



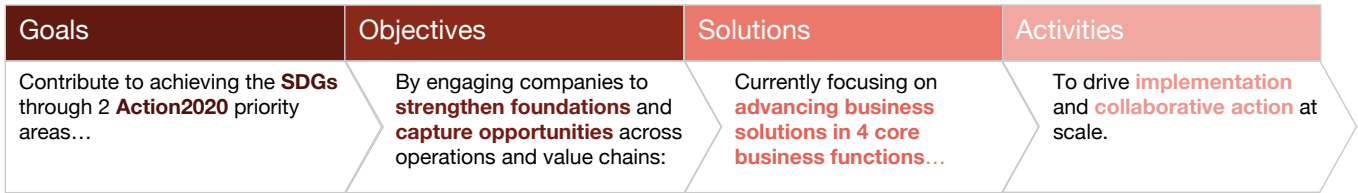
WBCSD Social Impact Cluster

Executive Brief | September 2016



wbcSD social impact

1. The Social Impact Cluster in Short



The WBCSD's Social Impact Cluster catalyzes business solutions¹ and drives implementation and collaborative action to fuel inclusive growth.

We do this by aligning our business solutions and corresponding activities to the WBCSD's Action2020 strategy and, in turn, the Sustainable Development Goals (SDGs). The SDGs now provide a truly universal framework for world prosperity that incorporates the safe operating space of a stable and resilient planet, and the WBCSD's Action2020 strategy is a means for business to achieve these goals.

2016 is the WBCSD's year of implementation – therefore the Social Impact Cluster is focusing on two complementary objectives to implement social impact solutions within companies' operations and value chains. Firstly, we aim to strengthen the foundations for social impact and innovation in all companies. Secondly we aim to help companies capture the significant opportunities inherent in aligning to and addressing societal needs through their unique business capabilities.

The WBCSD's work focuses on translating these goals and objectives into business action underpinned by *business solutions*. These business solutions guide companies in the *implementation of sustainability within core business functions* in order to better manage their risks, anticipate consumers' demand, build positions in growth markets,

secure access to needed resources, and strengthen their supply chains.

In line with the objectives of strengthening foundations and capturing opportunities, we are advancing the following business solutions in the context of 4 core business functions (see table below).

Of course, these objectives cannot be fully accomplished by business alone – alignment of the business voice, good governance, economic incentives, appropriate and robust legal and institutional framework conditions, and public-private partnerships are essential for business to maximize its role.

The Cluster therefore drives the following activities to catalyze implementation of business solutions at scale:

- Facilitating collaborative action to strengthen the business case and develop clear implementation pathways for each business solution
- Capturing and consolidating business-relevant trends, insights and best practice to steer and support implementation
- Identifying and overcoming barriers to progress and scale
- Shaping and advocating the voice of leading business to support dialogue and partnerships across government, international organizations, academia and civil society

Objectives	Core business functions	Business solutions
Strengthen foundations	Risk and responsibility	The UN Guiding Principles for Business and Human Rights
	Measurement, valuation and decision-making	The Social Capital Protocol
Capture opportunities	Strategy and business models	Inclusive Business Models The Rural Livelihoods Initiative
	Finance	Finance for Social Impact

2. Alignment to the Sustainable Development Goals

The Cluster’s work is guided by [Action2020²](#) and the [Sustainable Development Goals \(SDGs\) agenda³](#).

The Cluster works towards two priority areas in the social domain, each of which is accompanied by a number of “Societal Must-Haves” that business and other stakeholders must achieve together by 2020, in order to reach Vision 2050⁴ – a world in which 9 billion+ people live well and within the limits of the planet:

- Meeting basic needs and respecting human rights
- Creating good and decent jobs for an appropriately qualified labor force

Work within each of these two priority areas aligns with and contributes to the achievement of specific SDGs, as illustrated below:



WBCSD and the SDGs: From ambition to implementation

The WBCSD advocates that the SDGs present a historic opportunity for businesses to engage more deeply as a strong and positive influence on society, and that business has a critical part to play in the realization of the goals across the spectrum of role, responsibility and opportunity.

Identifying the most meaningful and impactful manner for different industries and companies to align themselves with the SDGs can be a challenging undertaking. With this in mind, the WBCSD’s Social Impact Cluster team has led the development of a so-called “SDG Business Hub” (www.wbcd.org/sdghub.aspx) to consolidate the progressive voice of leading business on the SDGs, and to serve as a one-stop-shop supporting companies as they seek to effectively navigate this space. The site features news as well as business insights & opinions, case studies, the latest analysis around SDG implementation and a guide to key tools and

resources that are available to help business understand and align with the SDG agenda, etc.

In addition, the team is taking the lead in shaping and illustrating how to measure the performance of our Action2020 strategy and demonstrate the strategy’s contribution to the SDGs, in alignment with the action2020 Must-Haves and the LCTPI ambitions most notably. This measurement and monitoring system, to be developed in Q4 of this year, will provide management information to help maximize WBCSD’s impact, ensure the effectiveness of business solutions, and provide proof of our value proposition to member companies. This performance measurement work also helps lay the foundations for the broader strategic direction of WBCSD as it moves from a phase of “turbulent teens” into “transformation”, per its Vision 2050 timeline.

3. Business Solutions Update: Progress in 2016 & Road Ahead

Strengthen foundations >> Risk and Responsibility

The UN Guiding Principles for Business and Human Rights: Increasing the number of companies knowing and showing that they are respecting human rights across their operations, value chains and business relationships – by tackling barriers to operationalizing the UN Guiding Principles (“Ruggie Principles”). The aim is to considerably increase the number of WBCSD member companies knowing and showing that they are respecting human rights, an essential enabler for sustainable development.

Progress in 2016

The Business Solution has stepped up efforts to keep members informed of emerging trends and developments across the fast-evolving business and human rights landscape, showcasing emerging risks, useful tools, and solutions to perceived barriers through a series of regular webinars and comprehensive newsletters. It has also endeavored to develop a strong narrative and advocacy piece around the notion that the corporate responsibility to respect human rights is a key vehicle through which business can contribute to the realization of the SDGs. Furthermore, in recognition of the crucial role played by robust and transparent human rights reporting in the operationalization of the UNGPs, the Business Solution has also established a process which leverages WBCSD’s Reporting Matters framework to provide insight on member performance with regard to human rights disclosures. High-level results from this analysis will also form part of this year’s “Reporting Matters” report, to be issued at Chennai. Finally, WBCSD also continues to inject a progressive business voice into inter-governmental processes, governance, and regulation, around the human rights and business space, particularly at the level of the UN Forum for Business & Human Rights and ongoing discussions regarding a proposed UN Treaty.

Going Forward

Moving into 2017, the Business Solution intends to leverage the insight acquired through its analysis of the human rights reporting performance of WBCSD’s membership to identify priority areas and themes for engagement around which a comprehensive information sharing program will be structured. There are also discussions underway to implement a series of interactive human rights workshops in the year ahead. Concerted efforts will continue to further awareness of linkages between human rights and the SDGs, drawing from and showcasing research conducted by the Business & Sustainable Development Commission.

Strengthen foundations >> Measurement, valuation and decision-making

The Social Capital Protocol: The Protocol is being designed to help companies understand their relationship with society and how to measure, value and manage it in a way that enhances the stock of social capital for the benefit of society and business. It seeks to harmonize and integrate credible tools and techniques for companies to work towards a standardized and comparable approach to social capital measurement and valuation.

Progress in 2016

The first draft of the Social Capital Protocol has been developed based on leading companies’ experience and expert review, and illustrated with best practice tools and examples for the subjects of Employment, Skills and Safety. It is currently being piloted by 25 WBCSD member companies. In parallel, an expert Advisory Board is being convened (first meeting in early November 2016) to provide technical input and strategic direction to the Protocol as it moves into the public sphere.

Going Forward

The Protocol will be launched in late 2016 / early 2017. An interactive version will be hosted on an online platform, supported by funding from the Ford Foundation, which will bring the process, guidance, practical tools and company case studies into the public domain. It will also support broad engagement and ongoing collaboration in advancing and implementing social impact measurement and valuation over the coming years.

Capture opportunities >> Strategy and business models

Inclusive Business: Catalyzing solutions that integrate the base of the economic pyramid (BOP) into companies' value chains as customers, suppliers, retailers, and distributors. The focus lies on scaling up action, gaining greater insights, and overcoming both internal and external barriers to scaling up these ventures around the world. This work includes the ongoing support toward the creation of a corporate venturing accelerator called DIVA. The latter will work directly with companies to execute on business development opportunities, sharing the cost and reducing the risk of taking business action in emerging markets.

Progress in 2016

Shortly after the launch of the SDGs, in March 2016 the WBCSD published an issue brief titled "Delivering on the SDGs: The Inclusive Business Approach", in which it articulates how these solutions can deliver business and societal value, in full alignment with each of the 17 SDGs.

In cooperation with 13 Latin American WBCSD Global Network partners, the issue brief was translated into Spanish and Portuguese, and a joint vision signed by their respective Chairmen and Chairwomen was included. Within the latter, the partner organizations commit themselves to promote this agenda among their member companies.

WBCSD is also providing member companies with platforms for learning and sharing of insights, most notably on the challenges around distribution of goods and services to the BOP; on the specific opportunities for Fast Moving Consumer Goods companies, driven by our partner IBAN – the Inclusive Business Action Network; and via the drafting of company-focused case studies; and via monthly news & updates posted on the WBCSD's Inclusive Business blog.

Going Forward

The SDGs provide the opportunity to inject a fresh dynamic into the inclusive business discussion. The WBCSD is therefore working actively towards further raising the awareness on inclusive business and confirming its leadership role in this space. We plan to leverage our relationship with the German government in view of further positioning our views on this matter during the upcoming German G20 Presidency in 2017.

Rural Livelihoods: Aiming to enable effective cross-industry collaboration to make rural areas more attractive places to work, live and invest in. To tackle the root-cause of rural challenges, the work focuses on (i) outlining a shared understanding of development needs; (ii) launching collaborative projects that provide proof of concept and encourage wider engagement; (iii) clarifying appropriate roles for business and partners; and (iv) establishing a platform for companies and partners to catalyze connections, match challenges with solutions, stimulate collaboration and fill capability gaps in rural areas.

Progress in 2016

Lead companies, Nestlé, Syngenta and Novartis are building collaboration on the ground in Kenya as a 'lighthouse' initiative, demonstrating the value of the Rural Livelihoods concept. In collaboration with the Solidaridad Food Security in Kenya and Ethiopia (FOSEK) initiative, the group are combining the power of the Nestlé Healthy Kids Program, Syngenta farmer training and support for improved agricultural practices, and Novartis Familia Nawiri Program (establishing health camps and deploying health insurance). The deployment of these programs is being piloted with the communities of two Farmers' Cooperative Societies within Nestlé's supply chain.

Going Forward

The 'lighthouse' project will continue in Kenya, with results being tracked and shared by Nestlé and Solidaridad. In parallel, WBCSD is raising awareness of the concept and calling for companies interested in serving as 'anchor companies' to replicate similar partnerships in additional geographies. Anchor companies are required to: (i) Bring a geographic area of interest where your organization could serve as a cornerstone for rural development, (ii) Bring data and insights into the communities and economies where you operate, as a basis for sharing rural challenges and establishing market opportunities

Capture opportunities >> Finance

Finance for Social Impact: Bringing together insights from institutional investors, impact investors and corporations, the initiative aims to investigate whether joint understanding and action can help to advance appropriate financing models to stimulate and de-risk corporate efforts towards social innovation and impact.

Progress in 2016

The project strategy has been scoped together with JPMorgan and with significant input from Deloitte, and grant funding has been contributed by the JPMorgan Foundation for the first 18 months of the program. Part 1 of the project is underway, conducting interviews with WBCSD members leading in this space in order to better understand the financing mechanisms currently applied to fund business initiatives with social impact. Initial findings are being consolidated in an Executive Brief to be discussed at a CEO 'Sustainability Leadership Exchange' at the WBCSD Council Meeting in Chennai.

Going Forward

Part 2 of the project aims to build on insights from part 1 in order to (i) define the current and potential market size for finance for social impact, (ii) identify barriers to scale, and (iii) facilitate closer exchange and collaborative action between corporations and investors to improve financing solutions and scale up corporate impact.

4. Cluster Governance, Partnerships, Resources, and Team

Cluster Governance

The Cluster's work is overseen by a Cluster Board, which is composed of Council Members of a wide range of industry sectors (see current Board composition below) with a special interest in working on business perspectives and solutions aimed at fueling inclusive growth.

Board members' responsibilities include, among others: providing strategic guidance and direction, approving new initiatives, reviewing progress of projects, providing quality assurance on key outputs, signing off on relevant publications, and advocating core messages.

Board composition:

Deloitte – David Cruickshank, Global Chairman

DSM – Feike Sijbesma, CEO

Fujitsu – Masami Yamamoto, President

ITC – Y.C. Deveshwar, Chairman (co-Chair)

JPMorgan Chase – Daniel Pinto, CEO, Corporate & Investment Bank (co-Chair)

KPMG – Nick Chism Deputy Head of Global Sales and Markets / Global Chair of Infrastructure, Government and Healthcare

Masisa – Roberto Salas, Chairman of the Board

Novozymes – Thomas Videbaek, Executive Vice President & COO, Research, Innovation & Supply (co-Chair)

Suzano Papel e Celulose – Walter Schalka, CEO

Vale – to be announced

Votorantim Cimentos – Walter Dissinger, CEO

The Board's work is supported by a Leadership Group composed of the Liaison Delegates of the Cluster Board members, which work closely with the Cluster team.

Partnerships

The Cluster partners with the following organizations to advance specific issues and business solutions:

Asian Development Bank; Inter-American Development Bank; International Finance Corporation; Shift; International Organisation of Employers; GIZ; The B Team; CIRAI (International Reference Centre for the Life Cycle of Products, Processes and Services); The Global Impact Investing Network; Initiative for Global Development; Oxford University; The Roundtable for Product Social Metrics; Social Value International; The William Davidson Institute.

Cluster Budget 2016

- Cluster Budget – CHF 80k program + CHF 30k travel
- No Business Solution / project fees for members in 2016
- External Business Solution funding
 - JPMorgan (US\$150k over 2 years) for Finance for Social Impact
 - Ford Foundation (US\$ 50k) for Social Capital Protocol
- CHF15k Social Capital Protocol project membership fee paid by Chanel (non-WBCSD member)

Cluster Resources

The Social Impact Cluster team is formed of WBCSD staff and secondees as follows:

Filippo Veglio, Managing Director – veglio@wbcsd.org

Kitrhona Cerri, Manager – cerri@wbcsd.org


James Gomme, Manager – seconded full-time from Mitsubishi Corporation – gomme@wbcsd.org

Daide Fiedler, Manager – seconded full-time from GIZ – fiedler@wbcsd.org

Eric Dugelay, Director – seconded from Deloitte on a 20% basis – dugelay@wbcsd.org

Annexes

1. Summary of the Social Impact Cluster's Approach

Goals	Objectives	Solutions	Activities
Contribute to achieving the SDGs through 2 Action2020 priority areas:	By engaging companies to strengthen foundations and capture opportunities across operations and value chains:	Currently focusing on advancing the following business solutions :	To drive implementation and collaborative action at scale by:
	Strengthen Foundations <ul style="list-style-type: none"> › Risk and responsibility › Measurement, valuation and decision-making 	<ul style="list-style-type: none"> › Human Rights › Social Capital Protocol 	<ul style="list-style-type: none"> • Facilitating collaborative action to strengthen the business case and develop clear implementation pathways • Capturing trends, insights and best practice • Identifying and overcoming barriers to progress and scale • Shaping and advocating the voice of leading business
	Capture Opportunities <ul style="list-style-type: none"> › Strategy and business models › Finance 		

2. Social Impact Megatrends

The growing urgency to address rapid socio-economic transformation in industrialized as well as emerging and developing markets is driven by the following trends:

- **Persisting poverty** – In spite of a significant reduction in the past few decades, poverty remains a critical challenge for sustainable development and global stability. A third of the world population still lives on less than US\$2 a day, most of whom are not able to meet their basic needs, including the needs for water, sanitation, food, shelter, energy, education, and health.
- **Widening skills gap** – While unemployment is increasing, a significant number of vacancies remain unfilled, especially within large companies. The lack of appropriate skills is reported to be a significant cause for problems in terms of cost, quality and time.
- **Rising unemployment** – Global unemployment surpassed 200 million people and an additional 1.5 billion people are in vulnerable employment in developing countries, operating under poor working conditions. About 300 million jobs must be created by the end of the decade to support sustainable growth and maintain social cohesion.
- **Aging population and social security systems** – By 2050, about 20% of the world's population will be aged 65+. This will challenge intergenerational cohesion and put social security systems under considerable strain.
- **Polarizing incomes** – Within more than two-thirds of all countries, income gaps have widened over the past three decades. Excessive income inequality can be inefficient for growth and provides a fertile ground for populist governments and anti-business policies and sentiments.
- **Diminishing trust** – People's trust in capitalism and its main institutions is under threat. Government and business leaders score particularly low in terms of public trust in ethics and morality, pointing to a crisis of leadership.
- **Striving for well-being** – Growing consumption is not necessarily connected with happiness and enhanced well-being. New measures for success and lifestyles need to be considered – both at an individual level, and to allow a transition to a more sustainable future.
- **Rising volatility and shocks** – Due to growing demand, speculation, and extreme climatic events, the volatility of commodity prices is increasing. The poor suffer most from

price instability, and the consequences of natural disasters and ecosystems degradation. There is a need to enhance resilience through disaster risk prevention and improved adaptive capacity.

- **Shifting economic power and growing middle class** – The world is experiencing a historic shift of economic and political power from the traditional base of industrialized countries to emerging economies. Some 3 billion people, mostly from emerging economies, are expected to join the global middle class by 2030. Meeting the aspirations of these middle classes represents an enormous business opportunity, but will also further exacerbate the pressure on the world's ecosystems and infrastructure.
- **Intensifying urbanization** – Across the world, the rate of rural to urban migration is on the increase. The world's urban population is expected to increase to 66% by 2050, placing significant pressure on cities – illustrated by the 55 million new slum dwellers have been added to the global population since 2000. In parallel, declining rural populations struggle to attract the investment and opportunities needed to support decent and viable livelihoods.
- **Aligning global agendas** – Adopted by 193 nations in 2015, the Sustainable Development Goals provides a common language and shared purpose for business, governments and civil society to shape, steer and act on global development challenges.
- **Establishing social responsibility** – Consumers, investors and an expanding range of stakeholders increasingly value socially responsible and purpose-driven businesses. This shift is supported by an unprecedented number of funding options for social impact, including impact investing as well as shareholders looking to invest in companies that share their values.
- **Enabling technologies** – Technology, first and foremost mobile, is reducing the distance between business and customers and reducing costs for reaching not only more, but also usually underserved populations.

3. Social Impact Business Case

As an engine of economic growth and employment and a source of technology and innovation, business has a critical role to play and a self-interest in tackling the themes and trends outlined above:

- Business cannot succeed in societies that fail and therefore has a vested interest in stable and prosperous societies.
- By developing a better understanding and proactively addressing socio-economic and environmental concerns, companies will be able to better manage their risks, anticipate consumers' demand, secure access to needed resources, differentiate themselves from competitors, and strengthen their supply chains.

- Good governance and high social and environmental standards are fundamental to restore public acceptance and trust in business, thereby underpinning its license to operate, innovate and grow.
- Building human capital is fundamental to secure the availability of appropriately motivated and skilled labor to drive innovation and productivity within business.
- Developing business solutions to provide affordable goods and services to meet the basic needs of the poor and cater to new socio-economic realities will help companies build positions in growth markets.
- Major investments in technology and infrastructure will be required to support good living standards, particularly in the rapidly growing emerging economies.

4. Recent Cluster Publications and Tools

- Building the Social Capital Protocol: Insights into employment, skills and safety (2016)
- Delivering on the Sustainable Development Goals: The inclusive business approach (2016)
- License to Innovate: Breakthrough Strategies for Social Impact (2016)
- The India Companies Act 2013: A primer for WBCSD members with operations in India (2015)
- Meeting the skills gap: Lessons from the private sector (2015)
- Scaling up Action on Human Rights: Operationalizing the UN Guiding Principles for Business and Human Rights (2014)
- Scaling up inclusive business - Solutions to overcome internal barriers (2013)
- Measuring socio-economic impact – A WBCSD guide for business (2013)

5. How WBCSD Members Can Get Involved

In order to contribute to the Cluster's activities and goals, WBCSD members can:

- Follow the latest news and advances which are consolidated and shared by the Cluster team to remain up to date on trends, insights and best practice.
- Implement business solutions within your own organization to strengthen foundations and capture opportunities for social innovation and impact.
- Share your experiences to advance collective best-practice, raise the bar for the business community, and encourage uptake of business solutions by peers.
- Provide leadership by proposing ideas, collaborating with companies and partners to advance business solutions, providing time and resources, and promoting advocacy positions.

6. Web Links

For up to date news, case studies, program information, videos, etc. go to

www.wbcsd.org/social-impact.aspx

To download publications & tools, go to

www.wbcsdpublications.org

To read the WBCSD Inclusive Business blog, go to

www.inclusive-business.org

Footnotes

- 1 WBCSD definition of business solutions: business-led ventures that are impactful, scalable, measurable, replicable, and go beyond business as usual.
- 2 Action2020 is a science-based action plan launched by the WBCSD in late 2013 engaging companies to implement innovative and scalable business solutions and improve the business case for sustainability. More information: <http://action2020.org/>
- 3 Agreed on by all governments, the goals call for worldwide action among governments, business and civil society to create a life of dignity and opportunity for all, within the boundaries of the planet. The 17 SDGs with 169 targets embrace a wide range of inter-connected topics such as poverty, gender equality, clean water, HIV/AIDS, access to energy, and climate change. See <http://www.wbcsd.org/sdghub.aspx>
- 4 The WBCSD's cornerstone Vision 2050 report calls for a new agenda for business laying out a pathway to a world in which nine billion people can live well, and within the planet's resources, by mid-century. See <http://www.wbcsd.org/vision2050.aspx>

www.wbcsd.org/social-impact.aspx



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