New Approaches to Assessing the Social Impact of Business in Fragile and Conflict-affected Settings

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This discussion paper has been written at the request of LSE IDEAS. It aims to review current knowledge and practices around ESG impact measurement in more Fragile and Conflict-affected Settings (FCS) including the barriers and opportunities for applying new social impact assessment guidance that would contribute to responsible and sustainable business conduct. The paper features a novel approach that clarifies the material issues relevant to the social impact by small and large companies operating in FCS using the concepts of Human Security and Positive Peace and how they help to identify and measure contributions to the Sustainable Development Goals (SDGs). The authors attempt to show the additional benefits of the use of the new measurement approach in terms of other and more valid results it will yield in comparison with existing approaches. The paper is providing an outline of this new approach that will form the basis of a guidance for businesses.

The development of this paper has been informed by a series of interviews with representatives from businesses, including the financial sector, and a two-day roundtable discussion in The Hague in February 2020 with private sector and government representatives, academics and civil society actors. The guidance is intended to serve companies that wish to clearly define their social responsibility, in order to not only avoid doing harm but also 'doing good'. It also offers a way to simplify reporting on social responsibility standards and guidelines and ultimately create more value for their business. Indirectly, it is meant to assist ESG rating agencies and financial institutions and investors when reviewing the risk management by the companies in settings where higher risks are involved.

This paper has been drafted during the COVID-19 pandemic which has exposed the high risks people and companies face, from failing health systems and mass loss of income to disrupted supply chains across the world. The pandemic has also demonstrated the wide-spread impact and interconnectedness of many issues. We suggest that threats to our security in terms of health, food, economic, environmental and personal security starts with clear impact measures at local levels, which requires collaborative responses.

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1. Introduction

Businesses face growing public expectations to contribute positively to Environmental, Social and Governance (ESG) outcomes. Frameworks such as the Sustainable Development Goals (SDGs) help mobilise business contributions, and it is becoming increasingly mainstream to report on ESG performance through internationally accepted standards such as those by the Global Reporting Initiative (GRI). However, there is a lack of knowledge on how to measure the actual impacts of ESG contributions of businesses. The same gap applies to their SDG contributions. Disconnects between the SDGs and 'materiality' –those sustainability issues that financially matter to the company and its stakeholders – in relation to the goals, stand in the way of proper sustainable impact measurements. Many companies do not even attempt to measure impact and instead focus on working towards a standard that aims to minimize negative impacts which subsequently fails to demonstrate its true impact on a society or community, be it a 'net' measure for offsetting negative impact or a balance between positive and negative impacts.

This paper suggests that in Fragile and Conflict-affected Settings (FCS) many locally material ESG issues are not being captured. In more high risk areas, a corporate sustainability strategy and a materiality analysis will require an outside-in and bottom-up approach that can bring to light the relevant ESG issues applicable to the local communities where the company is operating so these can be fed back from the country level office to inform a global standard that is measured at headquarters level.

We propose a new approach for measuring social impact in FCS where traditional methods of monitoring and evaluation of ESG issues at country level are particularly inadequate. Essential factors in fragile societies are often overlooked and tension exists between impact, standards and risk measurements. Observing a standard that attempts to minimize human rights risks and harm to communities cannot be considered a positive impact. Many companies acknowledge that the standards are incomplete, costly and time-consuming in its execution due to its complexity and difficulty to measure.

Using the co-construction of knowledge model, this paper aims to develop proposals that address current practice barriers and identify opportunities for new impact assessment guidance on responsible business conduct which will better align policy and practice to desired social outcomes especially in relation to the SDGs.

In this paper, we use two different concepts – Human Security (HS) and Positive Peace (PP) – that are believed to be valuable, offering a methodology for companies operating or investing in FCS to assess their impact in connection to human rights, security and sustainable development. The paper examines the added value of these approaches by comparing them to current ways of measuring ESG impact while assessing their compatibility with each other. It is believed that such an exercise will also address the question as to why many companies and investors avoid conducting business in relation to FCS, hence potentially identify reasons for market failure. In other words, where current assessment tools that focus on Key Performance Indicators (KPI's) fall short in accounting for the types of risks companies and local population face in these environments, PP and HS approaches could potentially help with preparatory risk assessment for operating or investing in FCS and identify what issues to tackle in terms of their materiality to the business.

2. Understanding and Dealing with Conflict and Fragility

Over the years, the 'business case for respecting human rights' has become stronger driven by the UN Guiding Principles (UNGPs) on Business and Human Rights (2011)[1] and illustrated by the growing litigation risk against corporations. Increasingly, companies need to demonstrate to their stakeholders (i.e. shareholders, financial institutions, customers and employees) that their presence has no negative impact on the development of the local communities where or with whom they work. Many international banks today as part of their risk management process have started to carry out their own conflict impact assessment and demand that the companies they invest in conduct human rights due diligence and engage with local communities in their operational sites. In addition to a supply chain responsibility, companies are increasingly expected to take responsibility for their user chain to ensure that revenue, products and assets are not used to fuel conflict or human rights abuses (e.g. conflict-free minerals certification schemes). That said, enhanced human rights due diligence that focuses on both supply and user chains is still in its infancy while social impact assessments are yet to find a solid foothold within company decision-making. Where more rigorous processes for impact assessment do already exist and allow companies to benchmark and compare each other, they do not yet include concepts of fragility[2] or conflict.

Although companies generally have no interest in contributing to conflict, the 'business case for peace' is not as straightforward for private sector actors. First, there remains a deep reluctance amongst the private sector to involve itself in what is perceived as largely 'political' matters that belong in the domain of governments. Secondly, while recognizing that traditional governmental roles often do not meet the needs of its population in FCS and subsequently create insecurities for the local population, it is not clear to companies where their (corporate social) responsibility starts and where it ends.[3]

Regardless, private sector actors including multinational and domestic companies of all sizes and sectors have already become part of building and sustaining peace efforts in many places in the world. They range from rebuilding economies devastated by war to supporting processes of combatant demobilization and promoting human rights. Economic recovery and private sector development initiatives as a condition for building stability after conflict have proven their potential since the Second World War.[4] It is noted that the discourse on companies' roles in FCS has changed over the last decade or so. This includes an increased consensus that companies must avoid negative social – in particular human rights – and environmental impacts in FCS as a matter of both risk management and responsible corporate citizenship.[5]

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[1] United Nations, "Guiding Principles on Business and Human Rights: Implementing the United Nations, 'Protect, Respect and Remedy' Framework", 2011, http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf <Accessed on 29 May 2020>.

[2] The concept of fragility in this paper is based on the multidimensional nature and its universality of the challenges as described in the 2018 OECD States of Fragility report. The OECD fragility framework is built on five dimensions of fragility (economic, environmental, political, societal, security) and measures each of these dimensions on a spectrum of intensity that links fragility (that is strongly correlated with conflict) with a combination of risks and coping capacities/resilience. While previous approaches framed fragility as a matter of weak governance, the OECD fragility framework builds on the recognition that fragility influences states and societies in different ways, affecting not only developing countries but all countries to some degree. It is part of OECD's larger effort to move away from the 'fragile states list' - a binary view of the world - towards a more universal concept of fragility.

[3] A key question raised during the roundtable discussion in The Hague in February 2020 was: How far does a company's responsibility in respecting human rights need to go?

[4] The major international investment through the Marshall Plan offers evidence for successful private sector engagement that contributed to peace in Europe. Essentially, Europe's economy today has been built on the foundations of a massive peacebuilding effort with businesses playing a vital role, enabled by a strong governmental regulatory framework and social security system.

[5] B. Miller, B. Ganson, S. Cechvala and J. Miklian, "A seat at the table: capacities and limitations of private sector peacebuilding", 2019, https://www.cdacollaborative.org/wp-content/uploads/2019/01/A-Seat-at-the-Table_FINAL-010819-Web.pdf <Accessed on 29 May 2020>.

Many companies today still assume that their experiences when operating in a context of fragility and conflict are entirely due to external factors such as the absence of an effective government or high rates of unemployment among youth. The misunderstanding by companies about their own role in relation to conflict often leads them to see conflict as a phenomenon over which they have no control, and therefore they find no reason to get involved in its resolution. The challenge for private sector actors – one that is often overlooked by companies themselves – in contexts of conflict and fragility, is that they are or become inherently part of the local political economy in FCS. This phenomena casts doubts over the current use of 'do no harm' approaches by companies.

It has been long argued that until and unless the long-term return on a 'peace impact' by companies – in terms of responsible business practices that positively impact one or more key drivers of peace and stability as opposed to interventions that aim to mitigate potential adverse effects – is supported by solid cost-benefit analyses, most companies will likely not re-think their core business strategies to give peace promoting efforts a greater prominence in their risk management or sustainability strategies. Yet, most companies do realize that demands to change their behaviour in FCS are persistent which raises the question of which path companies should take to meet those demands.

The value-added of Human Security in connection to risk management is in highlighting the comprehensive nature of threats to everyday life, and how different forms of risk and vulnerability, including business risk, are interconnected and how their reduction promotes peace (Box 1).

BOX 1: Promoting peace by decreasing the risks faced by local people and companies

It has been noted that peacebuilding has its limitations and has a mixed – not to say a poor - record among many companies. In practice, it is only a handful of companies that are actively engaging in peacebuilding or peace-making activities, while most companies operating in FCS are either not interested, or they are – sometimes inadvertently – involved in human rights violations that contribute to violent conflict.

It can be extremely challenging and in most cases undesirable for companies to get involved in efforts that aim to reduce conflict or build peace, but which depend heavily on externally led top-down approaches that often bypass local community needs and experiences. A focus on more business oriented assets based on ESG community level criteria that can potentially create and sustain peace in local communities would seem to fit the private sector operating in FCS better.

This represents a powerful shift in mind-set toward the conceiving of peace in an active and "positive" way—from looking at the issues through a conflict lens and at the factors that drive violent conflict to those conditions or factors that enable and sustain peace, also called Positive Peace. When peace is portrayed as a continuum that requires progress in all aspects of sustainable development, the role of the private sector in respecting or promoting peace suddenly becomes clearer.

A shift from a conflict focus to seeing peacebuilding as a central task in achieving Human Security, thus looking how to reduce the risks faced by individuals and groups, will offer a new way for private sector actors to make a risk informed social impact contribution without the contentious peace label attached to it.

3. Current State and Future Outlook for ESG Impact Measuring and the SDGs

ESG criteria as an integral part of the business strategy

Corporate Social Responsibility (CSR) alone is no longer sufficient in a new era of purpose-led business. It is a form of self-regulation that represents a company's – largely unilateral – efforts to have a positive impact on its employees, consumers, the environment and wider community. ESG criteria, on the other hand, measure these activities to arrive at a more precise assessment of a company's actions and they look in a holistic way at how businesses respond to a range of sustainability issues such as climate change, workers' rights, gender, land rights and supply chain responsibility. Today's responsible businesses operations use ESG criteria not as an 'add on' to the core business activities but they are embedded at the very heart of a company and integrated in the business strategy.

Unlike CSR, ESG demands metrics. Evidence of ESG activity is now seen as vital to understanding corporate purpose, strategy and management quality of companies and is key to investment decisions. Big asset management firms and government pension funds want business leaders to focus on ESG impact. This is illustrated by the fact that since the UN-backed Principles for Responsible Investment (PRI) were launched in 2006, assets under management (AUM) that signed a commitment to incorporate ESG issues into their investment decisions have grown exponentially from $6.5 trillion in 2006 to $81.7 trillion in 2018.[6] Having a positive impact on ESG factors is not just a bonus anymore, but something shareholders demand, because they believe it is going to drive growth, market share and profitability.

Many ESG studies seem to conclude that the efforts by companies to 'do more good' not only lowers risks but get financially rewarded as well.[7] While specific ESG-financial performance studies for FCS have yet to be conducted, the common thread in most studies so far indicates that a focus on ESG could be financially beneficial, which implies that this will also be the case in FCS. It is therefore recommended that an ESG financial performance study for FCS will need to be conducted to determine the extent of this relationship.

This also suggests that for investors there is substantial value to be gained from analysing non-financial data and incorporating this into decision-making, and there are signs that engagement by investors with companies on ESG issues creates shareholder value. It has been widely reported that the traditional value of a company in terms of tangible assets has changed over time with more emphasis on reputation[8] which is closely tied to corporate social responsibility.[9]

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[6] United Nations Principles for Responsible Investment, "2018 private equity snapshot: summary", 2018, https://www.unpri.org/private-equity/2018-private-equity-snapshot-summary/3999.article <Accessed on 21 February 2020>

[7] A joint study by DWS Investment and the University of Hamburg found a positive relationship between ESG and Corporate Financial Performance (CFP) on the basis of existing meta-analyses See: Global Research Institute DWS, Digging Deeper into the ESG-Corporate Financial-Performance Relationship, 2018; https://download.dws.com/download?elib-assetguid=714aed4c2e83471787d1ca0f1b559006; A report by UN PRI and the International Corporate Governance Network summarizes 5 studies that support the claim that there is a clear linkage between ESG factors, company performance and investor preferences. See: UN PRI and ICGN, Investor agenda for corporate ESG reporting, 2018; https://www.unpri.org/download?ac=6181 <Both accessed on 29 May 2020>.

[8] See Ethical Leadership, March 24, 2017, http://www.ethical-leadership.co.uk/law-suits/ <Accessed on 29 May 2020>. The article highlights that a significant part of what makes a company valuable depends on its reputation. The same article reports that in the past thirty years the percentage of companies' value emanating from tangible assets has declined from 90% to 25%, while intangible assets like reputation account for 40-60% of corporations' market capitalization.

[9] See https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-millenial-survey-2016-exec-summary.pdf <Accessed on 29 May 2020>. According to this survey almost 9 in 10 millennials (86%) believe that financial performance should not be the only measure of business success. The same survey showed that 56% of the millennials surveyed have ruled out working for a particular organisation because of its values or standard of conduct.

Assessing ESG risks

For any company keen to attract capital, ESG performance will need to become a focus in the future. Yet, there exists no common set of indicators and framework to measure ESG performance today. For investors, the social element of ESG issues can be the most difficult to assess. While environmental and governance issues are more easily defined, have an established track record of market data, and are often accompanied by robust regulation, it is generally observed that social issues are less tangible with less mature data available to show how they can impact a company's performance. But issues such as human rights, labour standards, access to land or water and gender equality – and the risks and opportunities they present to investors are starting to gain prominence, as shown in a practical guidance released by the UN Principles for Responsible Investment, highlighting the business case for integrating social issues into investment decisions.[10]

Nonetheless, when tracking and reporting on ESG, sustainability managers tend to focus on the "E" and not the "S" in ESG, with environmental programs aiming for results that can be tracked using familiar metrics such as carbon equivalents, energy intensities, or gallons of water consumed for instance. At times companies engage external stakeholders to set standards, for example, through a dialogue process, followed by independent certification and audits to check performance against those standards.

The "S" of Social in ESG seems more nebulous still in terms of standards and measurements. It may involve company actions such as setting up local development programmes linked to education or women's empowerment that relate to the industry of the company and are frequently managed by local charity organizations. In many of these cases, KPI's on social criteria tend to focus on the number of programmes established as well as the number of people reached rather than understanding what they actually achieve. Such social activities seem to be an 'add on' outside the business strategy, making it hard to fit into a generalised impact framework or a set of KPI's that can be applied to any social impact project anywhere in the supply chain and at any business location.

Connecting E, S & G

Companies that have been present in FCS for a long time (e.g. extractives or infrastructure businesses) seem in a better position to track their overall ESG impact in particular if they have built a relationship with local communities. They do rely on data from internal business indices such as on human rights or environmental risks which allows them to map these against operational or supply chain data gathered to identify positive or negative impacts. Here, a disconnect reveals itself between local impact metrics and a common KPI that is tracked at the national and global level of the company. In such cases, stakeholder consultations are needed to identify the salient social issues as part of the company's risk assessment process. However, without the use of a holistic approach that leverages the connections between E, S & G aspects, such consultations can easily miss key risks that pass a threshold to become a real threat to people's security locally. For instance, where climate issues are being addressed by the company, displacement issues could be missed if they are not accounted for, thereby increasing people's insecurities around livelihood and personal security.[11]

While KPIs in the form of quantitative metrics like energy consumption can be easily captured, there is an expanding scope of what social aspects are material and therefore more ways are needed to

[10] See https://www.unpri.org/download?ac=6529 <Accessed on 29 May 2020>
[11] Source: Roundtable discussion in The Hague in February 2020. There is a trend towards a more holistic approach by a few multinational companies applying a landscape approach aiming to combine and balance between competing imperatives: for instance in the case of land use, the relative importance of food and livelihoods, finance, rights, restoration and progress towards climate and development goals.

track and manage all aspects of ESG. Policies to address corruption, bribery, human rights violations sometimes exist but presenting the evidences that these policies were enacted on the ground has been more challenging. There is a particular need to track material issues at the local level including those that are more 'hidden' (e.g. deep rooted inequalities, infectious diseases, political repression or group based tensions) which do not present themselves in top-down frameworks used by companies. Key overlapping interests between community and the business will be missed when local materiality analysis either does not take place or does not reach headquarters.

Tensions between risks, standards and impact

Risk to human rights is often the starting point when reporting on the social element in ESG although the criteria include a much broader and longer term view of social impact. The UNGPs, for example, aim at minimizing the negative impact of business activity on human rights. Using the UNGPs means working *towards a standard* that minimizes those negative effects, but its application has no bearing on sustainability. The purpose of EGS criteria is to enhance positives by *setting standards* to evaluate companies on how far advanced they are with sustainability and measure these over the long run.

This reveals the tension that often exists between risks, standards and impact. Enhanced human rights due diligence processes to reduce risks apply a narrow view on what is material for the company. They place company risk at the centre of the process and do not offer any specific metrics for long term social impact on communities, either positive or negative. Companies that apply such enhanced due diligence as part of their ESG impact measurement can be left with a false sense of security because the process cannot provide any guarantees for a social licence to operate in FCS and it also remains unclear if people's level of security has actually improved based on any of the risk reducing measures taken.

Challenges around ESG data collection and analysis

It is important to note that there are different levels of analysis of ESG data, which matter in terms of data collectability and relevance, and also in terms of the ambition of linking local assessments and measurement exercises to a meta level that corporate management need and which can be translated into positive rankings by the investment community. The challenge is thus to balance between standardised metrics and locally specific and locally relevant assessments in FCSs which is often hindered by a lack of availability and reliability of data and value-laden assumptions that the data brings, as well as the rapidly changing contexts of FCS.

Where structured data is lacking – in particular at sub-national and local level -, companies will require developing more collaborative solutions to measuring their social impact. This may consists of consultations and data collection through multi-stakeholder partnership frameworks – like through the proposed Human Security Business Partnership (HSBP) described further down in the paper – with external teams and local partner organisations that have on the ground presence and local knowledge and access to collect and track data. This type of collaboration with experts and civil society organizations also allows for a validation of the social impact by companies.

Measuring what's material

More guidance on issues that are material to companies are offered by standards organizations such as the Global Reporting Initiative (GRI)[12], the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council. They suggest that thresholds for defining material topics ought to be set to identify those opportunities and risks which are most important to the company and its stakeholders including local populations and society as a whole. However, ESG rating agencies such as MSCI and Sustainalytics that monitor and evaluate the material ESG impacts use different definitions of ESG performance and as a result may give different ratings to the same company.

FCS related risks and material impact carry particular definitions and meaning. ESG rating agencies note that company reporting on the UNGPs, for instance, demonstrate a clear lack in stakeholder consultations and also point to a lack of country risk data as part of most risk assessment policies. In general, there is a need for more on the ground data on the socio-economic dynamics in relation to conflict and security in FCS and the presence of any vulnerable groups to consider material impacts and define thresholds.

ESG and SDG contributions

ESG efforts have focused mainly on establishing policies and processes, as well as providing basic reporting, whether qualitatively or through a selection of ESG-related KPIs. Typically, there has been less focus on the impact of the broader environment or society as a whole. Under pressure from investors to create more company value, demands for tracking and reporting on the company's contributions to the SDGs are growing. This implies that companies need to go beyond 'do no harm' approaches and may need to bring human rights, security and sustainable development under one umbrella.

The complication is that the SDGs were never designed to be part of an operating business model, but rather as a set of environmental and social goals defined for and by governments. Nevertheless, the SDGs have led to work that has translated the goals into business indicators with the aim to integrate the SDGs into their business and investment strategy and in core business reporting processes to avoid duplicated efforts. For the most part, this integration has involved the realigning of existing sustainability strategies and mapping of the material ESG topics to the SDGs rather than aiming for a new set of criteria and metrics that follow the SDG framework.

From a knowledge base, the properties of the SDG system are certainly not adequately understood and there has been limited guidance on how to fill the gap. There is a particular disconnect between a clear set of goals and materiality of these goals to the business. Due to the lack of detail and understanding of the SDG framework and with no definition of impact – and therefore no specific metrics for measurement – , most companies concern themselves with only those SDGs where they see an immediate alignment with their core business. Because the SDGs cover all aspects of sustainability, most companies can easily identify and claim positive engagements on one or two SDGs while ignoring others. As a result, claims in the company sustainability reporting about the contributions to the SDGs tend to be biased towards companies but are unable to show actual impact. More honest appraisals that publishes under achievements have yet to appear.

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[12] See https://www.globalreporting.org/SiteCollectionDocuments/Materiality.pdf <Accessed on 29 May 2020> GRI outlines that "*determining what is material or matters most considers economic, environmental, and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generation*s" It implies that these thresholds for defining material topics ought to be set to identify those opportunities and risks which are most important to the company and its stakeholders (including local populations and society as a whole).

Effective action on many of the goals needs to consider particular challenges in FCS. For that reason, the 2030 agenda explicitly included Goal 16 that promotes peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. SDG 16, covering ESG issues such as Human Rights and Corruption, has been recognized as an enabling goal playing a fundamental role in the achievement of many of the other SDGs. Because the interconnection is a two-way relationship, other SDGs more aligned with business sustainability strategies can potentially reinforce SDG 16 although the empirical evidence of this relationship will still need to be examined.

SDG impact measurement

For many companies which aim to show their contribution to the goals, measuring the impact has been in particularly challenging. In general, impacting the SDGs has been casually understood as SDG actions without assessing the outcomes from them and has led to confusion on how to communicate the impact. Implementation of the SDGs and the reporting is further complicated by the fact that targets and goals interact and impact each other in many ways. It has been widely recognized that the 2030 agenda is "indivisible" and that it must be implemented as a whole. However, when it comes to putting this notion into action, many companies often have competing priorities especially around the resources needed to implement the multi-dimensional issues covered by the SDG framework.

In line with the interconnected nature of the transformative 2030 agenda, creating a better understanding on how the goals interact with each other would help companies to identify a more holistic approach across the different dimensions covered by the ESG criteria, thereby steering away from using individual business indicators towards more composite indicators that will show their contributions to the multi-dimensional SDG framework. This multidimensional approach to indicator design would stimulate the search for better data and serious analytical efforts on what is material to the business. In turn, this approach would facilitate the communication on the goals and lead to more candid appraisals. In addition, there is reason to believe that this will help to determine the extent of a company's social responsibility.

4. Development of corporate social responsibility in FCS

Growing body of international guidelines and standards and their limitations

Over the past 20 years, international norms, standards, and agreements have started to call for more direct engagement from the private sector in preventing conflict, and potentially contributing to peace. A growing body of guidelines and international standards on corporate behaviour signals a trend towards greater global expectations about what is and is not acceptable from companies. For instance, there is growing consensus on the human rights related responsibilities of companies, especially in FCS, by the wide acknowledgement of the UNGPs as indicated earlier in this paper.

Most of the new corporate guidelines and standards initiatives addressing sustainable development and human rights have been a response to growing demands for socially responsible corporate behaviour by consumers, and civil society organizations and more recently by stock and shareholders. However, it is neither clear to what extent any of the existing standards are implemented effectively at different levels of the company and on different companies, nor what kind of effects they have in the context or on the company itself, positive or negative.

In short, despite the wealth of standards and guidelines, there is currently no single guideline or standard dealing with all aspects of corporate responsibility in FCS while existing guidelines are not tailored to a specific context. This has led to calls for more specific guidance in which all conflict-specific elements of the existing guidelines are brought together.[13] With the exception of the OECD Guidelines and the International Finance Corporation (IFC) Performance Standards[14], guidelines and principles also do not offer the possibility to address any wrongdoing or harm caused. These are missed opportunities as grievance mechanisms are in particularly suitable to create space for resolving conflict.

New demands for tracking, assessing and reporting

There is good reason to believe that the use of current standards will remain a 'box-ticking' exercise by companies instead of an on-going process that can lead to proactive, coherent business processes and progress on proper implementation. An impact evaluation of the existing standards and guidelines would be an important first step towards more effective use of the guidelines and may reveal if guidelines are restrictive and time consuming in their implementation or if they can be viewed as empowering towards more social responsible conduct.

With public international standards on corporate social responsibility continuously evolving and more avenues of redress for victims of corporate human rights abuses gradually emerging, mandatory disclosure of human rights and other social impacts will become more widespread. In the future companies are likely to face greater legal accountability for their social performance which places higher demands on tracking and reporting. With many companies already struggling with today's standards, the challenge will be to (1) reduce complexity and tie sustainable development, security and human rights together on the basis of existing data as a way to become more cost-efficient and (2) determine materiality of multidimensional issues and identify the measures that can demonstrate the extent of their materiality to the business.

5. ESG Impact Measurement in FCS

Defining corporate responsibility in FCS

Determining the social impact of current standards offers a starting point for defining a company's responsibility and its boundaries. Corporate responsibility is currently defined by existing guidelines and standards broken down by their materiality to the business. Any ask from companies to go beyond the guidelines to cope with the challenges in FCS stretches the prevailing perspective of corporate responsibility. Nevertheless, some multinational companies that acknowledge current standards to be insufficient in dealing with high risks contexts, have taken on additional responsibility towards the community.

In that effort to shape and define their new social responsibility role, the companies' own ambition, their capacity and their leverage in the supply chain and in the local context play a key role. It is known that a company's leverage locally can increase – both positively and negatively – over time due to a better understanding of the context and actors as well as the ability to use resources (i.e. employment, contracting opportunities, training of local contractors, economic development, infrastructure and

[13] SOMO, "Fragile! Handle with Care: Multinationals and Conflict. Lessons from SOMO's Multinational Corporations in Conflict-Affected Areas programme", 2016, https://www.somo.nl/fragile-handle-care-multinationals-conflict/ <Accessed on 21 February 2020>

[14] See https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk <Accessed on 29 May 2020>

efforts to attract much needed government services) to affect local dynamics. Especially, the larger international companies can apply their economic and political leverage to make any upcoming or additional investment in a country or region conditional and insist that governments make certain commitments, e.g. establish or reinforce social services or encourage them to take part in partnerships.[15] From this perspective, the issue of responsibility becomes a more nuanced notion driven by more localized factors.

One aspect that is currently overlooked when defining corporate responsibility is the connection with materiality. It has been suggested that an expansion of ESG criteria to meet further local community needs in FCS, could prove to be financially beneficial in accordance with the positive ESG-financial performance relationship mentioned earlier. In other words, assessing more local level material aspects would automatically offer clearer boundaries around corporate responsibility.

Challenges of impact assessment in FCS

While many companies already have social and environmental impact plans and sustainability policies at their disposal, they struggle to address complex and dynamic situations on the ground in FCS. So far, the sustainability policies – including compliance to existing international standards – have often failed to mitigate the adverse impacts of corporate activities on communities or provide an adequate mechanism for effective accountability or for generating support among local people.[16] The evidence for this is the increase in litigation and demand for mandatory human rights impact disclosure as well as the continuous tensions between stakeholders, i.e. foreign investors and host communities, on topics from land use to environmental protection, job insecurity and minority rights.

Although a company's efforts for creating positive impact at the global level can be measured through its company policy commitment towards international norms, conventions and guidelines, it becomes much more difficult to find information on the implementation of these global policies through the company's practices and their actual effects locally. Most impact assessments by companies tend to be positive because they rely for a great deal on self-reporting. Reports by NGOs on the other hand have a habit to expose more the negative impacts. Unlike more accepted ESG issues such as climate change mitigation and employee health & safety, more peace and security related impact related activities are largely missing from the corporate sustainability self-reporting. Disclosure of such activities may be politically sensitive especially when the issues relate to the host government. A fear of practices being perceived as blue-washing may also inhibit companies to make claims about their positive impact without verifiable evidences by third party sources or the voices of local communities validating the impact. Such factors expose the data gaps and inadequacy in current assessment as well as the challenges that exist around data gathering.

Partly driven by past company experiences including (fear of) shutdowns and demands from investors, a number of individual companies are working to develop specific company policies and operational guidance for high-risk contexts which involves, among other, more community engagement and third-party audits.

[15] Luc Zandvliet (2005) Conflict Transformation and the Corporate Agenda –Opportunities for Synergy.

[16] Many examples of case studies on the negative impacts of multinational companies can be found on the websites of the Business & Human Rights Resource Centre, SOMO and Global Witness, among others.

6. The Human Security Approach for Business

Human Security as a holistic approach to address multidimensional risks

A Human Security (HS) approach for businesses operating in FCS brings together the 'human elements' of security, rights and development. It is an inter-disciplinary concept that displays the following characteristics: people-centred, multi-sectoral, comprehensive, context-specific and prevention-oriented.[17] Human Security, therefore, connects fragility, human rights and sustainable development together and offers a basis for identifying thresholds of people's resilience. It takes into account a wide variety of risks to people and points to the level of impact by companies on their well-being.

In comparison to Human Rights (HR) based approaches that define corporate responsibility standards in FCS today, a HS analysis gives particular attention to structural vulnerabilities that look more closely to the causes of the human rights violations people may be exposed to. HR violations by companies today are frequently not addressed as manifestations of wider and long-term structural vulnerabilities in interrelated multiple spheres of life (economic, political, cultural and social). Instruments that address HR violations including those covered by corporate responsibility instruments currently give little attention to the underlying issues of chronic and absolute poverty, inequality, political repression, systemic human rights violations and pervasiveness of direct violence.

The key difference between HS and HR, therefore, lies in their approach to addressing threats to people. Whilst the HR frameworks take a legalistic approach that has profound limitations in FCS, the HS framework, by utilizing a diverse range of actors, adopts flexible and issue-specific approaches, which can operate at local, national or international levels. For instance, global environmental changes can trigger a series of regional side effects (e.g. drought or floods) and further reactions regarding people's livelihoods more locally (e.g. less income, food) which in turn is likely to affect people's health more individually (e.g. malnutrition).[18]

The Human Security business case

A company's total social impact that enhances HS in FCS will depend heavily on the level of company engagement with the local context and actors. We suggest that a pro-active HS business approach has the ability to improve levels of trust relevant to the management of the supply chain and it can potentially build a company's reputation as a result of a better corporate responsibility track record. This in turn reduces the operational and financial risks as pointed out earlier.

The HS of people is context and case specific although in most cases there is a combination of insecurities at play which makes it difficult to address. For instance, high unemployment among youth groups increases the chances of violence in the area when the same groups were already excluded

[17] See: https://www.un.org/humansecurity/what-is-human-security <Accessed on 21 February 2020>

[18] Communities that are most threatened by environmental changes often turn out to be the same groups who are also most threatened by economic, food and health related changes. They are also less resilient to absorb shocks than others, again because they have less economic, social, cultural, political resources. How deeply interconnected security and development are has been best summarized by Frances Stewart in her 2004 paper "Development and Security". She argues that Human Security forms an important part of people's well-being, and is therefore an objective of human development. Insecurity cuts life short and thwarts the use of human potential, thereby affecting the reaching of this objective. An imbalanced development that involves horizontal inequalities is the main source of many conflicts today. Therefore, vicious cycles of lack of development which leads to conflict, then to lack of development, can readily emerge. Likewise, virtuous cycles are possible, with high levels of human security leading to development, which further promotes human security in return.

from economic circuits due to political or elite polarization and high levels of corruption.[19] From a political risk perspective which plays a key role in decision-making to invest in FCS, a strong business environment with transparent business practices and policies can potentially lower corruption and improve governance including perceptions of exclusion and discrimination in the operating area.[20]

By examining the challenges that people face in FCS, mapping them against the current societal fault lines and by breaking them down according to the type of risks to people's security, a HS approach offers a good understanding of the local context, a basis for engagement and a direction for how to deal with a complex situation that reduces the risks to people and to the company.

Human Security, ESG and the SDGs

Human Security (HS) takes a holistic approach that helps clarify how diverse issues—ranging from deprivation in all its forms to violence and environmental degradation—interact and require comprehensive, context-specific solutions. As such, it does not add another layer to the existing frameworks but rather strengthens the work already in place by tying it together.

HS brings to light underlying issues that need to be addressed to mitigate against HR violations, and with regards to the SDGs, HS serves to inform how actions by companies on the SDGs can be risk responsive, thereby creating positive impacts on multiple fronts which will help to unpack the SDGs and identify where sustainability can be 'located' and stimulated.

This means that any progress to limit the various HS risks faced by people translates immediately into interconnected economic, environmental and social effects that serve to develop people's dignity and survival. In practice, specific actions to improve HS including those taken by companies will result in impact that protects people as individuals from particular threats they may be exposed to – be it personal, economic, political, environmental, or community, health or food-related. This chimes with the aims of the 2030 SDG Agenda which envisages actions on multiple fronts to build the resilience against crisis, underdevelopment, conflict, lack of governance and climate change.

The entry point for companies taking HS risk-informed and risk-responsive actions can be easily translated into an SDG contribution (see Figure below). Rather than selecting SDGs based on their general alignment with the core business as is the case today, HS emphasizes 'local' risks as a starting point so any SDG contributions can be directly connected to the actual improvement in people's wellbeing and security. From a measurement angle, HS has the ability bring together interrelated material ESG issues under one umbrella allowing composite indicators to be created that cover sustainable development, security and human rights dimensions.

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[19] Urdal, Henrik (2006) A Clash of Generations? Youth Bulges and Political Violence, International Studies Quarterly 50(3): 607–630.

[20] See http://visionofhumanity.org/app/uploads/2018/09/Business-and-Peace-Report.pdf <Accessed 6 June 2006>

Dimension of Human Security	Risks to security	ESG classification	SDG classification
Economic	Poverty, unemployment, corruption, lack of access to land, water, electricity, credit or good education	Governance and Social	SDG 1, 4, 7, 8, 9, 11, 16 and 17
Food	Hunger, famine	Social	SDG 2
Health	Infectious diseases, unsafe food, malnutrition, lack of access to health care	Social	SDG 3, 6
Environmental	Environmental degradation, resource depletion, lack of access to drinking water, natural disasters including drought or floods, pollution	Environmental	SDG 6, 12, 13, 14, and 15
Personal	Physical violence, crime, terrorism, domestic violence, child labor, injustices	Social	SDG 5, 8 and 16
Community/group	Inter-ethnic, religious and other identity based tensions, group grievances based on socio-economic & cultural inequalities, lack of social cohesion	Social	SDG 5, 10, 11, 16
Political	Political polarization, repression, human rights abuses, corruption, lack of transparency, injustices	Governance and Social	SDG 10 and 16

Figure 1: Human Security Risks mapped to ESG and SDGs. (Figure by authors)

Essentially, for companies to create a positive social impact in FCS and contribute to the SDGs, their efforts will need to go beyond standard CSR practices and compliance and more conflict sensitive approaches. Instead, they must use their business assets to expand current ESG criteria to impact the conditions for more HS that can create or sustain a more stable and peaceful society.

Such a people-centred approach will offer more clarity for a company's SDG identification and has a high potential to increase social impact framed as a contribution to HS. To achieve this, it is essential that ESG criteria are stretched and tied into the risks faced by local stakeholders and become material to the business.

7. Towards an operationalization of the Human Security Business Partnership Framework

The Human Security Business Partnership

The cornerstone of the positive relationship between business and society is partnership and sustained collaboration between actors from the private, public and civil society sectors. The aim of the Human Security Business Partnership (HSBP), developed by LSE IDEAS, is to re-set the relationship between companies and communities, and direct their combined efforts to improve HS from the ground up.

The HSBP Framework for Action and Innovation (Figure 2) proposes a new model of multi-stakeholder collaboration and associative governance between the private sector, local communities, government and other stakeholders that enables the development of more effective responses to complex situations of conflict and fragility.[21] It is people-centred, context-specific and comprehensive. It is specifically aimed at companies to help rethink terms of engagement with local stakeholders, but also to governments and civil society, as participants with business in achieving the vision of the SDGs, and transitions from crisis and conflict.

[21] LSE IDEAS, "People, Profits and Peace - Proposals for a human security approach for the private sector towards the achievement of the Sustainable Development Goals", 2018, http://www.lse.ac.uk/ideas/publications/reports/people-profits-and-peace <Accessed on 21 February 2020>

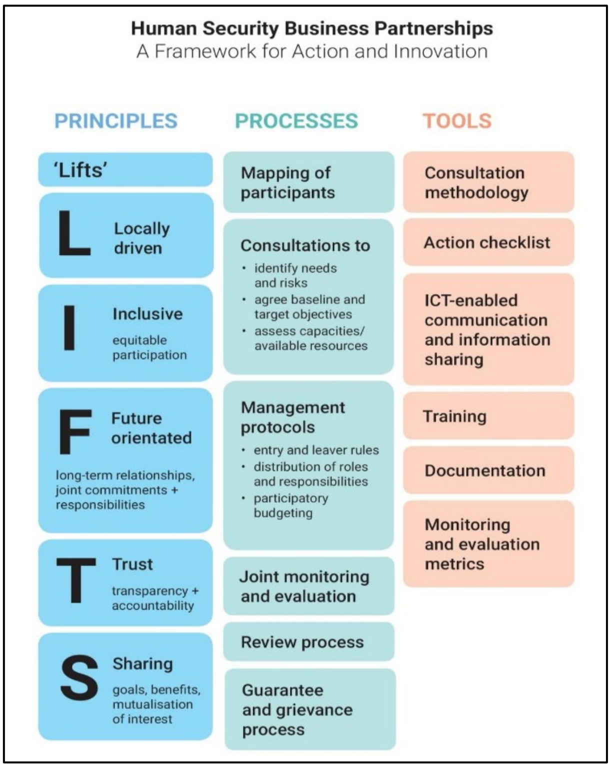

Figure 2: Human Security Partnership Framework (Source: LSE IDEAS, "People, Profits and Peace - Proposals for a human security approach for the private sector towards the achievement of the Sustainable Development Goals", 2018, http://www.lse.ac.uk/ideas/publications/reports/people-profits-and-peace)

The HS perspective in the framework broadens the vision of which threats people face and emphasise their interconnectedness. The partnership approach for HS seeks to identify and enlarge areas of overlapping concern and interest between investors, companies and communities that are locally grounded and bottom-up, but also placed within a context of national and local policy goals.

The HSBP framework includes 5 principles: locally driven, inclusive, future orientated, trust and sharing, and suggests processes and tools on how to implement it. It is structured as a partnership for ongoing engagement with the flexibility to deal with changes in the setting and is therefore more than just a dialogue.

This type of partnership considers a relatively new way of working at the local level, one that focuses on collective challenges faced by companies and communities in an effort to seek shared value and benefits in the form of risk reductions and SDG contributions. Agreement between the partners on key indicators for measuring social impact and collective buy-in to a process which includes collective evaluation of the partnership itself can help to validate impact, strengthen the legitimacy and ultimately the sustainability of collaboration.

The partnership provides an essential governance mechanism through which a mutual effort between company and community can determine ESG factors and assess corporate impacts. Each principle provides a 'hook' for the impact assessment process (as well as being intended to shape how companies intervene generally in the local environment). In other words – local, inclusivity, future building, trust-building and sharing principles can each be used as 'meta-indicators' to assess corporate social impact within a context of collaborative working.

8. Conclusion

Human Security and Positive Peace work together in ways that have positive implications for measuring social impact by businesses operating in FCS, because they recognise the interconnectivity between human rights, security and sustainable development. Their combined use captures the comprehensive and dense nature of 'impact', enabling users to bridge to ESG risks that are closer to the business perspective and integrating social dimensions alongside environmental and governance aspects. Another strength is the relational element (focusing on risks to local people), envisaging impact measurement as an interactive process, conducted jointly between companies and communities, while setting it within a broader context of durable peace and sustainability, provided by the Positive Peace concept and measurement process.

The purpose of the paper was to highlight the limitations of existing assessment methods and standards and to demonstrate the value and benefits for applying the combined use of HS and PP approaches to address where current methods and standards fall short, particularly in FCS contexts. Current methods and processes to evaluate corporate impacts overlook essential factors around fragility and conflict when companies do not make their relationship to the local context visible. They are left with a false sense of security and little guidance for more sustainable solutions to the risks they face. We conclude that the existing standards and guidelines around social impact with a strong focus on compliance and 'do no harm' are unable to capture the broader and longer term view of impact which ESG criteria aspires to do.

With more and more focus on improving ESG performance and greater demands to change corporate conduct, new thresholds for defining what are material issues to the business will be necessary. It is suggested that in order to identify those opportunities and risks which are most important to all company stakeholders including local populations and be able to measure actual impact of ESG actions, human rights, security and sustainable development need to be brought under one umbrella. HS helps to bring them together and clarifies how diverse ESG issues interact with each other and require comprehensive, context-specific solutions.

HS informs a bottom-up materiality analysis from the country level to head quarter level to identify key risks with potentially high impact in FCS that are currently missed. Such a local-oriented approach would reduce the tension that seem to exist between risks, standards and impact by placing local populations at the centre of ESG risk management processes as part of a new standard that would facilitate the implementation of these processes and the use of resources to address local ESG issues.

From this perspective, the contentious issue of responsibility becomes a more nuanced notion driven by localized factors that considers the strong relationship between materiality and social responsibility in FCS. The authors cautiously suggest that an expansion of the ESG criteria to incorporate more localized HS risks will ultimately be financially rewarded according to the positive ESG financial performance relationship. However, the authors do recommend that an ESG financial performance study for FCS will need to be conducted to determine the extent of the relationship.

It is therefore proposed to develop an integrated framework for ESG-HS risk informed measurement that shows which ESG issue matters most in relation to the various risks local people face and to what extent these issues are material for the company. HS indicators serves to inform how ESG actions by companies on the SDGs can be risk responsive, thereby creating impacts on multiple fronts across a wider set of SDGs including on SDG 16 that currently plays an underappreciated role in the eyes of companies and investors.

Such a framework can potentially provide a powerful way of measuring social impact in FCS by combining the strengths of the HS and PP. This type of partnership considers the collective challenges faced by companies and communities in an effort to seek shared value and benefits in the form of risk reductions and verifiable SDG contributions. As such, it will help unpack the SDGs and identify where peace is 'located' and can be stimulated within the other SDGs. An empirical analysis of the two-way relationship between SDG 16 and other SDGs would be valuable in this 'unpacking' process.

The goal for the development of the proposed ESG-HS framework is to assess the scope and prevalence of the HS related ESG issues at the local company level in FCS and come up with a solid evidenced-based methodology that can be replicated elsewhere. A major component of this is to design and implement the framework and systematic analysis on the basis of HS issues across seven dimensions further defined by threshold levels of human (in) security in order to inform and assess the materiality of these various issues. It is hoped that the framework can be tried and tested in several FCS to eventually determine which issues are cross-cutting and which are industry-or company specific in order to identify key general HS issue categories and establish guidance on how to advance such an effort from a research based phase to a standard-setting phase with indicator selection.

With many companies already grappling with today's standards, the authors of the paper have attempted to show that the HS approach does not add another layer to the existing frameworks and instead offers a way to strengthen the work already in place by tying it together. Because companies will face greater accountability for their social performance in the future which places higher demands on tracking and reporting, HS and PP have the ability to reduce the complexity of today's processes. Furthermore, it is clear that companies will need to develop more collaborative solutions to measuring their social impact.

The authors conclude that the combined HS and PP approach is capable of determining the materiality of multidimensional ESG issues and they can offer integrated measures that demonstrate the extent of their materiality to the business. This requires an on-going process that can lead to proactive, coherent business processes and making progress on implementation of current guidelines while aiming to set a new ESG-HS standard.

ANNEX A: Methodology and process for measuring Human Security and Positive Peace

It has widely been argued that the context-specific and dynamic nature of the idea of HS inhibits a measurement of the potential insecurity of human beings.[22] However, we propose a flexible process for operationalizing the idea of HS at the local level which is based on the research by Werthes, Heaven and Vollnhals (2011) that aims to put a value on each of the 'original' seven human security dimensions[23] and on IEP's Positive Peace pillars as a means to measure the background environment of HS.

By identifying and measuring levels of Positive Peace in a defined area (region or operating area where relevant data including proxy measures are available or can be collected), the background conditions for HS – both the threat to HS and the resilience against the threat – that make up the environment are uncovered. The relationship between HS and Positive Peace has shown that increasing levels of Positive Peace offer more HS guarantees for people. They also reduce the ESG risks to companies as pointed out in Box 2. Deteriorating levels of PP to a level that it reaches a certain threshold will offer indications that the risk has become a threat to people's security with implications for the company and the business activities.

The seven HS dimensions offer guidance for the HSBP on what risk factors are important in making the local population more 'secure' across the different core categories of HS without the normative assumptions about what constitutes 'liveable' human existence. Such guidance for the HSBP is intended to address local needs and risks based on joint assessments and aims for any HS investment and development to be fully grounded in the realities and expectations of those that are or could get affected by a company's presence and or its business activities.

With respect to HS measurements and their relation to ESG criteria, the HSBP consultation process helps to identify a range of criteria as they are perceived by all stakeholders which can be classified under one of the seven individual but interconnected HS domains. For instance, types of ESG-HS informed risks that fall under the Economic security dimension are poverty and unemployment while malnutrition and hunger are categorized under the Food security dimension although these problems are closely interlinked and connected to additional aspects in other domains such as the economic and social status people enjoy. Each of these HS related ESG issues, if not addressed, may have a lasting impact on the local population. As such, they are part of specific sustainability goals that require risk-informed contributions to have an effect as described in this paper. The HSBP is in particularly suitable to cover corporate sustainability issues related to the use of non-renewable natural resources, human rights, protection of vulnerable groups, local economic development, access to land and water and the quality of services, responsible business practices regarding health and safety and other working conditions as well as bribery and corruption prevention.

The actual threat that is assessed within each dimension allows for a differentiated understanding of the respective insecurity dimension. For instance, the dimension of environmental security may show low values, the threat to economic security may be much higher for the same community. A scaling of the values forms the basis for those indicators to be aggregated to dimension value. This would lead to differentiated agendas when having to set priorities for actions. The HSBP will hereby help to direct priority and attention to (more relevant or material) areas of concern, and prevent future damages in a more precise and efficient way.

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[22] S. Werthes, C. Heaven and S. Vollnhals, "Assessing human insecurity worldwide : the way to a human (in)security index", 2011, https://www.semanticscholar.org/paper/Assessing-human-insecurity-worldwide-%3A-the-way-to-a-Werthes-Heaven/0ac9ef76a4b0250a8dde2eda18f011c20d743e05 <Accessed on 21 February 2020>
[23] Ibid

Value selection and scaling can be decided by the HSBP, for instance by using a materiality scale. In addition, the overall value of the HS background environment measured through the PP pillars will shed light on the actual human (in) security situation in a given defined area offering ways to verify the significance of the ESG-HS issue and define thresholds. A key element in this prioritization process for defining the issues that matter most to communities, company and other stakeholders is how such issues interact with existing background conditions including the strong inequalities along societal fault lines such as ethnicity, gender, class, tribe or region that often trigger violent conflict.

ESG-HS risk response actions using Positive Peace

When considering ESG-HS risk response actions on the issues that have been identified and prioritized by the HSBP, the PP pillars can be used to track the effects of the responses over time. PP works as a system (Box 2) and can be applied at the national, subnational and local level. It does not specifically set out what interventions should be done for each of the Pillars to create social benefit as these very much depend on the cultural norms and development path of a specific country or community. What is appropriate in one community, may not be appropriate in another. What the Positive peace framework offers is guidance for actions that fit within the interconnected pillars. The more pillars to be addressed through social impact interventions, the higher the impact on human security and sustainable development. For instance, a lack of minority and women participation in a particular business sector which are caused by restricted access to markets, lack of access to education and health may be identified as highly relevant and material issues. Specific attention with the aim to increase the levels of workforce participation of those groups could improve their human security when applying a systemic approach along with a cultural sensitive strategy by the multi-stakeholder HSBP. Interventions that would lead to a higher concentration of work force participation among the marginalised groups such as women and minorities ideally would also strengthen several pillars including the '*Equitable Distribution of Resources'* pillar, *'Sound Business Environment'* pillar, *'Acceptance of the Rights of Others'* pillar and *'High Levels of Human Capital'* pillar.

This systems approach serves as a way to assess a company's total ESG impact on HS at various levels. This makes Positive Peace a suitable instrument to assess HS levels in the operating environment and the effects of the related ESG impact by companies on this environment.

Tracking and measuring progress

To track and measure progress of the actions taken under the HSBP and demonstrate evidences of impact, indicators will need to come from primary data gathering or from reliable secondary data sources that are available locally or more regionally.

The HBSP offers the benefit of applying a multi-stakeholder process for joint indicator selection, potential data gathering and tracking as part of an ongoing engagement process between companies, local authorities, community groups and experts under the partnership.

Over time, the data gathered can be analysed in relation to the original threshold levels that started the process in order to assess whether the actions taken have brought a change on the material issues that were defined. When disclosed by companies involved in the HSBPs, the data collection can serve to inform a set of indicators as part of potential future ESG-HS risk standard setting processes in the sector or industry.

BOX 2: Measurable Attributes that Create and Sustain Peace in relation to ESG

By influencing the conditions that sustain peace, businesses will help to decrease some of the risks that people face. One of the key elements lacking in the international standards, guidelines and instruments – including those that offer guidance on conflict sensitivity – that are available to companies operating in FCS is a clear understanding on what factors sustain peace and stability in societies which makes positive impact measuring difficult.

Sustaining peace is a concept that attempts to broaden the peace agenda to include proactive measures aimed at building on peace where it already exists by reinforcing the structures, attitudes, and institutions that underpin it. This is also called Positive Peace. Whereas the starting point of peacebuilding is conflict and the process is one of transitioning from war to peace, sustaining peace begins with identifying those attributes and assets that foster social cohesion, rule of law, inclusive social and economic development and security—the factors that together contribute to a more peaceful and stable society in which human security is safeguarded for all. Especially in places where there is fragility but violence does not manifest itself, these attributes often remain undocumented and are therefore rarely cultivated.

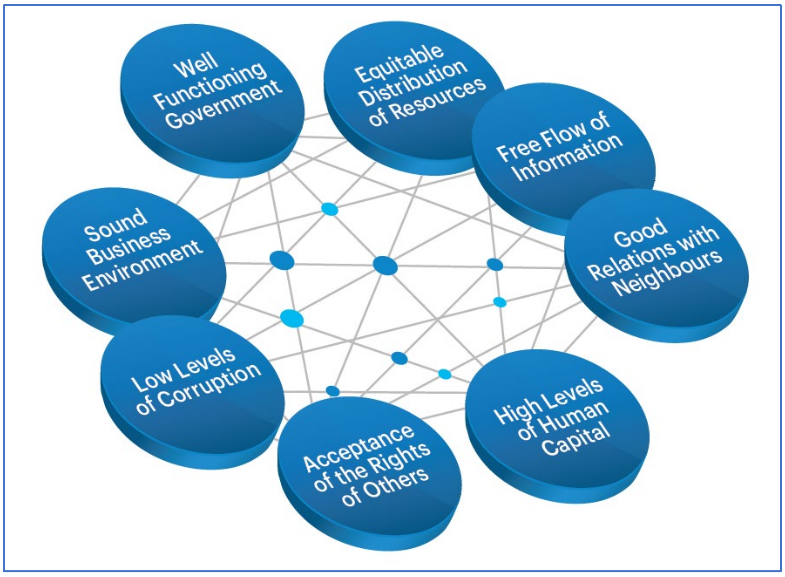

Figure 3: The eight Positive Peace pillars (Source: http://visionofhumanity.org/app/uploads/2019/10/PPR-2019-web.pdf)

The eight Positive Peace pillars overlap substantially with ESG criteria. This is because the "S" and "G" components directly relate to attitudes, institutions and structures that create and sustain peaceful and prosperous societies and makes them more resilient. The "E" is connected to the pillars by the impact of environmental conditions on human activity and living standards such as outdoor pollution affecting citizens or clean water access for the population. Jointly, they form the background conditions that lead to improvements in ESG and determine people's health, food, economic, environmental and personal security. In other words, the attributes that create and sustain peace are directly related to ESG criteria.

Improving the conditions that helps to sustain or create peace and reduce risks people face takes time whereby a wide variety of interconnected factors play a role. Therefore the social impact by companies in FCS can be best measured by looking at the total effects of the indicators tracked and how they interact meaningfully with the societal fault lines in operational areas of the business. This points to the need for a composite measure, reflecting company engagement and community perspectives, cross-referenced with pre-identified underlying issues within a pre-defined area and period. Ultimately, this should lead to impact measurement that include relational, locally specific and dynamic measures that capture changes and trends.

ANNEX B: List of contributors

The following people have contributed to this paper, either by participating at the Roundtable in The Hague in February 2020, or through an interview before the roundtable (or both). The authors are very grateful for their contributions.

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