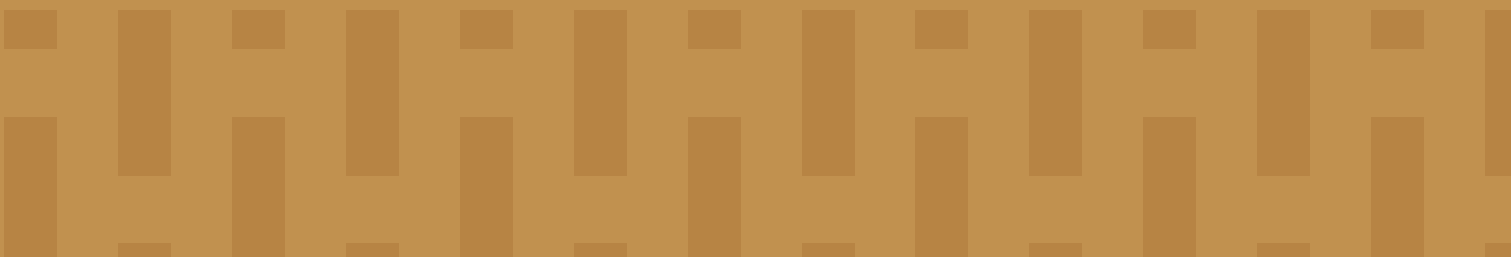


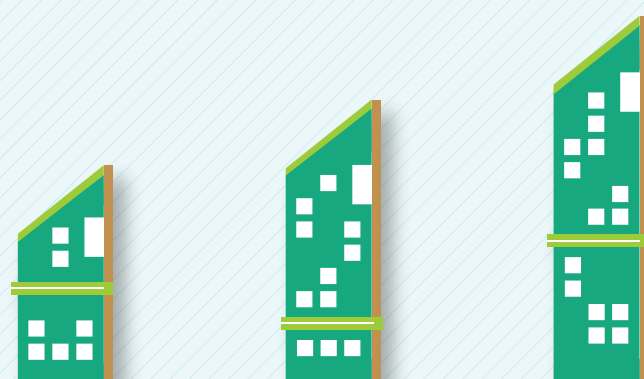


# Can corporate reporting help end poverty?



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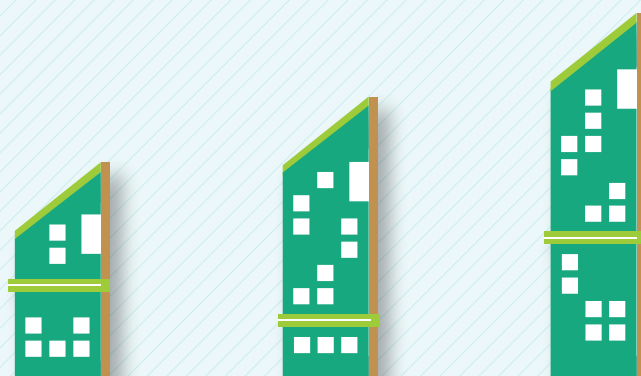
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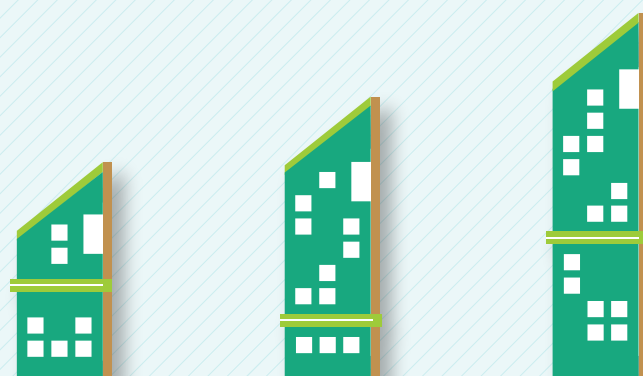
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# Foreword

***Poverty is one of the most pressing global challenges today, despite great progress over the last half-century. In 2015, the United Nations put poverty at the top of the international agenda, assigning the first Sustainable Development Goal (SDG) to ending poverty.***

SDG 1 – No Poverty is one of the SDGs that is most relevant to business, while also being one of the most difficult to tackle and measure. Poverty is multidimensional and linked to many other SDGs; people can experience different forms of deprivation simultaneously, such as a lack of quality education, food insecurity or limited access to healthcare.

The private sector is under pressure to contribute to the SDGs. Companies have been urged to track their contributions to the SDGs – both positive and negative, and including their ambitions to improve their efforts – by disclosing the impact of their activities in sustainability reports: SDG Target 12.6 is “Encourage companies, especially



*“Many companies are already reporting on their efforts to alleviate poverty, but there is a long way to go to move toward more strategic, scalable interventions.”*

large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.”

Although it is widely accepted that reporting is an important part of business engagement with SDGs, it has become critical to crystallize this link to unlock the full potential of greater transparency in the fight against poverty. Our partners from the Swedish International Development Cooperation Agency (Sida) and the UK Department for International Development (DFID) supported our investigation into the role of reporting in the business response to poverty.

We are encouraged to find that many companies are already reporting on their efforts to alleviate poverty, but our findings have also signaled that there is a long way to go to move toward more strategic, scalable interventions, and shift from outputs to outcomes. Reporting can help companies optimize the positive impacts they can have on poverty, and communicate about their contributions.

It is our conviction that business action will determine the success of the ambitious 2030 Sustainable Development

Agenda, and the achievement of the SDGs. To this end GRI and the United Nations Global Compact have established a collaborative initiative, ‘Reporting on the SDGs’ – an Action Platform to accelerate corporate reporting on the Global Goals. It will enable businesses to incorporate SDG reporting into their existing processes, empowering them to act and make the achievements of the SDGs a reality.

The private sector is in a unique position to impact poverty in many ways. Through this research we have discovered opportunities for companies to use greater transparency, accountability, and reporting to their advantage, help stakeholders and policy makers track their progress and give direction to the development of new ways of measuring impact that better serve everyone.



A stylized, handwritten signature in blue ink, consisting of a large 'T' and 'F' intertwined.

**Teresa Fogelberg,**  
Deputy Chief Executive, GRI

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# Executive summary

***Companies impact poverty, and in turn, poverty impacts them; businesses, therefore, have an important role to play in eradicating poverty and supporting sustainable development. The benefit is mutual – stronger economies and stable societies mean vast opportunities for growth in new markets.***

Transparency is a key success factor in private sector efforts towards eradicating poverty. Businesses must have a way of measuring, monitoring, and communicating their commitment and impact. This project was designed to understand how sustainability data and reporting can help accelerate positive outcomes and optimize business contributions to ending poverty, and what the state of reporting, and indeed action, is today.

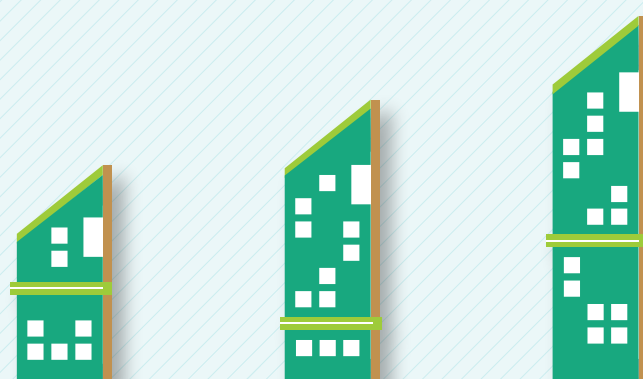
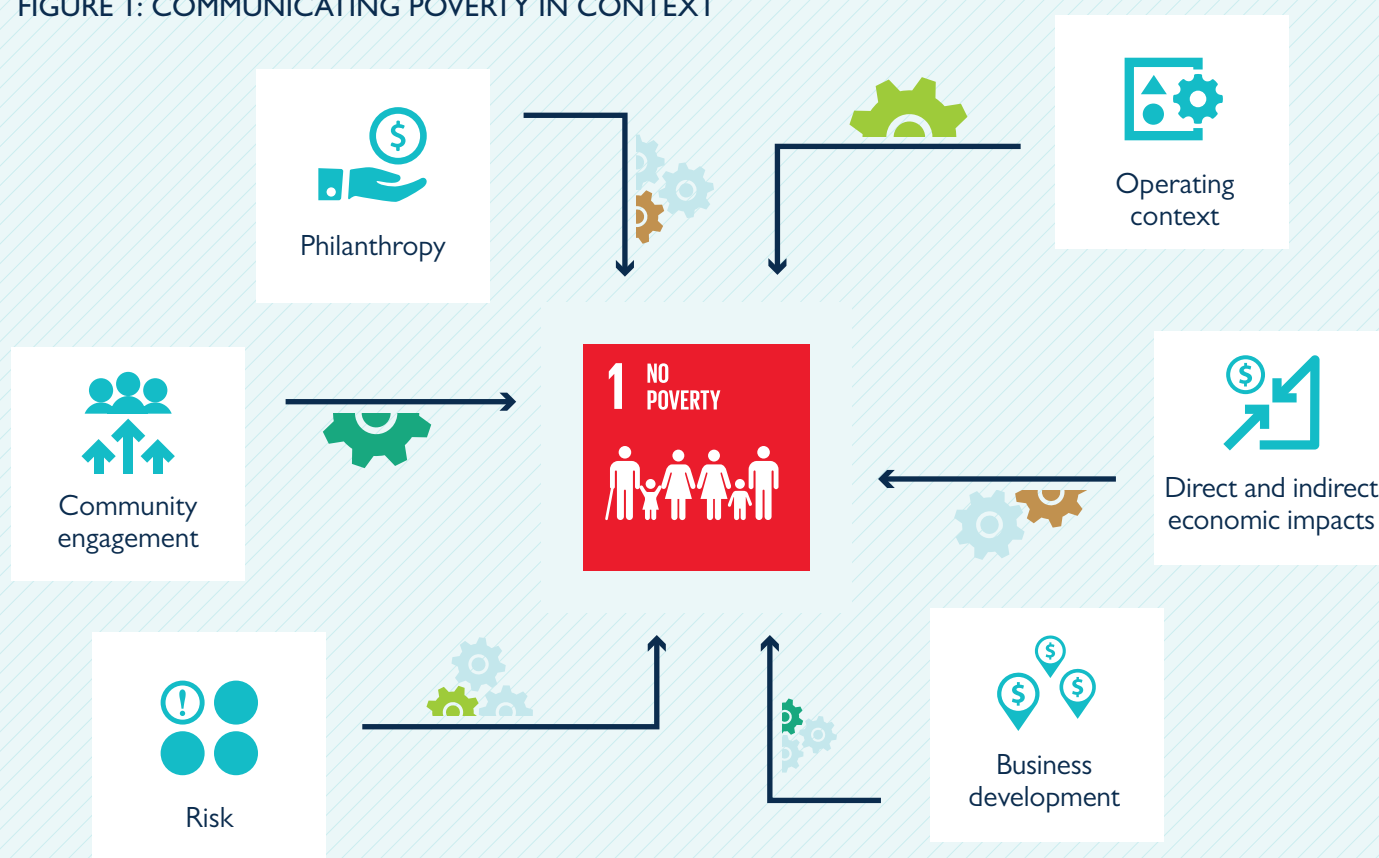


FIGURE 1: COMMUNICATING POVERTY IN CONTEXT



There are several general ways sustainability reporting contributes to the business response to poverty:

- At the macro level, reporting helps us understand the private sector contribution to ending poverty and the wider set of SDGs.
- For companies, reporting on poverty has both internal and external benefits. Reporting helps reveal risks and opportunities, set targets and track progress. Through reporting, companies can credibly communicate with various stakeholders about their role in ending poverty.
- Governments, consumers, investors, civil society and many other stakeholders are looking to the private sector to drive sustainable economic development and poverty alleviation, and the evidence they seek is in the form of corporate sustainability disclosures.

International Development (DFID), this research project aimed to uncover the concrete connections between sustainability reporting and poverty alleviation, through a series of focus groups, interviews and extensive analysis of sustainability reports.

### DO COMPANIES REPORT ABOUT POVERTY?

In general, yes. The research revealed that companies do report on their efforts to alleviate poverty: of the 107 reports analyzed, 72% (77 reports) included information about the company's impact on ending poverty. Companies report about poverty in six different contexts, many of which are often interrelated:

- Philanthropy
- Community engagement
- Risk
- Operating context
- Direct and indirect economic impacts
- Business development



*“72% of companies report on their efforts to alleviate poverty.”*

Three-quarters of the companies that reported on poverty did so in multiple contexts, and only 26% reported in just one context.

Philanthropy was the most prominent context in which poverty was discussed, with about half of the companies in the sample reporting information about their philanthropic activities related to poverty. This was closely followed by the context of community engagement, with about 40% of companies reporting that they were contributing to ending poverty through their work in communities.

Direct and indirect economic impacts arguably provide companies some of the most straightforward ways to make a considerable contribution to alleviating poverty. Despite skewing our sample to contain companies that would be highly likely to have poverty as a material issue, only about one-third seemed to recognize that the economic ripple effects of their daily business operations – such as employment, procurement, taxes and other transfer of economic value – could be used to help end poverty. This reveals that there is an opportunity for companies to more strategically direct their economic impacts to tackle poverty.

Business development could provide the biggest potential return on investment for companies and society: by tying poverty alleviation aims to core business practices such as inclusive value chains or products and services for the poor, companies can reap the rewards of contributing

to SDG 1 directly on their financial bottom line. But only 17% of companies in the sample reported on poverty in the context of business development, indicating that this is still a new practice.

Reflecting the complex and multi-dimensional nature of poverty, companies have adopted a wide variety of disclosures from the GRI Standards to track and communicate their performance. A total of 90 different GRI disclosures were used across the 107 reports in the sample to report information related to poverty. The top five most used metrics were related to economic performance, indirect economic impacts, and local communities.

With businesses under pressure to drive sustainable economic development, it is important to take the pulse of the private sector to identify areas that need attention. Sustainability reporting provides insights into the predominant thinking of businesses and helps us see the context in which the bulk of their activities occur. The findings of this study suggest the need to move forward from a strong base of investment in philanthropy and community engagement, toward strategies that can reach scale. These could include more proactive deployment of direct economic value distribution strategies in the poverty context of the country or community they are operating in, or unlocking the potential of including and serving the poor as a part of the company's core business.



## Chapter I

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# Introduction

*Poverty remains one of the biggest problems humanity faces today. Internationally coordinated efforts have reduced its impact around the world, yet there are still 836 million people living in extreme poverty,<sup>2</sup> with no access to even the most basic human needs. With intensifying pressure from new threats, such as climate change, conflict and food insecurity, eradicating poverty is becoming increasingly challenging.*

In 2015, the United Nations took a step further towards tackling the issue and put poverty at the top of the international agenda, making it the first of the Sustainable Development Goals (SDGs). Goal 1 – No Poverty – aims to “finish what we started” and end poverty by 2030. This will mean no more people struggling to survive on less than US\$1.25 a day, and every person in the world having access to adequate food, clean drinking water and sanitation.

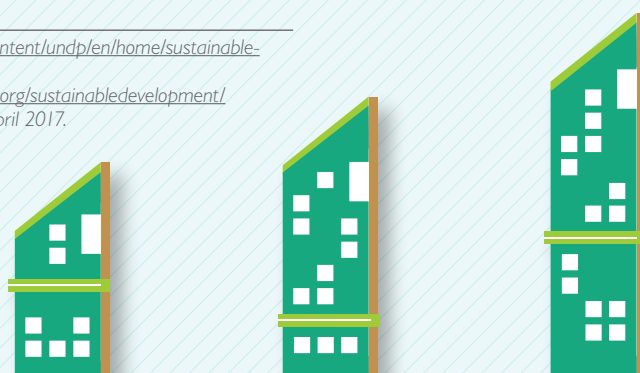
### 1.1 BUSINESS AS AN ESSENTIAL PARTNER

Ending poverty is ambitious – and expensive. It will take strong partnership between governments, NGOs, communities and the private sector to fulfill a goal of no poverty by 2030, but there is also a more concrete need: achieving the full set of SDGs face a shortfall of US\$2.5 trillion a year in funding.<sup>3</sup>

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<sup>2</sup> United Nations Development Programme (UNDP), Goal 1: No Poverty, [www.undp.org/content/undp/en/home/sustainable-development-goals/goal-1-no-poverty.html](http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-1-no-poverty.html), accessed on 25 April 2017.

<sup>3</sup> United Nations (UN), UN, private sector to create platform for financing SDGs, [www.un.org/sustainabledevelopment/blog/2016/10/un-private-sector-to-create-platform-for-financing-sdgs/](http://www.un.org/sustainabledevelopment/blog/2016/10/un-private-sector-to-create-platform-for-financing-sdgs/), accessed on 25 April 2017.



This was discussed at the Third International Conference on Financing for Development, held in Addis Ababa, Ethiopia in July 2015, where heads of state gathered to affirm their “strong political commitment” to enabling sustainable development.<sup>4</sup> GRI attended the conference, which saw broad support for policies and actions that will generate resources to support the implementation of the 2030 Sustainable Development Agenda. One solution identified was to unlock “the transformative potential of people and the private sector.”<sup>5</sup> This is where sustainability reporting comes in, helping business uncover and maximize opportunities to invest in uplifting people, track the impact, and credibly communicate with their stakeholders about their role.

Ending poverty is not just in the realm of governments; it is imperative for businesses and our economic future. Poverty and economic development are intrinsically linked: poverty fundamentally restricts people's ability to engage in the work and spending that drives the economy forward. Supporting international efforts to eradicate poverty, including through SDG 1, makes business sense. As the engine of economic growth, the private sector can decide to make that growth inclusive, providing economic opportunities to people living in poverty and supporting the micro and small enterprises that are often the gateway for jobs and economic opportunity, while also growing their own bottom line.

## 1.2 THE ROLE OF SUSTAINABILITY REPORTING

To support poverty eradication, truly fulfill their obligations and benefit from the results, businesses must have a way of planning, tracking and communicating their commitments and contributions. Sustainability reporting meets this need, enabling companies to:

- determine their material sustainability impacts related to development and poverty

- set targets that contribute to ending poverty and SDG 1
- maximize operational efficiency
- improve the lives of their employees and customers
- support the communities in which they operate
- innovate new businessmodels or products that contribute to poverty alleviation at scale.

Reporting enables companies to be more transparent about the risks and opportunities they face and communicate how they are making unique contributions to the poverty agenda, thereby increasing their accountability as contributing members of society.

By giving people – including those in poor communities – the information they need to hold companies accountable for their impacts, sustainability reporting is a driver of change. Stakeholders can use the data companies report to advance their work: community leaders can form partnerships, NGOs can carry out advocacy campaigns, investors can make less risky decisions and consumers can take action to influence business.

Sustainability reporting is also part of the market infrastructure needed to shape an economy so that governments can lead the charge to end poverty. It provides a picture of the private sector's contribution to poverty – both positive and negative – and therefore informs government action to support and stimulate a more proactive business response related to jobs, wages, quality of employment and many other factors. This will become increasingly important as the role of the private sector grows in emerging markets.

Governments, consumers, investors and many other stakeholders are looking to the private sector to drive sustainable economic development and poverty alleviation, and the evidence they seek is in the form of corporate sustainability disclosures. With almost 400 policy instruments related to sustainability reporting in

<sup>4</sup> United Nations (UN), *Third International Conference on Financing for Development* (2015).

<sup>5</sup> United Nations (UN), *Addis Ababa Conference Opens Path for Robust Implementation of New Sustainable Development Agenda*, [www.un.org/esa/ffd/ffd3/press-release/addis-ababa-conference-opens-path-for-robust-implementation-of-new-sustainable-development-agenda.html](http://www.un.org/esa/ffd/ffd3/press-release/addis-ababa-conference-opens-path-for-robust-implementation-of-new-sustainable-development-agenda.html), accessed 25 April 2017.

*“Without reporting it is difficult to know what the private sector is doing to end poverty.”*

64 countries,<sup>6</sup> governments have clearly embraced the power of corporate transparency and accountability. Reporting is the critical link between big-picture ambitions – like ending poverty – since the reported information describes action taken and progress made. Without reporting it is difficult to know what the private sector is doing to end poverty.

### 1.3 THE RESEARCH: METHODOLOGY AND SAMPLE

The main aim of the research was to explore the nature of the link between sustainability reporting and poverty alleviation, and find out how better data and reporting can help accelerate positive outcomes and optimize business contributions to ending poverty.

Funded by the Swedish International Development Cooperation Agency (Sida) and the UK Department for International Development (DFID), this project explored the concrete connections between sustainability reporting and eradicating poverty through a series of focus groups, interviews and sustainability report analysis. The Overseas Development Institute (ODI) contributed a case study on how one company – Woolworths – communicates on poverty in South Africa using the GRI Standards. Taken together, the findings in this report crystallize the role of business and transparency in ending poverty.

The aim was to create a research sample of reports from companies that were highly likely to have poverty

as a material topic. This was designed with the intent to extract the greatest insights possible into the practice of reporting as it is related to poverty today.

A sample of sustainability reports was randomly selected from GRI's Sustainability Disclosure Database from the total number available that met the following criteria:

- “in accordance” with the G4 version of GRI's Sustainability Reporting Guidelines<sup>7</sup>
- published in 2016
- balanced representation of company sizes: multinational enterprises (MNEs), large national companies and small-to-medium sized enterprises (SMEs) – see figure 2
- balanced representation from regions: Africa, Asia, Latin America – see figure 4.

**FIGURE 2: RESEARCH SAMPLE, BY ORGANIZATION SIZE**



<sup>6</sup> KPMG International, GRI, United Nations Environment Programme (UNEP) and The Centre for Corporate Governance in Africa (at the University of Stellenbosch Business School), Carrots & Sticks (2016).

<sup>7</sup> The reported information comes from G4-based reports, but this publication uses terminology from the GRI Standards, which have superseded G4. The GRI Standards are available at [www.globalreporting.org/standards/](http://www.globalreporting.org/standards/).

In total, 107 sustainability reports from more than 25 countries and 30 sectors were analyzed (see figure 3).

Reports were read in full, and analyzed to capture the context(s) in which companies placed information about poverty, the terminology used to describe poverty alleviation efforts, and the GRI disclosures used to communicate the company's activities.

In addition, consultations were carried out with key stakeholders in six emerging and developing countries to discuss the relationship between corporate disclosure

and poverty alleviation, and current practice. These consultations revealed some of the drivers and challenges that might not have been apparent in the public reports, and shed light on how the findings could be interpreted.

FIGURE 3: RESEARCH SAMPLE, BY SECTOR



FIGURE 4: RESEARCH SAMPLE, BY REGION AND COUNTRY

**28**emerging and  
developing countries  
have been analyzed

ASIA



LATIN AMERICA



AFRICA

Research  
sample, by  
region →

32%

44%

24%

Research  
sample, by  
country →

12



9



7

Bangladesh, India,  
Indonesia, Jordan,  
Kazakhstan, Mainland  
China, Malaysia, Pakistan,  
Philippines, Thailand,  
Turkey, VietnamArgentina, Brazil,  
Chile, Colombia,  
Ecuador, Mexico,  
Panama, Peru,  
UruguayBotswana,  
Kenya, Mauritius,  
Morocco, Nigeria,  
South Africa,  
Zimbabwe

## Chapter 2

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# Setting the stage: general findings on poverty and reporting

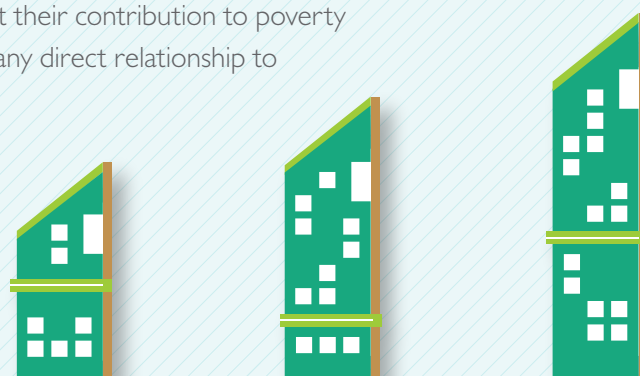
*This section gives an overview of the general state of reporting on poverty by companies today, the contexts in which they talk about poverty, the GRI disclosures they are using, and common terminology found in reporting on poverty.*

### 2.1 REPORTING ON POVERTY

In general, the study demonstrated that companies do report on their efforts to alleviate poverty. Of the 107 reports analyzed, 72% (77 reports) included information about the company's impact on ending poverty.

The research identified six contexts in which poverty is reported: philanthropy, community engagement, risk, operating context, direct and indirect economic impacts and business development.<sup>8</sup>

**Philanthropy:** Corporate donations, including through foundation funding, and employee volunteer work are the most common ways companies report their contribution to poverty alleviation. Relatively few corporate philanthropy efforts bear any direct relationship to



business services or activities but there is often a connection with community engagement.

**Community engagement:** When poverty is an issue that affects local communities and other stakeholders companies engage with, it becomes a factor in the dialogue and engagement process. Companies can create lasting positive change for communities through a variety of engagement approaches, and in turn, win the trust and license to operate that they need to succeed.

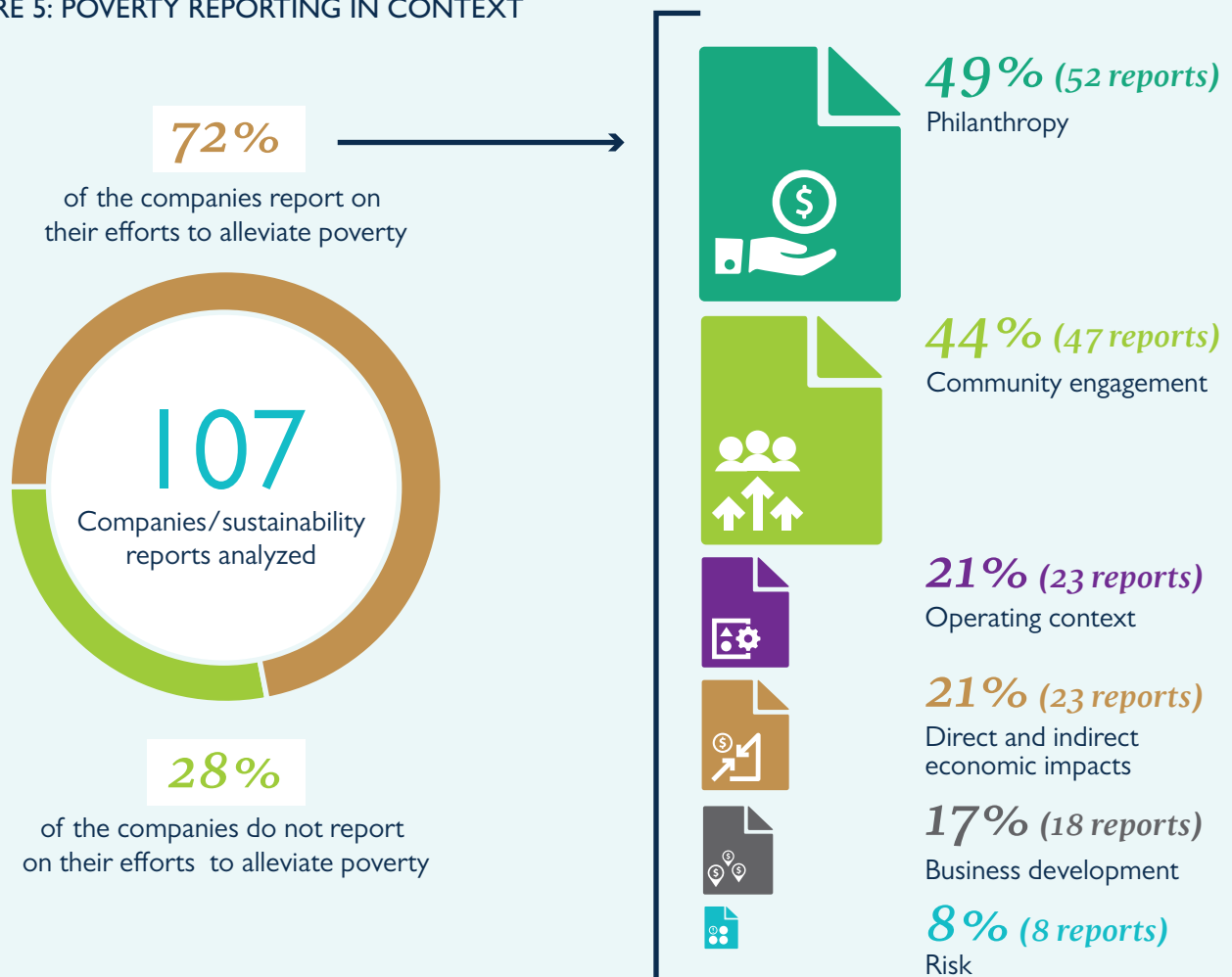
**Risk:** Poverty can carry financial and non-financial risks for companies, and it can have a significant negative impact on their operations. In the context of poverty, businesses could risk, for example, a lack of suitable skilled employees, a lack of customers, or reputation damage.

Understanding and stating those risks helps companies set targets and work to mitigate them.

**Operating context:** For many companies, poverty is one of the external factors that influence the day-to-day running of the business. Although often discussed at the international level, and presented through aggregate global statistics, poverty is very much a local issue for companies operating where poverty or the conditions in which it persists are found.

**Direct and indirect economic impacts:** Everyday business operations can infuse much needed economic opportunities, improve market conditions and stimulate skills development, all of which have a positive impact on poverty alleviation. Better understanding of these

FIGURE 5: POVERTY REPORTING IN CONTEXT



direct and indirect impacts through reporting can help companies be more conscious and strategic about their footprint.

**Business development:** Innovative new approaches to business, such as new products and services for low income customers, inclusive value chains and other empowering business models, can support poverty alleviation, including by stimulating growth in micro and small enterprises. Approaches that help end poverty while increasing profit are powerful drivers of sustainable development.

Chapter 3 is organized around these six contexts to examine the state of reporting and what it tells us about business and poverty. In many ways, these contexts are closely linked and could be seen to be on a continuum. Companies often report about poverty in multiple contexts, showing the diverse approaches they are using to address poverty, often simultaneously. Where possible, the analysis extends to look at the interconnectedness of these six contexts.

## 2.2 REPORTING WITH GRI DISCLOSURES

Each instance of a company disclosing information related to poverty was documented from every report in the sample. It was discovered that three out of four organizations reported on poverty multiple times, in multiple contexts. It was evident that companies adopted a wide variety of different disclosures from the GRI Standards, or did not use a standardized disclosure at all, to track and communicate their performance in these areas.

In total, 88 different GRI disclosures were used, in addition to the wide variety of company-defined metrics. Although some GRI disclosures were used more than others, no clear pattern or dominant set of metrics emerged. Of the 77 organizations that reported on poverty, 80% (64 reports) used at least one GRI disclosure.

This reflects innovation and experimentation with disclosures on new and emerging topics, as well as the complex multi-dimensional nature of poverty and responses needed. However, it also provides a challenge for structure and comparability, and it may hinder the ability of both companies and their stakeholders to find and utilize information about poverty in reports.

Companies mixed and matched GRI disclosures from across the economic, environmental and social categories, and even drew from GRI's sector disclosures, to report on their contributions to poverty alleviation. Some of the contexts in which companies reported are well covered by existing metrics, but others represent new and emerging issues for which specific disclosures do not yet exist. Tackling this challenge, GRI and the United Nations Global Compact have established a collaborative initiative, 'Reporting on the SDGs'<sup>10</sup> – an Action Platform to accelerate corporate reporting on the Global Goals. This initiative will complement GRI Standards and the UN Global Compact Communication on Progress, and enable business reporting on the SDGs.

### SDG COMPASS

Developed by GRI, the UN Global Compact and the World Business Council for Sustainable Development (WBCSD), "The SDG Compass: A Guide for Business Action on the SDGs" provides guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs.<sup>11</sup>

## 2.3 LARGE NATIONAL COMPANIES: THE MISSING LINK

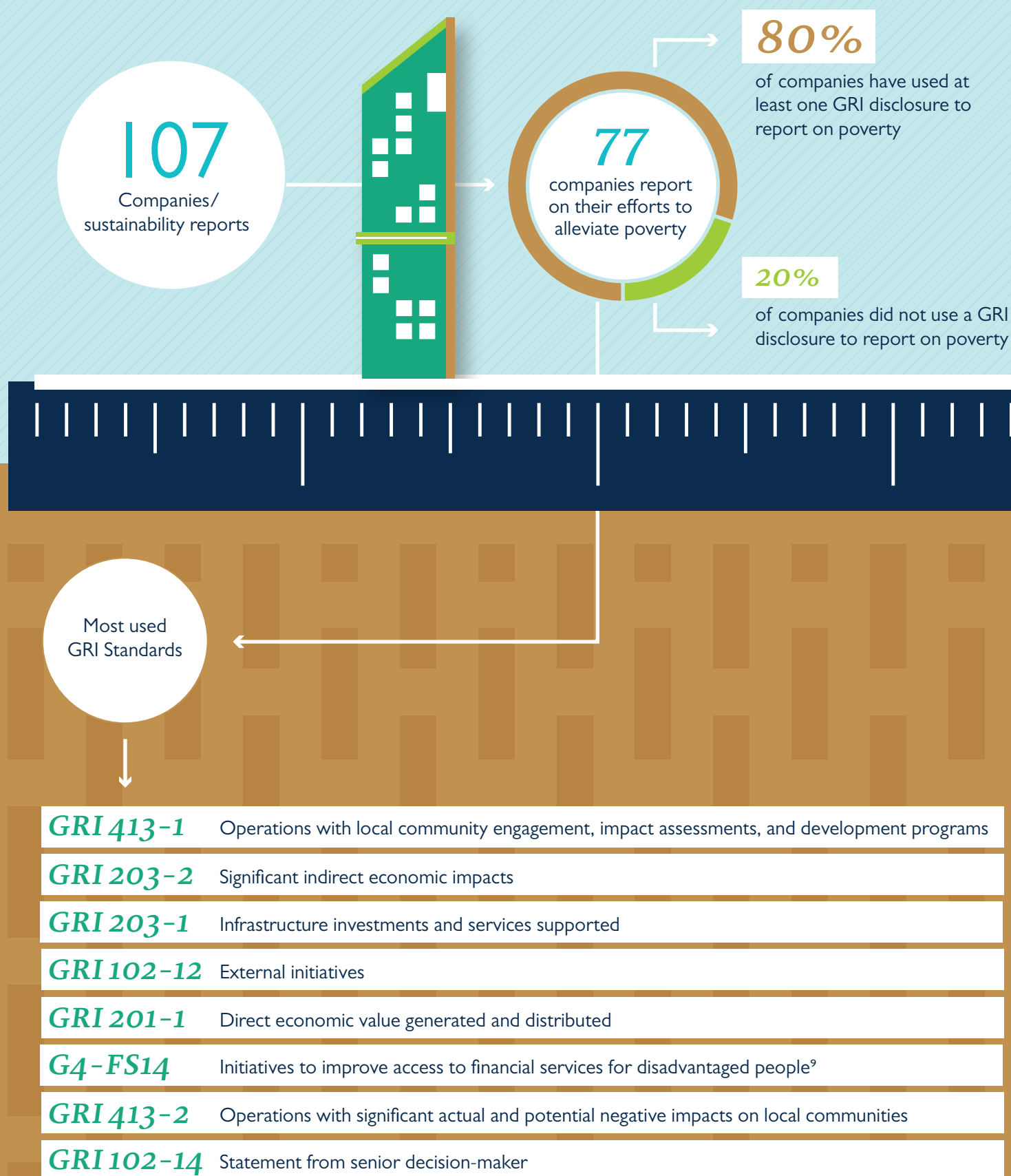
Large national companies are often overlooked for the key role they play in reducing poverty on a national scale and contributing to the SDGs. This study revealed

<sup>10</sup> For more information about this initiative, visit: [www.globalreporting.org/information/SDGs/Pages/Reporting-on-the-SDGs.aspx](http://www.globalreporting.org/information/SDGs/Pages/Reporting-on-the-SDGs.aspx).

<sup>11</sup> For more information about The Compass, visit: <http://sdgcompass.org>.



FIGURE 6: MOST FREQUENTLY REPORTED GRI DISCLOSURES



<sup>9</sup> GRI Financial Services Sector Supplement <https://www.globalreporting.org/resource/library/GRI-G4-Financial-Services-Sector-Disclosures.pdf>.

that large national companies are more likely to report on poverty than MNEs or SMEs, and that they see the need for their proactive role in tackling the sustainability challenges faced by the country they are operating in. This is a good signal that there is potential for large nationals to become – or remain – key allies for governments in achieving national action plans or goals related to the SDGs, including ending poverty. Recent research by the World Bank Group found that large nationals were more likely to report on direct economic impacts, including information about wages, as well as other place-based issues related to poverty, such as water use.<sup>12</sup>

Large national companies are likely to be tier 1 and 2 suppliers to MNEs and are often under pressure from their customers to comply with sustainability requirements and report their results.<sup>13</sup> They are also under pressure from MNEs to exert influence on the suppliers in their own value chains to improve their social and environmental performance, and to obtain data from

these smaller suppliers. Large national companies have better access to SMEs in the value chain than MNEs do and can positively influence the lives of people on the ground. In fact, two out of three large national companies in the research sample reported on activities in their supply chain that reduce poverty.

As one large national company in Vietnam explained in its report: “[our company’s] initiatives are designed for long-term sustainability with a view of assisting underprivileged local residents in their own struggle to overcome poverty, and thereby significantly contributing to the development of the locality and country as a whole.”<sup>14</sup>

The opportunity to engage large national companies more proactively using reporting as a starting point is clear. They make up the largest proportion of sustainability reporters today.<sup>15</sup> Large national companies published 63% of all reports in 2016; this number is even higher for emerging and developing countries.

FIGURE 7: REPORTING VS. NON-REPORTING ON POVERTY, BY SIZE



<sup>12</sup> Winkler et al., *How do Multi-Nationals Report their Economic, Social and Environmental Impacts? Evidence from GRI Data*, World Bank Group Working Paper (2017).

<sup>13</sup> Demands for data or reporting from MNEs to their main suppliers is becoming commonplace, see for example Dell requires all suppliers to produce a GRI report: [www.dell.com/learn/us/en/uscorp/cr-social-responsibility](http://www.dell.com/learn/us/en/uscorp/cr-social-responsibility).

<sup>14</sup> From the report analysis: Large, Vietnam, Financial Services.

<sup>15</sup> GRI Sustainability Disclosure Database, <http://database.globalreporting.org/>, accessed on 25 April 2017.

## 2.4 COMMON TERMS IN POVERTY REPORTING

The language used to talk about poverty was diverse and sophisticated, with a third of reports referring to the SDGs. Word choice depended on location, context and many other factors; the research revealed 80 different terms used to report about poverty. Although 77 reports communicated about poverty, only 44 used the word 'poverty'.

There could be several reasons for the diversity in terminology. Companies may be avoiding direct references to the issue or seeking to be clearer about the aspects of poverty they are referencing. Here are several other key terms and concepts that companies used in their reports, and their relationship to poverty.

**Enhanced value:** Companies that reported about enhanced or shared value and value creation are thinking more strategically about how they can generate greater economic benefits for themselves and their partners. As Michael Porter and Mark Kramer stated in the Harvard Business Review, "Companies could bring business and society back together if they redefined their purpose as creating 'shared value' – generating economic value in a way that also produces value for society by addressing its challenges."<sup>16</sup>

**Development of our country:** Companies understand that their success is linked to the success of the societies in which they operate. "Companies cannot succeed in societies that fail," said Peter Bakker, President of the WBCSD.<sup>17</sup>

**Under-served:** Companies identify opportunities to fill gaps in the market to help the poor access the things

they need to survive and thrive. "For companies with the resources and persistence to compete at the bottom of the world economic pyramid, the prospective rewards include growth, profits, and incalculable contributions to humankind," explained C.K. Prahalad and Stuart Hart in *strategy+business*.<sup>18</sup>

**Empowerment:** Companies referencing positive values – including upliftment, solidarity and equality – share their positions on the way businesses should engage with their stakeholders and the impact they should have. As Unilever CEO Paul Polman stated: "This is a time, like no other in history, when business needs to show the courage to adopt strategies that create long-term value for their companies and for the societies they serve."<sup>19</sup>

**Women:** Companies have a role to play in gender equality, including in the context of poverty, which disproportionately affects women. UN Women states: "Women have a critical role to play in all of the SDGs, with many targets specifically recognizing women's equality and empowerment as both the objective, and as part of the solution."<sup>20</sup>

<sup>16</sup> Porter & Kramer in Harvard Business Review, *Creating Shared Value*, <https://hbr.org/2011/01/the-big-idea-creating-shared-value>, accessed on 25 April 2017.

<sup>17</sup> Bakker in Organisation for Economic Co-operation and Development (OECD), *Development Co-operation Report 2016*, (2016).

<sup>18</sup> Prahalad & Hart in *strategy+business*, *The Fortune at the Bottom of the Pyramid*, [www.strategy-business.com/article/11518?gko=9a4ba](http://www.strategy-business.com/article/11518?gko=9a4ba), accessed on 25 April 2017.

<sup>19</sup> Polman in Business and Sustainable Development Commission, *Why sustainable development makes good business sense*, <http://businesscommission.org/our-work/sustainable-development-isnt-just-doing-the-right-thing-its-good-business-sense>, accessed on 26 April 2017.

<sup>20</sup> UN Women, *SDG 5: Achieve gender equality and empower all women and girls*, [www.unwomen.org/en/news/in-focus/women-and-the-sdgs/sdg-5-gender-equality#sthash.DZo2kAtN.dpuf](http://www.unwomen.org/en/news/in-focus/women-and-the-sdgs/sdg-5-gender-equality#sthash.DZo2kAtN.dpuf), accessed on 25 April 2017.

FIGURE 8: AN INDICATIVE SAMPLE OF CORPORATE TERMINOLOGY TO DESCRIBE POVERTY ALLEVIATION EFFORTS



## Chapter 3

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# Communicating poverty in context

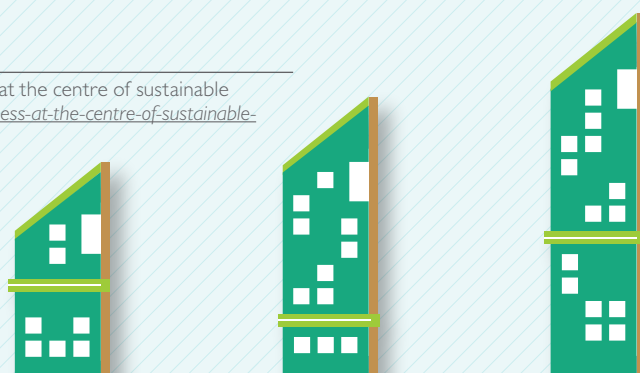
***Each of the six contexts identified in the research – philanthropy, community engagement, risk, operating context, direct and indirect economic impacts, and business development – reveal much about how companies are contributing to ending poverty and using the GRI Standards to report their contribution.***

Today's paradigm relating to business and poverty centers on the need for businesses to unlock the power of the private sector to stamp out poverty. Although momentum is building around the opportunity to create new profit streams through efforts to end poverty, most references to poverty alleviation in sustainability reporting today fall under philanthropy and community engagement – a measure for the corporate mindset today. This reinforces the message that current practices need to be challenged.

In this chapter, each of the six contexts identified will be explored in depth, with case studies and interviews expanding on the findings of the report analysis.

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<sup>18</sup> Business and Sustainable Development Commission, New commission puts business at the centre of sustainable development, <http://businesscommission.org/news/new-global-commission-to-put-business-at-the-centre-of-sustainable-development>, accessed on 25 April 2017.



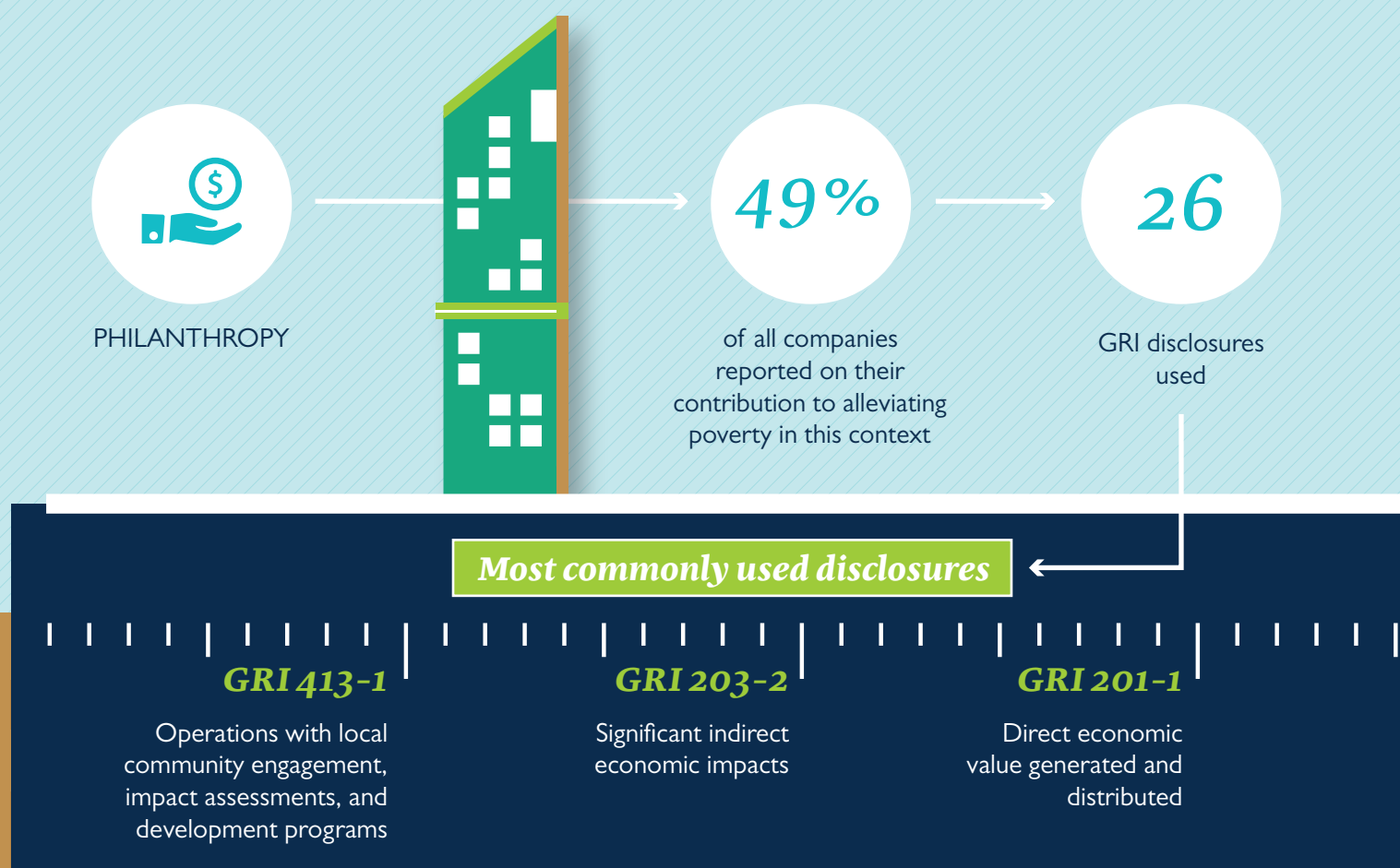
### 3.1 Philanthropy

Corporate philanthropy refers to the charitable donations of profits and resources given by companies,<sup>21</sup> which include voluntary work undertaken by employees on company time, either directly or through a foundation. There is often a connection with employee and community engagement.

Charitable donations from companies could help close the annual US\$2.5 trillion financial shortfall for funding the SDGs. According to an ODI study,<sup>22</sup> engaging in philanthropy will have a positive impact on the social license to operate, staff morale, customer satisfaction, market appeal and brand enhancement.. However, there is

an apparent lack of strategic thinking behind philanthropy. According to *The Harvard Business Review*, “the majority of corporate contribution programs are diffuse and unfocused. Most consist of numerous small cash donations given to aid local civic causes or provide general operating support to universities and national charities in the hope of generating goodwill among employees, customers, and the local community. Rather than being tied to well-thought-out social or business objectives, the contributions often reflect the personal beliefs and values of executives or employees.”<sup>23</sup> Reporting can help shed light on where corporate practice falls today and how this practice can be more optimally harnessed to end poverty.

FIGURE 9: RESEARCH FINDINGS PHILANTHROPY



<sup>21</sup> Read more at BusinessDictionary, Corporate philanthropy, [www.businessdictionary.com/definition/corporate-philanthropy.html](http://www.businessdictionary.com/definition/corporate-philanthropy.html).

<sup>22</sup> Overseas Development Institute (ODI), *From Philanthropy To A Different Way Of Doing Business: Strategies And Challenges In Integrating Pro-Poor Approaches Into Tourism Business*, 2005.

<sup>23</sup> Porter & Kramer in *Harvard Business Review*, *The Competitive Advantage of Corporate Philanthropy*, <https://hbr.org/2002/12/the-competitive-advantage-of-corporate-philanthropy>, accessed 25 April 2017.

*"Reporting could support the transitioning of ad hoc philanthropic programs into strategic investments into other more scalable opportunities to fight poverty, and help companies communicate the vision behind it."*

## RESEARCH FINDINGS

For the majority of companies in the study, reporting on their contribution to poverty meant reporting on philanthropic programs – 49% of the reports did so. However, this was not done in isolation: companies disclosed information in many other areas, most commonly community engagement, showing that philanthropy is not the only way companies contribute to poverty alleviation.

As one African company explained in its report, measuring progress and impact of philanthropy is challenging for businesses:

"To date, we have measured progress (...) by recording the monetary amounts paid to projects or communities in terms of joint ventures, as well as the number of people impacted or affected by these. Such projects have largely been introduced as and when funding has been allocated. Although tangible projects, such as infrastructure, are often more "popular" for donors, we attempt to direct donations towards intangible projects such as capacity building and scholarships, which are often more important for long-term sustainability and poverty reduction."<sup>24</sup>

One way companies can tackle this complex process is to switch the focus from outputs to outcomes.<sup>25</sup> This is where sustainability reporting comes in: through the reporting process, companies can measure, monitor and report their philanthropy performance and better manage the associated impacts over time.

The research revealed that disclosures on poverty alleviation in the context of philanthropy were mainly clustered around donating money, time and expertise.

## MONETARY DONATIONS

This category can be split into direct donations and donations via partnerships. Direct donations included charitable donations, for which companies often named the organization(s) they support and their main area of work, such as empowering women to get access to employment. The organizations supported were often connected to prevailing issues in the local community, such as access to drinking water.

Charitable donations were also made via cooperation with others (public private partnerships, or PPPs).

<sup>24</sup> From the report analysis: MNE, South Africa, Health Services.

<sup>25</sup> Business for Social Responsibility (BSR), Sustainability and Corporate Philanthropy: Un-Blurring the Lines, [www.bsr.org/our-insights/blog-view/sustainability-and-corporate-philanthropy-un-blurring-the-lines](http://www.bsr.org/our-insights/blog-view/sustainability-and-corporate-philanthropy-un-blurring-the-lines), accessed on 25 April 2017.

<sup>26</sup> From the report analysis: Large, Turkey, Conglomerates.

For example, corporate giving may be done through a company foundation in order to support a range of programs tackling poverty. Companies partnered with NGOs and local communities to advance complex issues such as education and health care, or marginalized groups or children in disadvantaged situations. In other cases, companies made donations to government institutions to improve local infrastructure or housing conditions for the community. Companies typically reported the amount they donated and the name and aims of the organization, but reporting on longer term outcomes was rare.

### TIME AND EMPLOYEE VOLUNTEERING INITIATIVES

Companies typically reported on the number of people volunteering, the number of hours they gave and the people who benefited from the volunteering. For example:

“In 2014, 630 volunteer employees served via our Ocean Volunteers Platform and worked a total of 2,861 hours in 52 service activities, organized in cooperation with 26 non-governmental organizations.”<sup>26</sup> This showed scope and scale, and level of partnership, but fell short of capturing outcomes or effectiveness of the program.

### EXPERTISE

Businesses donated expertise via knowledge transfer, through education and awareness campaigns. For example, some provided direct training or ran awareness campaigns on important issues. Another approach was providing their core business services for free to give emergency relief – for example, a company providing packages of food to people in an area struck by a hurricane. While many companies offered detailed information on, for example, the number of people trained, hours spent training, schools supported or money spent, few commented on how this skills transfer gave, or was expected to give, the community a boost. One that did was an MNE from Turkey:

“Through the program, students reach a level where they will be able to operate as technicians in the white goods and air conditioner product groups with the information they will learn at [the company]. Laboratories and students are provided with internship opportunities at [the company]. Those who successfully complete certain phases from among interning students, who want to work at [the company]. Dealers or within the body of company, are certificated and employed.”<sup>27</sup>

## CONCLUSIONS

For many organizations, philanthropy is a cornerstone of the response to poverty, but it is rarely the only way they contribute. Despite this, there was little evidence in the reports that companies' approaches were strategically connected, and reporting was more output oriented, with little analysis on outcomes.

## RECOMMENDATIONS

- Reporting could support the transitioning of ad hoc philanthropic programs into strategic investments into other more scalable opportunities to fight poverty, and help companies communicate the vision behind it.
- Reporting within the context of SDGs, stated national goals or the overall state of poverty is important.<sup>28</sup>
- Standardized reporting on all forms of philanthropy would help governments track investment in poverty and SDGs at the country level.

<sup>27</sup> From the report analysis: MNE, Turkey, Consumer Durables.

<sup>28</sup> GRI Sustainability Reporting Standards, GRI 101: Foundation 2016, Sustainability Context (p.9), 2016.



## 3.2 Community engagement

Strategic corporate community engagement occurs when a company undertakes activities to improve its relationship with the communities in which it operates, contributing to the wellbeing of local people. When poverty affects the communities in which companies operate, it becomes part of the dialogue about expectations, needs and roles.

There are certain challenges related to community engagement that reporting can support. Investing in strategic community engagement is not a short-term solution – realistic and meaningful outcomes, such as the impact on people's livelihoods, can only be captured through long-term monitoring. Performance measurement is often qualitative and difficult to compare across locations and time – but the use of case studies

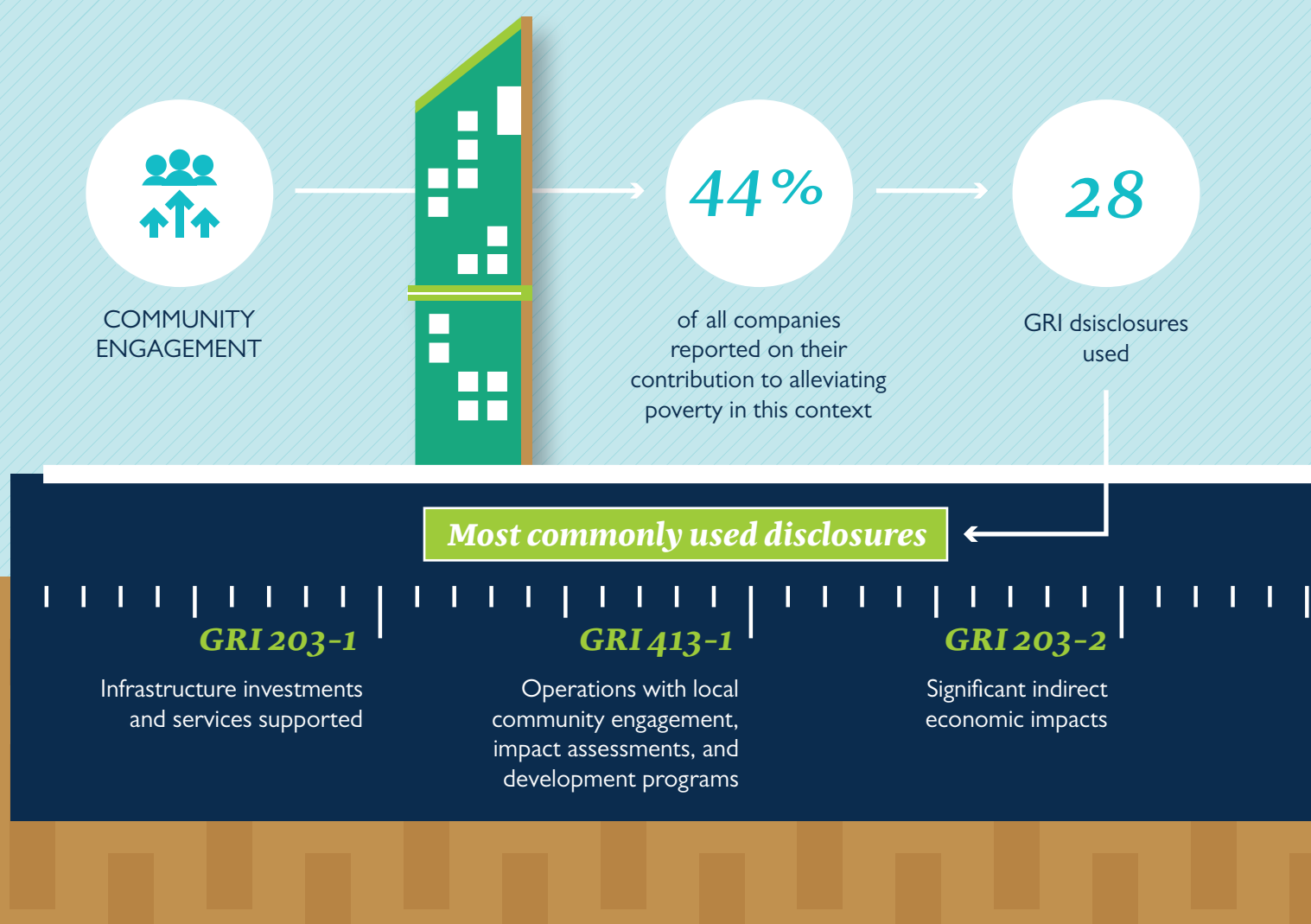
and tracking the progress of programs can all help paint a picture of the state of relationships and effectiveness of interventions.

For many companies, community engagement has become very sophisticated, with activities designed to support the specific needs of the community while being aligned to the goals of the business. For example, a company might run a health program in the local community that improved productivity among the workforce as a result of lower absenteeism and reduced mortality. This added value – both for the community and the company – can have a crucial impact on alleviating poverty.

### RESEARCH FINDINGS

The research revealed that reporting on strategic

FIGURE 10: RESEARCH FINDINGS COMMUNITY ENGAGEMENT



*“Transparency and good reporting practices are required to create goodwill not only with local authorities but also with the local community, which in the end has the final vote on the local government.”<sup>29</sup>*

community engagement fell into three categories: setting expectations, community development, and social license to operate.

#### SETTING EXPECTATIONS

Companies consider communities to be legitimate partners and important stakeholders that have expectations of the companies; these expectations can be tangible, such as building infrastructure and creating local jobs, or intangible, such as providing a sense of ownership.

As a result, companies are increasingly developing more sophisticated ways to gather input from local communities, in a process that helps them set expectations. In their reports, companies described their mechanisms for community engagement, which included undertaking dialogues and understanding each other's needs. Some companies reported engaging with the community in a participatory process, such as through platforms for polling stakeholder priorities and by collecting feedback and complaints.

Companies also engaged with local organizations and institutions, such as government agencies or local universities, in PPPs. Relationships with these organizations can help businesses build a better understanding of local customs and culture, enabling them to gain community trust.

#### COMMUNITY FORUMS

“Dissatisfaction in communities around our operations is often directed at our mines, and we seek to address this through community forums. Access to infrastructure such as electricity, water and transport is critical both for the industry and for the communities around our mines... In 2014 we invested R107 million in infrastructural development and in building capacity in municipalities, mainly through public–private sector partnerships.”<sup>30</sup>

#### COMMUNITY DEVELOPMENT

Companies report the programs and activities they undertake directly with their communities. The programs tend to focus on strengthening the core services to society such as providing access to infrastructure, education and health facilities, and investing in enterprise and skills development.

Companies also reported on efforts to enhance the local environment, particularly in regions where tourism and hospitality depend on the quality of the surroundings. Activities such as wildlife conservation, recycling and environmental education could result in an improved quality of life for local people and more efficient use of resources, thus helping reduce poverty by improving access to resources.

<sup>29</sup> GRI & RobecoSAM, *Defining What Matters*, 2016.

<sup>30</sup> From the report analysis: Large, South Africa, Mining.

*“Businesses see reporting as a vital engagement tool for connecting the company and its local community, as well as for communicating to investors, customers and governments – all of whom have an interest in the health of the relationship between companies and communities.”*

Companies often reported helping develop new infrastructure, such as roads and public utilities, in ways that complement or help fulfill local needs.

### **SOCIAL LICENSE TO OPERATE**

Rather than being viewed as philanthropy – where the company gives and the community gains – community engagement that results in a social license to operate means the investment has returns on both sides – to the company as well as the community – and both can be measured.

One SME from India explained in its report: “where we operate, we actively engage with civil society, local communities and host governments to secure a social license to operate. Where appropriate, we support programs that make a lasting and positive impact on education, health and community development. Our approach to program design is to engage stakeholders early on to understand their priorities and involve them in program development, implementation and assessment.”<sup>31</sup>

### **CONCLUSIONS**

Community engagement is a central poverty-related theme in many reports, with more than 40% of the companies in the study reporting in this context.

Businesses see reporting as a vital engagement tool for connecting the company and its local community, as well as for communicating to investors, customers and governments – all of whom have an interest in the health of the relationship between companies and communities. But reporting on community engagement is challenging, in particular because of the qualitative nature of the work, long-term timelines – especially when it comes to outcomes and impacts – and involvement with sensitive issues. Most of the reports covering community engagement therefore feature case studies, stories and qualitative information rather than quantitative data that is easily comparable year on year.

### **RECOMMENDATIONS**

- Companies can use the GRI Reporting Principles<sup>32</sup> of Materiality and Stakeholder Inclusiveness to better understand the needs of their local community and tailor their programs accordingly.
- More information from report users, and learning from best practice examples, can help companies to report in a way that makes their programs understandable, transparent and comparable.
- Tracking engagements and programs in the long term can help companies and communities better evaluate the impacts and outcomes of the program.

<sup>31</sup> From the report analysis: SME, India, Other.

<sup>32</sup> The Reporting Principles are fundamental to achieving high quality sustainability reporting. An organization is required to apply the Reporting Principles if it wants to claim that its sustainability report has been prepared in accordance with the GRI Standards.

### 3.3 Risk

For businesses, a risk is “anything that threatens an organization's ability to generate profits at its target levels; in the long term, risks can threaten an organization's sustainability.”<sup>33</sup> In this context, poverty can pose a major risk for companies, especially those operating in poor areas. Risks can have significant negative financial and non-financial impacts on the business.

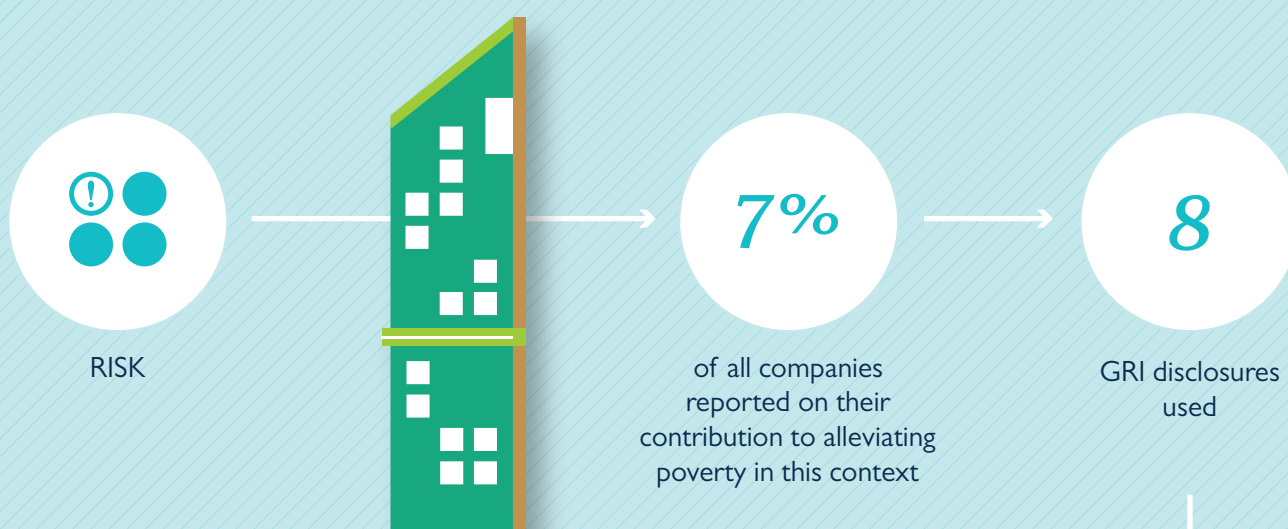
Yet relatively few companies talk about poverty as a business risk: in the research sample, only eight out of 107 reports described poverty-related risk. Companies seem to be missing the opportunity to consider the impact poverty can or is having on the business. This leaves the company vulnerable to risk on multiple levels, from supply chain to employees.

Investors in particular want to see that the company has its risks under control. While business risks cannot be completely eliminated, understanding and stating the risks – including those related to poverty – helps companies set targets and work to mitigate them. Efforts to mitigate risk may also go further than benefitting just the company, by also contributing to addressing the wider systemic challenges that allow these risks to exist.

#### RESEARCH FINDINGS

In the research, risk-related reporting on poverty fell into five categories: external risk, customer-related risk, operational risk, compliance, and environmental risk.

FIGURE 11: RESEARCH FINDINGS RISK



#### Most commonly used disclosures

No disclosure was used more than once; disclosures ranged from CEO statement to supply chain issues related to workers' health and safety.

<sup>33</sup> TechTarget, Business risk, <https://whatistechtarget.com/definition/business-risk>, accessed on 25 April 2017.

*“Despite risk being a common issue for business and poverty being a global problem, few reports address poverty as a business risk.”*

#### EXTERNAL RISK

An external risk is defined as an event outside the company, beyond its influence or control. For example, businesses risk a lack of suitable skilled employees if there is no access to education in the local community, a lack of customers if there is no money or there are no jobs, or reputation damage if their operations are exacerbating poverty – or not alleviating it – in an area.

#### CUSTOMER-RELATED RISK

Operating in the context of poverty, companies may face the risk of their customers suffering ill health and scarce resources. In response, companies sometimes establish programs to support their customers. One such example is a large bank in Bangladesh, which has set up an eye clinic:

"Eye-care is directly linked with the overall wellbeing of a person and ensures a healthy and sustainable livelihood. Without a reliable livelihood a person, a section of the society are deprived of a decent living and a society is deprived of valuable contributions. While catering to the needs of the society by providing affordable eye care services, [the company] is also becoming economically self-sustained."<sup>34</sup>

#### OPERATIONAL RISK

Poor access to healthcare can also pose operational risks – employees can be affected by epidemics like HIV/AIDS, for example. One large South African company in the logistics sector monitors working conditions and aims to create a safe environment for employees:

"Despite the levels of awareness, HIV and AIDS have the potential to negatively affect [the company]. Lower productivity of the affected employees and a possible decrease in the human resource pool means that there are potentially fewer employees able to continue working and contributing to [the company], resulting in decreased profits. A considerate working environment is required to provide personnel with testing and counselling. [The company] therefore continues to motivate employees to attend the Voluntary Counselling and Testing sessions."<sup>35</sup>

#### COMPLIANCE

Some of the reports identified non-compliance with national laws on poverty reduction as an operational risk. This included Broad-Based Black Economic Empowerment (B-BBEE) in South Africa, which is a "specific government policy to advance economic

<sup>34</sup> From the report analysis: Large, Bangladesh, Financial Services.

<sup>35</sup> From the report analysis: Large, South Africa, Logistics.

transformation and enhance the economic participation of black people in the South African economy".<sup>36</sup> For the companies that reported this risk, non-compliance means risking losing (B2B) customers, as it is important for their buyers that they comply with these national laws.

### ENVIRONMENTAL RISK

Climate change is known to exacerbate poverty; it is also considered a threat to business operations, affecting a range of factors, from damage to physical infrastructure to loss of ingredients for products and loss of employees or customers through migration. Many companies are taking it seriously as a poverty-related business risk, including this large bank in Asia:

"Due to climate change, natural disasters e.g. flood, earthquake, storm, rise of sea level, increased temperature, depletion of water may be occurred which will ultimately hamper the production of crop, livestock and others. The coming years will be challenging for every one due to climate change... [the company] in line with global norms has already introduced Green Banking and sustainable practices."<sup>37</sup>

### CONCLUSIONS

Despite risk being a common issue for business and poverty being a global problem, few reports address poverty as a business risk. Yet with new threats brought on by climate change, conflict and food insecurity, poverty remains one of the greatest challenges facing humanity, and an increasingly urgent business risk. It can affect a business in a multitude of ways, from impacting the internal workforce and changing customer markets to threatening the safety of the location of operation.

It is crucial for companies to understand the effects of poverty on their operations. Armed with this understanding, they are better equipped to manage the risk and take business opportunities (see chapter 3.6.).

### RECOMMENDATIONS

- Reporting on poverty as a risk shows stakeholders that the company is aware of the issue and has formulated approaches to cope with it.
- It is possible to see risks as opportunities, taking a proactive approach to mitigating them. Since most companies currently identify poverty related risks as being external, there are opportunities to explore where risk mitigation activities could contribute to addressing the systemic issue behind the risk. This would benefit the wider region or system, not just the company, thereby contributing to a more stable economy.

<sup>36</sup> Small Enterprise Development Agency (seda), Broad-Based Black Economic Empowerment Unit, [www.seda.org.za/MyBusiness/BEE/Pages/Landing.aspx](http://www.seda.org.za/MyBusiness/BEE/Pages/Landing.aspx), accessed on 25 April 2017.

<sup>37</sup> From the report analysis: Large, Bangladesh, Financial Services.

### 3.4 Operating context

Performance information is most valuable when put in context, and companies should communicate their performance in the context of their available social and environmental resources and limitations – including poverty.

This is relevant not only for social and environmental objectives, but also for economic objectives, from the company level to the international level. For example, an organization may report on employee wages and social benefits in relation to national minimum and median income, and the capacity of social safety nets to absorb

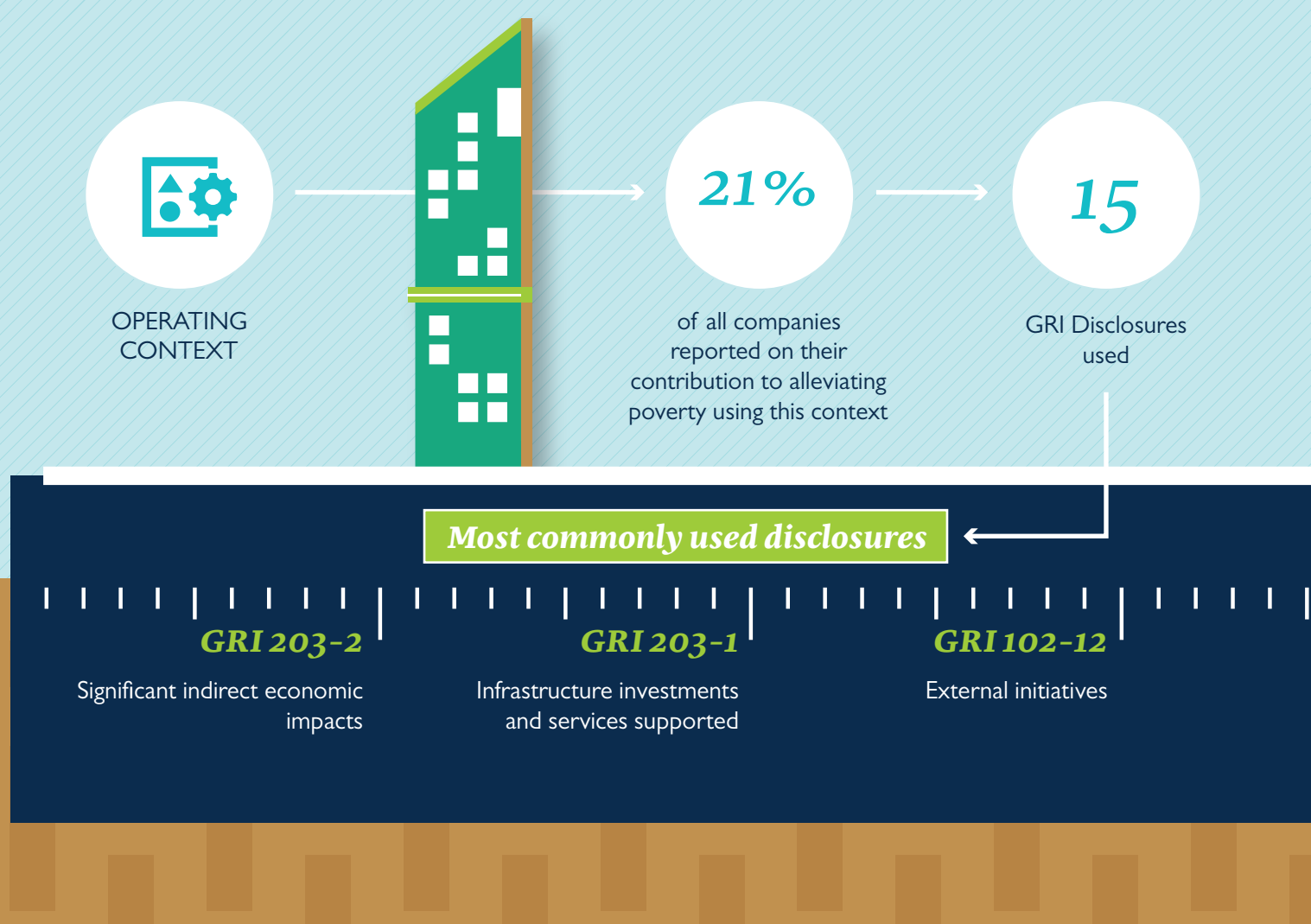
those in poverty or living close to the poverty line.

One Peruvian SME reported that it paid the highest salaries to factory workers compared to other companies in the region and sector. The report included detailed information on the salary ranges, from minimum wage to double the minimum wage.

#### RESEARCH FINDINGS

In the research, 26 out of 107 companies reported on poverty as a factor characterizing their operating context; half of these were large national companies.

FIGURE 12: RESEARCH FINDINGS OPERATING CONTEXT



National companies are close to the issues that concern their surrounding communities. Their reports therefore tend to be focused on the most pressing national issues, if the materiality analysis and stakeholder engagement were done with care.

In the research sample, far fewer SMEs and MNEs reported on poverty in terms of their operating context. Reports from MNEs tended to have a more global outlook and focused on global rather than national issues. For SMEs, these small companies that are part of the fabric of the community, have a different vantage point and know their context as the status quo.

## CONCLUSIONS

For many companies, poverty is the clear reality of the context in which they operate at the national level. Many companies' employees, customers and suppliers are living in poverty, making it an issue those companies talk about in terms of their operating context. Given the global nature of both business and the poverty crisis, it should be an issue for all companies.

## RECOMMENDATIONS

- Stakeholders expect the relationship between sustainability and organizational strategy to be made clear in the report, as well as the context in which disclosures are made.<sup>38</sup>
- Reporting is helpful to stakeholders and the company if it is done in context, and with reference, to the prevailing poverty and broader sustainability context surrounding the company.

### PROVIDING LOCAL EMPLOYMENT

As they grow, SMEs are expected to generate opportunities for millions of poor and low-skilled workers across sectors and geographic areas. In the research, an Indian automotive company with 48 employees did not mention poverty anywhere in its report, but the company was proud to provide employment to local people and increase the working comfort of its employees.

<sup>38</sup> GRI Sustainability Reporting Standards, GRI 101: Foundation 2016, Sustainability Context (p.9), 2016.



### 3.5 Direct and indirect economic impacts

Businesses can drive growth through their everyday business operations, regardless of country or region, by fueling productivity and economic participation. The private sector is responsible for 84% of gross domestic product (GDP) and 90% of jobs in developing countries, as well as more than 60% of investment.

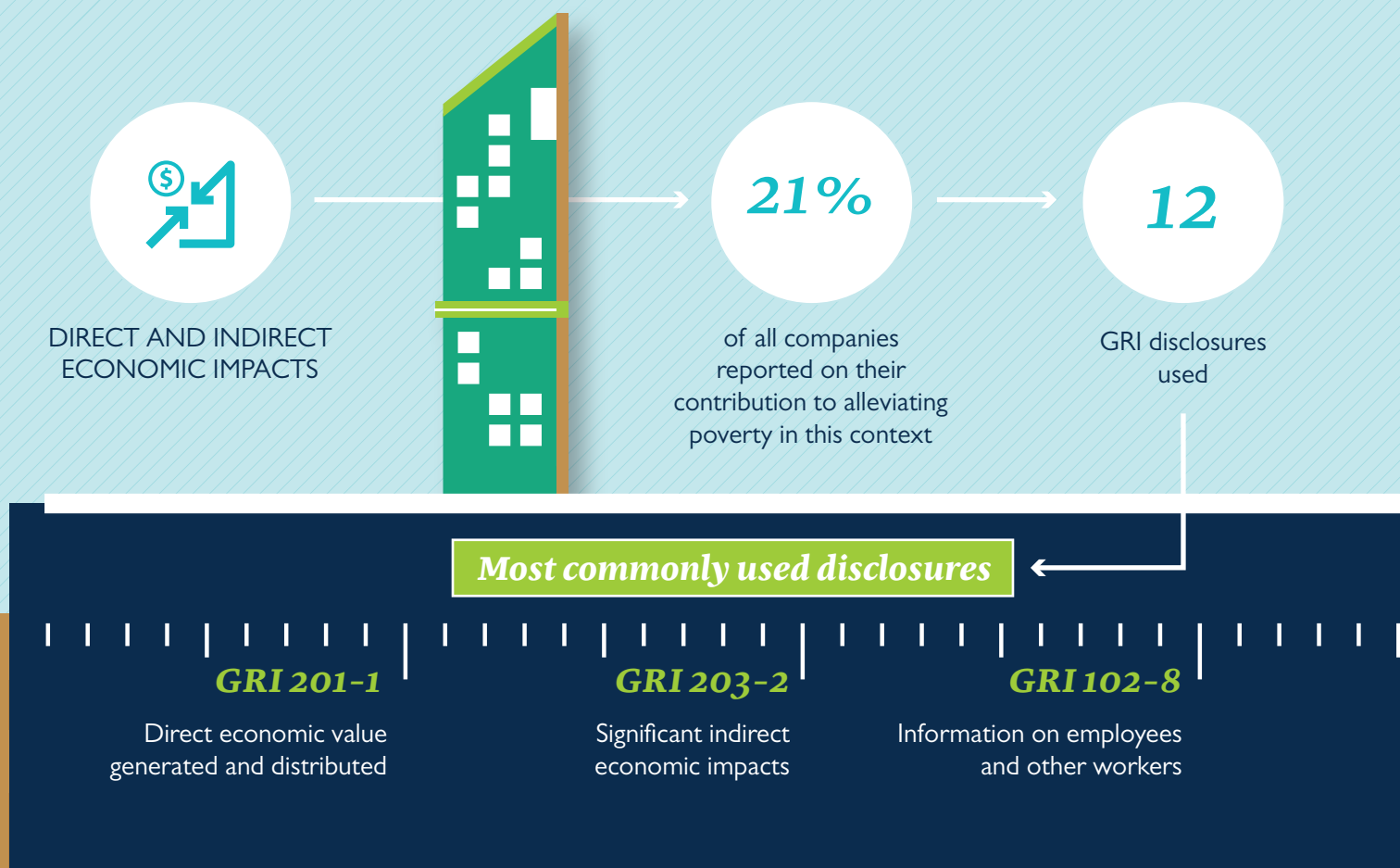
Direct economic impacts are measured as the value of transactions between the organization and its stakeholders, while indirect economic impacts are the results – sometimes non-monetary – of the transaction. Whereas direct economic impacts and market influence tend to focus on the immediate consequences of monetary flows to stakeholders, indirect economic impacts include the additional impacts generated as

money circulates through the economy. If companies better understood their direct and indirect economic impacts in the context of poverty they could more proactively shape the way economic value is distributed.

#### RESEARCH FINDINGS

In the research, three categories emerged in the reporting on direct and indirect economic impacts: providing local employment, providing products and services to local communities, and paying taxes. Companies often suggest that there is a multiplier effect at work. By paying state taxes, salaries and benefits to employees, and by exchanging products and services with local suppliers, businesses contribute to the development of local economies, both directly and indirectly.

FIGURE 13: RESEARCH FINDINGS DIRECT AND INDIRECT ECONOMIC IMPACTS



*“By paying state taxes, salaries and benefits to employees, and by exchanging products and services with local suppliers, businesses contribute to the development of local economies, both directly and indirectly.”*

#### PROVIDING LOCAL EMPLOYMENT

Companies described their contributions in terms of creating jobs and economic opportunities. Employment gives people the financial means necessary for access to adequate housing, essential services and basic needs. A decent living requires decent work.<sup>39</sup> Here, many companies make use of quantitative data to show that their presence in the area has significantly positive impacts on the local economy.

“Today [the company] offers job opportunities to more than 27,000 direct and 35,000 indirect workers, demonstrating our commitment to the employment of the city.”<sup>40</sup>

Some companies note that they pay higher salaries than competitors:

“It is worth mentioning that in the area we are the company that pays the highest salaries for the type of services we perform. Our minimum wage was 750 nuevos soles equal to the minimum living wage, the

highest for our operators was 1,650 nuevos soles.”<sup>41</sup>

#### PROVIDING PRODUCTS AND SERVICES TO LOCAL COMMUNITIES

Poor people are consumers who need products and services. Companies point out that they can contribute to improving quality of life in poor areas by increasing access to goods and services, including clean water, sanitation and energy.

“As a bank of best practice, we have a responsibility to the society in addition to our duty to help grow local communities and the real economy through the provision of capital which drives infrastructure development, creates jobs, and enables companies and individuals to purchase goods and do business every day.”<sup>42</sup>

#### PAYING TAXES


Companies pay taxes in their countries of operation, and they often describe this as part of their commitment to development and GDP growth. Private sector development can create economic growth

<sup>39</sup> Global Urban Development (GUD), Growing out of poverty: urban job creation and the millennium development goals, [www.globalurban.org/GUDMag06Vol2Iss1/Kuiper%20&%20van%20der%20Ree.htm](http://www.globalurban.org/GUDMag06Vol2Iss1/Kuiper%20&%20van%20der%20Ree.htm), accessed on 25 April 2017.

<sup>40</sup> From the report analysis: SME, Colombia, Other.

<sup>41</sup> From the report analysis: SME, Peru, Other.

<sup>42</sup> From the report analysis: Large, Nigeria, Financial Services.



*“By looking at their direct and indirect economic impacts in the context of poverty, companies could uncover opportunities to better direct the economic ripple effect of their business operations to help people living in poverty.”*

by contributing to increased tax revenues that the government can use to finance essential social and economic infrastructure. Indeed, the most widely used metric related to poverty, GRI 201-I, is related to the payment of taxes.

## CONCLUSIONS

Direct economic value generated and distributed (GRI 201-I) was the most widely reported GRI metric for all reports published in 2016.<sup>43</sup> But the research revealed that only 21% of the companies in the sample communicated about harnessing economic value distribution more proactively as a weapon in the fight against poverty. By looking at their direct and indirect economic impacts in the context of poverty, companies could uncover opportunities to better direct the economic ripple effect of their business operations to help people living in poverty.

## RECOMMENDATIONS

- Companies should strive to maximize their direct and indirect economic impacts to help lift communities out of poverty. Indirect impacts should be embraced proactively, rather than being viewed as side effects.
- Companies play a key role in giving people access to income; this can be reported as part of the company's efforts towards poverty alleviation.
- Tax contributions are important but should not be the limit of companies' contributions.

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<sup>43</sup> Based on data from GRI's Sustainability Disclosure Database. 80% of a sample of 380 G4 reports published in 2016, reported data on G4-ECI.

### 3.6 Business development

Leading companies are making the case for innovative new approaches to business, such as inclusive value chains, products and services for low income segments, and other business models that stimulate growth in micro, small and new enterprises. Such approaches contribute to ending poverty while increasing profit, and are therefore powerful drivers of sustainable development. Reporting on business development was often closely linked to reporting on direct and indirect economic impacts.

A recent study found that there could be \$US12 trillion<sup>44</sup> per year in new value generated if businesses would actively embrace the challenge of the SDGs and fill the gaps that currently exist for health care, mobility, energy and housing, as well as food, agriculture and infrastructure.

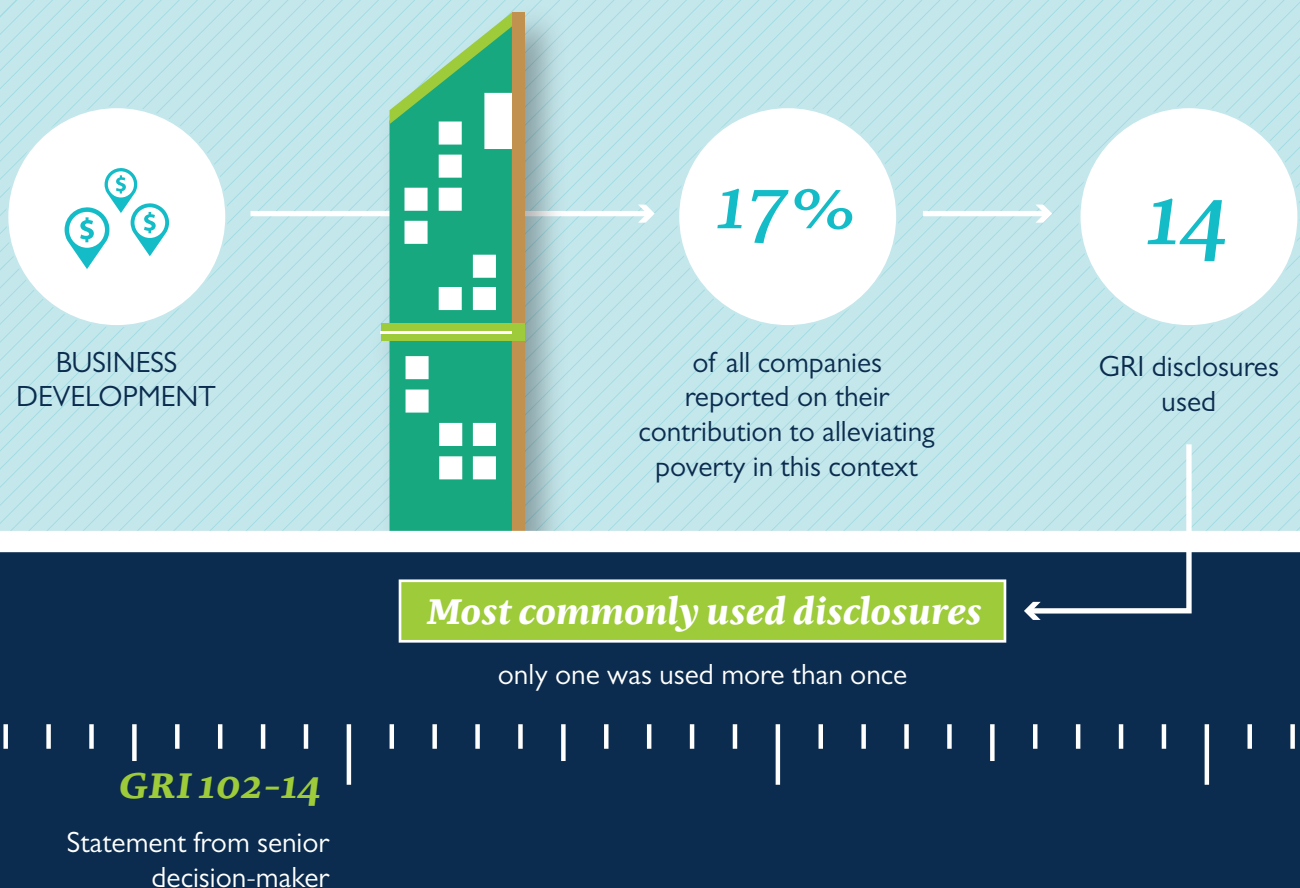
As originally explained in *The Fortune at the Bottom of the Pyramid*, by providing these services, “MNC investment at ‘the bottom of the pyramid’ means lifting billions of people out of poverty and desperation, averting the social decay, political chaos, terrorism, and environmental meltdown that is certain to continue if the gap between rich and poor countries continues to widen.”<sup>45</sup>

The research aimed to uncover how much of this activity businesses are currently undertaking. How can companies measure the impact these new lines of business have on poverty alleviation? And are existing metrics sufficient for reporting this net positive impact in a standardized way?

#### RESEARCH FINDINGS

The research showed that inclusive and empowering

FIGURE 14: RESEARCH FINDINGS BUSINESS DEVELOPMENT



<sup>44</sup> Business & Sustainable Development Commission, *Better Business, Better World*, 2017.  
<sup>45</sup> Prahalad & Hart, *The Fortune at the Bottom of the Pyramid*, 2002.

*“Business development activities should provide the greatest return on investment of all the six contexts identified in this research.”*

business models are not yet broadly applied – of the 77 companies in the study that reported on poverty, only 18 reported on business development and how it contributes to ending poverty.

From the company's perspective, business development activities should provide the greatest return on investment of all six contexts identified in this research. All the companies in the sample that reported on their poverty alleviation in the context of business development also reported on other contexts – most commonly philanthropy – showing how extensively these contexts are connected and the diversity in approaches that companies are taking today.

Analysis of these reports revealed two main approaches: inclusive markets, with companies providing products and services for low income segments, and inclusive value chains, which focus on supply chain and SME development.

### INCLUSIVE MARKETS

Companies can find new income streams while working towards ending poverty by providing products and services that meet the needs of poor communities. For example, an energy utilities company in Colombia sells solar panels at affordable prices to communities that are not connected to the power grid. This provides the company with a revenue stream and ensures the community has access to safe electricity it can afford.

Companies can measure the number of new clients, quality of services, value of service and other aspects. What is needed is a way to aggregate this data and capture its overall contribution to various SDGs. One large financial services company in Bangladesh has a policy to support SMEs:

"There is a broad consensus that a vibrant SME sector is one of the principal driving forces in the development of the local economy. SMEs stimulate private ownership and entrepreneurial skills and can adapt quickly to changing market situation, generate employment, help diversify economic activities, and make a significant contribution to exports and trade. Keeping this in view, we have formulated a comprehensive policy on SME financing and made significant progress in this sector. The Bank is offering congenial loan products and services so that SMEs can grow and contribute more to the GDP."<sup>46</sup>

### INCLUSIVE VALUE CHAINS

Investing in and supporting suppliers – particularly micro and small enterprises – gives companies a way to alleviate poverty and strengthen their own value chain at the same time. By supporting local organizations in the supply chain, companies can attract additional investment to the local economy. In doing this, they can also gain or retain their social license to operate. Local sourcing can be a strategy to help ensure supply and support a stable local economy. The proportion of local spending can be an

<sup>46</sup> From the report analysis: Large, Bangladesh, Financial Services.

important factor in contributing to the local economy and maintaining community relations. However, the overall impact of local sourcing will also depend on the sustainability of the supplier in the long term.

Companies in the sample reported activities in their supply chain that reduce poverty, such as setting targets to buy locally and building capacity among suppliers. Those operating in rural areas often saw their operations as centers of socioeconomic activity and important sources of welfare. These companies referenced development of local suppliers, building local capacity and investing in skills development, sometimes in partnership with NGOs, communities and local governments.

A South African mining company explained the impact of its supplier development program, which was designed to support local enterprises with the ultimate goal to make them part of their supply chain: “We are very excited about the project, since it will further enable local communities to participate in the economic opportunities presented by the mines, develop local entrepreneurs, create jobs and, as a result, alleviate poverty... This augurs well for our strategy of helping build communities that are self-reliant and sustainable beyond the life of our mines.”<sup>47</sup>

A Kazakhstan operator of the exploration, production, refining and transportation of hydrocarbons invests heavily in local suppliers and in developing qualified technical and managerial personnel. The company does this through long-term contracts with local suppliers for products and services and by cooperating with international partners to transfer technology to set up manufacturing in Kazakhstan.

“By involving local and national suppliers as partners, [the company] seeks to develop the potentials of local communities.”<sup>48</sup>

## CONCLUSIONS

Business development provides the biggest potential return on investment for companies, as they seek opportunities to develop new profit lines that benefit local people and contribute to poverty alleviation. Companies that report on their business development approach to poverty are more likely to be simultaneously reporting on poverty in other contexts as well, showing a broader perspective on poverty alleviation.

Companies are communicating about innovative new approaches to business, such as inclusive value chains, products and services for low-income segments and other inclusive and empowering business models that stimulate growth in micro, small and new enterprises.

## RECOMMENDATIONS

- Standards and best practice for corporate reporting in this new and emerging concept can accelerate change.
- The private sector should grow its involvement in the SDGs to realize its potential to be a principle driver for ending poverty.

### REPORTING ON THE SDGS

The UN Global Compact and GRI have formed a groundbreaking action platform to tackle this challenge. Reporting on the SDGs will complement GRI Standards and the UN Global Compact Communication on Progress, and enable business reporting on the SDGs. The Action Platform will leverage the GRI Standards – the world’s most widely used sustainability reporting standards – and the Ten Principles of the UN Global Compact to help businesses incorporate SDG reporting into their existing processes. This will empower corporate action that can make the achievements of the SDGs a reality.

<sup>47</sup> From the report analysis: Large, South Africa, Mining.

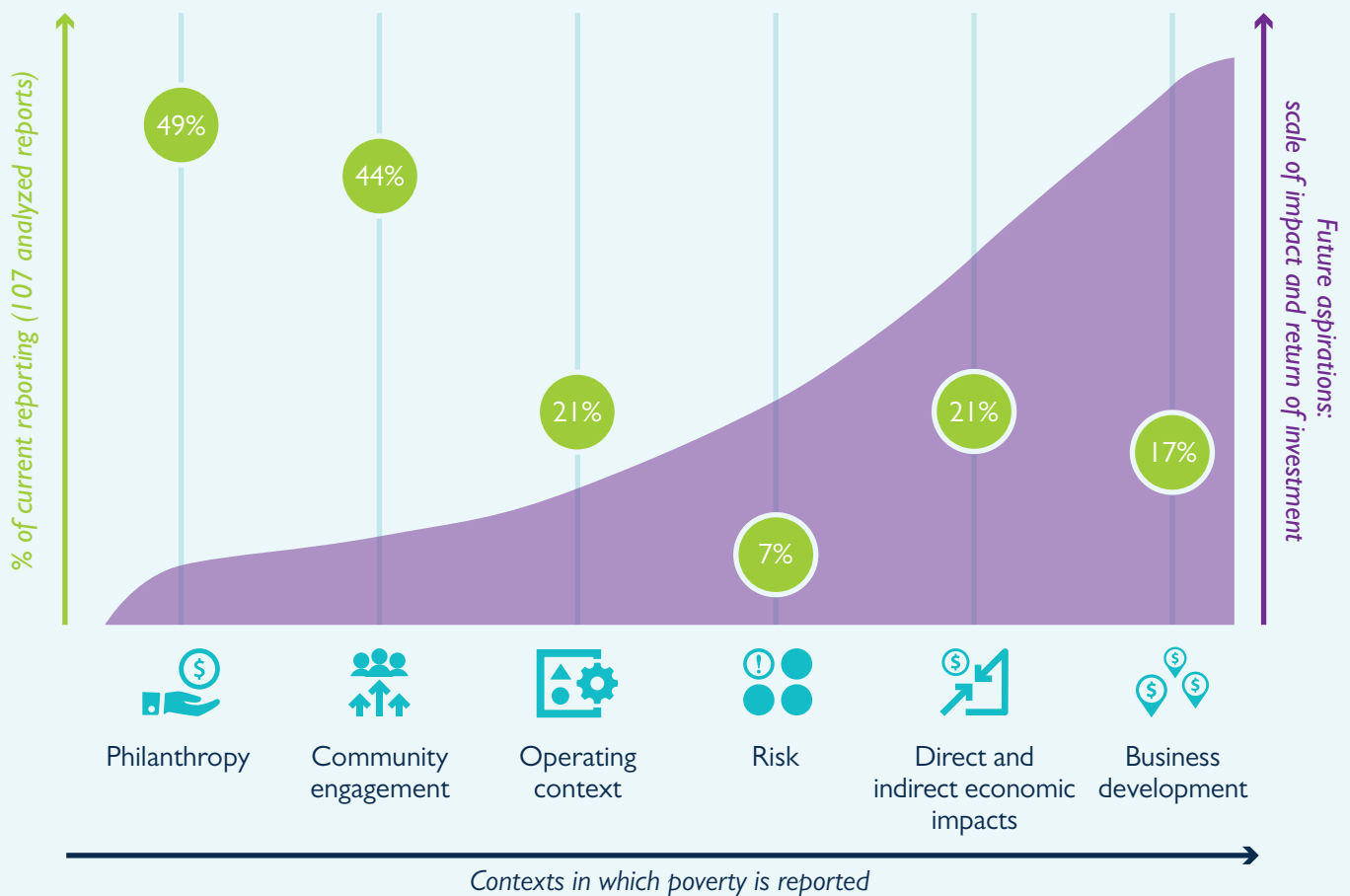
<sup>48</sup> From the report analysis: Large, Kazakhstan, Mining.

### 3.7 Reality check: the state of the private sector contribution to poverty today

Reporting helps take the pulse of the private sector's perspectives and action on poverty. Understanding the contexts in which businesses report on poverty – and therefore their role and responsibilities in contributing

to its alleviation – provides an essential baseline. Figure 15 shows that most business action related to poverty falls into the contexts of philanthropy and community engagement. On the upside, this means companies are

FIGURE 15: REALITY GAP: CURRENT REPORTING ON POVERTY VS. FUTURE ASPIRATIONS



- Philanthropy and community investment rank low, as these are mainly one-off or one-to-one interventions that, even if successful or of high strategic value, benefit one company and one community or beneficiary group.
- Risk and operating context fall in the middle of the graph. By tackling some of the systemic issues that allow poverty to prevail, a company would be contributing to a stronger society and economy with mutual and lasting benefits.
- Direct and indirect economic impacts are in the top right. If harnessed strategically with poverty alleviation in mind, companies could start to reach scale through the economic empowerment of employees, suppliers, and other business-related multipliers.
- Business development falls in the upper right. By including low income populations in the formal economy and finding ways to serve their essential needs, companies can significantly contribute to poverty alleviation on a global scale.



*“Perhaps the greatest opportunity for the private sector to contribute to poverty alleviation is through business development.”*

engaging in poverty alleviation and proactively playing a part in their communities, helping tackle the issues of direct importance to them. On the downside, these are typically one-to-one interventions; in a world where nearly 1 billion people are living in extreme poverty, solutions that are immediately scalable are needed.

This research revealed that a small proportion of companies are looking at poverty in terms of the potential risks it poses or the challenges it brings as a reality in the company's operating context. When reporting poverty as a risk, companies typically identified it as an external rather than an internal risk. About one-third of the companies in the sample reported taking action to mitigate risks or contributing to significant changes in their operating context to improve their business success. This was often done in partnership with governments and civil society or with peers in the private sector, as poverty related risks are often systemic and cannot be resolved by just one stakeholder.

Companies often take the direct and indirect economic value they generate and distribute for granted as a positive side effect of their businesses operations. The good news is that 21% of the companies in the research sample identified the connection between poverty and the company's ability to direct and distribute its economic

footprint to fill essential voids, thus resulting in mutually beneficial situations for society and the company. But considering that economic metrics are typically the most reported in general, and that the majority of the sample did not make this connection to poverty, it seems like using economic value generation and distribution more strategically could be an easy way to maximize companies' contributions to accelerating poverty reduction.

Perhaps the greatest opportunity for the private sector to contribute to poverty alleviation is through business development. However, the research showed that companies are not yet as active in this space as they are in the more traditional areas of philanthropy and community engagement. The results show only 17% of the sample experimenting with BoP business models, and many of these companies are outside of the usual suspect pool of MNEs – large national companies are also active in this space.



## Chapter 4: Case study

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# How Woolworths communicates on poverty in South Africa using the GRI Standards

South Africa is an upper middle-income country with high poverty and inequality: in 2011, nearly 18 million people (37% of the population) were in poverty, of which 11 million were unable to meet minimum daily calorie needs. Poverty was in fact lower than in 2006, mostly due to publicly-provided social grants and services, but inequality persists: the 2011 Gini coefficient was 0.69.

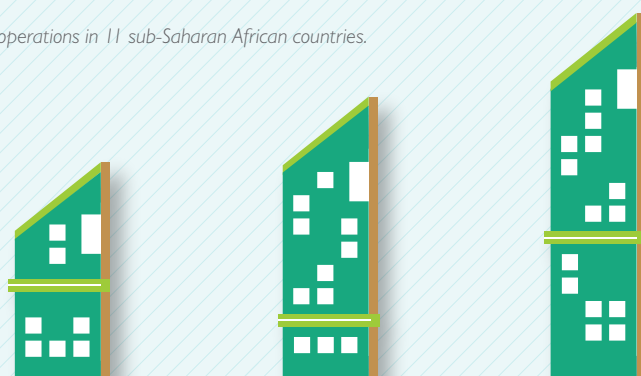
What is South African business doing to address poverty, and how does it report on its impact? We look here briefly at one leading South African corporation through the prism of the six poverty reporting dimensions identified in the main body of this report: operating context, risk, philanthropy, community engagement, direct and indirect economic impacts, and business development.

Woolworths is a large food, clothing and homeware retailer included in the Top 40 listings on the Johannesburg Stock Exchange through its holding company Woolworths Holdings Limited (WHL). WHL derives 59% of its turnover (US\$4.875 billion in 2016)<sup>49</sup> from South Africa.<sup>50</sup> Its business model rests on supplying high quality products to upper-middle and high-income consumers.

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<sup>49</sup> An exchange rate of ZAR1.00 = US\$0.075 is used (Oanda, April 19 2017).

<sup>50</sup> 38.5% of its turnover is from operations in Australia and New Zealand and 2.5% from operations in 11 sub-Saharan African countries.



Sustainability is one of WHL's four core strategic focus areas, together with customer relationships, 'connected' retail (linking digital and physical channels), and cost savings via scale and efficiency. Woolworths adopted food safety and environmental standards in 1999, very early amongst retailers. It has reported on sustainability using GRI standards since 2004, and its 2016 sustainability report is based on the GRI G4 Sustainability Reporting Guidelines. Since 2007 Woolworths has used the tagline 'Good Business Journey' (GBJ) to brand its sustainability strategy, which currently covers eight themes – social development, transformation (black and women's economic empowerment), ethical sourcing, sustainable farming, waste, water, energy, and health and wellness – with several programmes spanning two or more themes.

In its reporting, Woolworths recognises that South Africa's very high poverty rate poses challenges within the company's operating context (one of the six reporting dimensions). The chairman argues in the 2016 Integrated Report that the "unemployed millions, especially the youth, are the primary victims of [South Africa's] economic woes." A discussion of 'Why sustainability is important to us' in the GBJ Report identifies poverty alleviation and job creation as "key challenges" for South Africa, together with education and skills development, labour unrest and corruption. The company refers to the government's National Development Plan, which aims inter alia to eliminate poverty by 2030, as "a strong vision".

Woolworths identifies "worsening... socio-political risks" within the South African 'trading environment', some of which arguably result from poverty and inequality (though no link is drawn in its reports). This is a market risk for the company, mitigated by its "focus on mid-to-upper income customers whose spending is more resilient". Specific poverty-related risks mentioned in the company's social development strategy include food insecurity and limited education and access to services in marginalised communities.

Woolworths makes a business case for addressing these risks through its corporate social investment portfolio which is also "aligned with [national] development priorities". For example, food insecurity is linked to Woolworths' market share in fresh produce and to its waste management through donations of unsold surplus food, amounting to ZAR445 million in 2016, comprising 78% of the company's 'social contribution' of ZAR622 million (\$46.7 million). A customer loyalty scheme links sales to donations to schools as an investment in skills development, while another scheme supporting school food gardens links food security, education and environment. In terms of the six poverty reporting dimensions in this report, these programmes fall under philanthropy and community engagement.

On direct economic impacts, Woolworths reports that around 30,000 people are employed in South Africa (80% in semi and unskilled work), and it was responsible for ZAR3.7 billion (\$441 million) in taxes in 2016.<sup>51</sup> As noted, its business model does not target provision of goods or services to poor consumers. Unfortunately, the company does not publish a value-added statement which could provide further information on its direct economic impacts.

Indirect economic impacts through the supply chain are likely to be significant but are described only in broad terms: for example, "tens of thousands" of indirect jobs, "more than double" direct employment, and total payments to suppliers of ZAR25.7 billion (\$1.93 billion) in 2016, disaggregated only into food and clothing/homeware segments. The GBJ Report states that the "vast majority of goods are produced in Southern Africa and [Woolworths] continues to encourage local manufacturing wherever possible", with 52% of clothing and homeware products sourced within the Southern Africa region. Its 2016 GRI Index states that the company does "not specifically report on the proportion of spend towards local suppliers [but] will look to improve this in the future" (GRI Index, G4-EC9).

51 Woolworths' financial statements indicate that it paid ZAR881 million in South Africa as income tax on profits in 2016.

Woolworths impacts positively on poverty through its GBJ emphasis on ethical sourcing, though its reports do not explicitly link the two issues. The Woolworths Code of Business Principles commits its entire supply chain to labour, human rights, environmental and social practices aligned with the GRI G4 social indicators. Though the company provides full disclosure on only 21 of 48 of these indicators in its 2016 GRI Index, all its first-tier food suppliers<sup>52</sup> and 98% of first-tier clothing suppliers comply with the Code.

On business development, the 'inclusive markets' aspect is not applicable as Woolworths targets mid-to-upper income consumers. However, its Supplier and Enterprise Development (SED) programme assists black-owned emerging firms to enter its supply chains, supporting 44 SMEs in 2016 through loans of ZAR25.6 million (\$1.92 million) and procurement of ZAR666 million (\$50 million), an estimated 2.6% of Woolworths' total procurement. These SMEs employ 381 people; a further 3263 people are "positively impacted" by the SED programme.

## CONCLUSION

Woolworths recognises the poverty context in the country it operates, and the risks this poses. It has several supplier development, philanthropic and community engagement programmes that are broadly aligned with its business strategy and country development goals. However, an analysis of the way the company reports on poverty shows that there are opportunities to provide more disaggregated information and make more explicit links to the poverty impact of its activities. For instance, a detailed examination of Woolworths 2016 GRI Index shows that the coverage of its reporting on environmental indicators is very strong (full coverage on 25 of 33 indicators), but is less complete on poverty-related economic and social indicators.

Of all the dimensions analysed, direct and indirect economic impacts are perhaps the most important for addressing poverty, and the Woolworths case

underlines the need for more information including a value-added statement and detail on supply chains for stakeholders to properly assess companies' poverty impact. Woolworths has a plethora of supply chain programmes within its multi-faceted Good Business Journey – on ethical sourcing, on water and energy resource and waste management and on sustainable farming – which likely have manifold impacts on poverty in South Africa. Providing more detailed information on these programmes will not only help to understand the company's current impacts on poverty (and inequality), but more importantly, to identify untapped profitable opportunities for enhancing those impacts.

**Sources:** Unless otherwise stated, all data is from Woolworths Holdings Limited (WHL) reports for 2016: Good Business Journey Report, Integrated Report, Audited Financial Statements and GRI Index, all available from [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

Statistics South Africa (2014) 'Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2011'. Report 03-10-06. Pretoria: Statistics South Africa.

Statistics South Africa (2015) 'Methodological report on rebasing of national poverty lines and development of pilot provincial poverty lines'. Report No. 03-10-11. Pretoria: Statistics South Africa.

Prepared by Stephen Gelb, Amina Khan, and Paula Lucci, Overseas Development Institute, London, [www.odi.org.uk](http://www.odi.org.uk).

<sup>52</sup> 18% of the food suppliers passed after corrective action.

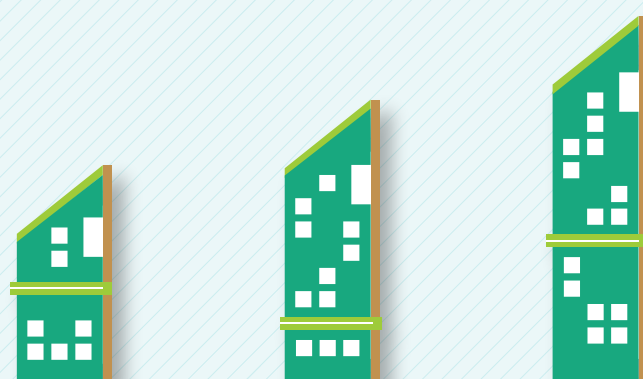
## Chapter 5

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# Recommendations

*Examining sustainability reports reveals a gap between what the business community is doing and what governments and other stakeholders want to see. But the results also show movement in the right direction. As companies shift to addressing poverty in more scalable and impactful ways, reporting practice and standards will need to evolve in parallel. This will ensure impacts on poverty are captured, and determine whether this new economic growth and inclusion is accompanied by trade-offs with other social and environmental issues.*

Reporting provides insights into the focus of the private sector's mindset and activity: philanthropy and community engagement are much more commonly used than business development strategies.



This research has led to a broad set of recommendations to further strengthen the link between sustainability reporting and poverty alleviation.

## COMPANIES

- Use the materiality and stakeholder engagement principles contained in the GRI Standards to better understand the information needs of poverty-related stakeholders, and report accordingly.
- Present performance on poverty in the wider context of sustainability, with reference to national or regional goals, which could help reveal opportunities for more strategic interventions and partnerships.
- Respond to stakeholder expectations about ending poverty through greater transparency on the vision, strategy and actions taken in a cohesive manner.
- Look at data currently reported under direct and indirect economic impacts through the lens of poverty and identify ways to better harness this impact for positive results.
- Take a long-term view on reporting on poverty related investments and activities, and shift from outputs to reporting on outcomes.

## STAKEHOLDERS AND DATA USERS

- Ask companies to be more transparent on their overall approach to poverty, and encourage a longer term view about outputs and outcomes; reward corporate partners for their efforts and maintain a dialogue around expectations for transparency and performance.
- Look for information on poverty as a risk – thinking about poverty in this way shows that the company is aware of the issue and has formulated approaches to cope with it.
- Use the reporting process as a mechanism to engage with companies to help them better understand your information needs, and expectations around performance.
- Use transparency and reporting by all parties as a source of trust to underpin public-private partnerships.

## POLICY MAKERS AND GOVERNMENTS

- Ensure a conducive policy environment for corporate sustainability and disclosure.
- Consider a smart policy mix as well as other actions to enhance stakeholders' use of corporate disclosure that would contribute to improvement of disclosure and performances.
- Ask companies how their business activities impact poverty, holding them accountable in their role in shaping inclusive economies, and tracking their performance.
- Use sustainability reporting to understand the private sector contribution to ending poverty – and the wider set of SDGs.
- Track reporting trends like the ones presented in this report to 'take the pulse' of the private sector in terms of its efforts towards the SDGs.
- Use the report as a way to engage companies about national goals and priorities, and involve them in solutions.

## STANDARDS AND TOOLS

- Balance the wide variety of disclosures used today to tell the complex story of how companies are tackling poverty with clarity and focus to foster greater transparency and utility of data.
- Align language and definitions related to poverty to ensure a generally accepted and understood approach is utilized.
- Define a methodology for reporting on poverty to better structure the practice; this will result in data that is more useful to the company and its stakeholders.
- Keep up with disclosure trends on new and emerging issues related to poverty, most notably supply/value chain impacts, community engagement, and business development.
- Investigate the impact reporting and greater transparency has on changing corporate practice to maximize positive impacts on poverty.

# Annexes

## Annex I: Companies in the sample

The reports of these 107 companies were analyzed – see section 1.4 for details of the methodology.<sup>53</sup>

Name	Size	Sector	Country
Access Bank PLC	Large	Financial Services	Nigeria
Aliaga & Baluis	SME	Other	Peru
Anglo American Platinum	Large	Mining	South Africa
Aqaba Container Terminal (ACT)	Large	Logistics	Jordan
Aramex International LLC	Large	Logistics	Jordan
Arca	MNE	Food and Beverage Products	Mexico
Arcelik	MNE	Consumer Durables	Turkey
Astra Agro Lestari	MNE	Agriculture	Indonesia
ASUR	MNE	Aviation	Mexico
Aviatur	MNE	Tourism/Leisure	Colombia
Axiata	MNE	Telecommunications	Malaysia
BANAMEX	MNE	Financial Services	Mexico
Banco Davivienda	MNE	Financial Services	Colombia
BANCO MERCANTIL DO BRASIL	SME	Financial Services	Brazil
Bank Asia	MNE	Financial Services	Bangladesh
Banpu Public Company Limited	Large	Energy	Thailand
BAOVIET HOLDINGS	Large	Financial Services	Vietnam
Bio Pappel	MNE	Forest and Paper Products	Mexico
Borsa Istanbul	Large	Financial Services	Turkey
Borusan	Large	Conglomerates	Turkey
Bristol e Pivaudran Industria e Comercio	SME	Equipment	Brazil
Cadiz Holdings	SME	Financial Services	South Africa
Cashbuild	MNE	Construction Materials	South Africa
CEMEX Global	MNE	Construction Materials	Mexico
CEMEX Global	MNE	Construction Materials	Mexico
CEMEX Mexico	MNE	Construction Materials	Mexico
Cenviro	Large	Waste Management	Malaysia
Cotlands	SME	Non-Profit / Services	South Africa
Datco	SME	Construction	Peru
Daughter of Klaten	SME	Textiles and Apparel	Indonesia
Demarsa	SME	Commercial Services	Peru
Diners Club del Ecuador	MNE	Financial Services	Ecuador

<sup>53</sup> All reports were sourced from the GRI Sustainability Disclosure Database. The database is publicly accessible on <http://database.globalreporting.org/>.

Name	Size	Sector	Country
Ecopetrol	MNE	Energy	Colombia
Esenttia	SME	Other	Colombia
Fauji Fertilizer Company (FFC)	Large	Chemicals	Pakistan
Fucac	SME	Financial Services	Uruguay
Fuji Xerox Malaysia	Large	Technology Hardware	Malaysia
Fundación Saldarriaga Concha (Saldarriaga Concha Foundation)	SME	Non-Profit/Services	Colombia
Fundación Universitaria del Área Andina	Large	Universities	Colombia
Fundación Xochitla	SME	Non-Profit/Services	Mexico
FUNDOWN CARIBE	SME	Non-Profit/Services	Colombia
Gas Natural Fenosa Argentina	MNE	Energy	Argentina
Gas Natural Fenosa Panama	MNE	Energy	Panama
Grupo Bancolombia	MNE	Financial Services	Colombia
Grupo Bimbo	MNE	Food and Beverage Products	Mexico
Grupo Financiero Galicia	Large	Financial Services	Argentina
Harmony Gold Mining Company	MNE	Mining	South Africa
Haug S.A.	MNE	Construction	Peru
Hindustan Zinc Limited	Large	Mining	India
Imbalie Beauty	SME	Retailers	South Africa
Indorama Ventures Public Company Limited	MNE	Chemicals	Thailand
Innskor Africa Limited	SME	Non-Profit/Services	Zimbabwe
inpEV (Instituto Nacional de Processamento de Embalagens Vazias)	SME	Agriculture	Brazil
ISA	MNE	Energy	Colombia
ISA Holdings	SME	Computers	South Africa
Isagen	Large	Energy Utilities	Colombia
JSC National Company KazMunayGas	Large	Other	Kazakhstan
Kimberly-Clark Argentina	MNE	Household and Personal Products	Argentina
Krishna Autocomp	Large	Automotive	India
Kumba Iron Ore	Large	Mining	South Africa
La Rural	SME	Other	Argentina
Liberty Group	Large	Financial Services	South Africa
Light	Large	Energy Utilities	Brazil
Little Eden Society	SME	Non-Profit / Services	South Africa
LUX* Resorts & Hotels	MNE	Tourism/Leisure	Mauritius
Mac Steel Pvt Ltd	SME	Automotive	India
MACISA	SME	Logistics	Peru
Mall Aventura Plaza	SME	Retailers	Peru
Managem	Large	Mining	Morocco

Name	Size	Sector	Country
MAURITIUS INSTITUTE OF DIRECTORS	SME	Non-Profit/Services	Mauritius
Mediclinic International Limited	MNE	Healthcare Services	South Africa
Metadesign (I) Pvt Ltd.	SME	Commercial Services	India
Mutual Trust Bank Ltd.	Large	Financial Services	Bangladesh
Nandan Group	SME	Other	India
OCP Group	Large	Mining	Morocco
ODL – Oleoducto de los Llanos Orientales S.A	SME	Other	Colombia
Plastek do Brasil	SME	Other	Brazil
Prime Bank Limited	Large	Financial Services	Bangladesh
PRONACA	Large	Food and Beverage Products	Ecuador
PT Kaltim Prima Coal	Large	Mining	Indonesia
PT Sewatoilet Indonesia	SME	Waste Management	Indonesia
PT. Clarisense Digital Media	SME	Technology Hardware	Indonesia
PTT Global Chemical Public Company Limited	Large	Chemicals	Thailand
Publivo	SME	Textiles and Apparel	Peru
Ratchaburi Electricity Generating Holding Public Company Limited	Large	Energy Utilities	Thailand
Richards Bay Minerals	Large	Mining	South Africa
Safaricom Limited	Large	Telecommunications	Kenya
Salmones Camanchaca	MNE	Food and Beverage Products	Chile
Santander – Mexico	Large	Financial Services	Mexico
Security Bank	Large	Financial Services	Philippines
Seven Energy Nigeria	Large	Energy	Nigeria
Shanghai Lujiazui Finance & Trade Zone Development	Large	Real Estate	Mainland China
SM INVESTMENTS CORPORATION	Large	Conglomerates	Philippines
Socya	Large	Non-Profit/Services	Colombia
Telefonica Colombia	Large	Telecommunications	Colombia
Terra Mauricia Ltd	Large	Conglomerates	Mauritius
Tradehold	SME	Conglomerates	South Africa
Trematon Capital	SME	Financial Services	South Africa
Value Group	Large	Logistics	South Africa
Vodafone Turkey	MNE	Telecommunications	Turkey
Votorantim Cimentos	MNE	Construction Materials	Brazil
Wesizwe Platinum	Large	Mining	South Africa
WILDERNESS HOLDINGS LIMITED	SME	Tourism/Leisure	Botswana
Yapi Kredi	MNE	Financial Services	Turkey
Zarcam SA	SME	Logistics	Argentina
Zhejiang China Commodities City Group Co Ltd	MNE	Construction	Mainland China
Zona Franca Bogotá	SME	Other	Colombia



## Annex 2: Disclosures most frequently used to report on poverty

These are the seven GRI disclosures that were most frequently used by the companies in the research sample to communicate their efforts towards poverty alleviation. To access the full GRI Sustainability Reporting Standards, please visit the official Standards website.<sup>54</sup>

### Disclosure 413-I Operations with local community engagement, impact assessments, and development programs

The reporting organization shall report the following information:

- a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:
  - i. social impact assessments, including gender impact assessments, based on participatory processes;
  - ii. environmental impact assessments and ongoing monitoring;
  - iii. public disclosure of results of environmental and social impact assessments;
  - iv. local community development programs based on local communities' needs;
  - v. stakeholder engagement plans based on stakeholder mapping;
  - vi. broad based local community consultation committees and processes that include vulnerable groups;
  - vii. works councils, occupational health and safety committees and other worker representation bodies to deal with impacts;
  - viii. formal local community grievance processes.

### Disclosure 203-2 Significant indirect economic impacts

The reporting organization shall report the following information:

- a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.
- b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.

### Disclosure 203-I Infrastructure investments and services supported

The reporting organization shall report the following information:

- a. Extent of development of significant infrastructure investments and services supported.
- b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant.
- c. Whether these investments and services are commercial, in-kind, or pro bono engagements.

<sup>54</sup> [www.globalreporting.org/standards/](http://www.globalreporting.org/standards/)

**Disclosure 102-I2 External initiatives**

The reporting organization shall report the following information:

- a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.

**Disclosure 201-I Direct economic value generated and distributed**

The reporting organization shall report the following information:

- a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:
  - i. Direct economic value generated: revenues;
  - ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;
  - iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'.
- b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.

**G4-FS14 Initiatives to improve access to financial services for disadvantaged people**

Compilation

2.1 Identify any initiatives implemented specifically to remove barriers. This may include examples such as:

- Providing product information in Braille;
- Making facilities wheelchair accessible e.g. lowering ATM and counter heights;
- Special web protocols e.g. as suggested by the Web Accessibility Initiative;
- Telephone services for customers with hearing disabilities; and
- Multi-lingual product materials and staff.

Initiatives should be those that are implemented systematically across the institution or across a significant portion of its operations.

2.2 Gather data on progress against initiatives (e.g. % of ATMs that have been converted etc.).

2.3 Report the list of initiatives to make facilities and services accessible to disadvantaged peoples. For each initiative indicate:

- The target disadvantaged group;

The degree to which it is applied across the institution (e.g., all locations vs. only one region, all products vs. only retail banking, etc.); and progress made against the initiative (e.g. % of ATMs that have been converted etc.).

## Annex 3: Full list of GRI disclosures used

Below is a full overview of all the disclosures by companies in the sample to communicate on poverty, as well as the percentage of cases in which the disclosure was used.

GRI Standards disclosure number and title
Does not use a GRI disclosure
GRI 413-1 Operations with local community engagement, impact assessments, and development programs
GRI 203-2 Significant indirect economic impacts
GRI 203-1 Infrastructure investments and services supported
GRI 102-12 External initiatives
GRI 201-1 Direct economic value generated and distributed
G4-FS14 Initiatives to improve access to financial services for disadvantaged people
GRI 413-2 Operations with significant actual and potential negative impacts on local communities
GRI 102-14 Statement from senior decision-maker
GRI 306-2 Waste by type and disposal method
GRI 103 Management Approach (Local Communities)
GRI 103 Management Approach (Indirect Economic Impacts)
GRI 102-8 Information on employees and other workers
GRI 102-9 Supply chain
GRI 103-1 Explanation of the material topic and its Boundary (In G4 G4-20 and G4-21)
GRI 102-16 Values, principles, standards, and norms of behavior
GRI 201-2 Financial implications and other risks and opportunities due to climate change
GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage
GRI 102-15 Key impacts, risks, and opportunities
GRI 102-42 Identifying and selecting stakeholders
GRI 102-6 Markets served
G4-FS13 Access points in low-populated or economically disadvantaged areas by type
GRI 414-2 Negative social impacts in the supply chain and actions taken
GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees
GRI 102-11 Precautionary Principle or approach
GRI 102-13 Membership of associations
GRI 102-47 List of material topics
GRI 102-40 List of stakeholder groups
GRI 102-43 Approach to stakeholder engagement
GRI 102-44 Key topics and concerns raised
GRI 102-7 Scale of the organization
GRI 103 Management Approach (Economic Performance)
GRI 204-1 Proportion of spending on local suppliers
GRI 412-1 Operations that have been subject to human rights reviews or impact assessments
GRI 414-1 New suppliers that were screened using social criteria

## GRI Standards disclosure number and title

GRI 102-2 Activities, brands, products, and services

GRI 103 Management Approach (In G4 Grievance Mechanisms for Impacts on Society)

GRI 103 Management Approach (Public Policy)

GRI 103 Management Approach (Water)

GRI 304-3 Habitats protected or restored

GRI 303-2 Water sources significantly affected by withdrawal of water

GRI 414-2 Negative social impacts in the supply chain and actions taken

GRI 408-1 Operations and suppliers at significant risk for incidents of child labor

GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

GRI 404-1 Average hours of training per year per employee

GRI 414-2 Negative social impacts in the supply chain and actions taken

GRI 103-2 The management approach and its components

GRI 415-1 Political contributions

OG9 Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place

GRI 102-41 Collective bargaining agreements

GRI 102-10 Significant changes to the organization and its supply chain

GRI 102-45 Entities included in the consolidated financial statements

GRI 102-46 Defining report content and topic Boundaries

GRI 102-1 Name of the organization

GRI 102-53 Contact point for questions regarding the report

GRI 102-18 Governance structure

GRI 102-4 Location of operations

GRI 102-5 Ownership and legal form

GRI 103 Management Approach (Supplier Social Assessment)

GRI 103 Management Approach (Employment)

GRI 103 Management Approach (Indigenous Rights)

GRI 103 Management Approach (Market Presence)

GRI 103 Management Approach (Occupational Health and Safety)

GRI 103 Management Approach (In G4 Product and Service Labeling)

GRI 103 Management Approach (Training and Education)

GRI 201-4 Financial assistance received from government

G4-EN27 (Discontinued)

GRI 308-2 Negative environmental impacts in the supply chain and actions taken

G4-FS15 (now G4-DMA Product Responsibility)

G4-FS4 (now G4-DMA Product Portfolio)

G4-FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose

GRI 414-1 New suppliers that were screened using social criteria

GRI Standards disclosure number and title
<b>GRI 412-2</b> Employee training on human rights policies or procedures
<b>GRI 409-I</b> Operations and suppliers at significant risk for incidents of forced or compulsory labor
<b>GRI 411-I</b> Incidents of violations involving rights of indigenous peoples
<b>GRI 401-I</b> New employee hires and employee turnover
<b>GRI 404-2</b> Programs for upgrading employee skills and transition assistance programs
<b>GRI 405-2</b> Ratio of basic salary and remuneration of women to men
<b>GRI 103</b> Management Approach (In G4 G4-LA16)
<b>GRI 402-I</b> Minimum notice periods regarding operational changes
<b>GRI 403-3</b> Workers with high incidence or high risk of diseases related to their occupation
<b>GRI 416-I</b> Assessment of the health and safety impacts of product and service categories
<b>GRI 416-2</b> Incidents of non-compliance concerning the health and safety impacts of products and services
<b>GRI 419-I</b> Non-compliance with laws and regulations in the social and economic area
<b>NGO8</b> Sources of funding by category and five largest donors and monetary value of their contribution
<b>OGI0</b> Number and description of significant disputes with local communities and indigenous peoples
<b>OGI1</b> Number of sites that have been decommissioned and sites that are in the process of being decommissioned
<b>OGI2</b> Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process
<b>OGI4</b> Volume of biofuels produced and purchased meeting sustainability criteria

## Annex 4: List of abbreviations

B2B	Business-to-Business
B-BBEE	Broad-Based Black Economic Empowerment
DAC	Development Assistance Committee
DFID	Department for International Development
EVG&D	Economic value generated and distributed
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
MNE	Multinational Enterprise
ODI	Overseas Development Institute
PPP	Public-private partnership
SDG	Sustainable Development Goals
Sida	Swedish International Development Cooperation Agency
SME	Small and medium-sized enterprise
UNDP	United Nations Development Programme
UNGC	United Nations Global Compact

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