Highlights from Meeting on The Role of Business in Inclusive Growth and People's Well-Being – Developing Effective Measurement Tools

14:30-16:00, OECD, 30 June 2017 – Global Forum on Responsible Business Conduct

On Friday, 30.6.2017, as part of the Global Forum on Responsible Business Conduct held at the OECD, a side meeting on "The Role of Business in Inclusive Growth and People's Well-Being – Developing Effective Measurement Tools" was held, inviting business leaders, thinkers and activists to convene and discuss the way forward for promoting Inclusive Growth in the business sector, and how to measure the impacts of the business sector on people's well-being. The meeting was attended by some 60 participants, with a wide representation of business sector, civil society and academia.

Ms Romina Boarini, Senior Advisor to the OECD Secretary General and Coordinator of the Inclusive Growth Initiative, opened the meeting by setting the stage. The OECD is concerned with better policies for better lives, and central to this is the concept of Inclusive Growth – economic growth should be an instrument to improve people's well-being, and not a goal in itself. Based on that, what is the contribution of the business sector to Inclusive Growth and how can this contribution be measured? How can the business sector become an active partner in this agenda?

OECD Director of Statistics and Chief Statistician Martine Durand presented the OECD's work on measuring well-being at the national level, the framework developed and experience gained through national and international experience. The benefits for businesses in measuring their impacts on well-being were also addressed by Ms. Durand, who highlighted that this demonstrates business's responsible conduct, improves identification of strategic risks and opportunities, builds reputation and sustainable relationships with stakeholders and provides a valuable perspective for business managers, since "we cannot manage what we cannot measure well".

Ms. Durand also presented the progress in the OECD's work on measuring business impacts on well-being. The OECD has started with a stocktake of existing frameworks and analysis, with preliminary results highlighting the considerable multitude of frameworks in this field, the lack of common measurement frameworks or indicators, the focus on input and process indicators, lack of transparency and independence, and varying range and scope of measurement. The OECD has also issued a Call for Papers, together with HEC/Paris, to encourage further research and knowledge on these issues which will be actionable and pragmatic. An Expert Group is being set up to advise on this issue and support its progress, and there will be a dedicated session on this project at the 6th OECD World Forum on Knowledge, Statistics and Policy which will take place in Korea in November 2018. In addition, a Friends of Inclusive Growth seminar on business and inclusive growth will take place in December 2017.

Ms. Boarini invited the Panel to respond to the presentation and contribute to the conversation from their own perspective and experience.

George Blanc, Professor Emeritus, *HEC*

In the last 20-25 years, research in this area has grown significantly, but despite this, knowledge on quantifying the impacts of businesses is sparse. This needs to be improved, and the OECD's work on this is welcome.

Understanding Wellbeing is important for businesses, not just to manage risk but also to foresee future trends in legislation and regulation, and align strategies with national and global priorities.

There is a transition from a shareholder approach focused on maximising short term profits, to a stakeholder approach, which broadens the discussions businesses and boards are having to their suppliers, clients, and wider communities, and has introduced new key performance indicators (KPIs) into discussion and operation.

We are lacking in research on how decisions relating to wellbeing affect financial results and a methodology for checking this. Training should be developed for managers and board members, and especially tools for decision-making when KPIs are contradictory.

Georgina Grenon, Global Specialist on 100% Renewable Energy Sources, ENGIE

Although energy is responsible for two thirds of carbon emissions, access to energy is necessary for generating growth and progress. In the power sector, renewables offer a unique opportunity for both access to energy and responsibility for climate change. The solutions are creating Inclusive Growth and promoting Well-being.

ENGIE has set a target of 90% of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to originate in low carbon activities by 2020. This target led to selling profitable assets because of their level of emissions, anticipating these assets will become liabilities in the future, as climate change policies start to take effect. This requires a board which supports long-term strategies at the expense of short term profits.

What can be done to promote inclusiveness and measure impacts? Compliance and regulation can be powerful tools in moving these issues forward. As an example, the compulsory requirement for companies to report on climate risk in France (article 173 of the Energy Transitions law) created mobilisation of finance to sustainable businesses.

Neil Barrett, Group VP Sustainable Development, *Sodexo*

Sodexo's mission, as formulated by its founder in 1966, has always been to promote wellbeing of employees and consumers, as well as the environmental and social circumstances in the regions where they operate. The recently unveiled "Better Tomorrow 2025" plan focuses even more on metrics and performance throughout the business's 80 countries, 33,000 sites and 425,000 workers. This agenda is also recognised by employees throughout the business – an employee engagement survey conducted in 2014 found the highest rated response was for the belief that Sodexo is environmentally and socially responsible company.

Experience within Sodexo has shown that setting ambitious targets helps in pursuing and achieving progress.

Ana Novik, Head of Investment Division, *OECD*

The OECD's work on Responsible Business Conduct (RBC) started 40 years ago with the OECD Declaration on International Investment and Multinational Enterprises, with the intent of helping businesses access new markets in a responsible way. In the 40 years since that Declaration, many things have changed and the review of the OECD MNE Guideline in 2011 allowed us to update the instrument. Two important aspects were included: i) MNEs need to behave responsibly not only when they invest abroad but also when they invest in their own countries and ii) they need to behave responsibly not only in their direct operations but also in their operations in the supply chain.
In the last years we have developed due diligence guidance with stakeholders to help business in implementation of due diligence.

The work with business has been focused more in helping to identify risks and potential negative impacts (due diligence). This process implies ex-ante measuring of impacts and if business takes this seriously, potential negative impacts can be transformed into positive impacts for society where they operate.
The mere implementation of the RBC standards and the due diligence will have a positive impact on the well-being of people. If business operates according to these standards, the positive impact will be done.

In "ensuring standards are met" the government has a role to play at different levels, among others: i) policy climate for enabling RBC and attraction of sustainable investment; ii) incentives (guarantees, export credit); iii) including responsible business conduct in their Free Trade Agreements and/or in national regulations.

Ms. Boarini invited participants to present questions or comments to add to the discussion. Speakers from various organisations, including businesses, investors, governments and academia took part and raised several issues, such as:

- How does a board of directors decide which issues are considered 'material' to the business? What is the incentive of the board to look beyond profit maximizing?
- International Standards on reporting should also be considered, such as the ISO 26000 on Social responsibility.
- The activity of Pakistan's Centre of Excellence in Responsible Business (CERB) on promoting change from maximising shareholder value to long term development was mentioned. The centre works on inclusive and sustainable development in businesses, such as its focus on gender equality in the workplace.
- The importance of involving all stakeholders in the conversation on improving people's well-being, including businesses, governments and civil society, was reinforced.