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**Measuring the impact of businesses on people's well-being and sustainability
Taking stock of existing frameworks and initiatives**

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Measuring the impact of businesses on people's well-being and sustainability: Taking stock of existing frameworks and initiatives

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Abstract/Résumé

Businesses have a significant impact on people's economic and social conditions, as well as on environmental outcomes. This paper presents an overview of the various kinds of initiatives aimed at measuring or reporting on business' impact, or certain aspects of it. It shows that despite the proliferation of information and frameworks to measure these impacts, there is currently no common understanding and practice on how to assess the performance of businesses in different social and environmental areas. Building on the OECD's work on measuring well-being at the national level, the paper aims at better understanding how businesses can impact people's well-being and sustainability. It contributes to, and complements, other initiatives undertaken by the OECD on responsible business conduct and inclusive growth. This analysis is a first attempt at extending to businesses the approach used by the Organisation to assess and benchmark the well-being performance of countries and sub-national regions, in view of creating a common language and improving the quality, comparability, and coherence of information on the impact of businesses on societal progress and people's life.

Keywords: Well-being metrics, business impacts, sustainability reporting

JEL Classification: G39, I31, J81.

Les entreprises ont un impact significatif sur les conditions économiques et sociales des individus, ainsi que sur les conditions environnementales. Ce document présente un aperçu des différents types d'initiatives visant à mesurer ou à rendre compte de l'impact des entreprises, ou de certains de ses aspects. Il montre que, malgré la prolifération d'informations et de systèmes permettant de mesurer ces impacts, il n'existe actuellement aucun accord ou pratique en commun sur la manière d'évaluer la performance des entreprises dans différents domaines sociaux et environnementaux. S'appuyant sur les travaux de l'OCDE sur la mesure du bien-être au niveau national, le document vise à mieux comprendre comment les entreprises peuvent influencer sur le bien-être et la durabilité des individus. Il s'ajoute et complète les autres initiatives lancées par l'OCDE en matière de conduite responsable des entreprises et de croissance inclusive. Cette analyse est une première tentative pour étendre aux entreprises l'approche utilisée par l'Organisation pour évaluer et mesurer les performances de bien-être des pays et des régions infranationales, en vue de créer un langage commun et d'améliorer la qualité, la comparabilité et la cohérence des informations sur l'impact des entreprises sur le progrès social et la vie des individus.

Mots clés : Indicateurs du bien-être, impacts des entreprises, reporting de développement durable

Classification JEL : G39, I31, J81.

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1. Introduction

1. Business operations have large impacts on people's life. As employers, investors or suppliers of goods and services, businesses affect people as consumers, employees or citizens. How to measure these impacts in ways that allow comparison across firms, sectors and countries? How do available frameworks and metrics of business' impacts capture these different aspects? This paper reviews a wide range of existing frameworks and initiatives² dealing with the impacts of businesses, and takes stock of the main themes and characteristics of these initiatives. Its main conclusion is that the impact measurement field is currently both saturated and fragmented, and that it lacks a comprehensive framework looking at the full range of business impacts on the many aspects of people's well-being and its sustainability. These issues are reflected in the limited transparency of the measurement frameworks currently in use, the absence of common indicators, and the publication of partial and non-comparable information.
2. Over the past decade, the OECD has developed a conceptual framework for measuring people's current well-being and its sustainability over time (see Box 4.1), which is operationalised through a set of country-level indicators included in the *How's Life?* biennial report (for the latest *How's Life?* report see OECD, 2017a) and communicated to the general public through the OECD's Better Life Index (OECD, 2017b). Building on this work and in the spirit of promoting more inclusive and sustainable patterns of economic growth, this paper uses the OECD well-being approach to better understand how business practices might affect the well-being of workers, consumers and communities, and how these might affect global public goods such as the natural environment. The paper is part of a broader project that began with a workshop of experts in February 2017, and is supported by an Advisory Group composed of representatives of business, academia and other relevant organisations. A call for papers focusing on several themes – including examples of existing business frameworks, use of official statistics to assess business impact, mapping of business targets against the SDGs – was launched in early 2018. A selection of these papers will be presented during the 6th World Forum on Statistics, Knowledge and Policy, to be held in Incheon, Korea, in November 2018. On this occasion, the new OECD Business for Inclusive Growth Platform will also be launched.³ These actions, including the present stocktake of measurement frameworks used within the business community, are all part of a broader effort to improve and contribute to the quality, comparability, and coherence of information relating to the impact of business on people's life, and to advance the OECD inclusive and sustainable growth agenda.

2. Throughout the paper, the term “framework” is used to refer to a specific measurement scheme to analyse and communicate business impacts on society and the environment; the term “initiative” refers to the organisation in charge of the framework, i.e. the creator of the measurement scheme. For example, the Dow Jones Sustainability Indices (DJSI) and its annual Corporate Sustainability Assessment (CSA) is the measurement framework managed cooperatively by S&P Dow Jones Indices and RobecoSAM (an investment specialist focused on Sustainability Investing).

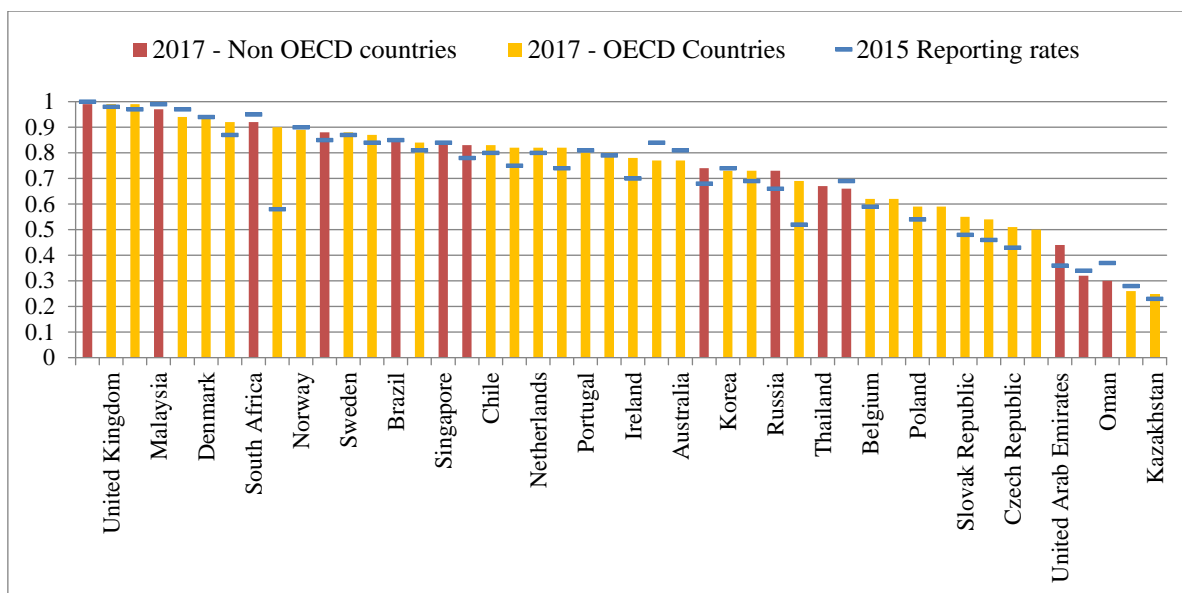
3. Further information on the OECD's Business for Inclusive Growth initiative is available at: www.oecd.org/inclusive-growth/Business_for_IG.pdf and www.oecd.org/inclusive-growth/business.htm

3. Over recent decades, the concept of Corporate Social Responsibility (CSR) has become more established as a standard of operation by many companies. The roots of CSR lie in the idea that businesses should be accountable for their impacts on all stakeholders (including the environment) and not just on their shareholders, and that businesses can benefit from the wider adoption of this approach. CSR has seen considerable uptake around the world, as evidenced from companies' annual reports, which increasingly include a section relating to corporate responsibility and sustainability.
4. Significant progress has also been made with the wider acceptance of the concept of Responsible Business Conduct (RBC), particularly since 2011 when the OECD Guidelines for Multinational Enterprises were updated and the UN Guiding Principles for Business and Human Rights adopted. RBC aims at integrating and considering environmental and social issues within core business activities, including throughout the supply chain and business relationships. Although RBC is sometimes used interchangeably with Corporate Social Responsibility (CSR), it is understood to be more comprehensive and integral to core business than CSR, which, in practice, mainly focuses on philanthropic activities, by companies.
5. CSR has seen uptake in many parts of the world. According to the 2017 KPMG Survey of Corporate Responsibility Reporting (KPMG, 2017) of the world's 250 largest companies (G250) representing over 20 trillion USD in revenues and one trillion in profits⁴, 78% of them now integrate financial and non-financial data in their annual reports. The same survey shows that reporting companies belong to all types of economic sectors: for the first time since the first survey in 1993, CSR reporting rates for each sector in 2017 were 60% or more in the 49 countries reviewed in the survey. In addition, assurance of corporate responsibility data by third parties has more than doubled over the past 12 years amongst the G250 firms (now accounting for 67% of all CSR reports), indicating that most of the largest companies see value in promoting the reliability of this information.
6. The KPMG survey also shows that reporting rates on CSR are highest in the Americas (83%), followed by Asia Pacific (78%) and Europe (77%), but significantly lower (52%) in the Middle East and Africa. India, the United Kingdom, Japan, Malaysia, France and Denmark are among the countries with highest rates of CSR information included in companies annual financial reports (KPMG, 2017). Figure 1.1 shows that CSR reporting rates increased in most of the 48 countries (both OECD and non-OECD) included in the KPMG survey for 2015 and 2017.

4. The G250 refers to the world's 250 largest companies by revenue based on the Fortune 500 ranking of 2016.

Figure 1.1. Corporate social responsibility reporting

Percentage of N100 firms reporting on corporate social responsibility in each country, 2015 and 2017



Note: The graph shows the percentage of publicly listed companies reporting on corporate responsibility out of each country's 100 public firms with the largest revenue (denoted as N100). The graph includes 48 countries covered by the KPMG study. Source: KPMG (2017), *The KPMG Survey of Corporate Responsibility Reporting 2017*, Klynveld Peat Marwick Goerdeler, https://home.kpmg.com/content/dam/kpmg/campaigns/csr/pdf/CSR_Reporting_2017.pdf.

7. The increasing rates of CSR reporting across countries and sectors suggest that this practice is becoming more common among large business firms across the world. There is, however, more diversity of practices in terms of what is actually reported and measured by businesses. This highlights the need for a more coherent measurement framework through which companies could quantify and report on the wider effects of their business activities, and on which a larger set of stakeholders (governments, public agencies, consumer groups, workers representatives and civil society organisations) could rely for their dialogue with businesses.
8. This paper presents an overview of various kinds of initiatives and frameworks aimed at measuring or reporting on the impact of business on (certain aspects of) well-being and sustainability. Based on this review of the current state of affairs, the paper identifies the methodological challenges, commonalities and lacunae amongst different frameworks. The main findings can be summarised as follows: measurement frameworks are not detailed and transparent enough about metrics and methodologies; company reporting is highly compartmentalised; use of clear and fixed set of indicators is limited; high quality data on business impacts are more common in investor-related frameworks; industry-specific metrics are a double-edged sword; and the SDGs have resonated strongly within the business community worldwide.
9. The paper is organised as follows. Section 2 makes the business case for measuring the wider impacts of business operations. Section 3 presents the key characteristics of existing business impacts frameworks. Section 4 uses the OECD well-being framework to identify the dimensions of people's well-being and of resources for the future that are likely to be more directly affected by businesses. Section 5 concludes and suggests directions for future work.

2. Why measure the impact of business on people's well-being?

10. Businesses around the world devote considerable efforts and resources to measuring and reporting on the wider impacts of their activities beyond financial performance. Why do they do so? And how can they benefit from measuring these impacts? The short answer typically provided by businesses engaged in CSR is that “it’s good for businesses”, namely recognising **that understanding and reporting social and environmental impacts is a successful business strategy**. The connection between environmental and social business performance, on one side, and various financial outcomes (such as stock-market performance, profits, etc.), on the other, has been extensively documented over the last few decades. For example:
- Lyon and Shimshack (2015) find a significant impact of a sustainability ranking on the shareholder value of a number of large firms;
 - Eccles et al. (2014) provide evidence that corporations which voluntarily adopted sustainability policies significantly outperformed their counterparts over the long-term in terms of both stock-market valuation and financial performance;
 - BCG (2017) show that non-financial performance on certain environmental, social and governance (ESG) topics had a statistically significant impact on company valuations and profit margins;
 - A meta-analysis by Clark et al. (2015) published by the University of Oxford and Arabesque Partners and based on more than 200 academic studies, industry reports, newspaper articles and books found that 90% of the studies show that sound sustainability standards lower companies’ cost of capital. According to the same analysis, 80% of the studies reviewed show that stock-market results are positively influenced by good sustainability practices.

All these studies support the conclusion that improved financial outcomes are the main motive for corporations’ engagement in responsible business practices and for evaluating and reporting on them.⁵

11. Better measurement and reporting on the impact of business on people’s well-being is also driven by investors’ demand. Investors are increasingly interested in the ESG performance of firms when building their portfolios. This implies looking at how a company manages relationships with its various stakeholders, what are its environmental impacts, and whether it meets basic ethical standards concerning the company’s leadership and management. Among the larger global producers of ESG indices aimed at guiding investment decisions are MSCI, S&P, STOXX, Dow Jones and FTSE (Bloomberg, 2016). In 2016, USD 22.9 trillion of assets were professionally managed under responsible investment strategies, a rise of 25% relative to 2014 (GSIA, 2016).⁶ The market share of sustainable investing currently stands at 26% of all professionally managed assets globally, and has grown in all regions except Europe,

5. Main studies on this issue are summarised in Chapter 2.9 of OECD (2017c).

6. GSIA define “responsible investment” as encompassing the following activities and strategies used by investing companies: Negative/exclusionary screening; Positive/best-in-class screening; Norms-based screening; Integration of ESG factors; Sustainability themed investing; Impact/community investing; and corporate engagement and shareholder action.

which is already a global leader, with 53% of professionally managed assets in 2016 using socially and environmentally responsible strategies (GSIA, 2016).

12. The growing number of ESG indices and responsible investment assets is evidence of a shift in investor's preferences. This trend is occurring amongst both private and institutional investors: in the first month of 2018, ABP, Europe's biggest pension fund with EUR 405 billion in available assets in 2017, decided to cut all tobacco and nuclear assets, which totalled approximately EUR 3.3 billion at the time (ABP, 2018). Similarly, BlackRock, the largest private investor in the world, announced that it would start disinvesting in companies that do not contribute to society, with Larry Fink, Chairman and CEO, noting that *"to prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society"* (BlackRock, 2018). The main lesson for businesses trying to deal with this changing landscape of investment decisions is that funding options may well start to diminish unless they make a credible effort to improve their performance in social and environmental issues.
13. It is not only investors who are pressuring businesses to pay more attention to their wider impacts and to become more socially and environmentally responsible. Consumers are also often demanding more responsible conduct from businesses, while using their consumption choices to influence businesses' behaviours. A recent international study by Unilever reported that a third of surveyed consumers declare to buy from brands they believe are doing social or environmental good (Unilever, 2017). Sen and Bhattacharya (2001) studied the positive (and, in some cases, negative) impact of CSR on consumers' intentions to buy. Delmas and Grant (2014) provide evidence of a price premium for eco-certified wines, and Becker-Olsen et al. (2006) find that consumers' perceptions of CSR activities have a positive influence on their trust in the company. As evidence on sustainable and socially-oriented consumption patterns keeps mounting, the business case for corporate socially and environmentally responsible behaviour becomes stronger.
14. These trends are likely to continue as millennials, which have been shown to have a stronger social and environmental orientation, are set to represent an increasingly large share of the population (Morgan Stanley, 2015; Schawbel, 2015; Rogers, 2016). Millennial investors, for example, are nearly two times more likely to invest in companies or funds that target specific social or environmental outcome. Female investors are also nearly two times more likely than their male counterparts to consider both the rate of return and the wider positive impact of businesses when making an investment (Morgan Stanley, 2015). Millennials' and women's preferences (Rogers, 2016) are reflected in each and every economic position they hold: not only as investors, but also as consumers, as engaged citizens, and as employees. Their aspirations for meaningful jobs make them more aware of corporate responsibility when choosing their career paths; thus affecting companies' ability to attract and retain talent.
15. In fact, employee disengagement, and not just for women or millennials, has become a major challenge for businesses around the world (Hoole and Bonnema, 2015; Pech and Slade, 2006; Ozcelik, 2015). Employees report in surveys that they want to work for businesses whose values match their own (London Business School, 2018). According to the Gallup "State of the Global Workplace" report (2017), the percentage of adult full-time employees across the world who report to be "engaged at work" – meaning they are highly involved in and enthusiastic about their work and workplace – is just

15%. Though engagement levels vary considerably by country and region, the proportion of the employees who feel engaged in their job never exceeds 40%. These low percentages of engaged employees imply a stunning amount of wasted potential. On the other hand, businesses that manage to create positive workplace relationships, a sense of meaning and employees' commitment to the firm and its goals, get the most out of their employees. A recent OECD meta-analysis (Arends, Prinz and Abma, 2017) reported strong evidence of a negative relationship between job stress and job strain, on one side, and at-work productivity, on the other, and of a positive relationship between job rewards and productivity, with moderate evidence of a significant relationship for a range of other work aspects.

16. The demand for positive business impacts comes not only from investors, consumers and employees. Even leading consulting firms, including BCG and McKinsey, are becoming more vocal advocates of the importance of socially and environmentally responsible business conduct, encouraging companies to embrace long-term strategies based on these principles, and to leverage their core business to create positive societal impact (BCG, 2017; Barton, 2017).
17. Governments and international organisations have increasingly focused on the wider implications of business operations. The OECD Guidelines for Multinational Enterprises are a comprehensive set of government-backed recommendations on responsible business conduct (RBC). The MNE Guidelines, first adopted in 1976 and most recently updated in 2011, promote RBC in the changing landscape of the global economy. The Guidelines provide recommendations addressed by governments to businesses operating in or from adhering countries. They cover areas such as employment and industrial relations, human rights, environment, information disclosure, bribery, consumer interests, science and technology, competition and taxation. The Guidelines, and particularly expectations of due diligence by firms, are increasingly being reflected in various international and national policies,⁷ as well as (in some cases) regulation. For example, in March 2017, France adopted legislation requiring certain large companies to prepare, implement and publish a due diligence plan to prevent human rights abuses and environmental impacts associated with their operations and supply chains.⁸ These national and international demands by government bodies for more holistic business performance enhance the case for a better measurement and understanding of businesses impact on people's well-being and sustainability. Businesses responsiveness to this demand is highlighted by its response to the UN Sustainable Development Goals (SDGs; see Box 3.1).
18. These demands for increased information and accountability have been met in recent decades by significant changes in non-financial reporting and measuring of businesses' environmental, social and governance impacts. The activity of civil society, academia and advocacy has propagated the founding of dedicated organisations, such as the Global Reporting Initiative (GRI), the World Business Council for Sustainable Development (WBCSD), the Corporate Human Rights Benchmark, the Natural Capital Coalition and many others. These initiatives have engaged businesses, accountants, investors and stakeholders in efforts to improve the information and measurement of businesses' impacts beyond immediate financial results. The OECD has also been

7. See for example: OECD (2018).

8. For an overview of recent developments, see OECD (2018).

engaged with the business sector in various ways, contributing to efforts to improve performance and impact (see Box 2.1 for selected OECD activities related to business).

19. Overall, sustainability concerns, more socially aware citizens (acting as investors, consumers and employees) as well as government-sponsored initiatives are set to become a more important driver of firms' attitudes towards providing better information on the impact of their operations on people's lives. However, the stocktake of existing initiative presented in this paper shows that, despite (or because of) the plethora of frameworks and metrics available (Smits et al., 2014; KPMG, 2017), no common measurement standard or consensus currently exist regarding how to assess these impacts. In order for businesses to communicate their efforts and highlight improvements to various stakeholders – and in order for stakeholders to be able to act based on different companies' performances – a common and comparable measurement framework is needed. The due diligence framework set out in the main international standards on RBC – and further elaborated in the 2018 OECD Due Diligence Guidance for Responsible Business Conduct – provides a starting point. The case for responsible business conduct is also a case for a well-constructed and comparable framework for measuring business impacts on people's well-being and sustainability. However, what is needed is a new framework that moves away from **the continued dominance of a “doing no harm” approach towards an approach of “doing good”**.

Box 2.1. OECD programmes, tools and research relating to the impact of businesses and the private sector on well-being and sustainability

Responsible Business Conduct

The OECD is a global leader on RBC. RBC principles and standards set out an expectation that all businesses – regardless of their legal status, size, ownership structure or sector – should avoid and address the negative consequences of their operations, while contributing to the sustainable development of the countries where they operate. OECD work on RBC encompasses several work streams and legal instruments. The OECD Guidelines for Multinational Enterprises are the most comprehensive international instrument on what constitutes responsible business conduct. The Guidelines are addressed to businesses operating in or from adhering countries, with the purpose to ensure that business operations are in line with government policies; to strengthen mutual confidence between businesses and the societies in which they operate; to improve the investment climate; and to enhance the contribution of the private sector to sustainable development. Each adhering country sets up a National Contact Point (NCP) tasked with promoting RBC and the Guidelines, as well as helping resolve issues in case the Guidelines are not observed.

A key element of RBC is risk-based due diligence – a process through which businesses identify, prevent and mitigate their actual and potential negative impacts, and account for how those impacts are addressed. RBC expectations are prevalent throughout global value chains and increasingly in international trade and investment agreements and national development strategies, laws, and regulations. The OECD has set out due diligence guidance in several sectors to help businesses implement RBC principles and standards in their supply chains.

This includes the 2018 OECD Due Diligence for Responsible Business Conduct, which applies to all business in all sectors. Sector-specific due diligence guidance is also available for minerals, agriculture, garment and footwear sectors, with work ongoing for the financial sector.

Business for Inclusive Growth Platform

Operating from the Office of the Secretary General, the OECD's Business for Inclusive Growth Platform aims to better align business actions and government policies on inclusive growth. The objective is to identify complementary actions, and factors that might influence the adoption of such actions; better understanding the "business case" for inclusive growth; encouraging more companies to adopt good practices through case studies and best practice dissemination; and exploring how the private sector and governments can work together to tackle the structural issues hindering inclusive growth (for example, demographic changes, digitalisation, the future of work, gender inequality, business dynamism and productivity growth).

The Platform will also serve as an "incubator" for businesses and governments to test new policies and ideas to promote inclusive growth. Through a web portal and regular workshops and conferences, it will provide a virtual and physical space to discuss, experiment and test new ideas and policies on corporate governance models, business impact metrics and accounting standards, programmes and activities, and public-private partnerships. The Platform will help develop positive feedback loops between the private and public sectors on inclusive growth actions that can then be disseminated and promoted to industry and government.

Social Enterprises and Entrepreneurship

The OECD, through its Local Employment and Economic Development (LEED) Committee, started to work on social entrepreneurship and social enterprises in the mid-nineties, with specific work on measuring social impacts. The OECD defined social enterprises as "private activities conducted in the public interest, organised with an entrepreneurial strategy, whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals" having "the capacity for bringing innovative solutions..." to socio-economic and/or environmental problems (OECD, 1999).

The OECD Policy Brief on "Social Impact Measurement for Social Enterprises" notes that the growing number and influence of social enterprises around the world makes measuring their social impact a priority for all relevant stakeholders, including public authorities, investors, beneficiaries, users and social enterprises themselves (OECD, 2015). Identifying their impact is important to better target public financial support, but can also be a means to attract private investments.

Measuring social impact should not be primarily driven by investors' needs, but rather an ongoing process co-constructed with relevant stakeholders involved in the social enterprise. Social enterprises face challenges related to their specific nature. For example, multi-directional accountability systems focusing not only on the economic bottom-line but also on the social outcomes are needed, although this often proves to be challenging. Limited human and financial

resources is another reason why social impact measurement remains limited among social enterprises, especially small ones and early stage ones.

Foreign Direct Investment Qualities

The OECD recently launched a project on measuring and understanding how Foreign Direct Investment (FDI) might impact on sustainable development and the SDGs. A key deliverable of the project will be a “FDI Qualities Toolkit” which will include indicators on the qualitative outcomes of FDI in six areas (productivity and innovation; quality jobs; human capital and skills; gender inclusion; carbon emission and energy efficiency; and renewable energy) and checklists of policies that relate to these six areas. The Toolkit will allow policy makers to engage in detailed national or regional assessments to identify policies that harness FDI’s potential for progress towards defined priorities. To support the project, a policy network for multi-stakeholder dialogue on FDI qualities is being established. The network includes representatives from OECD and non-OECD governments, international organisations, core OECD stakeholder bodies (BIAC, TUAC, OECD Watch), multinational enterprises (MNEs), NGOs and academia, as well as experts across OECD directorates.

Social Impact Investment

Social Impact Investment (SII) is defined as the provision of finance to organisations addressing social needs with the explicit expectation of a measurable social or environmental, as well as of financial return (OECD, 2015). SII has become increasingly popular with a growing number of high net worth individuals, foundations and institutional investors interested in investing in businesses and small enterprises that deliver both a social and a financial return. SII can bring greater effectiveness, innovation, accountability and scale for the economic and social benefit of the world’s poor populations. While these approaches will not replace the core role of the public sector, SII has the potential to attract new types of capital and investors, sharing experiences, policies and approaches, in particular, to address the pressing issues framed by the SDGs.

Broader evidence is needed to inform stakeholders such as governments, development finance institutions, private sector investors, social entrepreneurs and businesses. Greater transparency, measurement and accountability for outcomes and impacts are critical in scaling up social impact investment to improve people’s well-being. The OECD has undertaken and is pursuing further work in this area. The OECD’s Social Impact Investment Initiative published its phase one report, *Social Impact Investment: Building the Evidence Base*, in 2015, with a second report expected in early 2019. The OECD will also pursue work on measuring the impact of investments. Over the next few years, the OECD aims to establish a common lexicon and framework for measuring the impact of investments targeting sustainable development, to provide guidance to improve the quality and standardisation of impact metrics, and to build a global consensus for creating impact measurement standards.

3. Main characteristics of business impacts frameworks

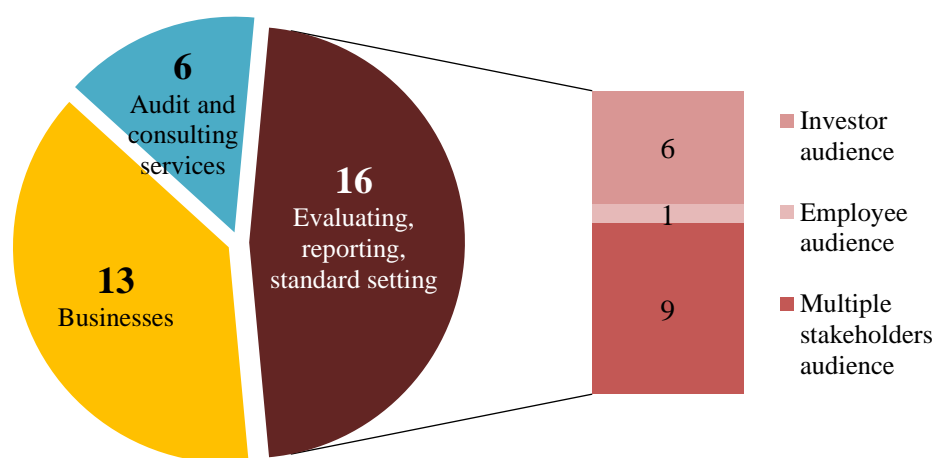
20. Thirty-five business frameworks and initiatives that measure the impacts of business on people's well-being and sustainability were reviewed based on a variety of sources (see Table 3.1 for the full list). These represent the leading initiatives in this field, such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). Based on the databases of the UN Global Compact and the International Integrated Reporting Council (IIRC), which collate leading businesses reporting on ESG issues, we also identified several businesses who are leaders on reporting on the wider impacts of their operations. In addition, we consulted with various experts from academia, the business sector and civil society organisations, as well as with members of the Advisory Group in order to identify other frameworks or initiatives. In choosing the frameworks to review, we also considered the diversity of the initiatives, with respect to both geography and sectors.⁹
21. The selected frameworks and the metrics used to convey information on the business impact on people's well-being and sustainability were analysed based on the following questions:
- a. Are the methodology and indicators used accessible and transparent? Is a payment required to access the full data?
 - b. Do the frameworks include a fixed set of key performance indicators (KPIs)? Are these indicators reported regularly?
 - c. Are the frameworks aimed at a specific audience, e.g. investors, consumers etc.?
 - d. Do the frameworks use an industry-specific approach in measuring business impacts, e.g. using a different set of indicators for different industries?
 - e. Are the SDGs reflected or referenced in the frameworks?
22. In addition, some basic characteristics were also collected for each framework, such as the country of origin, the number of employees of each organisation, their profit or non-profit nature, and, for measuring initiatives, how many companies used the framework (i.e. the coverage of each initiative). This allowed to classify the different types of frameworks, as well as to shed some light on the reasons for the differences in various approaches.
23. We identified three types of organisations, according to the nature of the initiative/company in charge of the framework and of its relationship with the evaluated business (see Figure 3.1, and Table 3.1 for details);
- i) *Evaluating, reporting and standard-setting initiatives.* These initiatives generally lead to the publishing of external ratings, evaluations, or standards with the aim of enhancing corporate social responsibility and communicating business performance to investors, employees and consumers. These initiatives are mainly undertaken by non-profit organisations, acting as "external evaluator", with this evaluation done by external stakeholders who are not a part of the business.

9. The analysis was based on the latest publication of the reviewed frameworks and initiatives. For firms, this means the 2016 integrated/sustainability report. For other initiatives, this was the organisation's latest report on measuring business impacts or an impact assessment questionnaire. General information about the organisations was extracted from companies' websites.

ii) *Audit and consulting services*. These initiatives aim to advise companies on how to measure their impacts, or to assure the validity of the published information. While these initiatives may be undertaken by both for-profit and non-profit organisations, their common characteristic is that their services are company-orientated, i.e. they offer evaluation, auditing or measurement services to companies. These organisations act as both “evaluators” and as “engaged stakeholders”.

iii) *Companies*. These initiatives are self-assessments undertaken by individual firms with the goal of reporting to various stakeholders on the impacts of their business operations, whether through a well-structured framework and a set of indicators or in a more anecdotal manner.

Figure 3.1. Organisation type and target audience of the frameworks reviewed



Note: The graph shows the distribution of 35 frameworks by organisation type, and details the sub-division of the external evaluators group between different intended audiences.

24. In Figure 3.1, the external evaluators group (which includes evaluating, reporting and standard-setting initiatives) is further sub-divided according to the intended audience.¹⁰ Reporting initiatives addressing an investor audience are SASB, MSCI, Sustainalytics, Thomson Reuters, Dow Jones Sustainability Indices and FTSE Group. The only initiative addressing an employee audience is “Great Place to Work”, while initiatives addressing multiple audiences are CSR Hub, Carbon Trust, B Lab, GRI, IIRC, SAI, UN Global Compact, Corporate Human Rights Benchmark and Shift. Table 3.1 describes the key features of the business frameworks reviewed here, including industrial sector of the business group and geographical location of the initiative.

- While all business initiatives are undertaken by for-profit companies, external initiatives are undertaken by both for- and non-profit organisations. Evaluating, reporting and standard-setting initiatives are mostly non-profits, while initiatives classified under audit and consulting services are mostly for-profits.

10. Vigeo Eiris, which is categorized under the audit and consulting services group, also offers ESG research and solutions for investors (beyond its CSR assessments and support for companies).

-
- The initiatives reviewed cover a wide range of countries, including the United States, Germany, France, the United Kingdom, Canada, the Netherlands, Switzerland and People’s Republic of China.
 - The number of companies covered by the different initiatives undertaken by external evaluators range from 68 to 40 000 companies.
 - Within the businesses covered in the review, the industries represented (“industry” column) are: telecommunications, food products and beverages, mining and quarrying, banking, consumer goods, textile and wearing apparel, personal care, transportation and infrastructure services industries.
25. This diverse range of initiatives provides a snapshot of the current impact measurement field, and allows us to draw some conclusions on the characteristics and practices being used by main actors. It also enables us to see clearly which kinds of information are being left out, and by whom.

Table 3.1. Key features of the business frameworks reviewed

External evaluators, audit and consulting services, standard setting organisations			Businesses		
Organisation	Name of the framework	Based in:	Organisation	Industry	Based in:
Boston Consulting Group (BCG)	Total Societal Impact	US	BNP Paribas	Financial service activities (banking)	France
Business in the Community (BitC)	CR Index	UK	Coca Cola Company	Food products and beverages	US
B Lab	B Corporation	US	Coca Cola European Partners	Food products and beverages	UK
Carbon Trust	-	UK	Danone	Food products and beverages	France
Corporate Human Rights Benchmark	-	UK	DeBeers	Mining and quarrying - mining and trading of diamonds	UK
CSR Hub	-	US	Getlink	Transportation	France
Ecovadis - Supplier Sustainability Ratings	-	France	Huawei	Telecommunications	People's Republic of China
FTSE Group	FTSE4Good Indices	UK	Kering	Retail; textiles and wearing apparel	France
Global Reporting Initiative (GRI)	GRI G4	Netherlands	L'Oreal	Personal care	France
Great Place to Work	-	US	Siemens	Conglomerate	Germany
International Integrated Reporting Council (IIRC)	-	UK	Starbucks	Food products and beverages	US
KPMG	True Value	Netherlands	Unilever	consumer goods	UK
Morgan Stanley Capital International (MSCI)	(MSCI) ESG research and indices	US	Veolia	Environmental services	France
PwC	Total Impact Measurement and Management (TIMM)	UK			
RobecoSAM	The Corporate Sustainability Assessment of the Dow Jones Sustainability Indices (DJSI)	Switzerland			
Social Accountability International (SAI)	SA8000	US			
Shift	UN Guiding Principles Reporting Framework	US			
Sustainability Accounting Standards Board (SASB)	-	US			
Sustainalytics	Sustainalytics ESG ratings	Netherlands			
Vigeo Eiris	-	France			
UN Global Compact	Communication on progress (COP)	US			
Thomson Reuters	Thomson Reuters ESG Scores	Canada			

3.1. Emerging themes and characteristics

26. Five themes emerge from the review of these frameworks and initiatives:

i. Transparency and accessibility of metrics

27. Transparency and accessibility vary depending on the type of organisation, and specifically on whether it is a for-profit or non-profit organisation. Non-profit initiatives are, in general, more transparent about the metrics used for assessing business impacts. Also, the vast majority of these initiatives do not require users to pay a fee in order to get full details on the framework, meaning that their metrics are publicly available. However, some non-profit initiatives charge fees from businesses for certification of reports or for granting access to results from a self-assessment survey. Business frameworks promoted by for-profit organisations, on the other hand, do not tend to disclose their measurement methods. This is true of both consulting services and investor-related organisations, such as FTSE4Good, Ecovadis, MSCI ESG indices, and is partly explained by the fact that these organisations rely on measurement frameworks as part of a professional service aimed at generating income.
28. Business firms do not charge fees for accessing their financial and sustainability reports. But as mentioned above, some initiatives charge a fee not only to users who want to see the ratings but also to the rated firms themselves, requiring businesses to pay in order to submit their report for review. This increases business costs associated with impact measurement and reporting (SustainAbility, 2018). Moreover, in some cases, the methodologies for determining company ratings are not available at all (not even for a payment), which creates difficulties for businesses to identify challenges and scope for improvements as identified by these ratings (SustainAbility, 2018).

ii. Regularly reported and clear metrics

29. Another result from the review is that the measurement methods and indicators included in annual financial reports are often fragmented, and not consistently tracked and reported. Five out of the 13 initiatives reviewed did not include Key Performance Indicators on social and environmental impacts, implying that the historical performance of businesses could not be examined. The lack of regularly reported indicators influences not only the ability to understand business impacts on well-being, but also businesses' own ability to achieve long-term goals in social and environmental topics. Setting regularly reported metrics would enable business to track its historical performance and take measures to improve its impacts, for example by incentivising managers and staff based on the selected KPIs.
30. Structure and content of what is reported varies between companies, and even from year to year for the same company. Since firms decide what and how to report, internal definitions often change between reporting cycles even for "recurrent" indicators. A common practice is to present the company's achievements with regards to the goals set in the past year. This is achieved through both qualitative and quantitative information, often referring to internal training programmes or CSR activities in areas of education, health care, etc., which cannot be compared across companies. The motives for publishing this kind of information are quite clear: companies choose and present the data in the way that best serves their branding strategy.
31. Measuring frameworks, on the other hand, have a stronger tendency to define specific indicators as a part of their methodology. More than three quarters of the initiatives

undertaken by external evaluators (i.e. audit and consulting firms) have specific indicators for measuring business impacts. These initiatives generally update their methodologies every time they release new results. The ongoing process of adjusting the framework usually includes consulting with external experts and stakeholders, which through time could lead to more harmonised and usable data.

32. Differences across initiatives are important. While some of the external evaluators measure the performance of companies in different fields, others just assess the transparency of available information and do not examine or evaluate the companies themselves. Some initiatives assess business performance through a threshold standard, according to which a company has to reach a minimal positive impact (and maximal levels for negative ones), while some present a full rating of business operations. Furthermore, all reviewed frameworks typically mix input, process, output and outcome indicators, with different labels used even when referring to the same (or similar) phenomena. Because of this, and of companies' flexibility to choose how impacts should be measured, the variety of measurement frameworks makes it harder for them to accomplish their mission, and makes it easier for companies to avoid difficult questions.

iii. Intended audience

33. There is a clear connection between the target audience of these initiatives and the key characteristics of the frameworks used. Investor-focused frameworks (e.g. SASB, MSCI, Sustainalytics, Thomson Reuters, DJSI, FTSE4Good and Vigeo Eiris¹¹) typically release quantitative data covering several companies. Coverage levels among the seven investor-related frameworks included in the stocktake range from 3 400 (DJSI) companies to more than 10 000 (Sustainalytics). All seven investor-related frameworks include specific indicators, and two of them (Thomson Reuters and FTSE) perform a bi-annual review of rated companies (the only two frameworks in the stocktake updating their ratings more frequently than once a year). These features indicate investors' needs for accurate, up-to-date and quantitative data, obtained and analysed through a well-structured methodology. This, however, comes at a price: except for SASB (the only non-profit initiative amongst the investor-related initiatives reviewed here), all of these initiatives have limited transparency, and require a payment in order to access their database and methodologies.
34. Initiatives that target the needs of multiple audiences – consumers, investors, firms and the general public – do not feature the same patterns. Nine of the reviewed frameworks address multiple stakeholders, with five of them including specific indicators. Coverage levels are very diverse, and re-evaluation periods range from one to three years. Most of these initiatives are undertaken by non-profit organisations, a feature that is reflected in the absence of payment requirements (except for CSR Hub and Carbon Trust) and greater transparency on metrics and methodologies. These features suggest that organisations promoting a certain agenda try to maximize their influence by widening their exposure to as many stakeholders as possible. This agenda could be either narrow, such as climate change for Carbon Trust or human rights for the Corporate Human Rights Benchmark, or a more general worldview, as in the case of GRI and UN Global Compact.

11. We categorized Vigeo Eiris as a supplier of consulting services, but the company also offers ESG research and solutions for investors and companies.

iv. Industry-specific metrics

35. Well-being and sustainability impacts are complex, even more so when examined across a wide variety of economic activities. Because of this, most measurement frameworks rely on different sets of indicators for measuring the impacts of different industries on people's well-being and sustainability. Companies operating in the same industry are more likely to face similar conditions, implying that impacts can be measured in a more accurate way when the measuring methodology is tailored to the conditions of each industry.
36. Nine of the 35 frameworks reviewed in this paper include industry-specific metrics. Industry-specific metrics present a considerable challenge for comparability between companies from different industries, even when measured through the same framework. For example, SASBs framework enables to evaluate business impacts across 79 different industries. While the value of such detailed assessment is beyond dispute, shared indicators across industries are very rare, and mainly limited to environmental impacts. Other initiatives, such as the Corporate Human Rights Benchmark, emphasize the importance of inter-industry comparison and build their rating in a way that enables these comparisons.
37. In addition, industry classifications may differ across initiatives. For instance, while MSCI and DJSI use the Global Industry Classification Standard (an industry taxonomy developed for use by the global financial community), the Corporate Human Rights Benchmark focuses on three sectors (agricultural products, apparel, extractives), while B-Lab and SASB each use their own industrial classification (with 130 and 79 industries respectively). These inconsistent classifications translate into interpretative difficulties not only for stakeholders wishing to compare companies' performance on specific issues, but also for individual businesses who might be classified in different industries by different initiatives, each using different types of metrics and reporting requirements.

v. Relating to SDGs

38. The significant uptake of the SDGs by businesses (see Box 3.1) as a reference point is evident from our analysis of existing measurement frameworks: 20 out of the 35 frameworks reviewed state that they are committed to contributing to the achievement the SDGs. The type of commitments varies, from simply mentioning the SDGs and recognising the role of businesses in achieving them, to having the entire framework based around the SDGs. An example of the latter is Siemens, which clustered its impacts on the SDGs in terms of products, business practices, supply chain management and indirect impacts via their client industries as "high", "medium" and "low". Another example is BNP Paribas, which used Vigeo Eiris's services in order to measure the proportion of the bank's loans that makes a direct contribution to reaching the SDGs. Because of the lack of a structured measurement framework to assess business contributions to the SDGs, companies wanting to assess their performance against SDGs have tended to create their own methodology for measuring their contribution to achieving the goals.
39. The growing number of companies and initiatives using the SDGs as a benchmark in their measurement frameworks is a positive development in the perspective of advancing alignment and comparability in this field. Such development reflects a growing understanding of business role in society, and a common acceptance of long-term business objectives in social and environmental topics. Despite this, the SDGs

emanate from a high-level political agenda, which does not easily translate into a framework for measuring business impacts.

Box 3.1 The impact of the UN Sustainable Development Goals on the business community's efforts in measuring impacts

The Sustainable Development Goals (SDGs) adopted by world leaders in September 2015 set an ambitious agenda for 2030, with 17 goals and 169 targets aimed at ending poverty, protecting the planet, and ensuring prosperity for all. Achieving the SDGs will require the cooperation between governments, businesses, civil society and communities across the world.

Businesses are central to achieving the SDGs, due to their long planning horizon, great resources and immediate effects on people's well-being. According to the Business and Sustainable Development Commission (BDSC, 2017), achieving the SDGs could translate into economic opportunities for business estimated at USD\$12 trillion a year by 2030.

Since their launch in 2015, the SDGs have significantly influenced the business world. According to KPMG, some 43% of G250 company reports already connect their corporate responsibility activities to the SDGs (KPMG, 2017), with Europeans companies leading the way with 83% in Germany, 63% in France and 60% in the United Kingdom. In the United States, 31% of G250 companies report on SDG related CSR, while in Japan this share is 46% (KPMG, 2017). This trend, which has emerged in a short period of time, strongly suggests that the SDGs will have a growing profile in companies' reports over the next years.

In spite of the considerable uptake of the SDGs by the business community, there is no single methodology for measuring and reporting business progress and impacts. Practical guidance on how to report on the SDGs would facilitate the uptake of SDGs by businesses. To provide such support, the UN Global Compact (UNGC) and GRI, with support from PwC, launched The Action Platform, which aims to facilitate corporate reporting on the SDGs. As part of this collaborative effort, the report "An Analysis of the Goals and Targets" (GRI and UNGC, 2017) aims to help large and small businesses to improve their reporting and performance on the SDGs. Based on a review of over 80 publications that specifically address the contribution of business to the SDGs, as well as UN Conventions and other key international agreements and instruments, the document provides a list of established qualitative and quantitative metrics that businesses could use to report on their contribution to the SDGs, as well as an illustrative list of actions that businesses could take to make progress towards the SDGs.

Another major initiative that aspires to make the SDGs usable for business is the SDG Compass, a tool for measuring private sector contribution to the SDGs launched by UNGC, the World Business Council for Sustainable Development (WBCSD) and GRI. The SDG Compass (GRI et al., 2017) links the SDGs to the relevant indicators and disclosures in the GRI Standards and Sector Disclosures. Its accompanying *Guide for Business Action on the SDGs* (GRI et al., 2015) presents five steps for companies to maximize their contribution to the SDGs. Other recent work in this field includes the WBCSD's *CEO Guide to the SDGs*

(2017), KPMG's paper on *How to Report on the SDGs* (2018), and PwC's *SDG Reporting Challenge 2017: Exploring business communication on the global goals* (2017).

4. Applying a well-being lens to business impacts

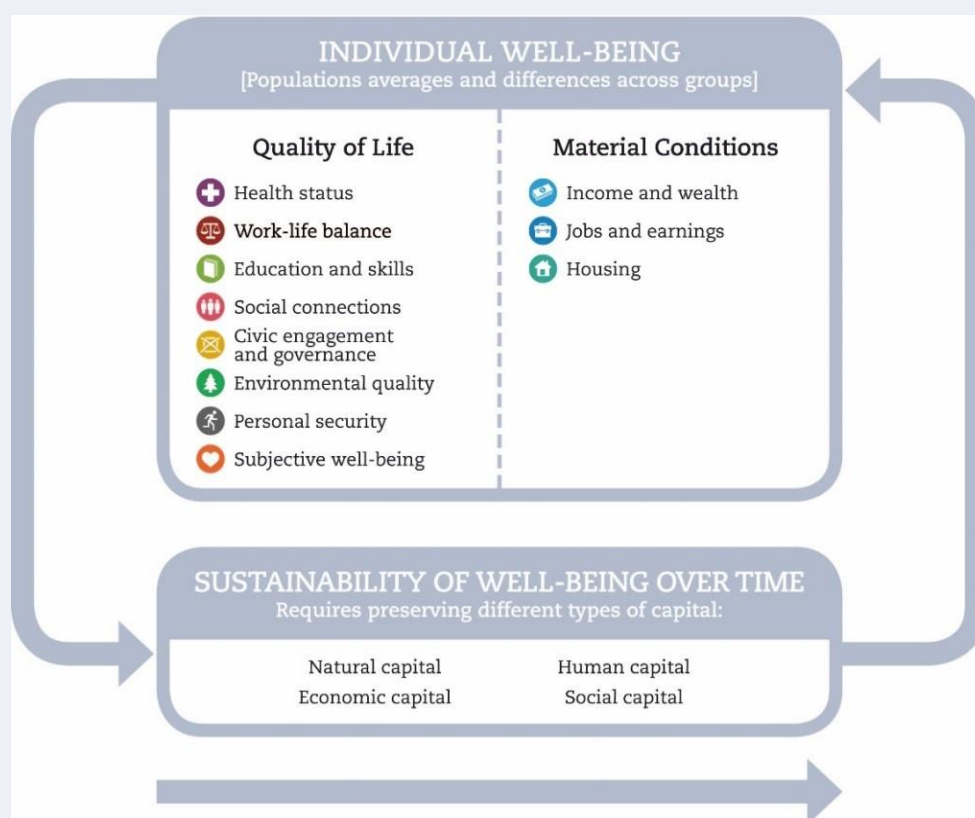
40. One more structured way to assess the broad business impacts on societies and the environment is provided by the OECD well-being framework. By focusing on what matters to people and communities as well as on sustainability and future generations, the OECD well-being framework offers a conceptual framework against which the various impacts of business activities can be assessed. The OECD well-being framework was developed following the release of the Stiglitz-Sen-Fitoussi Commission report, and is operationalised through a set of country-level indicators selected in consultation with the statistical offices of OECD countries. Over time, this framework has become the reference point through which statisticians and policy makers have approached the issue of “what matters the most for people’s life” and can strive to achieve inclusive and sustainable growth patterns in a way that is both comprehensive and reflective of the conditions of most countries. The OECD framework distinguishes between current conditions (described in terms of the two broad domains of material conditions and quality of life) and resources for future well-being (organised in terms of four broad types of capital). Current conditions are further detailed through 11 well-being dimensions, which are assessed through both average and inequality measures (see Box 4.1 for further details).

Box 4.1. The OECD Well-being Framework

For years, the economic performance and societal progress of nations has been benchmarked on GDP. GDP is a measure of the economic production of a country, and while this measure is a critical proxy of a country’s macro-economic conditions, its inadequacy to measure people’s lives and well-being has been increasingly recognised (see, for instance, OECD, 2011; EU Commission, 2009; Stiglitz et al., 2009; and Costanza et al., 2009), leading statistical offices and public agencies to launch new initiatives to capture what matters to people. The OECD has played a central role in this movement, supporting many countries in their ambition to generate more meaningful metrics of well-being and progress and to embed these metrics in everyday public policies.

Since 2011 the OECD produces well-being evidence and analysis on a regular basis through its Better Life Initiative. As part of this initiative, the bi-annual report *How’s Life?* provides well-being evidence for OECD countries and partner economies by considering indicators for 11 components of good lives today (Income and wealth, Jobs and earnings, Housing, Health status, Education and skills, Work–life balance, Civic engagement and governance, Social connections, Environmental quality, Personal security and Subjective well-being) and four sets of resources that generate well-being over time (in each of the dimensions above): economic capital, environmental capital, human capital and social capital. The 11 components of good lives today are outcomes that are intrinsically important to people, grouped under the two main headings of “material conditions” (i.e. economic well-being) and “quality of life” (“doings and beings”, Sen’s approach (Sen, 1993)). The OECD well-being conceptual framework is shown in Figure 4.1.

Figure 4.1. The OECD well-being conceptual framework



Source: OECD (2017), *How's Life?: Measuring Well-Being*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/how-life-2017-en>.

Such conceptual framework, which builds on a large body of theoretical and empirical studies in this field (see OECD, 2011a and Boarini et al., 2014 for a review) and reflects consultation with OECD countries, is operationalised through a dashboard of 25 indicators, regularly published in the report *How's Life? Measuring Well-Being* and in the Better Life Index (BLI) website.

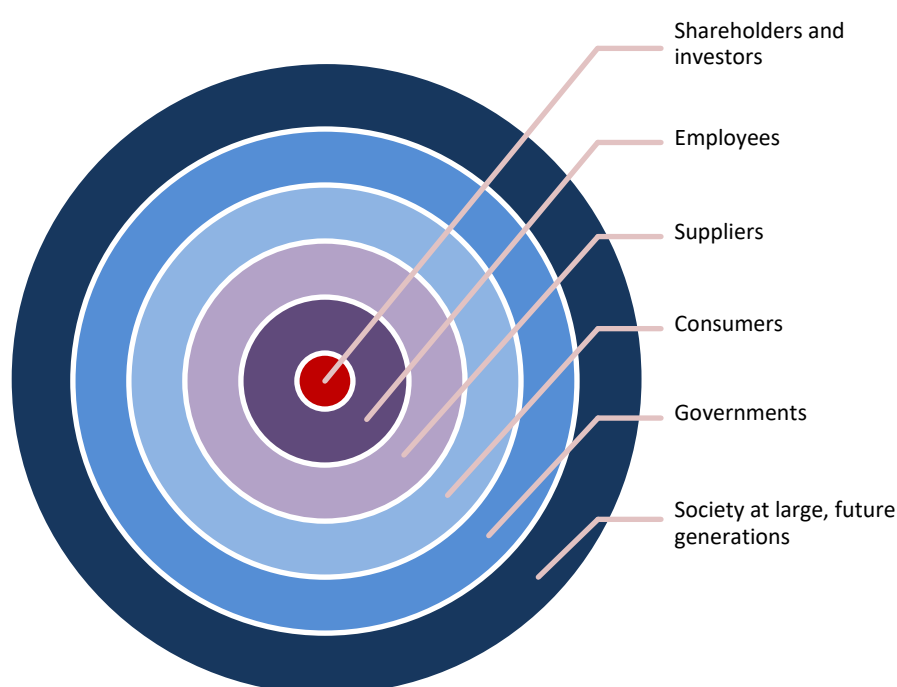
In terms of its focus, this approach:

- Puts the emphasis on households and individuals, rather than on aggregate conditions for the economy.
- Concentrates on well-being outcomes, as opposed to well-being drivers measured by input or output indicators.
- Considers both objective and subjective aspects of well-being.
- Looks at the distribution of well-being across individuals, not just at averages.

Based on this dashboard of indicators, the Better Life Index is a communication tool that allows users to weigh and combine the 25 indicators into a customised index showing how countries perform based on an aggregate well-being scale. The BLI was created to encourage citizens to take part in the debate on progress, and to elicit their views on what matters most in their lives.

41. In this section, the 35 frameworks analysed above are mapped against the OECD well-being framework, starting with the 11 dimensions of current well-being. The dimensions were “re-labelled” in order to relate them more directly to business activities and their impacts. Building on the well-being framework analysis, one can also look at which group of people are impacted by business operations. Five groups can be identified: (1) Shareholders and investors; (2) employees; (3) suppliers (including impacts by suppliers on their employees, investors etc.); (4) consumers; (5) governments; and (6) society at large and future generations (see Figure 4.2). These “circles of impacts” help identify the type of information that is most relevant at each level.

Figure 4.2. Circles of impacts of business operations







Note: These circles do not imply a hierarchy; they should be considered only as an illustration of the various groups of people that can be impacted by business activities.








42. The approach followed here draws on other research on business impacts. For instance, O’Connor and Labowitz (2017) provide an analysis of 12 frameworks used for assessing the “S” (social) element of ESG investing approaches, examining, amongst other questions, whether the proposed indicators captures company’s efforts or effects on social objectives. The BSR Healthy Business Coalition (BSR, forthcoming) also recently reviewed existing health metrics and corporate sustainability frameworks, providing an inventory of Healthy Business metrics differentiating between impacts and outcomes. Indicators were selected based on a screening process that filtered out issues unrelated to health as well as indicators that are not commonly used in the frameworks reviewed.
43. While these two studies focus on a specific type of business impacts on people’s well-being (e.g. human rights and health), the stocktake presented here considers the wider range of elements affecting people’s lives. In addition, it considers frameworks from a

variety of stakeholders (non-profit initiatives, firms, audit services) and different types of indicators.

44. Table 4.1 illustrates how business activities might affect various well-being dimensions, and highlights in each case which circles of impact are most pertinent. The assessment is limited to the 11 OECD dimensions of current well-being, and does not systematically consider business impacts on sustainability (resources for the future). While the OECD well-being framework aims at capturing people's well-being, rather than identifying the ways in which well-being is affected by businesses, using the framework could be helpful in identifying the impacts businesses have on all dimensions of well-being, directly or indirectly. Some connections are obvious, as in the case of jobs, earnings and work-life balance; others are less straightforward but still important, as in the case of health, skills and social connections. In most cases, business operations affect their employees and customers; in other cases, their impacts may extend to the entire community where business operates and, in some cases, to people in other countries, through commercial operations and supply chains. The main advantage of using an encompassing well-being framework to assess business impacts is to allow individual firms to make their own assessments of the well-being aspects that are most impacted by their operations through a comprehensive framework, rather than "picking and choosing" which impact to report on and how, which could risk turning such assessment into a simple public relation exercise.

Table 4.1. Business impacts on different well-being dimensions

Dimension	Potential Business impact	Affected circles
 Jobs and Earnings	<p>Businesses are the main provider of jobs and directly affect employees' employment and pay conditions. These effects may extend through the supply chain, and businesses may in some cases have the means to ensure that their suppliers pay adequate (or living) wages to their workers, that safety standards are applied and that school-age children are not employed. Wages paid by business may also impact on earnings inequalities throughout society, and in some countries publicly held corporations are now required to disclose information on the compensation of their CEO and management, which allows computing measures of within-company earnings inequality (e.g. between managers and workers) and of how firms reward shareholders relative to employees.</p>	<p>Employees, either directly or through supply-chains Suppliers Society at large</p>
 Income and Wealth	<p>Businesses affect people's income and wealth in other ways than wages. They may provide employer-sponsored pension plans, savings benefits, loans under preferential terms or financial protection in the event of non-work-related personal injury. Shareholders and investors are also affected through company value, profits and dividends.</p>	<p>Employees Shareholders and investors</p>
 Work-Life Balance	<p>Businesses affects employees' work-life balance through working hours, overtime, commuting, as well as through their ability to work part-time, flexitime, or telework. Offering flexible working arrangements also allows more people, including women and disabled persons, to get into the labour market. Families are particularly affected, as workers' ability to combine work, family commitments and personal life is important for the well-being of all household members. It is also important for society as a whole, as it ensures that people have time to socialise and participate in the life of their community. Some business products and services that reduce the time spent on domestic work can affect consumers, allowing more time for leisure activities, and extend to society at large through spill-over effects.</p>	<p>Employees and their families Consumers Society at large</p>
 Health	<p>Businesses affect employees' health by creating secure and healthy work environments, providing healthcare coverage to workers and their families, and through supplementary health-promotion programmes. They may also affect workers in their supply chain through health and safety directives to suppliers. In many industries, such as food and beverages, infrastructure, communication and electronics, businesses affect consumers' health either positively (by providing products with nutritional value and product safety) or negatively. Society at large might also be affected through spill-overs, such as better health service infrastructure and CSR activities promoting public health and health awareness.</p>	<p>Employees and their families, directly or through supply-chains Consumers Society at large, future generations</p>

Dimension	Potential Business impact	Affected circles
 Education and Skills	<p>Businesses affect the skills of their employees, by providing on-the-job training, opportunities to learn new things on the jobs and to use the skills they already have. In some cases, businesses might also contribute to building up the skills of workers, their offspring and communities in countries where they operate through educational CSR activities, scholarships, training opportunities to students and philanthropy.</p>	Employees and their families, directly or through supply-chains Society at large, future generations
 Political Voice and Governance	<p>Corporate governance, ethical business practices, opportunities for workers to organise and express their voice are ways in which business affect people's experiences in this dimension. Investors and shareholders are affected by businesses competitive behaviour, transparency and integrity. Employees are affected through business initiatives to increase workforce diversity, avoid discrimination, allow freedom of association, comply with human rights and provide opportunities to workers to voice their concerns on how the business is run. Businesses also affect consumers through fair marketing and product labelling, and society at large through philanthropy and volunteering activities.</p>	Employees Investors and shareholders Consumers Society at large
 Environment	<p>People's lives are affected by the healthiness of their physical environment, which business impacts through pollutants, hazardous substances and noise. These impacts may be limited to workers but also extend to society as a whole. Energy use, water and waste management, use of natural resources are the main channels through which businesses influence environmental quality. Through their products and services, businesses can raise consumer awareness and screen suppliers based on environmental criteria.</p>	Society at large, future generations Employees Consumers
 Social Connections	<p>Businesses contribute to the social connections of their workers by encouraging meaningful relationships in the work-place. They may also affect consumers, through products that support social networks, and society at large by investing in local communities, organising volunteering activities and community support programmes.</p>	Employees Consumers Society at large, future generations
 Housing	<p>While only few business provide housing to their employees, financial institutions and construction firms influence people's ability to get access to good and affordable housing.</p>	Consumers
 Personal Security	<p>Business operations may affect people's personal security through the provision of security-enhancing goods and services offered to consumers.</p>	Consumers
 Subjective Well-being	<p>As people spend most of their adult lives at work, business can impact people's subjective well-being, through employees' job satisfaction as well as consumers' satisfaction.</p>	Employees Consumers

4.1. Mapping existing measurement frameworks to dimensions of well-being

45. As described above, businesses can affect most different dimensions of people's well-being through various channels. To what extent do existing frameworks cover these dimensions? This section examines how the 35 frameworks and initiatives reviewed in this paper cover the various dimensions of well-being considered by the OECD.
46. Table 4.2 details the well-being dimensions that are more commonly addressed by the frameworks reviewed here.

Table 4.2. How represented are the different dimensions of well-being in the reviewed frameworks?

OECD Well-Being dimension	Share of business frameworks addressing each well-being dimension	Share of business frameworks including quantitative measures of impacts on each well-being dimension
Environment	91% (32)	46% (16)
Voice and Governance	91% (32)	37% (13)
Jobs and Earnings	80% (28)	37% (13)
Health	71% (25)	31% (11)
Education and skills	66% (23)	31% (11)
Social connections	51% (18)	20% (7)
Income and wealth	40% (14)	17% (6)
Work and life balance	37% (13)	14% (5)
Personal security	20% (7)	6% (2)
Subjective well-being	20% (7)	0% (0)
Housing	3% (1)	0% (0)

Note: The table shows numbers and percentages of frameworks that include at least one indicator/theme in each well-being dimension, and numbers and percentages of frameworks including quantitative data in each well-being dimension, out of the 35 reviewed frameworks. Quantitative data refers to information that is measured and expressed numerically, in a way that may be comparable across different companies. Where measurement metrics were not specified, the classification of well-being dimensions was done with the most granular information available.

47. The OECD well-being dimensions that most commonly feature in the business frameworks reviewed here are the environment, voice and governance, jobs and earnings, and health, which are included in more than two-thirds of the reviewed frameworks. Education and skills, social connections, income and wealth, and work and life balance feature in between one-third and two-thirds of frameworks reviewed. Only few frameworks consider impacts on personal security, subjective well-being and housing.
48. Table 4.2 also provides information on whether the frameworks include quantitative data on these dimensions, in the form of either well-defined indicators tracked regularly or other quantitative information. This analysis shows that only few business frameworks include such quantitative information. For example, the environment, which is the most represented dimension (32 frameworks), is assessed though quantitative data in only 16 frameworks, i.e. around half of all the frameworks reviewed.
49. These patterns bring some light on which well-being dimensions are generally considered by business to be more relevant to their operations, and which are more easily measured. The high share of frameworks including environmental and governance data suggest that both topics have been mainstreamed among large

corporations in recent years, partly as a result of global agreements such as the Paris Climate Agreement in 2015 and the rise in ESG over the last decades. Environmental data can also be easier to report for business when they relate to resources used in production or to emissions that are regulated by governments; monitoring in this field can also result in near-term cost savings for business, which adds another incentive for tracking (NYU, 2017). The other two well-being dimensions that more commonly feature in the business framework reviewed, i.e. jobs and earnings and health, are also fairly well represented. However, while the total number of employees and the gender breakdown are commonly reported, types of employment (full or part time, directly/indirectly employed etc.) are less well covered.

50. Some less well-represented dimensions are more surprising. While measuring business impacts on education and skills or social connections could be challenging, the low share of business initiatives reporting on income and wealth and work-life balance is not explained by lack of quantitative information. Business have a direct impact on the work-life balance of their employees, e.g. through hours worked and flexible working arrangements; and yet, this dimension is reflected in less than 40% of the frameworks, with only 5 of them providing quantitative data. Data on pension plans, savings and loans benefits that businesses provide to employees should also be easily available, and yet only 5 frameworks include data on this dimension.
51. Personal security, subjective well-being and housing are the least represented dimensions, which is not too surprising. While housing and personal security could be considered as only indirectly related to business conduct, subjective well-being of employees, suppliers and consumers could be very significant for the performance and profitability of business, as people with high job satisfaction are more motivated, healthier, less absent from work and more productive. Despite this, subjective well-being is included in only 7 frameworks and none of these with quantitative data.
52. Overall, these findings highlight the lack of a conceptual framework for measuring the impacts of business on people's well-being that could provide a basis for businesses and stakeholders to analyse and understand the social and sustainability impacts of firms. In the absence of such framework, however, all reporting initiatives will be prone to be partial, and driven by the choices made the agency driving these initiatives.

4.2. Main challenges in measurement and comparability

53. Even when business frameworks include quantitative information, this information is often incomplete and not comparable. Three main problems arise from the use of different and un-aligned indicators.
54. The first issue is the omission of relevant information, such as information regarding the affected groups or the types of business effects. For example, some health indicators used in business reporting refer only to permanent or full-time employees, while not covering temporary or contract company workers; the same applies to indicators pertaining to education and skills, where training data is presented only for permanent employees or for management positions. Excluding some categories of workers is problematic; first, it prevents comparisons of different companies' performance; second, if the omitted group include the worst-off in the company, the data will fail to reflect the impacts on all affected stakeholders. These problems also arise when including some types of business impacts while excluding others. For instance, several business frameworks reporting on environmental quality include only impacts from a

specific part of the production process (core business/ manufacturing / office impacts etc.). Similarly, in the case of health, accidents and fatalities data are sometimes limited to work-related accidents while in others they include commute-related ones and in others yet this is not specified. Different practices are an obstacle to alignment and harmonisation of business impact data.

55. The second issue relates to inconsistencies in how baselines are measured; this includes the use of different scales and presentation of data in different measurement units. This is especially evident for both health and environment, where “lost time frequency rate” (due to workplace injuries) and “GHG emissions” are sometimes presented as a total absolute number and sometimes as percentage changes. In addition, different frameworks also present energy, waste and water usage data expressed through different units, e.g. per tonne of manufacturing production, per product, per customer or per unit of sales revenue.
56. A third problem relates to the use of company-specific definitions and standards. Many companies have their own policies concerning suppliers’ social and environmental practices. Thus, even though it is quite common to present indicators such as “percent of socially responsible suppliers” or “percent of ethically sourced products”, these do not really provide users with consistent and comparable information. Referring to internal definitions and programmes is even more common in the case of employee training. Though understandable (since on-the-job trainings are usually done internally and for specific requirements), the use of inconsistent definitions and lack of comparable data prevent stakeholders from adequately assessing the impacts of a business on the education and skills of its workers. Furthermore, in some cases, definitions change between reporting cycles even when the same indicator is used. For example, a food and beverages company reviewed here changed its definition of “low calories products” (based on the amount of calories the product contains) between two reporting cycles. While some changes in indicators are unavoidable as ESG reporting improves, these inconsistencies between and within companies prevent tracking business performance and impacts over time.
57. Several important challenges should be overcome in order to reach sufficient alignment and comparability among business impact initiatives. The main challenges include increasing the transparency of metrics and measurement methodologies, and using indicators that allow companies to track their historical performance, which is key for assessing improvements. In spite of these challenges, it is evident that high quality and detailed company data do exist, and that the alignment around common definitions, goals and practices could be reached through more harmonised practices.
58. Indeed, many recent developments have moved the measurement of business activities and impacts forward, such as the work of the Task Force on Climate-related Financial Disclosures (TCFD), which has developed a framework for companies to disclose relevant data regarding climate-related performance and risks. The OECD has similarly developed guidelines for measuring the quality of the work environment which could be implemented by both businesses and national statistical offices (see Box 4.2). These and other tools could form the basis for a holistic set of measures and guidelines for businesses to measure their impact on well-being and sustainability over all relevant dimensions.

Box 4.2. The OECD Guidelines on Measuring Quality of the Work Environment

The OECD assesses job quality along three fundamental dimensions, namely earnings quality, labour market security and quality of the working environment. The latter dimension, which is used to describe the most important non-pecuniary aspects of jobs, is the most difficult aspect to define conceptually and to measure empirically. To support National Statistical Offices and the international community in grasping the issues at stake, the OECD has produced a set of *Guidelines on Measuring Quality of the Working Environment* (OECD, 2017d).

The Guidelines make mainly two contributions. First, based on a review of the existing frameworks, they define the “working environment” as a combination of important job characteristics, such as the nature of the work tasks assigned to each worker, the physical and social conditions under which these tasks are carried out, the characteristics of the firm or organisation where work takes place, the scheduling of working time, as well as workers’ career prospects and intrinsic rewards of the job (e.g. feeling useful). Job characteristics are then classified in terms of the job demands faced by workers and the job resources available to workers to meet these demands (see Table 4.3). An extensive empirical analysis of existing datasets is used to assess the quality of existing survey measures, and to identify a set of prototype questions that could be included in various survey vehicles to support comparative analysis. This framework can be operationalised by “counting” the number of job demands and job resources experienced by each worker. The OECD indicator of Job Strain is simply the share of workers that are experiencing more job demands than job resources.

Table 4.3. Job characteristics viewed as important job demands and job resources

Job dimensions	Job characteristics	
	Job demand	Job resources
A. Physical and social environment	A.1 Physical risk factors A.2 Physical demands A.3 Intimidation and discrimination	A.4 Social support at work
B. Job tasks	B.1 Work intensity B.2 Emotional demands	B.3 Task discretion and autonomy
C. Organisational characteristics		C.1 Participation and workplace voice C.2. Good managerial practices
D. Worktime arrangements	D.1 Unsocial work-schedule D.2 Inflexibility of working hours	
E. Job prospects	E.1 Perceptions of job insecurity	E.2 Training and learning opportunities E.3 Opportunity for career advancement
F. Intrinsic aspects		F.1 Opportunities for self-realisation F.2 Intrinsic rewards

The second important contribution of the Guidelines is the provision of Questionnaires on quality of the working environment for potential inclusion into various survey vehicles run by National Statistical Offices. These Questionnaires also offer a useful set of indicators for businesses that aim at receiving feedback on the quality of their working environment as perceived by their workers. In the future, the Guidelines will hopefully contribute to harmonise international evidence on the quality of the working environment.

5. Conclusions

59. The overview of existing frameworks for measuring business impacts on people's well-being and sustainability presented in this paper has aimed at sharing experience, insights and common practices among the numerous initiatives in this area. Businesses and stakeholders are increasingly interested in measuring business impacts on people's well-being and sustainability: investors, consumers and employees are paying increasing attention to business social and environmental responsibility. In response to these external pressures, many businesses are recognising that assessing and measuring their social and environmental impacts is a strategy that may improve their financial outcomes. The increased demand for high quality data on business impacts has led to the development of various measurement frameworks through which this kind of data could be produced.
60. Our review of the different measurement methods and practices has identified a number of common characteristics and challenges:
- **Measurement frameworks are not detailed and transparent enough about metrics and methodologies.** For-profit initiatives often charge fees for accessing their frameworks and ratings, and are generally much less transparent than non-profits initiatives. This lack of transparency and accessibility is problematic for both business and stakeholders.
 - **Company reporting is highly compartmentalized.** The structure and content of business annual reports vary significantly between different companies and from year to year. Most importantly, limited **use of clear and fixed set of indicators** prevents stakeholders from tracking business performance over time, and prevents companies from defining long-term strategies for improving their performance.
 - **High quality and up-to-date data on business impacts feature in several reporting frameworks targeted to investors.** This kind of frameworks, however, tends to charge fees for accessing ratings and methodologies in comparison to frameworks addressing other stakeholders, which generally display higher levels of transparency, as their aim is to widen exposure to as many stakeholders as possible.
 - **Industry-specific metrics, as found in several frameworks, are a double-edged sword.** Creating different sets of indicators for measuring different industries' impacts on people's well-being and sustainability increases data accuracy and precision. On the other hand, the industry definitions used by different initiatives do not always coincide, which makes comparability challenging and creates significant difficulties for businesses and stakeholders.
 - **Since their launch in 2015, the SDGs have resonated strongly within the business community worldwide.** This significant impact shows that alignment around common goals and practices is reachable. Despite this, developing a business-level SDGs measurement metrics for business is still a distant goal, as reflected by the efforts being pursued by several initiatives to create their own methodologies for measuring their contributions to achieving the SDGs.

61. Indeed, although much progress has been achieved in the area of addressing the impacts of business on people's well-being and sustainability in the past two decades through the advocacy and pioneering work of many organisations and businesses, there are still challenges ahead. Given the absence of a common framework for measuring the impact of business, competition between measurement initiatives is unavoidable. However, the existence of non-transparent, confidential measurement frameworks is an obstacle in the process of alignment, harmonisation and comparability of business impact data.
62. Important insights were gained when using the OECD well-being framework as a lens for examining existing frameworks and indicators. This mapping shows that even though businesses affect people's well-being and sustainability in a wide range of dimensions, most frameworks do not systematically cover key aspects of people's lives that are affected by business conduct. Specifically, while the environment, governance, jobs and earnings and health are commonly covered, other well-being dimensions are under-represented in the measurement frameworks reviewed here, even when these dimensions are directly affected by businesses, as in the case of education and skills, work-life balance, income and wealth and others. This could reflect the difficulty in measuring impacts in these dimensions or the lack of articulated demand for information in these areas.
63. Looking at the specific indicators being used by these initiatives highlights a range of comparability and measurement issues:
- The insufficient use of quantitative data and analysis hampers harmonisation and limits comparability.
 - **The exclusion of relevant information**, i.e. impacts on some affected groups or some types of business impacts also limits comparability.
 - **Measurement inconsistencies**, including the use of different scales and measurement units, are common.
 - **The generalised use of company-specific definitions and standards** allows companies to "play" with the data and select those measures that provide a rosier picture of their performance.
64. Considering all of the above, this review finds that the current landscape of the business impact measurement field is fragmented and insufficient. The proliferation of measurement frameworks is a burden on companies, which are pursuing alignment with multiple frameworks simultaneously, and for stakeholders, in terms of choosing which one to follow, and does not make business impact data comprehensible, comparable and actionable. Despite the progress made in this area over the past few decades, we are still far away from having achieved a good balance between companies' measuring and reporting burden and different stakeholders' demand for accurate information. The analysis presented in this paper is a first step towards the development of a common language and criteria for selecting KPIs and, most importantly, towards the adoption of a common framework for assessing how business operations affect people's well-being and sustainability.

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