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UN FORUM SERIES – Radical Transparency, or how to use public data for large scale Social-Impact Assessments

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One of the biggest challenges for a company that wants to align its conduct with the [United Nations Guiding Principles](#) (UNGPs) is to determine the salience of many different risks across a complex supply chain. This is why, with the increased demand for social impact reporting, several new management tools have emerged to help businesses map their human rights risks and manage their responsibilities (for instance, Irene Pietropaoli outlined several tools related to human trafficking in an earlier [post](#)).

Many of these tools focus on a specific human rights theme, generating detailed information based on a methodology well suited to the topic at hand. Unfortunately, businesses usually have an impact on a wider range of issues. To keep track of all relevant issues, measure their impact, prioritise hotspots and take action is no small task, let alone doing this for an entire supply chain.

One of the ways to overcome this challenge is to make use of public data already available on a large scale, and apply it to the field of Social-Impact Assessment. At [Questionmark](#), we have developed a tool allowing companies to map their impact on a range of topics throughout their entire supply chain and identify salient risks.

This is possible for all their products. Let us take the the food sector in our own country, the Netherlands, as an example. We have analysed the human rights, environmental and animal welfare impacts of raw materials for more than 25.000 products, produced by more than 3.000 brands

In line with with the ideas of Radical Transparency, this information is made publicly available. In the most extreme case of a [Radically Transparent Economy](#), as described by Daniel Goleman, every substantial impact of a product or service, along the entire chain, is tracked and its impacts summarized.

People everywhere in the world will have access to this information. At the same time, businesses can gain more detailed insight on their performances by consulting a benchmark of their peers and receiving product-specific risk assessments of their supply chains. As such consumers are better equipped to make more sustainable choices, and businesses can start competing on sustainability practices instead of prices and quality alone.

Principles of Product-level Social-Impact Assessment

The principles underlying our Product-level Social-Impact Assessment are based on Life Cycle Analysis (LCA).

Environmental LCAs has been around for a few decades and is seen as an important and comprehensive method for the analysis of the environmental impact of products and services throughout the entire supply chain. Social-Impact Assessment uses the same principles of an environmental LCA and applies them to human rights issues.

A Social-Impact Assessment always uses a product as a starting point. Its components are then broken up, and for each component, the supply chain is tracked, and human rights risks are mapped. In our specific case we also analyse the impact of specific labels, such as [Fairtrade](#) or [Rainforest Alliance](#), as well as the measures that companies take individually to minimize risks (these measures are not always public).

The human rights risks are quantified and aggregated into an overall human rights impact score for each theme. Users consequently have the option to analyse each theme or product separately, or rank products per theme, or by overall score. We make the aggregated scores for each product freely available to the public.

It is important to note here that the actual social impacts of the product represent the starting point of our analysis. Thereby, businesses that use fundamentally unsustainable supply chains cannot be considered 'leaders' by only adopting good management systems.

All benefits aside, conducting social impact assessments through a complete Social-Life Cycle Analysis can be very challenging due to time and data constraints. For instance, we have opted to focus on the production of raw materials for now,

making the tool cost-effective while also covering the most salient risks for the food sector. Subsequent stages, such as processing and transport, have only been incorporated when deemed necessary.

The field is very new, and as such challenges remain. I outline here below two main challenges to Social-Impact Assessment, as well as how Questionmark is dealing with them at the moment.

Determining salience

Let's introduce the first challenge that we face with an example. When analysing a product chain and its impact on two themes (though we typically cover up to 10 different themes in our assessments), let's say child labour and risks to freedom of association, you soon come across the issue of determining whether one or the other should receive more weight in the overall assessment as both themes are very different in nature.

Assessing whether prohibiting workers from organising, thereby preventing them from bargaining for better working conditions, has less of an impact on an individual, family or society, than having children harvesting fruits or cocoa is unfortunately near to impossible.

How to weigh vastly different topics is a very big challenge.

Questionmark has dealt with this challenge by consulting with various stakeholders, asking them what they deem the most salient risks. As a result we weight all themes equally at this moment. However, we periodically consult with stakeholders on our general methodology, and with every new food sector we analyse they are asked which topics are deemed most salient in particular, much like the [UNGP Reporting Framework](#) prescribes.

On the basis of this process, every time a short range of topics is chosen to score products on. For the food sector these are typically occupational health and safety, child and forced labour, discrimination, freedom of association, living wage, migrant workers and land and water rights.

In the absence of more complex models of simulating impacts on society, incorporating the feedback of stakeholders in developing a methodology remains the best option. The [handbook on Social Impact Assessment](#) published earlier this year came to the same conclusion.

Overcoming the data gap: The Social Hotspot Database

Conducting a Social-Impact Assessment requires a significant amount of data. It encompasses multiple supply chains, which in turn encompass numerous companies, contractors and subcontractors (which all require their own inputs). Each of them are tied to specific human rights risks.

Questionmark uses the [Social Hotspot Database](#) for this purpose.

The SHDB allows for the retrieval of public data already collected by others. The SHDB incorporates nearly 150 indicators covering 22 described human rights risks across 57 different economic sectors, spread across more than 100 countries. Indicators cover topics such as corruption, conflict, fragility of the legal system and labour rights.

The SHDB has been used by companies such as Google and BMW, organisations such as the European Commission and several universities. The data is based on many different publically available sources, such as World Bank and ILO reports, as well as country- and region-specific information.

As the SHDB is still developing further, additional detail and understanding of risks are required. For instance, food items with very different methods of production are sometimes grouped together. In addition, larger countries should have region-specific information. It is therefore advisable to conduct supplementary research and external verification by consulting with various stakeholders, something we do as well.

In addition, the SHDB is just that, a database. Most additional work lies in developing a sound methodology to assess these impacts and building the tools to make impact assessments accessible on a large scale. As such we are always looking to incorporate other existing benchmarks, including those that are company-specific. Luckily the field is rapidly developing, bringing a Radically Transparent Economy that much closer.

For more information on our methodology, please consult our [website](#) or send an mail to info@thequestionmark.org.

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