

## NSF 391.1 Governance (Economic) Task Group Table of Contents

### Economic Categories

The **economic** dimension of sustainability reporting concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national and global levels. GRI's Economic indicators illustrate:

- Flow of capital among different stakeholders; and
- Main economic impacts of the organization throughout society

**Comment [A1]:** As we have retitled from Economic to Governance, we need to rethink our foundational definition and sources. See suggested change.

GRI names three categories:

1. Economic
2. Market
3. Indirect

### Updated Working Definition (suggested by Bayard)

**Corporate Governance** Corporate Governance can be defined as a system which controls and manages company activities. This system is made up of the policies, processes and people, which are necessary in order to meet the expectations of the company's ~~shareholders and other relevant~~ stakeholders with integrity, respect, transparency and in a responsible manner. There have been many individuals who have contributed towards explaining and providing training in Corporate Governance. However, it is particularly important to highlight the contribution of Sir Adrian Cadbury, who was responsible for the much publicised "Cadbury Report", which states that "corporate governance is concerned with achieving a balance between social and economic objectives, and between the objectives of individuals and the company. The corporate governance matrix exists to encourage the efficient use of resources and also to ensure that someone is held to account for the way in which these resources are used. The goal is to align as closely as possible the interests of individuals, corporations and society". (Sir Adrian Cadbury, 'Global Corporate Governance Forum', World Bank, 2000)

**Comment [LH2]:** No. Shareholders are not stakeholders within the context of this standard.

**Comment [LH3]:** Where "economic" objectives are not the financial or profitability objectives of the organization, rather the economic considerations of non-financial stakeholders and labor.

**Comment [LH4]:** Not sure Cadbury's definition here is enough on-point that I would include it by reference in this standard.

PSSR members suggest NSF follows industry practice and uses the ESG nomenclature.

The following taxonomy comes from GRI, SPLC & GSA audit of all major standards' organizations.

	Grouping	Indicators (Previous Description)	NSF 391.1 Crosswalk Criteria	SPLC Enviro/ Social Hotspot	Source	NSF 391.1 Criteria Hotspots Crosswalk Reference	Pre-req/Points <i>Review small organization definitions</i>
1	Philanthropy	Dollars invested by the company (actual or % basis)	N/A	N/A	N/A	N/A	<b>Pre-req</b> – Will have a pre-tax % <b>Points:</b> Will have an impact statement. Keep \$ amount as points.  ( Note: consider a threshold for various organization size)
2	<b>Community Investment</b>  <b>(Economic/Co mmunity financial investment)</b>	Invest 1% of more of net income Or, X% of billable hours	The service provider shall receive 1 point for investing financially in the community the equivalent of 1% or more of its net income calculated annually in accordance with generally accepted accounting principles. The financial investment shall be in the community where any of its services are provided or where its operational facilities are located. The service provider shall provide whether this was through human resource, monetary, in-kind product, or	Communit y	NSF 391 8.1	Row 142	<b>PRE-REQ</b> Should we have \$ and in-kind work

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			other method. The service provider shall receive 1 point for quantifying impacts (i.e., external sustainability benefits) from investment as above.				
3	Community Investment	Quantify impacts from Community Investment  List categories of investment: -education -food and nutrition -housing -access to justice	See above				Points
4	R&D/Innovation investment  (Economic /R&D)	\$ or % or growth in investments leading to sustainability innovation	The service provider shall receive x point(s) for documenting an annual investment in continual improvement in service research and development activities that results in a quantifiable outcome such as new innovative service provision, use of new technology, efficiency in processes, training and education, etc.	None	NSF 391 8.3	Row 145	Points (review NAIC codes)
5	Management Incentives  (Management/ Governance)	% of bonus eligibility for sustainable results	<del>Do you provide</del> The service provider shall provide incentives for the management of its sustainability policies and commitments issues, including the attainment of targets? [monetary; recognition; other non-monetary].	None	CDP	Row 5	Points – Best Practice

6	<b>Reporting &amp; Transparency</b>	Verified/audited reports IR (Types of reports will be specified)	The organization shall issue a publically available report detailing its sustainability commitments (CDP, GRI, SASB)	N/A	N/A	N/A	Pre-Req
7	<b>Sustainability Investment Strategy</b>  (Economic/Sustainable Investments)	Divestiture policies & sustainable investment track record  (Metrics will be determined)	The service provider shall earn 1 point for developing and implementing a sustainable investment strategy or policy document for sustainable investments. The strategy should include: – Sustainable investment policy – Influencing corporate behavior through investment – Disclosure of investments – Investment Committee – Sustainable Investments – Others defined by the service provider The strategy document shall be reviewed on an annual basis.	None	NSF 391 8.7	Row 149	Delete
8	<b>Governance Management/ Strategy</b>	Supplier Codes of Conduct	Provide a statement from the most senior decision-maker of the organization (such CEO, chair or equivalent senior position) about the relevance of sustainability to the organization. <del>and the organization's strategy for addressing sustainability.</del> The statement should present the overall vision and strategy for the short term, medium term, and long term, particularly with regard to managing the significant economic,	None	GRI	Row 8	Pre-Req

**Comment [LH5]:** Is this “or” or “and”?  
These are two very different things.

			environmental and social impacts that the organization causes and contributes to, or the impacts that can be linked to its activities as a result of relationships with others (such as suppliers, people or organizations in local communities).				
9	Environmental /Supply Chain	Supplier Codes of Conduct	<p>a. Report the percentage of new suppliers that were screened using environmental criteria.</p> <p>b. % of purchases from MBE, WBE or green suppliers</p>	Supply Chain	GRI	Row-36	Move to env task group
10	Environmental /Supply Chain	Supplier Codes of Conduct	<p>a. Report the number of suppliers subject to environmental impact assessments.</p> <p>b. Report the number of suppliers identified as having significant actual and potential negative environmental impacts.</p> <p>c. Report the significant actual and potential negative environmental impacts identified in the supply chain.</p> <p>d. Report the percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment.</p> <p>e. Report the percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and</p>	Supply Chain	GRI	Row-37	Move to env task group

**Comment [LH7]:** Does this mean having conducted a materiality assessment first to decide which suppliers are “significant”? Is this what separates c. from b. just above? Do we need to have b., then?

**Comment [LH6]:** Re-think this section in light of next comment. Also, should there be inquiry not only about “negative” but “positive” impacts in the supply chain? There is a substantial amount of work to do in making this a realistic and meaningful set of provisions.

**Comment [LH8]:** What about improvements made? And how do you 1) measure/determine “actual and potential negative impacts”, and 2) base that on what set of established criteria?

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			why.				
11	Social/Labor/ Workforce	Supplier Codes of Conduct	a. Report the percentage of new suppliers that were screened using labor practices criteria.	None	GRI	Row 104	Social
12	Social/Supplier Assessment	Supplier Codes of Conduct	The applicant shall earn one point if it establishes a documented supplier assessment tool (which may be a self-assessment tool) containing social responsibility criteria for its suppliers at least commensurate with the social responsibility criteria contained within this 391.1 standard. At a minimum, the assessment tool shall contain criteria in the following categories: child labor; forced labor; health and safety; discrimination; discipline/harassment; working hours; compensation; corruption; bribery	None	E3	Row 128	social
13	Economic/Ven dor/Supplier Satisfaction	Supplier Codes of Conduct	The service provider shall receive on point for paying supplier/vendor contracts in accordance with agreed terms, excluding agreed penalty arrangements. Terms may include scheduling of payments, form of payments, and other conditions. This shall be documented over the previous 3 years.	None	NSF 391 8.4	Row 146	DELETE

**Comment [LH9]:** What criteria are those? Will we cite/incorporate by reference?

**Comment [LH10]:** Not necessarily. This is question for JC.

**Comment [LH11]:** Not necessary to state if we are requiring them to meet the set of criteria in our own 391.1 Social section.

**Comment [LH12]:** This is not “outward facing” since it involves non-consequential stakeholders (i.e., stakeholders in a voluntary business relationship with supplier).

14	<b>Governance (Social/Ethics and Integrity)</b>	Business Codes of Conduct & Ethics	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct <del>and codes of ethics.</del>	Ethics/Co mmunity/ workfoorc e/supplier diversity	GRI	Row 86	PRE-REQ
15	<b>Governance (Social/Ethics and Integrity)</b>	Ethics training \$ invested or \$ invested per person % of employees trained	The applicant shall earn one point if it adopts a publicly available documented policy (or policies) on social responsibility that, at minimum, addresses: - fair hiring practices - education for applicable employees in this subject area - corporate ethics - receipt of gifts - insider trading	Ethics/Co mmunity/ workforce	E3	Row 85	
16	<b>Governance (Social/Supplie r Code of Conduct</b>	Ethics	The applicant shall earn one additional point if it conforms to 8.7.2.1 and develops a Supplier Code of Conduct based on criteria from an <u>internationally recognized</u> social responsibility guideline or standard. At a minimum, the Code of Conduct shall <del>address</del> <u>include but not be limited</u> <u>to</u> the following criteria: child labor; forced labor; health and safety; discrimination; discipline- harassment; working hours; compensation; corruption; bribery The Code of Conduct shall be signed by suppliers comprising at least 75% of the applicants' total material spend which shall include its high-risk suppliers. This shall be measured using actual annual spend data for a consecutive 12-month	None	E3	Row 132	

**Comment [LH13]:** Define this. List  
examples of such criteria.

			time period within the previous 2 years.				
17	<b>Data privacy (Social/Ethical Business Practice</b>	<i>(Need to determine what is expected. Will having a policy suffice?)</i>	<p>The service provider shall earn 2 points for upholding ethical business practices based on the provisions referenced in 5.3.1.</p> <p>The service provider's chief executive or duly authorized official shall personally assure compliance under these rules, criteria and standards, and document and maintain a report on any findings or lapse under the applicable ethics rules, codes and criteria referred to above (See annex E, examples of Codes of professional ethics). At a minimum, a service provider shall maintain within their plan for conducting business, and faithfully and objectively carry out, ethics criteria which <del>address</del> <u>include but not be limited to</u> the following topic areas:</p> <ul style="list-style-type: none"> <li>– Fair business practices</li> <li>– Fair treatment of employees</li> <li>– Equal employment opportunity</li> <li>– Protection of employee, client and other stakeholder privacy information</li> <li>– Financial, environmental, and social performance</li> </ul>	Ethics, Workforce	NSF 391.1 7.2.1	Row 108	



18	<b>Data privacy (Social/Proprietary Information)</b>		The service provider shall have a policy and program that protects the personal, confidential and privacy-related information pertaining to its employees, community members and other stakeholders.	None	NSF 391 5.3	Row 137	
19	<b>Data Privacy (Social/Confidential Business Information)</b>		The service provider shall always protect the personal, confidential and privacy-related information pertaining to its employees, community members and other stakeholders with legitimate expectations or legal rights to the protection of such information, and incorporate this principle within the documented procedures and actions maintained in relation to its sustainability efforts.	None	NSF 391 5.3.2A	Row 140	
20	<b>Carbon pricing (Environment/ GHG Reduction)</b>		The service provider shall earn 1 point for setting a greenhouse gas reduction goal and shall earn an additional 1 point for achieving its greenhouse gas reduction goal relative to its 6.5.1 GHG baseline Inventory. These reductions shall be based on an activity measurement (e.g., emissions per FTE) or financial measurement (e.g., emissions per profit dollars). The service provider shall use their boundary defined in 6.5.1 calculated over a minimum of 1 year up to a maximum of a 3 year period.	GHG	NSF 6.5.4	Row 57	
22	<b>Carbon Pricing (Environment/</b>		As an alternative to earning an additional 1 point for achieving its greenhouse gas reduction goal, a	GHG	NSF 6.5.4	Row 58	

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	<b>GHG Reduction)</b>		service provider shall earn an additional 1 point for purchasing quality carbon offsets equivalent to 50% or more of their estimated or documented inventory amount of scope 1 and 2 greenhouse gas emissions. This alternative is available only to businesses in the facilities where they do not have operational control of scope 1 and 2 emissions (e.g., leased building with shared energy metering).				
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**Comment [LH14]:** Clients are not ‘Consequential’ stakeholders, since they have chosen to engage the services of the organization, and have their own well-defined set of requirements and measures for acceptable performance. To a large extent, this standard is directed to clients (aka “purchasers”) as the audience taking the information derived through the standard and making informed purchasing decisions based on sustainability principles. To that extent, they are stakeholders, but not the kind I think is envisioned here. Clients are outside the picture looking in – not a part of the picture.

**Comment [LH15]:** Business partners, like clients/purchasers, are not consequential stakeholders since they have chosen to engage in business with the service provider organization. The role supply chain partners play is one in which their activities/operations are added in and therefore magnify the sustainability impact of the service provider organization. The duty they owe the service provider is to minimize the organization’s risk/sustainability footprint. The dynamic does not go the other way around such that the service provider organization would have a sustainability duty to the supplier/business partner for purposes of this standard.

**Comment [LH16]:** Investors have an interest in the performance of the service provider organization, but not from the perspective of whether or not to purchase from them. Investors are interested primarily in the financial performance of the organization, and whether there might be any sustainability aspects which might present a risk to the organization such that it might represent poor investment potential.

Stakeholder Group	Definitely include	Need to Discuss	Definitely do not include
Internal employees	Yes – H.L.		
Clients			No-H.L.
Supply chain partners			No-H.L.
Investors			No-H.L.
Communities within the locale where the firm does business	Yes – H.L.		
Communities where the firm makes an impact	Yes – H.L.		

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<b>Sustainability Governance Organizations</b>			
<b>Regulatory Agencies</b>			
<b>Other – please fill in</b>			

### Stakeholders

**If you can suggest individuals or organizations (particularly from labor, NGO or communities) that we can approach for comment, please share contact information here:**

#### **NEXT STEPS:**

1. Discuss Stakeholders section
2. Discussion on Points and Prerequisites
3. Aleen and Christina will meet to discuss SPLC
4. Outreach for more industry – Kianda and Christina

#### **Tabled/Parking Lot Issues:**

1. GRI definition of economic. Focus on outward or inward (from meeting on 6/23)
2. Philanthropy (from meeting on 6/23)
3. Reporting & Transparency (from meeting on 6/23)

## **Example of BIFMA e3 2014e- Supplier Code of Conduct:**

### **8.7 Supply chain**

Through the use of internationally recognized social responsibility criteria, the organization shall encourage continuous improvement in the supply chain relative to sustainable business criteria, and particularly to social responsibility. By fulfilling the following criteria, the applicant may earn up to four points, as detailed below.

#### **8.7.1 Basic Level**

The applicant shall earn one point if it establishes a documented supplier assessment tool (which may be a self-assessment tool) containing social responsibility criteria for its suppliers. At a minimum, the assessment tool shall contain criteria in the following categories:

- Child labor
- Forced labor
- Health and safety
- Discrimination
- Discipline/harassment
- Working hours
- Compensation
- Corruption
- Bribery

#### **8.7.2 Advanced Level**

##### **8.7.2.1 Implementation of Supplier Self-Assessment Tool**

The applicant shall earn two additional points if it conforms to 8.7.1 and provides completed responses to the assessment tool from suppliers comprising at least 75% of its total direct material spend for all products, measured using actual annual spend data for a consecutive 12-month time period within the previous 2 years.

For suppliers that are part of the “75% of total direct material spend” that act as brokers, distributors, inventory management providers, etc. and do not manufacture and/or assemble the components/products purchased by the organization, the assessment tool responses shall be obtained from their suppliers who do manufacture and/or assemble the components/products.

##### **8.7.2.2 Supplier Code of Conduct**

The applicant shall earn one additional point if it conforms to 8.7.2.1 and develops a Supplier Code of Conduct based on criteria from an internationally recognized social responsibility guideline or standard. At a minimum, the Code of Conduct shall address the following criteria:

- Child labor

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- Forced labor
- Health and safety
- Discrimination
- Discipline/harassment
- Working hours
- Compensation
- Corruption
- Bribery

The Code of Conduct shall be signed by suppliers comprising at least 75% of the applicants' total material spend which shall include its high-risk suppliers. This shall be measured using actual annual spend data for a consecutive 12-month time period within the previous 2 years.

NOTE: The applicant who qualifies for one additional point in this section (8.7.2.2) automatically has earned the two points in 8.7.2.1 and the one point in 8.7.1.

NOTE: High-risk suppliers within the applicants' supply chain should be determined by evaluating relative risk using, but not limited to, the following criteria:

- Country of manufacture (final assembly, at a minimum)
- Industry type
- Annual spend