for Human Centered Enterprises creating a “Business Ecosystem” that mutually supports environmental, social, integrity and ethical considers into business operations and stakeholder engagement alongside sounds economics and profitable business. HCEs DNA is composed of the key elements of social, environmental and ethical sustainability that make the enterprise ready for the social, environmental and ethical requirements that financial institutions and investors are demanding, governments are requiring for public procurement, private sector is assessing in the selection of new suppliers, and tax systems are recognizing with favorable tax benefits. The “costs” of setting and pursuing the principles set as common denominator of HCEs which enables Enterprises to access these benefits and prosper in their “enterprise ecosystem” with sustainable economic, social and environmental returns from their operations.

Bibliography of resources and tools related to Environmental Sustainability Principles utilized by business are found in the HCBM S&E Principles - Environmental Literature Review together with Annotated Bibliography of the Environmental Sustainability Principles and Indicators, available at:

RECOMMENDATIONS FOR HCBM
NEXT STEPS

The next phase of the HCBM project will include pilot tests of the HCBM by the country teams working on the practical implementation of the HCBM in selected countries combined with research work by the research teams aiming at further refinement of the proposed HCBM Sustainability Principles, Goals and Indicators.

During the pilot phase, further prioritization and refinement of the HCBM Principles, Goals and Indicators will continue in consultations with companies, labor and government representatives and HCBM partners in the specific countries where the pilot projects are taking place. The HCBM Principles and the other five HCBM Pillars, Financial, Legal, Fiscal and Procurement Pillars, should be further aligned with each other.

The collection of input from the pilot projects on the HCBM Principles will take place in parallel with continuing research work by the HCBM Pillar 1 Research Team on alignment of the HCBM Sustainability Principles and Indicators with the main international sustainability instruments and initiatives relevant to HCBM, for example the World Bank Group’s Social and Environmental Framework (SEF), and other relevant international tools and instruments by multilateral institutions, governments and global multi-stakeholder initiatives.
<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GSSP-1.1.</strong></td>
<td><strong>Goal GSSP-1.1. Enterprises shall respect human rights, particularly, the right to human dignity, the right to integrity, the right to equality, the right to privacy, the right to freedom, the right to work, the right to health.</strong></td>
<td><strong>SSPI-1.1.1. (GRI Disclosure 412-1/G4-HR9) Operations that have been subject to human rights reviews or impact assessments.</strong></td>
<td><strong>SSPI-1.1.1. a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>SSPI-1.1.2. (GRI Disclosure 412-2) Employee training on human rights policies or procedures.</strong></td>
<td><strong>SSPI-1.1.2. a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations. b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>SSPI-1.1.3. (GRI410-1/G4-HR7) Security HR training.</strong></td>
<td><strong>SSPI-1.1.3. a. Percentage of security personnel who have received formal training in the organization’s human rights policies or specific procedures and their application to security. b. Whether training requirements also apply to third-party organizations providing security personnel.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>SSPI-1.1.4. (GRI 412-3 Human Rights Assessment/G4-HR1) Significant contracts and investment agreements that include HR clauses.</strong></td>
<td><strong>SSPI-1.1.4. a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. b. The definition used for ‘significant investment agreements.’</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>SSPI-1.1.5. (GRI Disclosure 411-1) Incidents of violations involving rights of indigenous peoples.</strong></td>
<td><strong>SSPI-1.1.5. a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>SSPI-1.1.6. (GRI 103 Management Approach) HR Policies and Commitments; HR operational guidance notes; HR compliance mechanism; HR risk assessment mechanism, HR performance evaluations, etc.</strong></td>
<td>****</td>
</tr>
</tbody>
</table>

**TABLE 11. HCBM Social Sustainability Principles (SSP), Goals (GSSP) And Performance Indicators (SSPI)**
<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSSP-1.2.</td>
<td>Goal GSSP-1.2. Enterprises shall make sure that they are not complicit in human rights abuses, whether in issues involving internal stakeholders (such as employees) or external stakeholders (such as suppliers, indigenous people, etc.).</td>
<td>SSP-1.2.1. (GRI 414-1/G4-HR10) New suppliers that were screened using social (human rights) criteria.</td>
<td>SSP-1.2.1. a. Percentage of new suppliers that were screened using social criteria.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSP-1.2.1.2. (GRI 414-2/G4-HR11) Negative significant actual and potential social impacts in the supply chain and actions taken.</td>
<td>SSP-1.2.1.2. a. Number of suppliers assessed for social impacts. b. Number of suppliers identified as having significant actual and potential negative social impacts. c. Significant actual and potential negative social impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSP-1.2.1.3. (GRI Disclosure 411-1/G4-HR8) Incidents of violations involving rights of indigenous peoples.</td>
<td>SSP-1.1.3. a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSP-1.2.1.4. (G4-HR12) HR Grievance Mechanisms.</td>
<td>SSP-1.2.1.4. Number of grievances about HR impacts filed, addressed, and resolved through formal grievance mechanisms.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSP-1.2.2.1. (UNGP Reporting Framework A2.5) Actions taken to change and improve company’s approach to address HR abuses and issues.</td>
<td>SSP-1.2.2.1. Changes in policies, process, practices and approach in management company’s HR impact.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSP-1.2.2.2. (UNGP 17 and UNGP Reporting Framework C3.1.) Assessing HR impacts and demonstrating ongoing due diligence.</td>
<td>SSP-1.2.2.2. Show how the HR issues are evolving and demonstrate systematic approach in addressing them through ongoing due diligence.</td>
</tr>
</tbody>
</table>
### HCBM SOCIAL SUSTAINABILITY PRINCIPLES (SSP), GOALS (GSSP) AND PERFORMANCE INDICATORS (SSPI)

<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSP-2. ADEQUATE WAGES AND DIGNIFIED FAMILY LIVING PRINCIPLE</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **GSSP-2.1.** | Goal GSSP-2.1. Business shall provide wages that guarantee an adequate standard of living for the worker and his/her family (remuneration and appropriate health insurance and retirement plan that ensure dignified life for the worker and the family including health, food, education, housing etc.) | SSPI-2.1.1. (GRI Disclosure 202-1) Ratios of standard entry level wage by gender compared to local minimum wage. | SSPI-2.1.1. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage. b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage. c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used. d. The definition used for 'significant locations of operation'.
<p>|  |  | SSPI-2.1.2 (GRI Disclosure 401-1) New employee hires and employee turnover. | SSPI-2.1.2.a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region. |
| <strong>GSSP-2.2.</strong> | Goal GSSP-2.2. Contribution to quality of life in the employee’s families. | SSPI-2.2.2.1. (inspired by OECD Research and discussions) impact on employee families’ quality of life. | SSPI-2.2.2.1. SS-3.1.3.1. Experiment with innovative approaches to measure and present the impact of your company on the employee families’ quality of life including: access to health, education, child care, family recreation and vacation, housing; community life, quality of life satisfaction, security, etc. |
| SSSP-3. HEALTHY AND SAFE WORK ENVIRONMENT PRINCIPLE |
| <strong>GSSP-3.1.</strong> | Goal GSSP-3.1. Respect/comply with labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. | SSPI-3.1.1. (GRI Disclosure 403-4/G4-LA8) Health and safety topics covered in formal agreements with trade unions. | SSPI-3.1.1. a. Whether formal agreements (either local or global) with trade unions cover health and safety. b. If so, the extent, as a percentage, to which various health and safety topics are covered by these agreements. |
|  |  | SSPI-3.2.1.1. (GRI Disclosure 403-1/G4-LA5) Workers representation in formal joint management-worker health and safety committees. | SSPI-3.2.1.1. a. The level at which each formal joint management-worker health and safety committee typically operates within the organization. b. Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees. |
| <strong>GSSP-3.2.</strong> | Goal GSSP-3.2. Right to a safe and secure working environment for all workers, including migrant workers, in particular women migrants, and those in precarious employment. |  |  |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SSP-3. HEALTHY AND SAFE WORK ENVIRONMENT PRINCIPLE</strong> (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-3.2.</strong></td>
<td></td>
<td>SSPI-3.2.1. (GRI Disclosure 403-3/G4-LA7) Workers with high incidence or high risk of diseases related to their occupation.</td>
<td>SSPI-3.2.1. a. Whether there are workers whose work, or workplace, is controlled by the organization, involved in occupational activities who have a high incidence or high risk of specific diseases.</td>
</tr>
<tr>
<td><strong>GSSP-3.3.</strong></td>
<td>Goal GSSP-3.3. Favorable and healthy conditions of work.</td>
<td>SSPI-3.3.1.1. (GRI Disclosure 403-2/G4-LA6) Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.</td>
<td>SSPI-3.3.1. a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by: i. region; ii. gender. b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: i. region; ii. gender. c. The system of rules applied in recording and reporting accident statistics.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-3.3.2.1. (OECD Guidelines for MNEs 4. (2002)) a) Observe standards of employment and industrial relations; b) Take adequate steps to ensure occupational health and safety in operations.</td>
<td>SSPI-3.3.2.1.Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management System.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-3.3.3.1. (UNCTAD 2008) Cost of employee health and safety.</td>
<td>SSPI-3.3.3.1. Cost of employee health and safety as part of the total annual expenditures and as part of the total annual revenues.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-3.3.3.2. Cost of occupational accidents, injuries and illness.</td>
<td>SS-3.3.3.2. Work days lost due to occupational accidents, injuries and illness/annually.</td>
</tr>
<tr>
<td><strong>SSP-4. EQUAL TREATMENT AND EQUAL EMPLOYMENT OPPORTUNITIES PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-4.1.</strong></td>
<td>Goal GSSP-4.1. Elimination of discrimination in respect of employment and occupation.</td>
<td>SSPI-4.1.1.1. (GRI Disclosure 405-1/G4-LA12) Diversity of governance bodies and employees.</td>
<td>SSPI-4.1.1.1. a. Percentage of individuals within the organization’s governance bodies in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups). b. Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).</td>
</tr>
<tr>
<td>#</td>
<td>SS Principles (SSP)</td>
<td>SS Indicators (SSPI)</td>
<td>SSPI Metrics/Measurement Protocol</td>
</tr>
<tr>
<td>---</td>
<td>---------------------</td>
<td>----------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>SSP-4. Equal Treatment and Equal Employment Opportunities Principle</strong> (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-4.1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-4.1.2. (GRI Disclosure 406-I/G4-HR3) Incidents of discrimination and corrective actions taken.</td>
<td>SSPI-4.1.2. a. Total number of incidents of discrimination during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-4.1.3. (GRI 102-24) Nominating and selecting governance bodies.</td>
<td>SSPI-4.1.3. Nominating and selecting the highest governance body.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-4.1.4. (GRI G4-HR3) Policies against discrimination.</td>
<td>SSPI-4.1.4. Description of (global) policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-4.1.5. (GRI G4-LA9) Policies re equal opportunities.</td>
<td>SSPI-4.1.5 Description of equal opportunity policies or programmes as well as monitoring systems to ensure compliance and results of monitoring. Equal opportunities policies may address also workplace harassment and affirmative action relative to historical patterns of discrimination.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-4.1.6. GRI Disclosure 102-8 information on employees and other workers.</td>
<td>SSPI-4.1.6. The reporting organization shall report the following information: a. Total number of employees by employment contract (permanent and temporary), by gender. b. Total number of employees by employment contract (permanent and temporary), by region. c. Total number of employees by employment type (full-time and part-time), by gender. d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made.</td>
<td></td>
</tr>
</tbody>
</table>
| **GSSP-4.2** | Goal GSSP-4.2. Equal pay for equal work/work for equal value. | SSPI-4.2.1.1. (GRI Disclosure 405-2/G4-LA13) Ratio of basic salary and remuneration of women to men. | SSPI-4.2.1.1.a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. The definition used for ‘significant locations of operation’.
<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSSP-4.3.</td>
<td>Goal GSSP-4.3. Enterprises shall promote equal Opportunities between men and women: Positive Action.</td>
<td>SSPI-4.3.1.1. (GRI Standard Disclosure 202-1/).</td>
<td>SSPI-4.3.1.1. Ratios of standard entry level wage by gender compared to local minimum wage.</td>
</tr>
<tr>
<td>GSSP-4.4.</td>
<td>Goal GSSP-4.4. Equal Opportunities. Business shall contribute to promote equal opportunities for persons with disabilities.</td>
<td>SSPI-4.4.1.1. GRI Disclosure 404-1 Average hours of training per year per employee.</td>
<td>SSPI-4.4.1.1. a. Average hours of training that the organization’s employees have undertaken during the reporting period, by: i. gender; ii employee category.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-4.4.1.2. GRI Disclosure 404-2 Programs for upgrading employee skills and transition assistance programs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-4.4.1.3. GRI Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews.</td>
<td>SSPI-4.4.1.3. a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.</td>
</tr>
<tr>
<td>GSSP-4.5.</td>
<td>Goal GSSP-4.5. Special protection for vulnerable workers: minors, pregnant women, persons with disabilities, LGBT.</td>
<td>SSPI-4.5.1.1. Number of vulnerable workers receiving performance and career development review and assistance.</td>
<td>SSPI-4.5.1.1. a. Number of vulnerable workers: minors, pregnant women, persons with disabilities; b. Percentage of vulnerable workers receiving performance and career development review and assistance.</td>
</tr>
<tr>
<td>GSSP-5.1.</td>
<td>Goal GSSP-5.1. Prohibition of any form of child labor.</td>
<td>SSPI-5.1.1.1. (GRI Disclosure 408-1/G4-HR5) Operations and suppliers at significant risk for incidents of child labor.</td>
<td>SSPI-5.1.1.1. a. Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work. b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-5.1.1.2. GRI G3-HR6 Policies addressing Child Labor.</td>
<td>SSPI-5.1.1.2. Description of policy excluding child labor as defined by ILO Convention 138 and extend to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.</td>
</tr>
</tbody>
</table>
### HCBM SOCIAL SUSTAINABILITY PRINCIPLES (SSP), GOALS (GSSP) AND PERFORMANCE INDICATORS (SSPI)

<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SSP-5. PROHIBITION ON CHILD LABOR, SLAVERY AND SERVITUDE PRINCIPLE</strong>&lt;br&gt; (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-5.2.</strong>&lt;br&gt;Goal GSSP-5.2. Prohibition of forced labor, slavery and human trafficking. No recruitment and use of child soldiers.</td>
<td>SSPI-5.2.1.1. (GRI Disclosure 409-1/G4-HR6) Operations and suppliers at significant risk for incidents of forced or compulsory labor.&lt;br&gt;SSPI-5.2.1.2. GRI G3-HR7 Policies addressing prohibition of forced labor, slavery and human trafficking.&lt;br&gt;SSPI-5.2.1.3. (GRI G3-LA3) Employees covered by collective bargaining agreements.</td>
<td>SSPI-5.2.1.1.a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of:&lt;br&gt;i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk.&lt;br&gt;b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GSSP-5.2.2.1.(G4-LA4) Minimum notice periods regarding operational changes.&lt;br&gt;SSPI-5.2.2.1.2. (GRI Disclosure 407-1) Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.&lt;br&gt;SSPI-6.1.1.3. (GRI G3-LA3) Employees covered by collective bargaining agreements.&lt;br&gt;SSPI-6.1.1.4. (G4-HR4) Policy on freedom of association.</td>
<td>SSPI-5.2.1.2. Description of policy to prevent forced and compulsory labor, slavery and human trafficking and extend to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.</td>
<td></td>
</tr>
<tr>
<td><strong>SSP-6. EMPLOYEE/S COLLECTIVE RIGHTS PRINCIPLE</strong>&lt;br&gt; (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-6.1.</strong>&lt;br&gt;Goal GSSP-6.1. Freedom of association and Right to Collective Bargaining.</td>
<td>SSPI-6.1.1.1. (GRI Disclosure 402-1/G4-LA4) Minimum notice periods regarding operational changes.&lt;br&gt;SSPI-6.1.1.2. (GRI Disclosure 407-1) Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.&lt;br&gt;SSPI-6.1.1.3. (GRI G3-LA3) Employees covered by collective bargaining agreements.</td>
<td>SSPI-6.1.1.1.a. Minimum number of weeks’ notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.&lt;br&gt;b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.&lt;br&gt;SSPI-6.1.1.2.a. Operations and suppliers in which workers’ rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of:&lt;br&gt;i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk.&lt;br&gt;b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-6.1.1.4. (G4-HR4) Policy on freedom of association.</td>
<td>SSPI-6.1.1.4. Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.</td>
<td></td>
</tr>
</tbody>
</table>

**SS Principles (SSP)**<br>**SS Indicators (SSPI)**<br>**SSPI Metrics/Measurement Protocol**
<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SSP-6. EMPLOYEE/S COLLECTIVE RIGHTS PRINCIPLE</strong> (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GSSP-6.2.</td>
<td>Goal GSSP-6.2. Enterprises shall respect the exercise of the right to strike.</td>
<td>SSPI-6.2.1. Policies addressing the employees’ right to strike.</td>
<td>SSPI-6.2.1. Evidence of policies or other governance tools proving company’s respect for the exercise of the right to strike.</td>
</tr>
<tr>
<td><strong>SSP-7. EMPLOYEE LEISURE AND PAID LEAVE PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GSSP-7.1.</td>
<td>Goal GSSP-7.1. Enterprises shall respect leisure and paid leave including maternal leave for mothers.</td>
<td>SSPI-7.1.1. GRI Disclosure 401-2) Benefits provided to full-time employees that are not provided to temporary or part-time employees.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-7.1.1.1. a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. b. The definition used for ‘significant locations of operation’.</td>
<td>SSPI-7.1.1.2. (GRI Disclosure 401-3) Parental leave.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-7.1.1.2. a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SSP-8. EMPLOYEE TRAINING, LIFELONG LEARNING AND SKILLS DEVELOPMENT PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GSSP-8.1.</td>
<td>Goal GSSP-8.1.1. The enterprise should provide training to its employees to improve their skills, should encourage lifelong learning and assist career ending resulting from termination of employment or retirement.</td>
<td>SSPI-8.1.1. (GRI Disclosure 404-1) Average hours of training per year per employee.</td>
<td>SSPI-8.1.1. Average hours of training that the organization’s employees have undertaken during the reporting period, by: i. gender; ii. employee category. (GRI 401)</td>
</tr>
<tr>
<td></td>
<td>SSPI-8.1.1.2. (GRI Disclosure 404-2) Programs for upgrading employee skills and transition assistance programs.</td>
<td>SSPI-8.1.1.2. a. Type and scope of programs implemented, and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-8.1.1.3. (GRI Disclosure 404-3) Percentage of employees receiving regular performance and career development reviews.</td>
<td>SS-8.1.1.3. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSPI-8.1.2.1. (Ethos Indicators, 2011, Brazil) Investment in education and training</td>
<td>SSPI-8.1.2.1. Investment is education and training as: a. percentage of total revenue; b. total operational costs, c. total personnel expenses.</td>
<td></td>
</tr>
<tr>
<td>#</td>
<td>SS Principles (SSP)</td>
<td>SS Indicators (SSPI)</td>
<td>SSPI Metrics/Measurement Protocol</td>
</tr>
<tr>
<td>----</td>
<td>----------------------</td>
<td>----------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>SSP-8. EMPLOYEE TRAINING, LIFELONG LEARNING AND SKILLS DEVELOPMENT PRINCIPLE</strong> (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-8.1.</strong></td>
<td></td>
<td>SSPI-8.1.3.1. (UNCTAD, 2008) Employee training – hours.</td>
<td>SSPI-8.1.3.1. Average hours of training per year, per employee broken down by employee category.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-8.1.3.2. Employee expenditure.</td>
<td>SSPI-8.1.3.2. Expenditure on employee training per year per employee broken down by employee category.</td>
</tr>
<tr>
<td><strong>GSSP-8.2.</strong></td>
<td>Goal GSSP-8.2. The enterprise should take action to improve the employability of its human resources.</td>
<td>SSPI-8.2.1. (adapted from ISO 2600; EU Political Strategy Center, WEF and other sources) Policies and actions for improvement of employability of the human resources.</td>
<td>SSPI-8.2.1. Policies and actions, including annual expenditures per action, for improvement of employability of the human resources.</td>
</tr>
<tr>
<td><strong>SSP-9. POSITIVE COMMUNITY IMPACT PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-9.1.</strong></td>
<td>Goal GSSP-9.1. The enterprise should aim for positive community impact from its operations.</td>
<td>SSPI-9.1.1. GRI Disclosure 202-2 Proportion of senior management hired from the local community.</td>
<td>SS-9.1.1. a. Percentage of senior management at significant locations of operation that are hired from the local community. b. The definition used for ‘senior management’. c. The organization’s geographical definition of ‘local’. d. The definition used for ‘significant locations of operation’.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-9.1.2. GRI Disclosure 204-1 Proportion of spending on local suppliers.</td>
<td>SSPI-9.1.2. a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally). b. The organization’s geographical definition of ‘local’. c. The definition used for ‘significant locations of operation’.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSPI-9.1.3. GRI Disclosure 413-1 Operations with local community engagement, impact assessments, and development programs</td>
<td>SSPI-9.1.3. a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of: i. social impact assessments, including gender impact assessments, based on participatory processes; ii. environmental impact assessments and ongoing monitoring; iii. public disclosure of results of environmental and social impact assessments; iv. local community development programs based on local communities’ needs; v. stakeholder engagement plans based on stakeholder mapping; vi. broad based local community consultation committees and processes that include vulnerable groups; vii. works councils, occupational health and safety committees and other worker representation bodies to deal with impacts; viii. formal local community grievance processes.</td>
</tr>
</tbody>
</table>
### HCBM Social Sustainability Principles (SSP), Goals (GSSP) and Performance Indicators (SSPI) (Continued)

<table>
<thead>
<tr>
<th>#</th>
<th>SS Principles (SSP)</th>
<th>SS Indicators (SSPI)</th>
<th>SSPI Metrics/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSSP-9.1.</td>
<td>SSPI-9.1.4. GRI Disclosure 413-2 Operations with significant actual and potential negative impacts on local communities.</td>
<td>SSPI-9.1.4. a. Operations with significant actual and potential negative impacts on local communities, including: i. the location of the operations; ii. the significant actual and potential negative impacts of operations.</td>
<td>SSPI-9.1.4. a. Operations with significant actual and potential negative impacts on local communities, including: i. the location of the operations; ii. the significant actual and potential negative impacts of operations.</td>
</tr>
<tr>
<td></td>
<td>SSPI-9.1.2.1. Local purchasing (UNCTAD 2008).</td>
<td>SSPI-9.1.2.1. Percentage of local purchasing as part of annual total purchased services and goods.</td>
<td>SSPI-9.1.2.1. Percentage of local purchasing as part of annual total purchased services and goods.</td>
</tr>
<tr>
<td></td>
<td>SSPI-9.1.2.2. Contributions to the local community and Civil Society (UNCTAD 2008).</td>
<td>SSPI-9.1.2.2. Percentage of contributions from the annual total revenue; in-kind contributions total value and list by categories and recipients.</td>
<td>SSPI-9.1.2.2. Percentage of contributions from the annual total revenue; in-kind contributions total value and list by categories and recipients.</td>
</tr>
<tr>
<td><strong>GSSP-9.2. Goal GSSP-9.2. Impact on Quality of Life in the Community.</strong></td>
<td>SSPI-9.2.1. (inspired by (OECD Research and discussions) Impact on quality of life in the community.</td>
<td>SSPI-9.2.1. Experiment with innovative approaches to measure and present the impact of your company on the quality of life in the community, including: health, environment, poverty, education, housing, mobility, public space, culture and recreation, satisfaction, security.</td>
<td></td>
</tr>
<tr>
<td><strong>SSP-10. Customer Protection Principle</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GSSP-10.1.</td>
<td>SSPI-10.11. GRI Disclosure 416-1 Assessment of the health and safety impacts of product and service categories.</td>
<td>SSPI-10.11. a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.</td>
<td>SSPI-10.11. a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.</td>
</tr>
<tr>
<td></td>
<td>SSPI-10.12. GRI Disclosure 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services.</td>
<td>SSPI-10.12. a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.</td>
<td>SSPI-10.12. a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.</td>
</tr>
<tr>
<td>#</td>
<td>SS Principles (SSP)</td>
<td>SS Indicators (SSPI)</td>
<td>SSPI Metrics/Measurement Protocol</td>
</tr>
<tr>
<td>---</td>
<td>-------------------</td>
<td>---------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>SSP-10. CUSTOMER PROTECTION PRINCIPLE (Continued)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GSSP-10.2.</strong></td>
<td>Goal GSSP-10.2. The enterprise must meet the requirements for labeling and marketing.</td>
<td>SSPI-10.2.1.1. GRI Disclosure 417-1 Requirements for product and service information and labeling.</td>
<td>SSPI-10.2.1.1. a. Whether each of the following types of information is required by the organization’s procedures for product and service information and labeling: i. The sourcing of components of the product or service; ii. Content, particularly with regard to substances that might produce an environmental or social impact; iii. Safe use of the product or service; iv. Disposal of the product and environmental or social impacts; v. Other (explain). b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures.</td>
</tr>
<tr>
<td><strong>GSSP-10.3.</strong></td>
<td>Goal GSSP-10.3. The enterprise must protect its customers’ privacy and data.</td>
<td>SSPI-10.3.1.1. GRI Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data.</td>
<td>SSPI-10.3.1.1. a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies. b. Total number of identified leaks, thefts, or losses of customer data. c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.</td>
</tr>
<tr>
<td>#</td>
<td>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</td>
<td>Environmental Sustainability Indicator (ESPI)</td>
<td>ESPI Metric/Measurement Protocol</td>
</tr>
<tr>
<td>----</td>
<td>-----------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>ESP-1. PRECAUTIONARY APPROACH AND ENVIRONMENTAL COMPLIANCE PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GESP-1.1.</td>
<td>Goal GESP-1.1. Businesses should support a precautionary approach to environmental challenges.</td>
<td>ESPI-1.1. GRI Disclosure 102-11 /G3 4.11. Precautionary Principle or approach.</td>
<td>ESPI-1.1. Whether and how the organization applies the Precautionary Principle or approach. Explanation of whether and how the precautionary approach or principle is addressed by the organization.</td>
</tr>
<tr>
<td>GESP-1.2.</td>
<td>Goal GESP-1.2. Compliance with national, sub-national, regional, and local environmental laws and regulations.</td>
<td>ESPI-1.2. GRI Disclosure 307-1 Non-compliance with environmental laws and regulations.</td>
<td>ESPI-1.2. a. Report significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of: i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td>GESP-1.3.</td>
<td>Goal GESP-1.3. Compliance with the international environmental conventions and agreements and promotion of greater environmental responsibility and climate change action.</td>
<td>ESPI-1.3. GRI Disclosure 307-1 Non-compliance with environmental laws and regulations.</td>
<td>ESPI-1.3. a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of: i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td>GESP-1.4.</td>
<td>Goal GESP-1.4. Enterprises should prevent environmental damage and ensure damage repair. Enterprisers are subject to the polluter pays principle and to the principle of environmental liability.</td>
<td>ESPI-1.4. Compliance with the environmental liability and the polluter pays principle.</td>
<td>ESPI-1.4. Payments for negative environmental impacts applied through the economic instruments required/prescribed by the national or international legislation, such as taxes and charges, emissions trading, as in cap and trade, deposit refund schemes, liability and insurance, etc.</td>
</tr>
<tr>
<td><strong>ESP-2. MINIMIZE CONSUMPTION OF MATERIALS AND WATER RESOURCES PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GESP-2.1.</td>
<td>Goal GESP-2.1. Enterprise should optimize the use of resources. Materials used by an enterprise should be minimized.</td>
<td>ESPI-2.1. GRI Disclosure 301-1 Materials used by weight or volume.</td>
<td>ESPI-2.1 a. Total weight or volume of materials that are used to produce and package the organization’s primary products and services during the reporting period, by: i. non-renewable materials used; ii. renewable materials used. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td>GESP-2.2.</td>
<td>Goal GESP-2.2. Recycle input materials used/Reclaimed products and their packaging materials must be maximized.</td>
<td>ESPI-2.2.1. GRI Disclosure 301-2 Recycled input materials used.</td>
<td>ESPI-2.2.1. a. Percentage of recycled input materials used to manufacture the organization’s primary products and services. (GRI Secretariat 2016)</td>
</tr>
</tbody>
</table>

| | | | |
| | | ESPI-2.2.2. GRI Disclosure 301-3 Reclaimed products and their packaging materials. | ESPI-2.2.2. a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected. (GRI Secretariat 2016) |
### HCBM ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP), GOALS (GESP) & INDICATORS (ESPI) (Continued)

<table>
<thead>
<tr>
<th>#</th>
<th>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</th>
<th>Environmental Sustainability Indicator (ESPI)</th>
<th>ESPI Metric/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESP-2. MINIMIZE CONSUMPTION OF MATERIALS AND WATER RESOURCES PRINCIPLE</strong> (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GESP-2.3.</strong></td>
<td>Goal GESP-2.3. Enterprises must minimize their consumption of water and water withdrawal.</td>
<td>ESPI-2.3.GRI Disclosure 303-1 Water withdrawal by source.</td>
<td>ESPI-2.3. a. Total volume of water withdrawn, with a breakdown by the following sources: i. Surface water, including water from wetlands, rivers, lakes, and oceans; ii. Ground water; iii. Rainwater collected directly and stored by the organization; iv. Waste water from another organization; v. Municipal water supplies or other public or private water utilities. b. Standards, methodologies, and assumptions used. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td><strong>GESP-2.4.</strong></td>
<td>Goal GESP-2.4. Enterprise must avoid environmental damage to water sources significantly affected by withdrawal of water.</td>
<td>ESPI-2.4. GRI Disclosure 303-2 Water sources significantly affected by withdrawal of water.</td>
<td>ESPI-2.4. a. Total number of water sources significantly affected by withdrawal by type: i. Size of the water source; ii. Whether the source is designated as a nationally or internationally protected area; iii. Biodiversity value (such as species diversity and endemism, and total number of protected species); iv. Value or importance of the water source to local communities and indigenous peoples. b. Standards, methodologies, and assumptions used. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td><strong>GESP-2.5.</strong></td>
<td>Goal GESP-2.5. Water recycled and reused must be increased.</td>
<td>ESPI-2.5. GRI Disclosure 303-3 Water recycled and reused.</td>
<td>ESPI-2.5. a. Total volume of water recycled and reused by the organization. b. Total volume of water recycled and reused as a percentage of the total water withdrawal as specified in Disclosure 303-1. c. Standards, methodologies, and assumptions used. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td><strong>ESP-3 ENERGY CONSUMPTION OPTIMIZATION PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GESP-3.1.</strong></td>
<td>Goal GESP-3.1. Enterprise should increase the proportion of renewable energy used for energy consumption within the organization.</td>
<td>ESPI-3.1. GRI Disclosure 302-1 Energy consumption within the organization.</td>
<td>ESPI-3.1. a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: i. Electricity consumption ii. Heating consumption iii. Cooling consumption iv. Steam consumption. d. In joules, watt-hours or multiples, the total: i. Electricity sold ii. Heating sold iii. Cooling sold iv. Steam sold e. Total energy consumption within the organization, in joules or multiples. f. Standards, methodologies, assumptions, and/or calculation tools used. g. Source of the conversion factors used. This approach is followed for all calculations. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td><strong>GESP-3.2.</strong></td>
<td>Goal GESP-3.2. Enterprise should increase the proportion of renewable energy used for energy consumption outside the organization.</td>
<td>ESPI-3.2.GRI Disclosure 302-2 Energy consumption outside of the organization.</td>
<td>ESPI-3.2. The reporting organization shall report the following information: a. Energy consumption outside of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/or calculation tools used. c. Source of the conversion factors used. (GRI Secretariat 2016)</td>
</tr>
</tbody>
</table>
# HCBM ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP), GOALS (GESP) & INDICATORS (ESPI)

<table>
<thead>
<tr>
<th>#</th>
<th>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</th>
<th>Environmental Sustainability Indicator (ESPI)</th>
<th>ESPI Metric/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESP-3 ENERGY CONSUMPTION OPTIMIZATION PRINCIPLE (Continued)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GESP-3.3.</strong></td>
<td>Goal GESP-3.3. An enterprise must improve energy efficiency and maximize reduction of energy consumption through reduction initiatives in its operations.</td>
<td>ESPI-3.3.1. GRI Disclosure 302-3 Energy intensity.</td>
<td>ESPI-3.3.1. a. Energy intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all. d. Whether the ratio uses energy consumption within the organization, outside of it, or both. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ESPI-3.3.2. GRI Disclosure 302-4 Reduction of energy consumption.</td>
<td>ESPI-3.3.2. a. A mount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td><strong>GESP-3.4.</strong></td>
<td>Goal GESP-3.4. Reduction in energy requirements of products and services should be made whenever possible.</td>
<td>ESPI-3.4.1. GRI Disclosure 302-5 Reductions in energy requirements of products and services.</td>
<td>ESPI-3.4.1. a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Basis for calculating reductions in energy consumption, s. c. Standards, methodologies, assumptions, and/or calculation tools used. (GRI Secretariat 2016)</td>
</tr>
</tbody>
</table>

**ESP-4 MINIMIZATION OF WASTE GENERATION AND DISPOSAL PRINCIPLE**

<p>| <strong>GESP-4.1.</strong> | Goal GESP-4.1. Enterprise should avoid generating waste and if this is not possible it should ensure efficient management of its waste and effluents. | ESPI-4.1.1. GRI 306 Disclosure on Management Approach of Waste Generation and Disposal. | ESPI-4.1.1. When reporting its management approach for effluents and waste, the reporting organization can also disclose expenditures on: • treatment and disposal of waste; • clean-up costs, including costs for remediation of spills as specified in Disclosure 306-3. (GRI Secretariat 2016) |
| | | ESPI-4.1.2. GRI Disclosure 306-1 Water discharge by quality and destination. | ESPI-4.1.2. a. Total volume of planned and unplanned water discharges by i. destination; ii. quality of the water, including treatment method; iii. whether the water was reused by another organization. b. Standards, methodologies, and assumptions used (GRI Secretariat 2016) |
| <strong>GESP-4.2.</strong> | Goal GESP-4.2. Enterprise should reduce its discharged waste. It should choose the eco-friendliest effluent and waste discharge method by quality and destination and the most efficient disposal method by type waste. | ESPI-4.2. GRI Disclosure 306-2 Waste by type and disposal method. | ESPI-4.2. The reporting organization shall report the following information: a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable: i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) c. How the waste disposal method has been determined: i. Disposed of directly by the organization, or otherwise directly confirmed ii. Information provided by the waste disposal contractor iii. Organizational defaults of the waste disposal contractor. (GRI Secretariat 2016) |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</th>
<th>Environmental Sustainability Indicator (ESPI)</th>
<th>ESPI Metric/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESP-4 MINIMIZATION OF WASTE GENERATION AND DISPOSAL PRINCIPLE</strong> (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GESP-4.3.** Goal GESP-4.3. Significant spills must be dealt by the enterprise with the aim to minimize 1) the number of spills, and 2) their impact based on spill's location, volume, and material.

|  | ESPI-4.3. GRI Disclosure 306-3 Significant spills. | ESPI-4.3. a. Total number and total volume of recorded significant spills. b. The following additional information for each spill that was reported in the organization's financial statements: i. Location of spill; ii. Volume of spill; iii. Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization). c. Impacts of significant spills. (GRI Secretariat 2016) |
|**GESP-4.4.** Goal GESP-4.4. Transportation of hazardous waste should be minimized. |

|**GESP-4.5.** Goal GESP-4.5. Water bodies affected by water discharges and/or runoff should be minimized and reduced. |

|  | ESPI-4.5. GRI Disclosure 306-5 Water bodies affected by water discharges and/or runoff. | ESPI-4.5. a. Water bodies and related habitats that are significantly affected by water discharges and/or runoff, including information on: i. the size of the water body and related habitat; ii. whether the water body and related habitat is designated as a nationally or internationally protected area; iii. the biodiversity value, such as total number of protected species. (GRI Secretariat 2016) |

| **ESP-5 MINIMIZATION OF EMISSIONS INTO AIR PRINCIPLE** |

**GESP-5.1.** Goal GESP-5.1. Enterprises should reduce and minimize both direct and indirect greenhouse gas (GHG) emissions and their intensity, including ozone-depleting substances (ODS), and nitrogen oxides (NOX) and sulfur oxides (SOX), and other significant air emissions.

<p>|  | ESPI-5.1.1. GRI Disclosure 305-1 Direct (Scope 1) GHG emissions; OECD; ISO 14000. | ESPI-5.1.1. a. Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent. b. Gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all. c. Biogenic CO2 emissions in metric tons of CO2 equivalent. d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used. This approach applies to following GHG measurements as well. (GRI Secretariat 2016) |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</th>
<th>Environmental Sustainability Indicator (ESPI)</th>
<th>ESPI Metric/Measurement Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESP-5 MINIMIZATION OF EMISSIONS INTO AIR PRINCIPLE</strong> (Continued)</td>
<td>GESP-5.1.</td>
<td>ESPI-5.1.2. GRI Disclosure 305-2 Energy indirect (Scope 2) GHG emissions.</td>
<td>GESP-5.1. a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent. b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent. c. If available, the gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all. (GRI Secretariat 2016)</td>
</tr>
<tr>
<td></td>
<td>GESP-5.1.3. GRI Disclosure 305-3 Other indirect (Scope 3) GHG emissions.</td>
<td>ESPI-5.1.3. a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent. b. If available, the gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all. c. Biogenic CO2 emissions in metric tons of CO2 equivalent. d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation. (GRI Secretariat 2016)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GESP-5.1.4. GRI Disclosure 305-4 GHG emissions intensity.</td>
<td>ESPI-5.1.4. a. GHG emissions intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). d. Gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all. (GRI Secretariat 2016)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GESP-5.1.5 GRI Disclosure 305-5 Reduction of GHG emissions.</td>
<td>ESPI-5.1.5. a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO2 equivalent. b. Gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all. c. Base year or baseline, including the rationale for choosing it. d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). e. Standards, methodologies, assumptions, and/or calculation tools used. (GRI Secretariat 2016)</td>
<td></td>
</tr>
<tr>
<td><strong>GESP-5.2.</strong></td>
<td>Goal GESP-5.2. If GHG emission is unavoidable, an enterprise should strive to develop a CO2 offset to mitigate unavoidable emissions.</td>
<td>ESPI-5.2. GHG Emission mitigation through offsetting, green tariffs and other instruments.</td>
<td>ESPI-5.2. a. Carbon offsets/credits. b. Green tariffs/RECs.</td>
</tr>
</tbody>
</table>
## ESP-6 Impact on Biodiversity Principle

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
<th>ESPI</th>
<th>Protocol</th>
</tr>
</thead>
<tbody>
<tr>
<td>GESP-6.1.</td>
<td>Goal GESP-6.1. Enterprise should limit the number of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</td>
<td>ESPI-6.1. GRI Disclosure 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</td>
<td>(GRI Secretariat 2016)</td>
</tr>
<tr>
<td>GESP-6.2.</td>
<td>Goal GESP-6.2. Enterprise must avoid making significant negative impacts on biodiversity through its activities, products and/or services.</td>
<td>ESPI-6.2.GRI Disclosure 304-2 Significant impacts of activities, products, and services on biodiversity.</td>
<td>(GRI Secretariat 2016)</td>
</tr>
<tr>
<td>GESP-6.3.</td>
<td>Goal GESP-6.3. Enterprise play major role regarding the protection of biodiversity by increasing the areas of habitats protected or restored by the enterprise alone or/and in partnership with a third party.</td>
<td>ESPI-6.3. GRI Disclosure 304-3 Habitats protected or restored.</td>
<td>(GRI Secretariat 2016)</td>
</tr>
<tr>
<td>#</td>
<td>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</td>
<td>Environmental Sustainability Indicator (ESPI)</td>
<td>ESPI Metric/Measurement Protocol</td>
</tr>
<tr>
<td>----</td>
<td>---------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td><strong>ESP-6 IMPACT ON BIODIVERSITY PRINCIPLE</strong> (Continued)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GESP-6.4.**  
Goal GESP-6.4. Enterprises must identify endangered plant and animal UCN Red List Species and national conservation list. Species with habitats in areas affected by operations and where its activities pose a threat to the species, and it must initiate appropriate steps to avoid harm and to prevent the extinction of Species.  

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
| **ESPI-6.4.** GRI Disclosure 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations. | **ESPI-6.4.a.** Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk:  
   1. Critically endangered  
   2. Endangered  
   3. Vulnerable  
   4. Near threatened  
   5. Least concern. (GRI Secretariat 2016) |

**ESP-7 ENVIRONMENTALLY RESPONSIBLE BUSINESS PRINCIPLE**

**GESP-7.1.**  
Goal GESP-7.1. Enterprises should provide environmental information and ensure transparency.  

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
| **ESPI-7.1.** GRI Disclosure 102-20 Executive-level responsibility for economic, environmental, and social topics. | **ESPI-7.1 a.** Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics.  
   **b.** Whether post holders report directly to the highest governance body. (GRI Secretariat 2016) |

**GESP-7.2.**  
Goal GESP-7.2. Extension of UN Global Compact's Principles 7-9 through the value chain for minimization of the negative environmental impacts in the supply chain.  

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
| **ESPI-7.2.1.** Evidence of life-cycle approach in operations, services and products (ISO 14040 and 14044). | **ESPI-7.2.1.** Life cycle assessment (LCA) is a standardised methodology - the standards for the four main phases of an LCA (goal and scope, inventory analysis, impact assessment and interpretation) are provided by the International Organisation for Standardisation (ISO) in ISO 14040 and 14044.  
   **ESPI-7.2.2.** % of products created with application of eco-design, biomimicry, sustainable product design, eco-label, integrated product policy or/and LCA and % products subjects of environmental performance assessment (Product Environmental Footprint (PEF), etc.).  
   **ESPI-7.2.3.** Policies and actions taken by the enterprise to promote and ensure sustainable consumption and responsible use of materials and products. |

**GESP-7.3.**  
ESPI-7.3.1. GRI Disclosure 308-1 New suppliers that were screened using environmental criteria.  

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESPI-7.3.1.</strong> GRI Disclosure 308-1 New suppliers that were screened using environmental criteria.</td>
<td><strong>ESPI-7.3.1.</strong> a. Percentage of new suppliers that were screened using environmental criteria. (GRI Secretariat 2016)</td>
<td></td>
</tr>
<tr>
<td>#</td>
<td>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</td>
<td>Environmental Sustainability Indicator (ESPI)</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>ESP-7 ENVIRONMENTALLY RESPONSIBLE BUSINESS PRINCIPLE</strong> (Continued)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GESP-7.3.</strong></td>
<td><strong>Goal GESP-7.3. Enterprises should identify and mitigate negative environmental impacts.</strong></td>
<td><strong>ESPI-7.3.2. GRI Disclosure 308-2 Negative environmental impacts in the supply chain and actions taken.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>ESPI-7.3.3. GRI Disclosure 416-1 Assessment of the health and safety impacts of product and service categories.</strong></td>
</tr>
<tr>
<td><strong>ESP-8 ADOPT CIRCULAR ECONOMY PRINCIPLE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GESP-8.1.</strong></td>
<td><strong>Goal GESP-8.1. Enterprises should adopt a circular economy (CE) perspective and approach.</strong></td>
<td><strong>ESPI-8.1.1. Evidence of CE approach in operations, product development and services.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>ESPI-8.1.3. CE Complimentary Risk (toxicity; scarcity; etc.) and Impact (energy; water).</strong></td>
</tr>
<tr>
<td><strong>GESP-8.2.</strong></td>
<td><strong>Goal GESP-8.2. Enterprises should adopt self-regulation and control.</strong></td>
<td><strong>ESPI-8.2. Env Management systems and policies in place GRI Secretariat 2016).</strong></td>
</tr>
<tr>
<td><strong>GESP-8.3.</strong></td>
<td><strong>Goal GESP-8.3. Enterprises should measure in order to improve.</strong></td>
<td><strong>ESPI-8.3. Reporting process set up, materiality applied and reporting disclosures defined, measurement systems set up, data collection, analysis, reporting, decision-making and information loop for improvement set up. (GRI Secretariat 2016)</strong></td>
</tr>
<tr>
<td>#</td>
<td>ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)</td>
<td>Environmental Sustainability Indicator (ESPI)</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>GESP-8.6.</td>
<td>Goal GESP-8.6. Businesses should encourage the development and diffusion of environmentally friendly technologies.</td>
<td>ESPI-8.6. Eco-innovation (UM-MERIT 2007).</td>
</tr>
<tr>
<td>HCBM GUIDING PRINCIPLES</td>
<td>HCBM GUIDING PRINCIPLES ALIGNMENT with MAIN GLOBAL SUSTAINABILITY INSTRUMENTS</td>
<td>HCBM PERFORMANCE INDICATORS</td>
</tr>
<tr>
<td>-------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>HCBM ECONOMIC PRINCIPLES (EP) and GOALS (GEP)</td>
<td>OECD</td>
<td>UNGC</td>
</tr>
<tr>
<td>EP1. PROFIT IS ON THE SAME PRIORITY LEVEL WITH THE SOCIAL, ENVIRONMENTAL AND INTEGRITY PRINCIPLES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GEP 1.1. The Human-Centered Enterprise (HCE) has in its bylaws profit on the same priority level with ethical, social and environmental principles.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GEP 1.2. Economic value and impacts generated by the company should benefit the company, its shareholders and its stakeholders</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HCBM SOCIAL SUSTAINABILITY PRINCIPLES (SSP) and GOALS (GSSP)</th>
<th>OECD</th>
<th>UNGC</th>
<th>UNGP</th>
<th>ILO</th>
<th>IFC</th>
<th>ISO26000</th>
<th>GRI</th>
<th>SDGs</th>
<th>SOCIAL SUSTAINABILITY PERFORMANCE INDICATORS (SSPI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSP-1. RESPECT FOR HUMAN RIGHTS PRINCEPLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal GSSP-1.1. Enterprises shall respect human rights, particularly, the right to human dignity, the right to integrity, the right to equality, the right to privacy, the right to freedom, the right to work, the right to health. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>GRI 412-1,2,3; GRI 411-1; GRI 410-1; GRI 103</td>
</tr>
<tr>
<td>Goal GSSP-1.2. Enterprises shall make sure that they are not complicit in human rights abuses, whether in issues involving internal stakeholders (such as employees) or external stakeholders (such as suppliers, indigenous people, etc.). Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>3, 5, 8, 9, 10</td>
<td>GRI 414-1,2; G4-HR12; UNGP Reporting Framework A2.5; UNGP 17 and UNGP Reporting Framework C3.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### HCBM GUIDING PRINCIPLES ALIGNMENT with MAIN GLOBAL SUSTAINABILITY INSTRUMENTS

#### HCBM PERFORMANCE INDICATORS

- **ECONOMIC PRINCIPLES AND GOALS (EP and GEP)**
  - OECD
  - UNGC
  - UNGP
  - ILO
  - IFC
  - ISO26000
  - GRI
  - SDGs

#### ECONOMIC PERFORMANCE INDICATORS (EPI)

- EP 1. Profit is on the same priority level with the social, environmental and integrity principles.
  - GEP 1.1. The Human-Centered Enterprise (HCE) has in its bylaws profit on the same priority level with ethical, social and environmental principles.
  - Medium/long-term social, environmental and integrity objectives are coherent and on the same priority level with medium/long-term profits (TBD)

### HCBM SOCIAL SUSTAINABILITY PRINCIPLES (SSP) and GOALS (GSSP)

#### SOCIAL SUSTAINABILITY PERFORMANCE INDICATORS (SSPI)

- **SOCIAL PRINCIPLES AND GOALS**
  - Goal GSSP-1. Respect for Human Rights Principle
    - Enterprises shall respect human rights, particularly, the right to human dignity, the right to integrity, the right to equality, the right to privacy, the right to freedom, the right to work, the right to health.
    - Essential IR
      - X X X X X X
      - GRI 412-1,2,3; GRI 411-1; GRI 410-1; GRI 103
      - OECD Research
  - Goal GSSP-1.2. Enterprises shall make sure that they are not complicit in human rights abuses, whether in issues involving internal stakeholders (such as employees) or external stakeholders (such as suppliers, indigenous people, etc.).
    - Essential IR
      - X X X X X X X
      - GRI 414-1,2; G4-HR12; UNGP Reporting Framework A2.5; UNGP 17 and UNGP Reporting Framework C3.1

#### SSP-2. ADEQUATE WAGES AND DIGNIFIED FAMILY LIVING PRINCIPLE

- Goal GSSP-2.1. Business shall provide wages that guarantee an adequate standard of living for the worker and his/her family (remuneration and appropriate health insurance and retirement plan that ensure dignified life for the worker and the family including health, food, education, housing etc.).
  - Essential PR
    - X X X X X X
    - GRI 202-1; GRI 401-1; GRI 201-3

- Goal GSSP-2.2. Contribution to quality of life in the employee’s families.
  - Essential PR
    - X X X X
    - OECD Research

#### SSP-3. HEALTHY AND SAFE WORK ENVIRONMENT PRINCIPLE

- Goal GSSP-3.1. Respect/comply with labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
  - Essential IR
    - X X X X X X
    - GRI 403-4/G4-LA8

- Goal GSSP-3.2. Right to a safe and secure working environment for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
  - Essential PR
    - X X X X X X
    - GRI 403-1/G4-LA5; GRI 403-3/G4-LA7

- Goal GSSP-3.3. Favorable and healthy conditions of work.
  - Essential IR
    - X X X
### SSP-4. EQUAL TREATMENT AND EQUAL EMPLOYMENT OPPORTUNITIES PRINCIPLE

| Goal GSSP-4.1. Elimination of discrimination in respect of employment and occupation. Essential IR | X | X | X | X | X | X | X | 5.5; 5a; 10.3; 16b | GRI 405-1/G4-LA12; GRI 406-1/G4-HR3; GRI 102-24; GRI G4-HR3; GRI G4-LA9; GRI 102-8 |
| Goal GSSP-4.2. Equal pay for equal work/work for equal value. Essential IR | X | X | X | X | X | X | X | 5; 10; 8.5 | GRI 405-2/G4-LA13 |
| Goal GSSP-4.3. Enterprises shall promote equal Opportunities between men and women: Positive Action Essential IR | X | X | X | X | X | X | X | 8.5; 10.3 | GRI 202-1,2 |
| Goal GSSP-4.4. Equal Opportunities. Business shall contribute to promote equal opportunities for persons with disabilities. Essential PR | X | X | X | X | X | X | 5; 10; 8.5 | GRI 404-1, 404-2, 404-3; |
| Goal GSSP-4.5. Special protection for vulnerable workers: minors, pregnant women, persons with disabilities, LGBT. Essential PR | X | X | X | X | X | X | 5; 8, 10 | GRI 404-3 |

### SSP-5. PROHIBITION ON CHILD LABOR, SLAVERY AND SERVITUDE PRINCIPLE

| Goal GSSP-5.1. Prohibition of any form of child labor. Essential IR | X | X | X | X | X | X | X | 16.2; 8.7; 5.2 | GRI 408-1/G4-HR5; GRI G3-HR6 |
| Goal GSSP-5.2. Prohibition of forced labor, slavery and human trafficking. No recruitment and use of child soldiers. Essential IR | X | X | X | X | X | X | X | 8.7; 5.2 | GRI 409-1/G4-HR6; GRI G3-HR7 |

### SSP-6. EMPLOYEE/S COLLECTIVE RIGHTS PRINCIPLE

| Goal GSSP-6.1. Freedom of association and Right to Collective Bargaining. Essential PR | X | X | X | X | X | X | X | 8.8; 16.6; 16.3; 16.10; 5.5 | GRI 402-1/G4-LA4; GRI 407-1; GRI G3-LA3; GRI G4-HR4 |
| Goal GSSP-6.2. Enterprises shall respect the exercise of the right to strike. Essential PR | X | X | X | X | X | X | X | 8.8 | ILO |
### SSP-7. EMPLOYEE LEISURE AND PAID LEAVE PRINCIPLE

| Goal GSSP-7.1. Enterprises shall respect leisure and paid leave including maternal leave for mothers. Essential PR | x | x | x | x | x | 5.6; 3.7 | GRI 401-2; GRI 401-3 |

### SSP-8. EMPLOYEE TRAINING, LIFELONG LEARNING AND SKILLS DEVELOPMENT PRINCIPLE

| Goal GSSP-8.1. The enterprise should provide training to its employees to improve their skills, should encourage lifelong learning and assist career ending resulting from termination of employment or retirement. Essential IR/PR | x | | x | x | x | 4; 8.3; 8.6 | GRI 404-1,2,3; ETHOS Indicators; UNCTAD Report 2008; UNGC-Oxfam Poverty Footprint |

| Goal GSSP-8.2. The enterprise should take action to improve the employability of its human resources. Essential PR | x | | | | x | 4.3, 4.4, 4.5; 8.6; 8.9 | adapted from ISO 26000, EU Political Strategy Center, WEF and other sources |

### SSP-9. POSITIVE COMMUNITY IMPACT PRINCIPLE

| Goal GSSP-9.1. The enterprise should aim for positive community impact from its operations. Essential IR | x | | x | x | x | 11 1-7; 11a,c | GRI 202-2; GRI 203-1; GRI 204-1; GRI 413-1,2; UNCTAD 2008 |

| Goal GSSP-9.2. Impact on Quality of Life in the Community. Essential PR | x | | x | x | x | 11 1-7; 11a,c | OECD Research |

| Goal GSSP-9.3. Protection and preservation of the cultural heritage. Respect protect and preserve the culture, knowledge and language of indigenous people. Essential PR | x | | x | x | | 2.5; 4; 8.9; 10; 11; 17 | UNESCO, IFC Tool |
### SSP-10. CUSTOMER PROTECTION PRINCIPLE

| Goal GSSP-10.1. The enterprise must ensure protection of its customers’ health and safety. **Essential PR** | X | X | X | X | X | X | 12; 4; 3 10;etc. | GRI 416 -1,2 |
|---|---|---|---|---|---|---|---|---|---|
| Goal GSSP-10.2. The enterprise must meet the requirements for labeling and marketing. **Essential PR/IR** | X | | X | X | | 12 | | GRI 417-1 |
| Goal GSSP-10.3. The enterprise must protect its customers’ privacy and data **Essential PR** | X | | X | X | X | | 12,3,16 | GRI 418-1 |

### HCBM ENVIRONMENTAL SUSTAINABILITY PRINCIPLES (ESP) and GOALS (GESP)

<table>
<thead>
<tr>
<th>OECD</th>
<th>UNGC</th>
<th>UNFCCC* ParAg-CDP</th>
<th>ISEAL</th>
<th>IFC</th>
<th>ISO14000</th>
<th>GRI</th>
<th>SDGs</th>
<th>ENVIRONMENTAL SUSTAINABILITY PERFORMANCE INDICATORS (ESPI)</th>
</tr>
</thead>
</table>

### ESP-1. PRECAUTIONARY APPROACH AND ENVIRONMENTAL COMPLIANCE PRINCIPLE

<table>
<thead>
<tr>
<th>Goal GESP-1.1. Businesses should support a precautionary approach to environmental challenges. <strong>Essential IR</strong></th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>13;14; 15</th>
<th>GRI 102-11 /G3 4.11.; GRI 201-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-1.2. Compliance with national, sub-national, regional, and local environmental laws and regulations. <strong>Essential IR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>13;14; 15;16; 10</td>
<td>GRI 307</td>
</tr>
<tr>
<td>Goal GESP-1.3. Compliance with the international environmental conventions and agreements and promotion of greater environmental responsibility and climate change action. <strong>Essential IR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>13;14; 15; 16</td>
<td>GRI 307</td>
</tr>
<tr>
<td>Goal GESP-1.4. Enterprises should prevent environmental damage and ensure damage repair. Enterprises are subject to the polluter pays principle and to the principle of environmental liability. <strong>Essential IR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>13;14; 15; 16</td>
<td>economic instruments required/prescribed by the national or international legislation</td>
</tr>
</tbody>
</table>
### ESP-2. MINIMIZE CONSUMPTION OF MATERIALS AND WATER RESOURCES PRINCIPLE

<table>
<thead>
<tr>
<th>Goal GESP-2.1. Enterprise should optimize the use of resources. Materials used by an enterprise should be minimized. <strong>Essential PR</strong></th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>GRI 301-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-2.2. Recycle input materials used/Reclaimed products and their packaging materials must be maximized. <strong>Essential PR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>12</td>
<td>GRI 301-2, 3</td>
</tr>
<tr>
<td>Goal GESP-2.3. Enterprises must minimize their consumption of water and water withdrawal. <strong>Essential PR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>13,14, 6</td>
<td>GRI 303-1</td>
</tr>
<tr>
<td>Goal GESP-2.4. Enterprise must avoid environmental damage to water sources significantly affected by withdrawal of water. <strong>Essential PR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>13,14, 15, 6</td>
<td>GRI 303-2</td>
</tr>
<tr>
<td>Goal GESP-2.5. Water recycled and reused must be increased. <strong>Essential PR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>6, 12</td>
<td>GRI 303-3</td>
</tr>
</tbody>
</table>

### ESP-3 ENERGY CONSUMPTION OPTIMIZATION PRINCIPLE

<table>
<thead>
<tr>
<th>Goal GESP-3.1. Enterprise should increase the proportion of renewable energy used for energy consumption within the organization. <strong>Essential PR</strong></th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>X</th>
<th>7</th>
<th>GRI 302-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal GESP-3.2. Enterprise should increase the proportion of renewable energy used for energy consumption outside the organization. <strong>Essential PR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7</td>
<td>GRI 302-2</td>
</tr>
<tr>
<td>Goal GESP-3.3. An enterprise must improve energy efficiency and maximize reduction of energy consumption through reduction initiatives in its operations. <strong>Essential PR</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7,12</td>
<td>GRI 302 3,2</td>
<td></td>
</tr>
</tbody>
</table>
### ESP-3 ENERGY CONSUMPTION OPTIMIZATION PRINCIPLE (Continued)

| Goal GESP-3.4. Reduction in energy requirements of products and services should be made whenever possible. Essential PR | X | X | X | X | X | X | X | 7;12 | GRI 302-5 |

### ESP-4 MINIMIZATION OF WASTE GENERATION AND DISPOSAL PRINCIPLE

| Goal GESP-4.1. Enterprise should avoid generating waste and if this is not possible it should ensure efficient management of its waste and effluents. Essential IR | X | X | X | X | X | X | 12; 11.6; | GRI 306-1 |
|---|---|---|---|---|---|---|---|---|---|
| Goal GESP-4.2. Enterprise should reduce its discharged waste. It should choose the eco-friendliest effluent and waste discharge method by quality and destination and the most efficient disposal method by type waste. Essential IR | X | X | X | X | X | X | 12; 11.6; | GRI 306-2 |
| Goal GESP-4.3. Significant spills must be dealt by the enterprise with the aim to minimize 1) the number of spills, and 2) their impact based on spill’s location, volume, and material. Essential IR | X | X | X | X | X | 12; | GRI 306-3 |
| Goal GESP-4.4. Transportation of hazardous waste should be minimized. Essential IR | X | X | X | X | X | 12 | GRI 306-4 |
| Goal GESP-4.5. Water bodies affected by water discharges and/or runoff should be minimized and reduced. Essential IR | X | X | X | X | X | 14; 15 | GRI 306-5 |
### ESP-5 MINIMIZATION OF EMISSIONS INTO AIR PRINCIPLE

Goal GESP-5.1. Enterprises should reduce and minimize both direct and indirect greenhouse gas (GHG) emissions and their intensity, including ozone-depleting substances (ODS), and nitrogen oxides (NOX) and sulfur oxides (SOX), and other significant air emissions. Essential PR

| | | | | | | 13; 12; 7 |
|---|---|---|---|---|---|

Goal GESP-5.2. If GHG emission is unavoidable, an enterprise should strive to develop a CO2 offset to mitigate unavoidable emissions. Essential PR

| | | | | | | 13; 12; 7 |
|---|---|---|---|---|---|

### ESP-6 IMPACT ON BIODIVERSITY PRINCIPLE

Goal GESP-6.1. Enterprise should limit the number of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. Essential PR

| | | | | | | 13, 14,15 |
|---|---|---|---|---|---|

Goal GESP-6.2. Enterprise must avoid making significant negative impacts on biodiversity through its activities, products and/or services. Essential PR

| | | | | | | 12, 15, 14 |
|---|---|---|---|---|---|

Goal GESP-6.3. Enterprise play major role regarding the protection of biodiversity by increasing the areas of habitats protected or restored by the enterprise alone or/and in partnership with a third party. Essential PR

| | | | | | | 12, 15, 14 |
|---|---|---|---|---|---|

Goal GESP-6.4. Enterprises must identify endangered plant and animal UCN Red List Species and national conservation list. Species with habitats in areas affected by operations and where its activities pose a threat to the species, and it must initiate appropriate steps to avoid harm and to prevent the extinction of Species. Essential PR

| | | | | | | 14,15 |
|---|---|---|---|---|---|

GRI 304-1, GRI 304-2, GRI 304-3, GRI 304-4
### ESP-7 Environmentally Responsible Business Principle

<p>| Goal       | Enterprises should provide environmental information and ensure transparency. Essential PR | X | X | X | X | X | X | 16 | GRI 102-20 |
|------------|------------------------------------------------------------------------------------------------|---|---|---|---|---|---|----|----|----------------|
| Goal       | Extension of UN Global Compact’s Principles 7-9 through the value chain for minimization of the negative environmental impacts in the supply chain. Essential PR | X | | | | | | 12, 13, 14, 15 | ISO 14040 and 14044; Product Environmental Footprint (PEF); GRI 308-1, 308-2 |
| Goal       | Extended Producer Responsibility. Essential PR | X | X | | | | 12 | GRI 416-1 |</p>
<table>
<thead>
<tr>
<th>HCBM INTEGRITY PRINCIPLES (IP) and GOALS (GIP)</th>
<th>INTEGRITY PERFORMANCE INDICATORS (IPI)</th>
<th>OECD/ G20/ GMNE/ ABC</th>
<th>UNGC/ UNCAC**</th>
<th>CoE***</th>
<th>FATF****</th>
<th>SDGs</th>
<th>GRI</th>
<th>IFC/ WB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IP-1 ETHICAL AND MORAL BUSINESS CONDUCT PRINCIPLE</strong></td>
<td><strong>Goal GIP-1.1. Businesses abide by principles of mutual respect, stewardship, honesty, trustfulness, justice, interdependence, caring for the poor, protection of human dignity, legitimacy of business and profit that serves the interests of society, obligation to avoid fraud, obligation for timely payments and stable and honest prices.</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Essential IR</strong></td>
<td><strong>X</strong></td>
<td><strong>X</strong></td>
<td><strong>X</strong></td>
<td><strong>X</strong></td>
<td><strong>X</strong></td>
<td><strong>1 to 17</strong></td>
<td><strong>GRI 102-16 and GRI-102 and GRI 102-25</strong></td>
<td><strong>Goal GIP-1.2. Businesses must respect the principle of good faith and avoid abuse of rights in their relationships with stakeholders.</strong></td>
</tr>
<tr>
<td><strong>IP-3 ANTI-TAX EVASION/ANTI-MONEY LAUNDERING PRINCIPLE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Goal GIP-3.1</strong> Businesses abide by principles of Anti-money laundering and refrain from tax evasion. Essential IR</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>16</td>
<td>GRI 102, 205</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>IP-4 ANTICOMPETITIVE BEHAVIOR PRINCIPLE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal GIP-4.1</strong> The company must avoid anti-competitive behavior, anti-trust, and monopoly practices. Essential IR</td>
</tr>
</tbody>
</table>

*UNFCCC - UN Framework Convention on Climate Change  
**UNCAC - UN Convention Against Corruption  
****FATF - Financial Action Task Force  
X Issues addressed directly  
X Issues addressed indirectly
<table>
<thead>
<tr>
<th><strong>Main International Instruments</strong></th>
<th><strong>Level/CATEGORY</strong></th>
<th><strong>Origin: Organization/Initiative (web link)</strong></th>
<th><strong>Recognized/Agreed by Governments</strong></th>
<th><strong>Issue Focus</strong></th>
<th><strong>Alignment with the other Main Instruments</strong></th>
<th><strong>Alignment with the other Main Instruments</strong></th>
<th><strong>Primary Function</strong></th>
<th><strong>Note</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD Guidelines for Multinational Enterprises (MNEs), 2011 edition</td>
<td>Level II: International Instruments, Category 1. International Instruments developed by Intergovernmental Bodies</td>
<td>Organization for Economic Cooperation and Development (OECD), Intergovernmental, oecd.org/about/</td>
<td>Yes</td>
<td>Overarching, focused on broad range of issues: environmental; social; integrity; economic; development</td>
<td>Yes</td>
<td>Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development, the United Nations Convention Against Corruption, Agenda 2030 and SDGs</td>
<td>Principle and guidance on policy and management</td>
<td>GRI is aligned as disclosure platform</td>
</tr>
<tr>
<td>United Nations Global Compact (UNG)</td>
<td>Level II: International Instruments, Category 1. International Instruments developed by Intergovernmental Bodies</td>
<td>UN Global Compact, UN platform, multistakeholder unglobalcompact.org/what-is-uc</td>
<td>Yes</td>
<td>Selected issues: Human Rights; environment; labor; anti-corruption</td>
<td>Yes</td>
<td>Derived from the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development, the United Nations Convention Against Corruption, alignment with Agenda 2030 and SDGs</td>
<td>Policy and principles</td>
<td>partnership and alignment with GRI as disclosure platform</td>
</tr>
<tr>
<td>International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy (ILO Principles) 2017 edition</td>
<td>Level II: International Instruments, Category 1. International Instruments developed by Intergovernmental Bodies</td>
<td>ILO, Intergovernmental ilo.org</td>
<td>Yes</td>
<td>Select issues: human rights and labor</td>
<td>Yes</td>
<td>International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and ILO conventions</td>
<td>Policy and principles</td>
<td>GRI Standards are aligned with the ILO Principles and all key ILO declarations and conventions</td>
</tr>
<tr>
<td>IFC Performance Standards (IFC ps) 2012 edition</td>
<td>Level II: International Instruments, Category 1. International Instruments developed by Intergovernmental Bodies</td>
<td>International Finance Corporation, member of the WBG, intergovernmental ifc.org</td>
<td>Yes</td>
<td>Selected issues: environmental</td>
<td>Yes</td>
<td>Alignment with some Intl. Environmental Labor conventions and laws, with the International Declaration of Human Rights, SDGs, etc.</td>
<td>Management</td>
<td>offers indicators; Some level of alignment between the relevant IFC standard and GRI</td>
</tr>
<tr>
<td>ISO 26000 Guidance Standard on Social Responsibility (ISO 26000)</td>
<td>Level II: International Instruments, Category 2. Private with Governmental Recognition</td>
<td>International Standardisation Organization (ISO), private standard setting body - ISO led a multistakeholder process for development of ISO 26000 iso.org</td>
<td>Yes</td>
<td>Overarching, focused on broad range of issues: environmental; social; economic; development</td>
<td>Yes</td>
<td>Management guidance</td>
<td>offers principles and guidance on core subjects and their implementation in the organization, not a management standard and not certifiable; alignment between GRI and ISO 26000</td>
<td></td>
</tr>
<tr>
<td>The Global Reporting Initiative (GRI) Standard on Sustainability Reporting</td>
<td>Level II: International Instruments, Category 2. Private with Governmental Recognition</td>
<td>The Global Reporting Initiative (GRI), multistakeholder global initiative <a href="https://www.globalreporting.org">https://www.globalreporting.org</a></td>
<td>Yes</td>
<td>Overarching, focused on broad range of issues: environmental; social; integrity; economic; development</td>
<td>Yes - with all the above Instruments</td>
<td>alignment with all key international agreements, UN declarations, conventions, including: Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development, the United Nations Convention Against Corruption, Agenda 2030 and SDGs, etc.</td>
<td>Reporting and disclosure</td>
<td>GRI Standards are aligned with the Guiding Principles</td>
</tr>
</tbody>
</table>
ACKNOWLEDGMENTS

Financial support for the research work and development of the HCBM Social and Environmental Principles, Goals and Indicators paper was provided by the French Government.

The research work for HCBM Social and Environmental Principles, Goals and Indicators was conducted by Teodorina Lessidrenska (Sustainability Consultant, LVP, WBG) and David Boyer (Environmental Consultant, LVP, WBG) under the guidance of Marco Nicoli (Special Adviser, OECD Development Centre).

The publishing process was organized under the general direction of Amir Shaikh (LVP, WBG) and managed by Laurence Coste (LVP, WBG).

The research team is grateful for the assistance provided by colleagues, who contributed with research, analysis and development of selected case studies. Interns from several universities worked on the HCBM concept prior January 2018. The team especially would like to acknowledge the work of: Giorgio Buttarelli, Flora Erbibou, Conrad C. Daly, Federica Ippolitoni, Jenny Helena Dangre, and Luciana Lepri.

The authors are thankful for the valuable comments provided by the following peer-reviewers:

Ms. Laurence Coste, LVP, WBG;

Ms. Francesca Daverio, LVP, WBG;

Mr. Marco Nicoli, Special Adviser, OECD Development Centre;

Dr. Marta Ortega, University of Barcelona, Barcelona, Spain;

Prof. Dr. Mervyn Eldred King, Former Judge of the Supreme Court of South Africa, Chairman of the Advisory Board of the Asian Centre for Corporate Governance, First Vice President of the Institute of Directors (IoD) South Africa and the Common Wealth (South Africa);

Mr. Tayfun Zaman, Partner and Head of Compliance Consultancy Services at Reanda Turkey, B20 Turkey Anti-Corruption Task Force Member, B20 ACTF Combatting Corruption in Customs Work Stream Co-Leader, B20 ACTF Combatting Corruption in SMEs Work Stream Co-Leader (Turkey);
Ms. Ambreen Waheed, Founder & Advisor RBI-Responsible Business Initiative, Chair & Co-founder South Asia Forum for Responsible Business (SAFoRB), Board member Asia Pacific Roundtable for Sustainable Consumption & Production (APRSCP), Adviser Plural Business Partnership for Peace (Pakistan).

We are thankful for the input provided by the participants (listed below) of the HCBM Workshop on Guiding Principles and Corporate Governance Research Papers, that took place at the UNIDROIT HQ in Rome, Italy on 12-13 November 2018.

Special thanks to all HCBM Partners who have contributed with comments during the consultations on the HCBM Social and Environmental Principles, Goals and Indicators, have given their input as part of the development of the HCBM and the HCBM Environmental and Social research papers, and have made in-kind contributions including provision of facilities for meetings and workshops and time for different voluntary work concerning the HCBM Social and Environmental Principles, Goals and Indicators paper.
WORKSHOP ON GUIDING PRINCIPLES AND CORPORATE GOVERNANCE RESEARCH PAPERS

ROME, ITALY – UNIDROIT HQ, Via Panisperna 28
12 – 13 November 2018

LIST OF PARTICIPANTS

Annette Acosta, Student, LUMSA University, Italy
Margherita Bianchini, Vice Direttrice Generale, Area Diritto Societario Associazione fra le Società Italiane (ASSONIME), Italy
Mila Cristina Barcelos, Student, LUMSA University, Italy
Cristiano Blasi, Student, LUISS University, Italy
Isabella Bunn, Professor, University of Oxford, Great-Britain
Giorgio Buttarelli, Student, LUISS University, Italy
Roberta Cafarotti, EarthDay Italy
Carlotta Calabresi, Assistant Professor, LUISS University, Italy
Anouchka Carelle Mombo, Student, LUMSA University, Italy
Manus Carlisle, Policy Officer, Embassy of Ireland, Italy
Ana Coto, Intern, Embassy of Portugal in Rome, Italy
Emanuela Cusa, Professor, Milano-Bicocca University, Italy
Laura Cutaia, Resp. Laboratorio RISE, ENEA, Italy
Barbara De Donno, Professor, LUISS University, Italy
Andrea De Maio, Assistant Director, Technical Cooperation European Public Law Organization – EPLO, Greece
(Former) Amb. Enrico De Maio, Italy
Mauro Del Barba, Senator, Member of Italian Senate, Italy
Stefania Falasca, Università Cattolica S. Cuore, Italy
Giovanni Ferri, Professor of economics, Pro-rector, LUMSA University, Italy
Alessandro Fontana, Rome NSA Group, Italy
Joaquim Fueyo, Sakya Tashi Ling Lineage, Spain
Cristina Fussi, Studio legale De Berti Jacchia Franchini Forlani, Milan, Italy
Marina Jurado, Sakya Tashi Ling Lineage, Spain
Mustapha Kayondo Yusuph, Student, Loyola University Chicago, Rome Center
Diletta Lenzi, Università di Trento, Italy
Teodorina Lessidrenska, Consultant, World Bank, U.S.A.
Rita Lourenço, Embassy of Portugal in Rome, Italy
Marzia Luraschi, Rome NSA Group, Italy
Thomas McInerney, Professor, Loyola University Chicago, Rome Center, Italy
Erika Mancuso, Laboratorio RISE, ENEA, Italy
Monica Marcucci, Banca d’Italia, Italy
Paolo Montalent, (Chairman) Professor, University of Turin, Italy
Gian Domenico Mosco, Professor, LUISS University, Italy
Ecaterian Nacu, Student, Loyola University Chicago, U.S.A.
Marco Nicoli, Special Advisor to the Director OECD Development Center, Paris, France
Aslihan Ozteze, Visiting Professor, LUISS University, Italy
Marta Ortega Gomez, Professor, University of Barcelona – Transjus, Spain
Marco Palmieri, Professor, Università Cattolica del Sacro Cuore, Italy
Martin Petrin, Professor, UCL – Faculty of Law, United Kingdom
Alvise Pisenti, Student, LUMSA University, Italy
Francesca Pispisa, Unione Internazionale du Notariat -UINL, Italy
Giulia Proietti, Student, University of Trento, Italy
Elena Rusci, Alleanza italiana per lo Sviluppo sostenibile, ASVIS, Italy
Giovanna Salvati, Professor, Università Cattolica S. Cuore, Italy
Angela Sansonetti, Professor, LUISS & LUMSA Universities, Italy
Ornella Scannapieco, Ministero dell’Economia e delle Finanze, Italy
Habib Sedehi, Consultant
Cecilia Sertoli, Student, Università Roma Tre, Italy
Juli Ponce Solé, Professor, Universidad de Barcelona, Spain
Joaquin Valcarcel, ENEL, Italy
Ondrej Svoboda, Legal Counsel, Dep. International and European Law, Ministry Industry and Trade, Czech Republic
Livia Ventura, Student, LUISS University, Italy
Xia Xiaoxiong, Chinese Academy of Social Sciences, P.R.C.
Andrea Zorzi, Professor, University of Firenze, Italy

UNIDROIT Attendees:
Ignacio Tirado, Secretary-General, UNIDROIT
Anna Veneziano, Deputy Secretary-General, UNIDROIT
Frédérique Mestre, Senior Legal Officer, UNIDROIT
Delfina Isoardi, Intern, UNIDROIT
Claudia Quinones, Intern, UNIDROIT
Beyza Olcer, Intern, UNIDROIT
Gabrielle Lataste, Intern, UNIDROIT
Giovanna Amelio, Intern, UNIDROIT
ANNEXES – Forthcoming