Community-Related Voluntary Standards

Alan S. Gutterman

_____

Businesses have long been called upon to comply with a range of formal laws and regulations in various areas related to sustainability-related responsibilities including laws and regulations pertaining to the environmental impact of their operations, the employment relationship, working conditions and health and safety standards. However, apart from satisfying the requirements of local governments with respect to permits and licenses necessary for engaging in certain activities in the community, businesses generally are not heavily constrained by legal guidelines with respect to their community involvement and development activities. This is an area in which voluntary standards have played an important role in providing business with ideas for objectives for their community involvement. Although voluntary standards focusing specifically on the relationship of businesses and the communities in which they operate are still evolving, lessons can be drawn from many widely recognized normative frameworks, principles and guidelines such as the United Nations Sustainable Development Goals, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights and the Future-Fit Business Framework. Specialized standards can be used as reference points for support of sustainability-related initiatives in local communities, such as requiring that recipients of grants and other investments for sustainable sourcing and agricultural activities adhere to the guidance developed by the Sustainable Agriculture Initiative Platform. Additional guidance comes from guidelines established for companies engaged in extractive activities where the potential for adverse impact on local communities is especially high (e.g., Equitable Origin). The ISO 26000 Guidance on Social Responsibility includes community involvement and development among its core subjects and businesses and other organizations will also be impacted by relevant standards on their key stakeholders, particularly investors, that require attention to responsible actions toward local communities (e.g., Principles for Responsible Investment and IFC Performance Standards on Environmental and Social Sustainability) Impacts on local communities are also required by various voluntary sustainability reporting frameworks.

_____

Businesses have long been called upon to comply with a range of formal laws and regulations in various areas related to sustainability-related responsibilities including laws and regulations pertaining to the environmental impact of their operations, the employment relationship, working conditions and health and safety standards. However, apart from satisfying the requirements of local governments with respect to permits and licenses necessary for engaging in certain activities in the community, businesses generally are not heavily constrained by legal guidelines with respect to their community

involvement and development activities. This is an area in which voluntary standards have played an important role in providing business with ideas for objectives for their community involvement.

Since the late 1990s there has been a proliferation of transnational, voluntary standards for what constitutes responsible corporate action (often referred to as corporate social responsibility or "CSR"), including standards have been developed by states; public/private partnerships; multi-stakeholder negotiation processes; industries and companies; institutional investors; functional groups such as accountancy firms and social assurance consulting groups; NGOs; and non-financial ratings agencies.[1] While voluntary standards focusing specifically on the relationship of businesses and the communities in which they operate are still evolving, lessons can be drawn from many widely recognized normative frameworks, principles and guidelines such as the United Nations Sustainable Development Goals, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Future-Fit Business Framework and the ISO 26000 Guidance on Social Responsibility.[2] Specialized standards can be used as reference points for support of sustainability-related initiatives in local communities, such as requiring that recipients of grants and other investments for sustainable sourcing and agricultural activities adhere to the guidance developed by the Sustainable Agriculture Initiative Platform (http://www.saiplatform.org/). Another point of reference for businesses with respect to identifying appropriate community-related engagement and investment projects are the emerging frameworks created for local governmental and community leaders to assist them in assessing the level of sustainability in their communities (e.g., the STAR Community Rating System and ISO 37101, both of which are described below).

Additional guidance comes from guidelines established for companies engaged in extractive activities where the potential for adverse impact on local communities is especially high.[3] For example, Equitable Origin (https://www.equitableorigin.org/) is an

---

[1] C. Williams, "Corporate Social Responsibility and Corporate Governance" in J. Gordon and G. Ringe (Eds.), Oxford Handbook of Corporate Law and Governance (Oxford: Oxford University Press, 2016), 7, available at http://digitalcommons.osgoode.yorku.ca/scholarly_works/1784.

[2] Id. at 8-9. The Global Reporting Initiative, which is discussed in more detail below, has noted that local communities have individual and collective rights deriving from, among others, international declarations and conventions such as the United Nations Declaration, "Universal Declaration of Human Rights" (1948); United Nations Convention, "International Covenant on Civil and Political Rights" (1966); United Nations Convention, "International Covenant on Economic, Social, and Cultural Rights" (1966); and United Nations Declaration, "Declaration on the Right to Development" (1986). See GRI 203: Indirect Economic Impacts 2016 (Amsterdam: Global Sustainability Standards Board, 2016), 6 See also the appendices to P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), which includes a list of national corporate social responsibility guidance and suggestions for further reading.

[3] See, for example, the Voluntary Principles on Security and Human Rights (http://www.voluntaryprinciples.org/), which are the only human rights guidelines designed specifically for extractive sector companies, and the ten principles developed by the International Council on Mining and Metals that serve as a best-practice framework for sustainable development in the mining and metals industry (http://www.icmm.com/en-gb/about-us/icmm-10-principles).

independent nonprofit organization dedicated to promoting socially and environmentally responsible energy development. Equitable Origin claims to be the world´s first stakeholder-led, independent, voluntary standards system designed to enable high social and environmental performance, transparency and accountability in energy development. Equitable Origin has developed EO100 Standards for Responsibility Energy, Conventional Onshore Oil and Gas and Shale Oil and Gas Operations, each of which are based on six basic principles addressing corporate governance, accountability and ethics; human rights, social impacts and community development; fair labor and working conditions; indigenous peoples' rights; climate change, biodiversity and environment; and project life cycle management. The Equitable Origin website contains references to technical information, tools, guidelines and best practices for topics covered by each of the principles including engagement and participation, resettlement, grievance mechanisms, community health, community investment and cultural impacts.[4]

In addition to the direct influence of the various standards and guidelines discussed below, businesses and other organizations will also be impacted by relevant standards on their key stakeholders, particularly investors. For example, large institutional investors around the world have been moving quickly to embrace "responsible investment", a concept that has been defined in the Principles for Responsible Investment (www.unpri.org) as an approach to investing that aims to incorporate environmental, social and governance ("ESG") factors into investment decisions, to better manage risk and generate sustainable, long-term returns.[5] Not surprisingly, one of the social factors is local communities, including indigenous communities, and businesses with investors that are signatories to the Principles can expect that those investors will take their community involvement activities into account in making investment decisions and require appropriate disclosures regarding their impact on the development and wellbeing of the local communities in which they operate. Investments from the International Finance

---

[4] With respect to the impact of investments by businesses on indigenous peoples in the communities in which the businesses operate see also the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"), which was adopted, following over two decades of deliberation and debate, by a majority of the states in the UN General Assembly in September 2007 (Australia, Canada, New Zealand and the United States were the four states that opposed the UNDRIP at that time; however, all four of them have since reversed the opposition, with the United States being the last to do so in December 2010). The UNDRIP is lengthy; however, the goal was to identify, describe and affirm certain rights believed to be essential for preserve indigenous peoples' identity: the right to live in dignity and maintain and strengthen their own institutions, cultures and traditions; the right to self-determination with respect to their economic, social and cultural development in keeping with their own needs and aspirations; the right to participate in decision-making; the right to lands, territories and resources; and the right to culture. The UNDRIP also lays out the concept of "free, prior and informed consent", which calls on states to consult with indigenous peoples on legislative and administrative measures affecting them, such as forced relocation, culture, intellectual property, lands, territories and resources, as well as development planning within the state, with a view to obtaining indigenous peoples' free, prior and informed consent.

[5] The Principles for Responsible Investment (www.unpri.org) calls itself the world's leading proponent of responsible investment and works to understand the investment implications of environmental, social and governance factors and to support its international network of investor signatories in integrating these factors into their investment and ownership decisions. The PRI is a non-profit organization that engages with global policy makers but is not associated with any government; it is supported by, but not part of, the United Nations.

Corporation ("IFC") also come with requirements that client adhere to the IFC's Performance Standards on Environmental and Social Sustainability which include requirements relating to assessment and management of environmental and social risks and impacts in local communities; community health, safety and security; indigenous peoples and cultural heritage.[6]

Businesses are also being pushed to demonstrate transparency with respect to their relationships with the members of their local communities through the emergence of international management and sustainability reporting standards. Until recently sustainability reporting has been largely voluntary; however, a 2016 report compiled by KPMG, GRI, UNEP and the Centre for Corporate Governance in Africa noted that governments around the world had introduced a number of mandatory sustainability reporting instruments and that as a result of the level of activity in reporting on ESG topics over 80% of the world's top economies by GDP in 2016 mandated ESG reporting in some form.[7] While the public securities markets in the US remain the largest and deepest in the world, there is clearly competition from other markets that are achieving extremely high levels of growth including capital markets in the Eurozone, the Asia-Pacific region and in emerging markets such as China and India, and securities exchanges and regulatory authorities in these jurisdictions have often shown global leadership in integrating corporate governance and CSR. In general, regulation has focused on disclosure rather than compliance with explicit standards relating to environmental and/or social actions. According to a report issued by the Hauser Center, as of 2015 23 countries had enacted legislation since 2000 to require companies to issue reports that included environmental and/or social information.[8] For example, companies incorporated in the United Kingdom that have listed securities (i.e., those with equity shares listed on LSE Main Market, EEA regulated, NYSE or NASDAQ) are expected to explain how they are managing issues such as environmental performance, human rights, social and community involvement and diversity. The Shanghai Stock Exchange and the Shenzhen Stock Exchange in China have each released guidelines on the social responsibilities of their listed companies that include taking an active part in community development and other public causes. In Mexico companies can be designated as a "Socially Responsible Enterprise" by the Mexican Philanthropy Centre if, among other things, they "promote a culture of responsible competitiveness that enables the success of the business while also contributing to the welfare of its community"

In the meantime, most of the larger global businesses have been preparing and releasing sustainability reports that follow the standards and guidelines of one of the widely-recognized sustainability reporting organizations such as the Global Reporting Initiative

---

[6] See International Finance Corporation Performance Standard 1 – Assessment and Management of Environmental and Social Risks and Impacts and IFC Performance Standard 4 – Community Health, Safety and Security.

[7] The 2016 "Carrots & Sticks" Report, https://assets.kpmg.com/ content/dam/kpmg/pdf/2016/05/ carrots-and-sticks-may-2016.pdf .

[8] See Initiative for Responsible Investment, Corporate Social Responsibility Disclosure Efforts by National Governments and Stock Exchanges (March 12, 2015), available at http://hausercenter.org/iri/wpcontent/uploads/2011/08/CR-3-12-15.pdf..

("GRI"), the International Integrated Reporting Council, the Sustainability Accounting Standards Board or the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. For example, the GRI calls on organizations to report on the direct economic impact of their activities on local communities, which are defined as a change in the productive potential of the economy that has an influence on the community's well-being and longer-term prospects for development; significant indirect economic impacts of the organization on local communities, including both positive and negative impacts; investments that organizations make in local infrastructure and services; and community engagement activities. Businesses can also gather ideas for community-related objectives from the LBG Framework (http://www.lbg-online.net/), which has been proposed as a global standard for measuring "corporate community investment" as opposed to a standard of conduct against which an organization's programs and actions in its community can be measured.[9]

United Nations Sustainable Development Goals

Many companies look to CSR initiatives of governmental or intergovernmental bodies as the foundation for creating their own CSR commitments. Instruments developed and promoted by the United Nations ("UN") and the other entities are widely-recognized as legitimate standards that have emerged from a careful process of deliberation and input from a wide range of stakeholders with substantial experience in identifying problems and assessing potential solutions. For example, the 17 Sustainable Development Goals ("SDGs") of the 2030 Agenda for Sustainable Development were adopted by world leaders in September 2015 and went into effect on January 1, 2016. It was intended that over the fifteen year period running through 2030 the SDGs, and their accompanying 169 targets, would be universally applied to all and that countries would mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind. The UN website for the SDGs explained:

> "The SDGs, also known as Global Goals, build on the success of the Millennium Development Goals (MDGs) and aim to go further to end all forms of poverty. The new Goals are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and addresses a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection."[10]

While the SDGs are not legally binding, it is intended that national governments will be expected to take ownership and establish national frameworks for the achievement of the 17 SDGs and that countries will have the primary responsibility for follow-up and review

---

[9] For further discussion of the LBG Framework, see From Inputs to Impact: Measuring Corporate Community Contributions through the LBG Framework—A Guidance Manual (London: Corporate Citizenship, 2014).

[10] http://www.un.org/sustainabledevelopment/sustainable-development-goals/

of the progress made in implementing the SDGs. Provisions have also been made for monitoring and review of the SDGs using a set of global indicators developed by the UN Statistical Commission and adopted by the Economic and Social Council and the UN General Assembly will then adopt these indicators. Briefly, the SDGs are as follows[11]:

- *Goal 1—No Poverty:* End poverty in all its forms, everywhere.
- *Goal 2—Zero Hunger:* End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- *Goal 3—Good Health and Wellbeing:* Ensuring healthy lives and promoting wellbeing for all at all ages.
- *Goal 4—Quality Education:* Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- *Goal 5—Gender Equality:* Achieve gender equality and empower all women and girls.
- *Goal 6—Clean Water and Sanitation:* Ensure availability and sustainable management of water and sanitation for all.
- *Goal 7—Affordable and Clean Energy:* Ensure access to affordable, reliable, sustainable and modern energy for all.
- *Goal 8—Decent Work and Economic Growth:* Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- *Goal 9--Industry, Innovation and Infrastructure:* Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- *Goal 10--Reduced Inequalities:* Reduce income inequality within and among countries.
- *Goal 11--Sustainable Cities and Communities:* Make cities and human settlements inclusive, safe, resilient and sustainable.
- *Goal 12--Responsible Consumption and Production:* Ensure sustainable consumption and production patterns.
- *Goal 13--Climate Action:* Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.
- *Goal 14—Life below Water:* Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- *Goal 15—Life on Land:* Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
- *Goal 16--Peace, Justice and Strong Institutions:* Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

---

[11] An extensive library of information relating to the SDGs, including an inventory that maps existing business tools against the SDGs, is available from SDG Compass (https://sdgcompass-org/business-tools/). SDG Compass suggests that the inventory can be used to explore commonly used business tools that may be useful when assessing an organization's impact on the SDGs. The inventory includes the name and description of the tool, identifies the developer of the tool and indicates that SDGs to which the tool is applicable.

- *Goal 17--Partnerships for the Goals:* Strengthen the means of implementation and revitalize the global partnership for sustainable development.

The SDGs are global goals that have been adopted to serve as a catalyst for change all over the world. In fact, the sweeping goals of wiping out extreme poverty, fighting inequality and effectively addressing climate change truly cannot be achieved unless and until conditions have changed everywhere including the most marginalized and remote communities. Organizations may, and often do, contribute to projects and initiatives focused on global pursuit of one or more of the SDGs; however, organizations can leverage the SDGs by using them as guides to actions they can take in their local communities to develop and support solutions in those communities to the very same issues that are the focus of the SDGs. No community, regardless of how well off it might be on some measures of development, is without people or groups who need help in order to live healthier and safer lives and realize opportunities to achieve self-reliance and prosperity in a community in which everyone is treated fairly and without discrimination. Addressing the needs of those people and groups, even in just some small way, provides value to companies not only because they are engaged in "doing the right thing" but also because it improves the environment for building and maintaining a sustainable business.

Organizations should consult the resources available through SDG Funders (www.sdgfunders.org) to gain a better understanding of how businesses, non-profits and other types of organizations have been supporting initiatives focused on one or more of the SDGs. Among other things, the SDG Indicator Wizard is a simple and innovative tool that organizations to identify which of the SDGs are most closely aligned with its existing strategic priorities as declared in organizational mission statements and then use that information to create an SDG-compatible framework that includes relevant goals, targets and indicators. Additional guidance for businesses on creating strategies that will allow them to contribute to progress on the SDGs is provided by the SDG Compass (www.sdgcompass.org) and addresses defining priorities, setting goals, integration and reporting and communications.

The following is a list of actions taken by companies that can be used to generate ideas for businesses with respect to addressing many of the SDGs through actions in the communities in which they operate[12]:

- *No Poverty:* A financial services business provides financial services to the underserved in its local community and a consumer foods company provides meals to local food banks.
- *Good Health and Wellbeing:* A health services company provides financial and managerial support for local community health initiatives and a toy company sponsors local play, learning and creativity programs for children.

---

[12] How 17 Companies Are Tackling Sustainable Development Goals (and Your Company Can, Too) http://sdgfunders.org/blog/how-17-companies-are-tackling-sustainable-development-goals-and-your-company-can-too/

- *Clean Water and Sanitation:* A personal products company provides funding and technical support to expand access to clean, healthy and safe toilets throughout the local community.
- *Affordable and Clean Energy:* A manufacturing company invests in solar power to reduce the risk of adverse environmental impact from energy generation and usage in the local community.
- *Decent Work and Economic Growth:* A software company sponsors and operates programs to assist young people in the local community in developing their computer skills include in-kind donations to schools and mentoring from employee volunteers.
- *Industry, Innovation and Infrastructure:* A communications technology company underwrites and builds systems to provide wireless technology to underserved groups in the local community.
- *Reduced Inequalities:* A bank launches hiring and training programs aimed at local residents with low-income backgrounds to achieve significant improvements in workforce diversity at all levels of the organization.
- *Sustainable Cities and Communities:* A manufacturing company provides support for the development and maintenance of green and sustainable economic solutions throughout the local community.
- *Responsible Consumption and Production:* Companies from a variety of industries integrate recycled materials into their products, provide training and education to employees and customers regarding climate change, support clean oceans and rivers and invest in measures to protect outdoor areas.
- *Peace, Justice and Strong Institutions:* A hospitality company provides complimentary lodging for relief workers and other businesses provide financial support for legal aid programs for the underserved in local communities.
- *Partnerships for the Goals:* Companies provide financial and managerial support to locally-driven nonprofit organizations with SDG-focused missions.

The Ten Principles of the UN Global Compact

The UN Global Compact (https://www.unglobalcompact.org/) is a voluntary initiative launched in 1999 based on CEO commitments to implement universal sustainability principles and to take steps to support United Nations goals. By encouraging companies to operate responsibly and take strategic actions that support society, the UN Global Compact works to ensure that business activity adds value not only to the bottom-line, but also to people, communities and the planet. As of 2016, there were over 12,000 signatories to the UN Global Compact in 170 countries, both developed and developing, representing nearly every sector and size, making it the world's most popular multi-stakeholder CSR initiative. The Ten Principles of the UN Global Compact were developed as a means for providing businesses with insights on to how to take a principles-based approach to doing business and integrate corporate sustainability into the company's value system. The Principles push companies to recognize that they have fundamental responsibilities to the society in which they operate in key areas such as human rights, labor, environment and anti-corruption. Companies that sign on to the Principles have made a public commitment to incorporate them into their strategies and

policies and procedures and establish a culture of integrity that will influence interactions and relationships with all of the company's stakeholders including the communities in which the company operates.

The Ten Principles of the UN Global Compact are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. While community is not one of the four areas explicitly included in the Principles (i.e., human rights, labor, environment and anti-corruption), companies can reasonably adapt the principles for integration into their community involvement and development projects and initiatives in the following ways:

- *Protection of Human Rights:* Businesses can support the efforts of local community groups to protect internationally proclaimed human rights through corporate philanthropy and programs that encourage and allow interested employees to provide volunteer support to such groups.
- *Avoiding Complicity in Human Rights Abuses:* The most common area of negligent complicity in human rights abuses is the supply chain and businesses must commit to monitoring working conditions maintained by local suppliers and be present and visible in the communities of key foreign suppliers.
- *Freedom of Association:* While the size and impact of trade unions has been declining in recent years they nonetheless remain an important social and political force in many communities and businesses need to understand and respect the role that unions (and the history of unions) play in the lives of community members. Even if the company does not have a union active among its employee base ties should be forged with union leaders in the community as they will likely be involved in debates regarding community initiatives and projects that the company seeks to sponsor.
- *Elimination and Abolition of Forced and Child Labor:* Sustainable businesses should not operate in a community in which forced and/or child labor is considered to be acceptable and should place these issues, if they exist, at the very top of their community involvement and development agenda. Beyond the fundamentals, however, businesses should support local efforts to improve education for children and provide opportunities for community members to engage in meaningful jobs with proper working conditions.
- *Elimination of Employment Discrimination:* Their communities are the primary source of employees for their businesses and companies need to implement recruitment and employee development practices that promote diversity and a workforce that reflects the many faces and backgrounds of the community in which the company operates.
- *Environmental Responsibility:* Three of the Principles relate to the environment and call on companies to support a precautionary approach to environmental challenges, promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies. Global environmental issues are daunting for a single company, regardless of its size and resources, and the best way

to make an immediate and meaningful impact is at the community level through the company's own recycling programs, employee volunteer programs to clean up beaches and rivers and use of technologies to reduce strain on local natural resources from operational activities.

- *Anti-Corruption:* The tenth Principle calls on businesses to work against corruption in all its forms, including extortion and bribery. This includes all of the relationships that a company has with stakeholders and at the community level the company can contribute beyond its own actions by working for greater transparency within civil society and in the way in which local governments operate and interact with all community members.

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/) are the most comprehensive set of government-backed recommendations on responsible business conduct in existence today. The governments adhering to the Guidelines, all 34 OECD countries and 12 non-OECD countries, aim to encourage and maximize the positive impact multinational enterprises can make to sustainable development and enduring social progress. The Guidelines were first adopted in 1976 and have been reviewed 5 times since then to ensure that they remain a leading tool to promote responsible business conduct in the changing landscape of the global economy. The most recent update in 2011 took place with the active participation of business, labor, non-governmental organizations ("NGOs"), non-adhering countries and international organizations. The Guidelines are part of the OECD Declaration and Decisions on International Investment and Multinational Enterprises, and provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. While communities are not one of the areas explicitly mentioned in the OECD Guidelines, enterprises can apply many of the general and specific policies in the OECD Guidelines at the community level in the following ways:

- Respect the human rights of those affected by their activities including members of the local communities in which the enterprise operates
- Encourage local capacity building through close cooperation with the local community, including business interests
- Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for local community members
- Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the communities in which they operate
- Encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the Guidelines including the manner in which they discharge their duties and obligations as a "citizen" of the communities in which they operate

- Abstain from any improper involvement in local governmental and political activities including engaging in bribery of public officials and/or making illegal contributions to candidates for public office or to political parties or to other political organizations
- Ensure that timely, regular, reliable and relevant information is disclosed to the community regarding the activities, structure, financial situation and performance of the enterprise and relationships between the enterprise and its stakeholders
- Communicate information to the community regarding the social, ethical and environmental policies of the enterprise and other codes of conduct to which the enterprise subscribes (including voluntary standards relating to community involvement and development)
- Observe standards of employment and industrial relations not less favorable than those observed by comparable employers in the community and take adequate steps to ensure health and safety in its operations
- To the greatest extent practical, employ local personnel and provide training with a view to improving skill levels in cooperation with relevant governmental authorities
- Seek and consider the views of community members before making decisions regarding changes in operations that would have major effects on the livelihood of employees and their family members living in the community and the community as a whole (e.g., proposed closures of facilities) and take steps to mitigate adverse effects of such decisions on the community
- Conduct operations in the community in a manner contributing to the wider goal of sustainable development including taking due account of the need to protect the environment and public health and safety
- Engage and communicate with community members regarding the potential environment, health and safety ("EH&S") impacts of the activities of the enterprise and the EH&S policies adopted and implemented by the enterprise
- Maintain contingency plans for preventing, mitigating and controlling serious environmental and health damage from their operations including accidents and other types of emergencies
- Contribute to the development of environmentally meaningful and economically efficient local public policies including support of local partnerships and initiatives that will enhance environmental awareness and protection
- Where appropriate, performance science and technology development work to address local market needs and employ and train local personnel to assist in technology development work to build local capacity
- Where relevant to commercial objectives, develop ties with local universities and public research institutions and participate in cooperative research project with local industry or industry associations
- Contribute to the public finances of the local community by making timely payment of tax liabilities properly owed in line with both the letter and the spirit of local tax laws and regulations
- Compete fairly and lawfully with other enterprises in the local community ensuring that activities are conducted in a manner consistent with applicable competition laws

Caux Round Table Principles for Business

International multi-stakeholder processes have become a popular strategy for discussing and resolving questions and conflict relating to issues of social and environmental responsibility. Multi-stakeholder processes have been described as decision-making bodies, voluntary or statutory, comprising two or more interest groups (i.e., stakeholders) who perceive a common problem and realize their interdependence in solving it and come together to share their views and agree on strategies and activities for collectively solving the problem.[13] One of the most interesting stakeholder-focused standards for corporate governance has been developed by the Caux Round Table ("CRT") (www.cauxroundtable.org), which describes itself as an international network of principled business leaders working to promote a moral capitalism. The CRT believes that the world business community should play an important role in improving economic and social conditions and, to that end, has developed the CRT Principles for Business to embody the aspiration of principled business leadership. Noting that businesses can be powerful agents of positive social change, the CRT Principals admonish businesses that they are expected to act responsibly and demonstrate respect for the dignity and interest of its stakeholders (i.e., customers, employees, owners/investors, suppliers, competitors and communities) in the policies and actions. The following General Principles in the CRT Principles were intended to serve as a foundation for dialogue and action by business leaders in search of business responsibility and a means implementing moral values into business decision making:

- Principle 1. The responsibilities of businesses extend beyond shareholders toward stakeholders
- Principle 2. The economic and social impact of business should be focused on innovation, justice and world community.
- Principle 3. Business behavior should extend beyond the letter of the law toward a spirit of trust
- Principle 4. Respect for rules
- Principle 5. Support for multilateral trade
- Principle 6. Respect for the environment
- Principle 7. Avoidance of illicit operations

Of particular interest are the various Stakeholder Principles in Section 3 of the CRT Principles, one which relates specifically to communities:

"We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

- Respect human rights and democratic institutions, and promote them wherever practicable;

---

[13] For further discussion of ISPs, see P...Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 49-50.

- Recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;
- Collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being;
- Promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;
- Support peace, security, diversity and social integration;
- Respect the integrity of local cultures; and
- Be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs."

Future-Fit Business Network System Conditions and Sustainability Principles

Willard suggested that companies seeking to develop and implement business cases for sustainability-related initiatives, such as initiatives pertaining to community involvement and development, do so by reference to the benchmark goals developed as part of the Future-Fit Business Framework.[14] The Future-Fit Business Framework identified a set of "global challenges", which were described as being the critical environmental and social issues that were undermining the natural processes and social fabric that businesses, and society as a whole, relied upon. The list of challenges included a number of environmental concerns (e.g., climate destabilization, ocean acidification, biodiversity crisis, ecosystems degradation, access to mined and renewable materials, energy crisis and fresh water crisis) as well as the following social issues and topics[15]:

- *Food crisis*: The reliability and affordability of nutritious food is at risk, driven by increasing demand and pressures on agriculture due to extreme weather events, water scarcity, soil degradation and competition for land.
- *Health crisis*: Growing incidence of chronic diseases, an aging population and increasing risk of pandemics are exacerbated by a lack of universal access to essential medicines, nutrition and sanitation.
- *Infrastructure crisis*: Failure to adequately invest in, upgrade, and secure critical infrastructure, coupled with rapid and poorly-planned urbanization, undermines the long-term health and resilience of communities.

---

[14] B. Willard, Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/). The Workbook has been designed as a practical tool for developing and implementing business cases for sustainability-related initiatives.

[15] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 11, FutureFitBusiness.org.

- *Governance failure*: Weak or inadequate global institutions, agreements and networks, combined with competing national and political interests, disenfranchise citizens and impede efforts to address global risks.
- *Financial inequality*: A severe income disparity between the world's richest and poorest citizens both contributes to and is exacerbated by underemployment, a growing skills gap and depressed economies.
- *Education crisis*: A large proportion of the global population has inadequate access to basic education, resulting in a skills gap, poor nutrition and health, and less chance for families to escape from poverty and lead fulfilling lives.
- *Social instability*: Social instability, which negatively impacts communities and markets, arises from a lack of equitable treatment and access to resources, coupled with aggressive policies and actions on the part of regional powers.
- *Erosion of trust*: Trust in institutions, from governments to business, is low and is being eroded by unethical practices, a lack of transparency, and failure to deal effectively with corruption, organized crime and illicit trade.

Future-Fit argued that the aforementioned challenges must be addressed by society, including businesses, in order for the Planet to transition to a sustainable future.[16] Many of the arguments for businesses to act in a sustainable manner are based on the premise that the operational activities of businesses are part of a tightly integrated system that also includes society at large and the environment. Willard pointed to the teachings of the "nested dependencies" model of the inter-relationships between the environment, society and companies which depicts society and companies as wholly-owned subsidiaries of the environment and reminds us that if the environment "fails" then so will society and the companies within it.[17] People and companies have long assumed that there will be enough natural resources and ecosystem services available for life as we have known it to go on forever; however, the forces of progress, many of which have been driven by businesses, have overstressed the environment and endangered the ecosystem services that have been taken for granted. The new reality for companies is that the damage their past activities have caused to the environment and society has now come back to challenge their operations and generated significant pressures to identify and implement new business models that can address the challenges referred to above and bring stability to maintain sustainability.

The Future-Fit Business Framework included a set of "system conditions" which where were intended to serve as the boundaries within which society must operate to protect the

---

[16] See also Future-Fit Business Benchmark "Sources of Global Threats/Risks" and the additional sources of information listed thereon including "Expect the Unexpected: Building business value in a changing world", KPMG (2012); J. Rockstrom, W. Steffan et al., "Planetary Boundaries: Guiding human development on a changing planet", Science (January 2015), K. Raworth, "A Safe and Just Space for Humanity: Can we live within the doughnut"", Oxfam Discussion Paper (February 2012); and "Global Opportunity Report 2015", Global Opportunity Network (2015).
[17] B. Willard, "Introduction" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

possibility that humans and other life can flourish on Earth forever.[18] The system conditions were deliberately presented as a definition of what should <u>not</u> happen—an attempt to provide a robust and proven definition of what "do no harm" means for both society and the environment—and the creators admonished companies to embrace the freedom to do anything within their range of creativity and innovation so long as it did not breach any of the conditions. Several of these conditions are relevant to the selection and implementation of community involvement and development projects:

- In a sustainable society, people are not subject to structural obstacles to health. This means that people are not exposed to social conditions that systematically undermine their ability to avoid injury and illness, physically, mentally or emotionally (e.g., lack of access to basic services, dangerous working conditions).
- In a sustainable society, people are not subject to structural obstacles to influence. This means that people are not systematically hindered from participating in shaping the social systems they are part of (e.g., through suppression of free speech or neglect of opinions).
- In a sustainable society, people are not subject to structural obstacles to competence. This means that people are not systematically hindered from learning and developing competence individually and together (e.g., obstacles to education or insufficient possibilities for personal development).
- In a sustainable society, people are not subject to structural obstacles to impartiality. This means that people are not systematically exposed to partial treatment (e.g., through any form of discrimination, or unfair selection to job positions).
- In a sustainable society, people are not subject to structural obstacles to meaning-making. This means that people are not systematically hindered from creating individual meaning and co-creating common meaning (e.g., by suppression of cultural expression, or through obstacles to co-creation of purposeful conditions).

Identification of the system conditions led to the development of aspirational Future-Fit Business Principles, which call on each organization to eliminate its contribution to pollution and environmental degradation; ensure it in no way puts the health of its stakeholders at risk; ensure it in no way prevents its stakeholders from having a voice; ensure it in no way undermines the opportunity for its stakeholders to learn and grow; ensure it in no way prevents its stakeholders from being treated impartially; and ensure it in no way prevents its stakeholders from creating meaning in their lives.[19] In order to provide businesses with guidance on how to avoid breaching these principles in the course of its interactions with stakeholders the Future-Fit Business Benchmark proposed an extensive set of 21 Future-Fit business goals. The Future-Fit Business Benchmark described a "typical" company as follows:

"Every company has an *Operational Presence* in or near local *Communities*. It sells goods or services to *Customers* who use and—for many types of physical

---

[18] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 21, 25, FutureFitBusiness.org.
[19] Id. at 21.

goods—eventually dispose of them. Company operations rely on *Employees* and *Physical Resources*, which are often sourced from *Suppliers*. And how the company is run both depends upon and affects *Society as a Whole*."[20]

The first stakeholder group in the description above that is relevant to this discussion is "communities", and Willard recommended that the primary objective for companies with this group should be ensuring that community concerns are actively solicited, impartially judged and transparently addressed.[21] Willard explained that companies and their core suppliers are expected to respect the physical wellbeing of those around them and actively engage communities on any decisions with the potential to impact them and address any concerns raised by those communities impartially and transparently. It should be clear to companies that the goodwill of the communities in which a company operates is essential for the company's success and that cultivating and maintaining such goodwill requires forging strong community relationships and ensuring that none of the company's activities undermine community wellbeing and/or interfere with the community's culture and values. The goal is not eliminate all concerns, instead companies are required to focus on putting in place appropriate mechanisms to identify and manage community concerns, including responding quickly and transparently, so that potentially serious issues and legitimate grievances do not go unaddressed. Companies should also acknowledge that communities can be valuable sources of new ideas that can create value for all of the stakeholders.

The second relevant stakeholder group is "society as a whole". Willard argued that the wellbeing of society is essential for the survival and long-term success of every business operating within it and businesses should ensure that:[22]

- ***Business is conducted ethically, as well as legally:*** It is a fundamental principal of sustainable entrepreneurship that companies should act in an ethical manner; however, this goal is particularly focused on ensuring that companies engage in proactive identification (including implementation of procedures that encourage employees and third parties to report problems), pre-emptive prevention and transparent disclosure of any specific issues which could, due to the unique nature of a company's business, lead to breaches of overriding sustainable business principles. Potential issues include anti-competitive practices (e.g., unfair treatment of suppliers and price fix cartels), bribery (e.g., paying or accepting bribes, including in regions where doing so is considered the norm), disinformation (e.g., misrepresenting or failing to disclose information which could influence the decisions or wellbeing of stakeholders), abuse of trust (e.g., inappropriate use of sensitive personal data) and willful ignorance (e.g., neglecting to investigate supply chains in which human rights abuses are suspected). With respect to ethical business conduct, companies achieve fitness by first undertaking an ethical hot-spot assessment and then adopting an appropriate company-wide ethics policy. Fitness is then expressed as the percentage

---

[20] Id. at 28.
[21] Id. at 45-46.
[22] Id. at 47-49.

of employees who are trained in and have access to policies and processes that seek to ensure ethical business conduct.

- *The right tax is paid in the right place at the right time:* Businesses depend on the infrastructure and other services provided by governments (e.g., transports networks, legal systems, healthcare, education, public utilities etc.) and governments need tax revenues to fund the creation and maintenance of those services. As such, it is incumbent on companies to pay their fair share to support the services upon which they are reliance and not engage in "creative accounting" to take advantage of tax loopholes or deliberately seek ways to obey the letter but not the spirit of the tax laws of the jurisdictions in which they operate, such as by using corporate shells in tax havens. As to tax compliance, companies must adopt an appropriate company-wide fair tax policy and then fitness is expressed as the percentage of revenue that accrues from countries where tax practices are transparently reported.

- *Lobbying does not undermine the pursuit of future-fitness:* Businesses are free to act lawfully to influence the markets in which they operate, including lobbying political office holders and regulators on proposals relating to those markets; however, when engaging in lobbying activities companies must seek to positively influence the systems upon which they depend and not advocate positions that would in any way contribute to hindering progress toward the wellbeing of stakeholders in or beyond the company. For example, companies should not fund or otherwise support organizations that protest against more stringent toxic emissions laws or lobby against new regulations that would provide better safeguards for employees in the workplace. Companies must adopt an appropriate company-wide lobbying policy that includes lobbying governments to implement policies that advance sustainability in society.

Additional examples of society wellbeing projects provided by Willard included encouraging financial stakeholders to value sustainable performance; using local employees, supplier and customers; providing philanthropic support (i.e., funds, in-kind donations and employee volunteers) to local communities and society; mobilizing stakeholders in mutually beneficial social sustainability initiatives; and supporting the infrastructure that their long-term success is dependent upon.

ISO 26000 Guidance on Social Responsibility

While many of the standards and guidelines discussed herein can reasonably be characterized as aspirational, the International Organization for Standardization ("ISO") (www.iso.org) seeks to provide organizations with easy access to international "state-of-the-art" models that they can follow in implementing their management systems. ISO standards are available for management systems covering a broad range of topics including not only sustainable development in communities, as discussed above (ISO 37101), but also quality (ISO 9001), environment (ISO 14001), information security (ISO 27001 and ISO 27002), supply chain security (ISO 28000) and corporate risk (ISO 31000). In addition, ISO has developed and distributed ISO 26000 Guidance on Social Responsibility which, although not a management system standard, is a useful guide for improvement of organizational practices with respect to social responsibility. ISO 26000

identifies and explains various core subjects such as organizational governance, human rights, labor practices, the environment, fair operating practices and consumer issues and, notably for purposes of this discussion, also explicitly includes community involvement and development among its core subjects.[23]

ISO 26000 admonishes businesses to recognize their long-term interest in the sustainability of the communities in which they operate. Businesses clearly play a role in those communities as contributors to the reduction of poverty in and the economic development of the community through the jobs that they offer to community members and the income they provide to local businesses. In addition, however, businesses need to understand how much they depend on the communities in which they operate and that it is in their interest to proactively engage as a stakeholder of the community and make and keep commitments to community members and the advancement of their wellbeing. The issues for businesses relating to community involvement and development identified in ISO 26000 include community involvement and respecting the laws and practices of the community; social investment (i.e., building infrastructure and improving social aspects of community life); employment creation (i.e., making decisions to maximize local employment opportunities); technology development (i.e., engaging in partnerships with local organizations and facilitating diffusion of technology into the community to contribute to economic development); wealth and income (i.e., use natural resources in a sustainable way that helps to alleviate poverty, give preference to local suppliers and fulfill tax responsibilities); education and culture (i.e., support education at all levels and promote cultural activities); health (i.e., promote good health, raise awareness about diseases and support access to essential health care services); and responsible investment (i.e., incorporate economic, social, environmental and governance dimensions into investment decisions along with traditional financial dimensions).[24]

Star Community Rating System

The STAR Community Rating System ("STAR") (www.starcommunities.org) promotes itself as the nation's leading comprehensive framework and certification program for evaluating local sustainability, encompassing economic, environmental, and social performance measures. While the STAR framework has been designed for use by local governmental and community leaders to assess their level of sustainability in their communities, it also provides ideas for businesses looks for ways to contribute to community development. STAR, which was launched in 2008, has adopted a holistic set of Guiding Principles with respect to local sustainability that include thinking—and acting—systematically; instilling resiliency; fostering innovation; redefining progress to include not just GDP but also improvements in the health and wellbeing of the

---

[23] See International Organization for Standardization, ISO 26000 Guidance on Social Responsibility: Discovering ISO 26000 (2014) and Handbook for Implementers of ISO 26000, Global Guidance Standard on Social Responsibility by Small and Medium Sized Businesses (Middlebury VT: ECOLOGIA, 2011). ISO 26000 is available for purchase from ISO webstore at the ISO website (www.iso.org) and general information about ISO 26000 can be obtained at www.iso.org/sr.
[24] Handbook for Implementers of ISO 26000, Global Guidance Standard on Social Responsibility by Small and Medium Sized Businesses (Middlebury VT: ECOLOGIA, 2011), 32-33.

community's people, environment and economy; living within means; cultivating collaboration; ensuring equity; embracing diversity; inspiring leadership and continuously improving.

The Star framework has gone through several iterations and as of 2018 includes seven goals, each of which has multiple objectives—the total number of objectives is 45. The goals and accompanying objectives are as followings[25]:

Built Environment

- BE-1: Ambient Noise & Light
- BE-2: Community Water Systems
- BE-3: Compact & Complete Communities
- BE-4: Housing Affordability
- BE-5: Infill & Redevelopment
- BE-6: Public Parkland
- BE-7: Transportation Choices

Climate & Energy

- CE-1: Climate Adaptation
- CE-2: Greenhouse Gas Mitigation
- CE-3: Greening the Energy Supply
- CE-4: Energy Efficiency
- CE-5: Water Efficiency
- CE-6: Local Government GHG & Resource Efficiency
- CE-7: Waste Minimization

Economy & Jobs

- EJ-1: Business Retention & Development
- EJ-2: Green Market Development
- EJ-3: Local Economy
- EJ-4: Quality Jobs & Living Wages
- EJ-5: Targeted Industry Development
- EJ-6: Workforce Readiness

Education, Arts & Community

- EAC-1: Arts & Culture
- EAC-2: Community Cohesion
- EAC-3: Educational Opportunity & Attainment

---

[25] STAR Community Rating System (Version 2.0) (STAR Communities, October 2016), 4.

- EAC-4: Historic Preservation
- EAC-5: Social & Cultural Diversity
- EAC-6: Aging in the Community

Equity & Empowerment

- EE-1: Civic Engagement
- EE-2: Civil & Human Rights
- EE-3: Environmental Justice
- EE-4: Equitable Services & Access
- EE-5: Human Services
- EE-6: Poverty Prevention & Alleviation

Health & Safety

- HS-1: Active Living
- HS-2: Community Health
- HS-3: Emergency Management & Response
- HS-4: Food Access & Nutrition
- HS-5: Health Systems
- HS-6: Hazard Mitigation
- HS-7: Safe Communities

Natural Systems

- NS-1: Green Infrastructure
- NS-2: Biodiversity & Invasive Species
- NS-3: Natural Resource Protection
- NS-4: Outdoor Air Quality
- NS-5: Water in the Environment
- NS-6: Working Lands

For each of the objectives the STAR framework provides guidance regarding the purpose of the objective and evaluation measures in the form of community level outcomes and specific actions taken in the local community. While, as noted above, the STAR framework is not specifically directed at private sector organizations the elements of the framework can be used by such organizations to plan their community involvement and development strategies and measure the impact of their actions. For example, businesses can and should be powerful drivers of development of their local economies and job creation therein and their actions should be consistent with EJ-4 (Quality Jobs & Living Wages) in the STAR framework. The stated purpose of EJ-4 is to "expand job opportunities that support upward economic mobility, offer supportive workplace policies, and pay living wages so that all working people and their families can afford

basic necessities without governmental assistance".[26] Community-level outcomes for EJ-4, which few if any private organizations can significantly impact on their own, include increasing real median household income over time, increasing the percentage of household incomes in the community that meet or exceed the living wage standard and demonstrating reduction of income inequality in the community over time. However, businesses can take actions that support broader efforts in the community to achieve those community-level outcomes including their own variations of actions recommended and measured in the STAR framework for EJ-4[27]:

- Enact family-friendly workplace policies for all local employees that include at least three of the following benefits: paid sick days, paid family leave, flexible scheduling, teleworking, job sharing, and easily available childcare
- Require that local suppliers and contractors provide at least two of the following benefits to their employees: paid sick days, paid family leave, flexible scheduling, job sharing, and easily accessible childcare
- Support living wage campaigns in the community
- Support a "Best Places to Work" campaign to recognize local businesses that support employees and their families
- Maintain collective bargaining relationships with public employee labor organizations that represent local workers
- Participate in and promote local hiring programs
- Provide training programs and assistance to local businesses to encourage them to provide family-friendly workplace policies and extended benefits
- Provide job training and assistance programs for employees and local community members particularly those who are working in job areas where wages are below the living wage
- Establish and maintain living wage policies in their own organizations with a living wage officer or equivalent function

While the STAR framework is intended to be freestanding rating system STAR has attempted to demonstrate alignment between the STAR framework and the SDGs to assist organizations that have been looking to apply the SDGs at the community level.[28] For example, the objective EJ-4 discussed above aligns with SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities). Similarly, businesses interested in community health (HS-2 in the STAR framework) and educational opportunity and attainment (EAC-3 in the STAR framework) can take actions in following areas that can be fit into both the STAR framework and several of the SDGs[29]:

- Health Behaviors (SDG 2 – Zero Hunger/SDG 3 – Good Health and Wellbeing)
- Health Outcomes (SDG 3 – Good Health and Wellbeing)

---

[26] Id. at 61.

[27] Id. at 61-63.

[28] Alignment between UN Sustainable Development Goals (SDGs) and the STAR Community Framework: Part 1 (2018).

[29] Id.

- Indoor Air Quality in Schools (SDG 3 – Good Health and Wellbeing)
- Indoor Air Quality Complaints to Enforcement Agency (SDG 3 – Good Health and Wellbeing)
- Reading Proficiency (SDG 4 – Quality Education)
- Reading Proficiency Equity (SDG 4 – Quality Education/SDG 10 – Reduced Inequalities)
- Graduation Rate (SDG 4 – Quality Education)
- Graduation Rate Equity (SDG 4 – Quality Education/SDG 10 – Reduced Inequalities)

While preempted by the current version of the STAR framework, the original sustainability goals and guiding principles released by STAR in October 2010 also provide a good reference point for businesses looking to identify community-related goals. Sustainability goals falling under education, arts and the community in the original version of the STAR framework included the following[30]:

- Educational Opportunities: Engage all people, from birth through adulthood, with access to high quality public education
- Educational Environments: Design, manage and operate high-quality facilities and learning settings, accessible to all students and community members that appropriately serve their target community, create safe and lasting connections to the community at large, and expand assets for historically underserved communities
- School-Community Engagement: Drive successful education inside and outside the classroom by building a strong school-community learning partnership and mutual ownership of educational success
- Ecological Literacy: Provide residents with the informational and material resources they need to think critically about and address environmental problems and solutions, and include the environment as an important consideration in their work and daily living
- Arts and Culture: Engage all audiences with a diverse offering of arts and cultural opportunities and allow for regular participation and creative self-expression; use these resources as platforms to address social, environmental, educational and economic development issues in the community
- Arts and Cultural Civic Support: Establish civic leadership and support in cultivating a broad range of arts, cultural and heritage resources and activities
- Social and Cultural Diversity: Celebrate and respect diversity and sensitively utilize the diverse perspectives and traditions embodied in the social, cultural and economic diversity of a community's residents
- Neighborhood Vitality: Support the function and identity of neighborhoods by encouraging communication, strengthening community bonds, local participation and interaction, and enhancing sense of place
- Civic Literacy and Engagement: Encourage communication and promote meaningful participation in civic life within and among neighborhoods and the larger community;

---

[30] STAR Community Index: Sustainability Goals and Guiding Principles (ICLEI and Local Governments for Sustainability, October 2010), 18.

create civic participation that is accessible to all, with barriers to full participation eliminated

- Financial Literacy: Empower citizens to make informed choices about the risks and benefits of financial decisions by enhancing understanding of financial concepts and products

Another standard developed specifically for use my community leaders, but likely also useful for businesses and other organizations creating their own community-related strategies and objectives, is ISO 37101, which was launched by ISO in 2016 to help communities define their sustainable development objectives and put in place a strategy to achieve them. ISO 37101 sets out the broad principles (referred to as "purposes of sustainability") of what a community may wish to achieve with a sustainable development strategy, such as responsible resource use, preserving the environment and improving the well-being of citizens. In addition, it requires communities to take into account sustainability issues such as governance, empowerment, education, health and mobility, which will help to define its sustainable development objectives.[31] Businesses and other organizations can use ISO 37101 to identify community-related goals and objectives and as a guide for establishing a strategic plan and related management system for its community involvement and investment programs.

IFC Performance Standards on Environmental and Social Sustainability

The latest version of the International Finance Corporation ("IFC") Performance Standards on Environmental and Social Sustainability went into effect on January 1, 2012. The IFC (www.ifc.org) has a Sustainability Framework that articulates the IFC's strategic commitment to sustainable development, and is an integral part of IFC's approach to risk management. The Sustainability Framework comprises IFC's Policy and Performance Standards on Environmental and Social Sustainability, and IFC's Access to Information Policy. The Policy on Environmental and Social Sustainability describes IFC's commitments, roles, and responsibilities related to environmental and social sustainability. IFC's Access to Information Policy reflects IFC's commitment to transparency and good governance on its operations, and outlines the Corporation's institutional disclosure obligations regarding its investment and advisory services.

The Performance Standards are directed towards clients, providing guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities. In the case of its direct investments (including project and corporate finance provided through financial intermediaries), IFC requires its clients to apply the Performance Standards to manage environmental and social risks and impacts so that development opportunities are enhanced. IFC uses the Sustainability Framework along with other strategies, policies, and initiatives to direct the business activities of the Corporation in

---

[31] See ISO 37101 Sustainable Development in Communities (Geneva: International Organization for Standardization, June 2016).

order to achieve its overall development objectives. The Performance Standards may also be applied by other financial institutions.

Together, the eight Performance Standards establish standards that the client is to meet throughout the life of an investment by IFC and cover: assessment and management of environmental and social risks and impacts; labor and working conditions; resource efficiency and pollution prevention; community health, safety and security; land acquisition and involuntary resettlement; biodiversity conservation and sustainable management of living natural resources; indigenous peoples; and cultural heritage. Each of the Performance Standards identifies and describes issues and related actions relevant to the involvement of any business in the communities in which they operate. For example, businesses should evaluate the risks and impact of their operations to the health and safety of the surrounding communities, avoid or minimize the potential for community exposure to hazardous materials and substances that may be released in the course of the operations of the business, avoid or minimize the potential for community exposure to water-borne, water-based, water-related and vector-borne diseases as a result of the operations of the business, protect cultural heritage from the adverse impacts of the operations of the business and ensure that the dignity, human rights, aspirations, cultures and natural resource-based livelihood of indigenous peoples respected as the business conducts its operational activities.[32]

---

[32] For further information see the "Performance Standards" page in the IFC website (www.ifc.org).

_____

About the Author

This chapter was written by Alan S. Gutterman, whose prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, *Business Transactions Solution*, is an online-only product available and featured on Thomson Reuters' Westlaw, the world's largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 90 books on sustainable entrepreneurship, leadership and management, business law and transactions, international law and business and technology management for a number of publishers including Thomson Reuters, Practical Law, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, Business Expert Press, Harvard Business Publishing, CCH and BNA. Alan is currently a partner of GCA Law Partners LLP in Mountain View CA (www.gcalaw.com) and has extensive experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Berkeley Law, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on corporate finance, venture capital, corporate governance, Japanese business law and law and economic development. He has also launched and oversees projects relating to sustainable entrepreneurship and ageism. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan and his activities, and the services he provides through GCA Law Partners LLP, please contact him directly at alangutterman@gmail.com, follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/) and visit his website at alangutterman.com.

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) was launched by Alan Gutterman to teach and support individuals and companies, both startups and mature firms, seeking to create and build sustainable businesses based on purpose, innovation, shared value and respect for people and planet. The Project is a California nonprofit public benefit corporation with tax exempt status under section 501(c)(3) of the Internal Revenue Code dedicated to furthering and promoting sustainable entrepreneurship through education and awareness and supporting entrepreneurs in their efforts to launch and scale innovative sustainable enterprises that will have a material positive environmental or social impact on society as a whole.

Copyright Matters and Permitted Uses of Work

062720