

# Social Impact Assessment Guideline

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## Content

Introduction.....	3
Common Good Matrix as Framework .....	3
Evaluation-Process .....	6
1 - Pre-Investment.....	6
2 –One year after operation.....	6
The indicators .....	8
1. Ethical Supply Management (A1) .....	8
2. Workplace Quality and affirmative action (C1) .....	11
3. Corporate Democracy and Transparency (C5) .....	14
4. Cooperation with Businesses from the same Field (D2) .....	17
5. Ecological Design of Products and Services (D3).....	20
6. Socially oriented design of Products (D4) .....	23
7. Value and Social Impact of P/S (E1).....	25
8. Investing Profits on the common good (E4).....	27
A. Negative Criteria.....	29
Appendix 1 – Basic Human needs as per Max-Neef.....	31
Appendix 2 – Complete Common Good Matrix. ....	33
Appendix 3 - Social Impact Assessment Form – Pre-Investment.....	34
Appendix 4 - Social Impact Assessment Approval criteria: .....	35

## Introduction

The reason for the existence of a Social Business exists to overcome a social problem, to create a social impact in society. The world has become more complex so have the social issues we face nowadays. Therefore identifying and assessing the social impact of a business is the first step while identifying a social business.

This guideline should give a framework for this assessment task and work as a guideline for everybody concerned with the question how Nepal Social Business defines to have a social impact: It is not only meant for members of the Social Impact Assessment committee, but also for trainers, mentors and monitoring officers and other persons working with the Social Business.

## Common Good Matrix as Framework

The guideline is based on the common good matrix<sup>1</sup>. The common good matrix is a system developed by a network of European businesses, organizations and individuals, which committed themselves to run this new kind of businesses. In a first phase only parts of this framework have been used and adapted to the local needs.

### Indicators

The current common good matrix as used in Europe foresees all together 17 indicators<sup>2</sup>, arranged along a matrix summarizing the various stakeholders and the 5

The social impact of a business shall for the start be measured taking various indicators, which evaluate the SBs behavior towards the various stakeholders like suppliers, employees, customers, products and social environment. For the start from the 17 indicators suggested by the common good matrix, 8 shall be applied to the Social Businesses in Nepal Social Business. Over the years more and more of them should be adapted.

		Points
		<b>660</b>
<b>1.</b>	<b>Ethical Supply Management (A1)</b>	<b>90</b>
	1.1 <i>Consideration of regional, ecological and social aspects</i>	40
	1.2 <i>Active examination of impact of purchased products &amp; services</i>	25
	1.3 <i>Create structural conditions for fair pricing</i>	25
<b>2.</b>	<b>Workplace Quality and Affirmative Action (C1)</b>	<b>90</b>
	2.1 <i>Employee Oriented Organizational structure</i>	30
	2.2 <i>Fair Employment and Payment Policies</i>	30
	2.3 <i>Occupational Safety and Workplace Health</i>	30
<b>3.</b>	<b>Corporate Democracy and Transparency (C5)</b>	<b>120</b>
	3.1 <i>Degree of Transparency</i>	45
	3.2 <i>Employee Co-Ownership</i>	30
	3.3 <i>Just Income Distribution</i>	30
	3.4 <i>Co-determination concerning fundamental decisions</i>	15
<b>4.</b>	<b>Cooperation with Businesses from the same field (D2)</b>	<b>70</b>

<sup>1</sup> For more information see <http://movement.ecogood.org/working-groups/cooperation-network/material-for-pr/documents-for-public>

<sup>2</sup> See Appendix 3 for the complete common good matrix.

	4.1	<i>Passing of Personnel, contracts and financial resources</i>	30
	4.2	<i>Joint Marketing</i>	25
	4.3	<i>Disclosure of Information + Passing technologies</i>	15
<b>5</b>	<b>Ecological Design of Products and Services (D3)</b>		<b>90</b>
	5.1	<i>Ecological comparison to other P/S of Competitors</i>	35
	5.2	<i>Active communication of ecological aspects to customers</i>	35
	5.3	<i>Sufficiency- active design for ecological utilization</i>	20
<b>6</b>	<b>Socially Oriented Design of Products ( D4)</b>		<b>50</b>
	6.1	<i>Product design made for disadvantaged customers</i>	25
	6.2	<i>Disadvantages customers considered in pricing and distribution</i>	25
<b>7</b>	<b>Value and Social Impact of P/S (E1)</b>		<b>90</b>
	7.1	<i>P/S meets a basic need</i>	45
	7.2	<i>Product contributes to the development goals</i>	45
<b>8</b>	<b>Investing Profits for the common good (E4)</b>		<b>60</b>
	8.1	<i>External Dividend Payout</i>	30
	8.2	<i>Internal Dividend Payout</i>	15
	8.3	<i>Reinvesting Profit for Social Impact</i>	15
<b>A</b>	<b>NEGATIVE CRITERIA</b>		
	A.1	<i>Violation of ILO</i>	-200
	A.2	<i>Food Adulteration</i>	-200
	A.3	<i>Timely payment</i>	-100
	A.4	<i>Unequal payment of woman and man</i>	-200
	A.5	<i>Equity Yield Rates &gt; 10 %</i>	-200

Point	General description	Nepali Context
<b>Ethical Supply Chain Management (A1)</b>  Up to 90 points	Active examinations of the risks of purchased goods and services, consideration of the social and ecological aspect of suppliers and service partners.	Avoid unhealthy competition, request a code of conduct from suppliers (i.e. no child labor, no massive environmental pollution or other unethical means of employment), and establish a fair payment policy, make procurement decision based on socio-economic aspects and not solely monetary aspects.
<b>Workplace Quality and affirmative action (C1)</b>  Up to 90 Points	Employment oriented organizational structure, fair employment and payment policies, work-place health and safety, work-life balance, flexible work-hours, equal opportunity a diversity	Transparent and binding payment scheme, working contracts, working times allowing also woman to work, not discrimination in employment based on caste, Accessible toilets for men and woman, Provide training possibility for employees.
<b>Corporate democracy and transparency (C5)</b>  Up to 120 points	Comprehensive transparency within the company election of managers by employees, democratic decision making on fundamental strategic issues, transfer of property to employees	employee owned businesses, partial employee owned businesses Transparent communication of all Data (incl. salaries and accounts) to all employees. Democratic decision on profit distribution.
<b>Cooperation with businesses in the</b>	Transfer of Know-How, personnel, contracts and	Local network of Micro businesses from the field, micro businesses from the field as

<p>same field (D2)</p> <p>Up to 70 points</p>	<p>interest free loans o other business in the same field, participation in cooperative marketing activities and crisis management.</p>	<p>beneficiaries. Capacity building of related micro enterprises, Acting as (democratic elected) speaker towards public bodies</p>
<p>Ecological Design of Products and Services (D3)</p> <p>90 points</p>	<p>Offering of ecologically superior products/services; awareness raising programs, consideration of ecological aspects when choosing customer target groups.</p>	<p>Higher quality standards Low ecological footprint through:</p> <ul style="list-style-type: none"> <li>- Environmental friendly packaging (considering recycle possibilities in Nepal)</li> <li>- Usage of renewable energy (solar energy) and avoidance of generators, gas or other not sustainable energy sources.</li> <li>- Purchase local products and avoid environmental pollution through road transport from far.</li> </ul> <p>Product creates awareness about ecological questions. Product designed for long life-span</p>
<p>Socially oriented design of products and Serviced (D4)</p> <p>50 Points</p>	<p>Information, Products and Services for disadvantages groups, support for value – oriented market structures.</p>	<p>Clear commitment to serve to rural and decentralized areas Development of alternative distribution channels for hilly regions. Pricing model which allows also this families to buy the products. Active awareness and promotion of the usage of the products for a healthier life style (i.e. eating habit) B2B:</p>
<p>Value and Social Impact of Products and Services (E1)</p> <p>90 points</p>	<p>Products and services fulfill basic human needs or serve humankind, society or the environment.</p>	<p>P/S has a focus on the needs of underdeveloped rural areas. P/S helps develop individuals or other (social) businesses from the area</p>
<p>Investing Profits for the common good (E4)</p> <p>60 points</p>	<p>Reducing or eliminating the dividend payments to externs, payouts to employees, increasing equity, social-ecological investments</p>	<p>No dividend payment for not-working shareholders, Limitation or waiving of the dividend Relation between Distribute gain in profit among all employees / major</p>

Out of maximum 660 points, the social businesses should reach in the first year a minimum of 132 points (20 %), when reaching break even 264 (~ 40 %) and latest 2 years after reaching break even 330 points (~50 %). Any better development should be incentivized by lower management fees, awards for the best new comer, preference of Lions Clubs when purchasing goods, the top 10 performing social businesses or other advantages (i.e. free promotion in CG or Lions newsletter, etc.).

The Social assessment committee (later maybe an appointed Social Impact monitoring team) should at 4 stages (pre-investment committee; after 1 year of operative activity; 1 – 2 years after reaching break even - in any case before pay back) evaluate the business. Pre-investment has to be done by the committee directly. The assessment in the later stages can be delegated by the committee to auditors of their choice, them still having the final responsibility for this.

## Evaluation-Process

Each of the Social Businesses shall be evaluated in various stages upon their social performance. This evaluation shall thereby be treated as at least equally (preferably more) important than the financial assessment.

SNr.	Point in time	Overall Percentage needed	Indicators
1	Pre-Investment	Non – work plan for 2 & 3 given and realistic	Work plan was elaborating on all 8 main indicators and why/why not they get active
2	1 year after operation	20 %	Min. 2 out of 8 main indicators included
3	Break even	40 %	Min. 4 out of 8 main indicators included
4	Break even + 2 years	50 %	Min. 6 out of 8 main indicators included & 16 out of 22 sub-indicators included

### 1 - Pre-Investment

#### Objective & Rational for assessment at this stage

The assessment in this stage shall evaluate if the project will evaluate if the entrepreneurs did their homework on the social impact of their project.

Similar like in a detailed financial modeling the projects need to come up with a detailed planning of the social impact they plan to create.

The assessment as closer described in Appendix 3 and 4 of this document, will evaluate the plans for each of the 8 indicators as well as a general assessment of the integration of the social aspects in the business concept.

### 2 -One year after operation

#### Objective & Rational for assessment at this stage

The objective and rational in this stage is to assess if the Social Business is putting efforts on creating a social impact with their business. No limitation is thereby given in to which stakeholder and in which regard the social impact is defined; in other words: from which indicators they get their points.

We further acknowledge that start-ups need flexibility in changing their way. Therefore also no reference to the initial made plan will be drawn.<sup>3</sup>

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<sup>3</sup> If the plan before investment decided to reach 20 % through working on “**Workplace Quality and Affirmative Action (C1)**”, “**Ecological Design of Products (D3)**” and “**Value and Social Impact of P/S (E1)**” but in the process of starting decides to not focus on the D3 in the first year but rather on “**Cooperation with Businesses from the same**

It is understood that the business is in its early stages and still struggling with the obstacles of a start-up, why the expectations are very moderate with 20 %.

### Relevance of the result of the evaluation in this stage

The evaluation in this stage will come together with an evaluation on the financial performance of the business. Both evaluations together will determine the management fee the project has to pay.

The principle no-dividend (no-interest) of a social business is seen as crucial, especially for the investment coming from NSB. But we have to face the reality that we can only assess the real social impact of project, once it's up and running. Therefore the system is designed in a way that social impact is awarded if there is a high social impact with a low or even 0 interest rate, whereas projects which fail to show much social impact, will be charged with market-interest rate.

The management fee will only arise if the social aims were not met or if the social aims were met on the costs of the financial sustainability.

Financial Performance / Social performance	The project overfull filled the social object it set to itself (> =100 %)	Social impact given p	Common good matrix 0 or negative
Yearly fee	0	$(I * (SI_e - SI_a) / SI_e) * 9\%$	$I * 9\%$

Example: a project which is reaching 95 out of 132 points this would result in a 2.52 % interest rate:  
 $(132 - 95) / 132 * 9\% = 2,2\%$

A project which only reaches 20 out of 132 points would have to pay 7.63 % interest rate. In that way we have a win-win-Situation: Either the projects create the social impact we expect of them. If not the revenues from the interest rates will help us to groom other social business.

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**field (D2)** that should not have a negative influence on the assessment on the project as long as they reach their goal of 20 %.

## The indicators

### 1. Ethical Supply Management (A1)

This indicator shall deal with the indirect influence a business makes through its procurement. Thereby the organization shall take on responsibility for the social impact they create through their choice of suppliers.

Basic questions to be considered while evaluating this aspect:

- Among the question asked will be the following aspects: What are the products and services purchased by the business? In which quantity / intensity are the goods relevant for the social impact<sup>4</sup>? What are the critical products purchased<sup>5</sup>?
- Which part of this goods and products is purchased taking into consideration its social and environmental impacts? Is the business actively monitoring the main social behaviors of its main suppliers (i.e. punishment or avoidance of suppliers with child labor; purchase price differentiation for families who send all their children to school ... )? Is the business actively searching for better alternatives?
- What is the relation with the suppliers? Is the procurement process design in a way to put long-time relation before the lowest pricing? Is the business holding a monopoly? If yes, does it use it to influence the social behavior of suppliers in a positive way?

#### 1.1. Consideration of Social Impact of purchased P/S: 40 Points

Considering that all businesses are part of a system which they influence with their actions in the same way other businesses influence them, requires a business to take over a responsibility for the social impact in its production.

Sub-Indicator	First Steps (0 – 8)	Advanced (9 – 16)	Experienced (17 – 24)	Exemplary (25 – 40)
<b>Regional, ecological and social aspects are considered ...</b>	... selectively in case of products with negative social or ecological impacts <sup>6</sup>	... in regard to some key P/S.	... in regard to a large part of the key P/S.  AND: low consumption of critical material (i.e. bricks from child labor).	... for all key P/S  + innovative solution for avoidance of critical material (i.e. producing own construction material if not social-ethical mud bricks are available)

A list of all externally procured products / services can be the starting point for this evaluation:

<sup>4</sup> Goods and services which are purchased in a high quantity (i.e. wheat for the production of porridge) will have a higher indirect impact than products which are only purchased in fewer quantity (i.e. stationaries for the office of the porridge factory).

<sup>5</sup> Critical products are defined by products which have a very high likeliness to have a negative social impact in the previous supply chain.

<sup>6</sup> No purchase of goods produces in

P/S	%	Relevant social risks	Current status (activities already taken)	Potential activities (superior alternatives or influence)
Product x	...			

### 1.2. Active Examination of impact of the purchased P/S: 25 Point

Is there a systematic approach to evaluate the social impact along the supply chain? Are these approaches made transparent to suppliers? How is the evaluation of the first point done? Is the social business contributing to networks working on this topic in a systematic manner?

Sub-Indicator	First Steps (0 – 5)	Advanced (6 – 10)	Experienced (11 – 15)	Exemplary (16 –25)
<b>Active examination of impact of purchased P/S and processes for ensuring goal achievement</b>	<p>The business has a code of conduct / ethics.</p> <p>Integration of such matters as contractual matter.</p>	Internal examination through actively sought information on issues. <sup>7</sup>	<p>Internal Audits in case of risk and key suppliers.</p> <p>Trainings for all employees involved in the purchasing process</p>	Active participation in Multi-Stakeholder <sup>8</sup> initiatives regarding social and ecological aspects. <sup>9</sup>

### 1.3. Create structural conditions for fair pricing & payment: 25 Point

As all actors are parts of a bigger system, the behavior of each business matters to create a fair and reliable business climate.<sup>10</sup> Allowing a supplier to charge fair price, having clear and reliable payment policies and having building up long time relationships with suppliers rather than a purely financial driven process.

Sub-Indicator	First Steps (0 – 5)	Advanced (6 – 10)	Experienced (11 – 15)	Exemplary (16 –25)
<b>Basic Structural conditions for fair pricing and payment</b>	<p>Rejection of purely price driven supply processes (i.e. auctions, tendering)</p> <p>No bonus for purchaser dependent on purchase price.</p>	<p>Clear payment policies with fair &amp; short payment terms especially to small sized suppliers which are more vulnerable to liquidity problems.</p> <p>Long term cooperative relationships are given preference over changing cost-oriented ones.</p>	<p>Allow positive price discrimination for suppliers with clear positive social impact.</p> <p>AND Evaluation of Purchaser's behavior through frequent dialogues.</p>	Participation in innovative supply structures (e.g. participation in alternative money concepts or solidarity agriculture)

<sup>7</sup> Frequently visiting all families from which the rice is purchased to see the schooling performance of their children.

<sup>8</sup> Initiatives involving government, NGOs, businesses and other stakeholders in a equal way.

<sup>9</sup> i.e. an architect company is actively contributing to the activities of Better Brick Nepal, which is fighting child labor in brick factories.

<sup>10</sup> As the baseline study “ethical business practices in Nepal” clearly pointed out it is the “Private sector’s failure to acknowledge their side of the problem when it comes to promoting good business practices.” This creates as later pointed out in that report an unhealthy competition.

**EXAMPLE ETHICAL SUPPLY CHAIN MANAGEMENT****Operative Expenditure (ordered by the % of total expenditures)**

P/S	%	Relevant social risks	Current status (activities already taken)	Potential activities (superior alternatives or Influence)
Wheat	20	Families take out their children from school for field work	Awareness creation on this topic	Price differentiation for families with 100 % children in school.
Dried apples	15	Usage of diesel-driven generator for the drying process		Purchase from other supplier, who uses solar energy
Rice	12	Unequal wages for woman and man during harvesting times	Positively discriminate in procurement women groups and cooperation with equality-standards.	-
Chiya (for events)	5	Chiya Pasal from which the tea gets ordered employs children from village and uses plastic cups to serve.		Invest in 100 glass cups a pot and employ a Didi, who is cooking own tea during events.
Stationeries	3	Cheap copies from China are preferred to products of Nepal.		
Snacks (for events)	2	Risk of long environmentally unfriendly transportation of this minor goods	Local dried apples are chosen over “imported” biscuits.	

**Major investments in the past years (ordered by purchasing costs)**

P/S	%	Relevant social risks	Current status & objective	Potential (superior alternatives or Influence)
Construction	15	Contracted the cheapest contractor No consideration of		
Bricks	13	Bricks from Brick-Factories which are having child labour		
Floor	5	PVC-carpets are imported from India. No local value creation		Purchase handmade carpets from Social Business close to Tato Pani instead.
Table / Chairs	4	Plastic chairs are imported from China and produced there under not controllable working conditions.	Purchase wooden chairs from local carpenter.	

This business would be assessed with advanced as some of the products already consider the social, ecological or regional aspects, but still many of the key P/S could be procured with more social impact, but in regard to many key-aspects: 15 out of 40 Points for this sub-indicator.

The organization has set up a code of conduct shared with all major suppliers and is frequently visiting in person all its suppliers to see how they work. 10 out of 25 points.

The organization is not using any price driven purchase methods nor do they offer bonus to their purchase employee, but no steps are taken beyond this: 5 out of 25 points.

**TOTAL: 30 out of 90**

## 2. Workplace Quality and affirmative action (C1)

Principle number 5 is listing fair wages with better working conditions; therefore the first indicator is an employment oriented structure.

Creating employment is in most cases given as one of the social impacts a social business has. The work place quality should be accordingly above the standards. For measuring this there are 3 sub-indicators:

### 2.1 Employee oriented organizational structure: max. 30 points

This part defines in how far employees have a way how to give feedback, receive trainings to improve their skills on the job, the hierarchy, responsibilities and tasks are clearly defined or surveys are carried out.

Sub-Indicator	First Steps (0 – 6)	Advanced (7– 12)	Experienced (13 – 17)	Exemplary (18 – 30)
<b>Employee-oriented organizational culture and structure ...</b>	<p>Clear commitment how to improve the work-place<sup>11</sup>.</p> <p>A basic work contract with the basic conditions given to each worker (including Didis and Bhais), employee, manager.</p> <p>Open communication culture in which workers / employees have a way how to express their considerations.</p>	<p>Implementation of good work place standards.</p> <p>Standardized working contracts and ToR for various positions (workers, employees, management).</p> <p>Trainings for workers and employees on a case to case basis.</p>	<p>Best practice in region for work place standards.</p> <p>Frequent and structures employee feedback.</p> <p>Frequent trainings for minimum of 70 % of all workers and 70 % of all employees to improve their work related qualification.</p>	<p>Fully integrated concept of work place quality including a measurement.</p> <p>All managers and Board directors trained and committed to an employee oriented organizational structure.</p> <p>Model of apprenticeship is practices in the company.</p>

### 2.2 Fair employment and payment policies: max. 30 points

More transparent fair and structures payment and employment standards, are an important factor to guarantee a fair employment to all. Employment should aim towards giving predictable financial security to the employees.

Sub-Indicator	First Steps (0 – 6)	Advanced (7– 12)	Experienced (13 – 17)	Exemplary (18 – 30)
<b>Fair employment and payment policies ...</b>	<p>Day Laborers and Peons only employees if demonstrable operational necessity.</p> <p>Predictive and</p>	<p>Working contracts in favor or the employee (i.e. paid leave, sick leave).</p> <p>Transparent and binding payment scheme existent for</p>	<p>All workers and employees employed on a monthly basis and having equal access to social benefits.</p> <p>Transparent and</p>	<p>Sustainable employment through inter-company co-operation (exchange of workers during off seasons)</p>

<sup>11</sup> fair toilets for ladies and gents separated, flexible working times ...

transparent employment planning towards short time workers.	all levels of workers and employees.  Availability for interest free employees loans.	binding payment scheme existent for all levels of workers and employees made with participation of the employees.	Pay is perceived as fair by all employees and it ensures a good life.
All salary and allowances are paid on time.			

### 2.3 Occupational safety and workplace health: max. 30 points

Working spaces should be a safe place, where health aspects and safety should be specially taken care of. Health is also an issue concerning a healthy relationship with the family. Sickness in family is not only a personal matter but also threatening working plan due to absences of workers. Precautions for family related health aspects are therefore recommendable.

Sub-Indicator	First Steps (0 – 6)	Advanced (7– 12)	Experienced (13 – 17)	Exemplary (18 – 30)
<b>Occupational safety and workplace health promotion including flexible working for better integration into society.</b>	<p>Development of a concept for workplace safety and hygiene.</p> <p>Working times and payment are set in a way that no double occupation is needed to have a substantial income.</p>	<p>Basic Workplace safety and hygienic measures implemented and promoted among at least 50 % of the employees /workers.</p> <p>Part time model available for woman and other members of the society in need of more flexible working times.</p>	<p>Improved work placement safety including additional offers like health checkups, medical advice and investment in more secure work tools (cooking stoves, cleaning clothes, etc.)</p> <p>Block time models for employees / workers far from their home to remain a health relation with their family.</p>	<p>Occupational safety and workplace health becomes integrated part of the organizational activities and expands to the family of the employee / worker.</p> <p>Part time options in the managerial level to create more qualified jobs among young educated people.</p>

## **EXAMPLE WORK PLACE QUALITY AND AFFIRMATIVE ACTION**

### **Employee oriented organizational structures**

The factory in Kudari is having written working contract with all their permanent as well as occasional employees, which make their roles, responsibilities, rights and entitlements, working times, remuneration packages .... Clear. For non-literate the contract is explained and signed in presence of a family member or co-worker of the choice of the employee.

Once in a month a plenary meeting of all employees and the whole board is held, where employees can bring up issues.

Furthermore the factory has separate dressing rooms and toilets including running water and soap for woman and man, free solar filtered drinking water for all employees.

Employment of woman with children is promoted through providing a childcare-room and a rotating work schedule in which one of the ladies takes care of the children, while the others are working.

There are no standardized working contracts, trainings or feedback loops implemented

Result: Beginning of advanced: 8 out of 30

### **Fair employment and payment policies**

In production most of the workers are full time or part time employees with an unlimited contract. Still in the season for collecting many laborers hired and set free with only 1 day prior notice.

There is no fixed payment schemes existent, each person employed is making his/her own negotiation on the wage/salary. Working contract only have basic requirements (i.e. salary, working time) but nor additional benefits.

Result: Beginning of first steps: 3 out of 30

### **Occupational Safety and Workplace health**

A publically known concept paper for occupational health and safety was prepared under participation of the employees and is hanging in all production areas easy visible. Additionally the senior workers introduce everybody (especially illiterate) new workers in this issues.

Each laborer is paid at least the FTE (Full time equivalent) of the governmental minimum wages + 30 %. Next to the rotating child care wheel, woman can compensate overworking hours with compensatory leave, when required.

Result: 12 out of 30

**TOTAL 23 out of 90 achieved**

### 3. Corporate Democracy and Transparency (C5)

Democracy and co-ownership is especially but not only an issue in bigger companies. It can help to reduce imbalances, improve the quality of the product and empower socio-economic disadvantaged target groups.<sup>12</sup>

#### 3.1 Degree of transparency: max. 45 points

In any case major issues should be transparent to all employees to avoid misuse.

Sub-Indicator	First Steps (0 – 9)	Advanced (10 – 18)	Experienced (19 – 27)	Exemplary (28 – 45)
<b>Degree of transparency</b>	Internal transparency of the 5 lowest and 5 highest incomes in the company.  Internal first measure to make key critical data transparent.	Transparent payment also for self employed key suppliers.  Some Key critical data are transparent (investment and connection with other organizations, loans, decision on dismissals).	Binding definition of maximum divergence.  Critical data are transparent for all long term employees.	All salaries are made public.  All critical data are available to all long term employees

#### 3.2 Employee just income distribution<sup>13</sup>: max. 30 points

Another indicator for a fair and democratic organization is if the salaries of the lowest earning persons and the highest earning persons are close.

Given salaries need therefore be calculated as so called full time equivalent.<sup>14</sup>

Sub-Indicator	First Steps (0 – 6)	Advanced (7 – 12)	Experienced (13 – 18)	Exemplary (19 – 30)
<b>Income Divergence in the Company</b>	Maximum divergence Up to 20 employees 1:8	Maximum divergence Up to 20 employees 1:5	Maximum divergence Up to 20 employees 1:4	Maximum divergence Up to 20 employees 1:2
	21 – 200 employees 1:10	21 – 200 employees 1:7	21 – 200 employees 1:5	21 – 200 employees 1:3
	Over 200 employees 1:12	Over 200 employees 1:9	Over 200 employees 1:6	Over 200 employees 1:4

<sup>12</sup> Considering Nepali cultural status and the relevance leadership in successful organizations has, the sub-indicator “co-determination” was reduced in its weighting. Considering the ongoing problems with corruption in the country instead of this transparency was increased in comparison to the original.

<sup>13</sup> In the original Common Good Matrix this point is given as a separate point “C4 Just Income Distribution” For the sake of keeping the assessment matrix simple the point was included in cooperate democracy. Therefore the total amount of C5 was raised to 120.

<sup>14</sup> First the normal working time of a company needs to be known (i.e. 40 / 45 h per week). For every part time employee the actual gross salary needs to be divided by the average weekly working hours and multiplied with the full working time. I.e. In a company with 40 hours normal working time, a Didi coming every day for 3 hours cleaning on 5 days a week as 15 working hours per week. If her actual salary is Rs. 4000 her full time equivalent would be 10,666 (= 4000 \* 40 / 15).

### 3.3 Employee Co-Ownership: max. 30 points

Another level would be to make the employees owners and given them a different level of involvement and responsibility and therefore also of commitment.

Sub-Indicator	First Steps (0 – 6)	Advanced (7 – 12)	Experienced (13 – 18)	Exemplary (19 – 30)
Employee Co-ownership	Basic commitment to develop a concept in this direction	Employees have up to 25 % of the ownership	Employees have 25.1 % - 75 % of the ownership	Employees have 75.1 % to 100 percent of the ownership.

### 3.4 Co-determination concerning fundamental decisions: max. 15 points

It's proven, that employees who are part of the decision making process, are more motivated and engaged for their work. Without going the step of making them shareholders, decision making processes can be structured in a way that it involves employees.

Sub-Indicator	First Steps (0 – 3)	Advanced (4 – 6)	Experienced (7 – 9)	Exemplary (10 – 15)
Co-determination concerning fundamental decisions	Hearing or consultation and following justification in case of main decisions.	Test phase: 25 % of all management decisions are democratic including those on usage of profit.	25.1 % - 75 % of all management decisions are democratic including those on usage of profit.	More than 75 % of all decisions are democratic.  Min 50 % of them is consensus.

### EXAMPLE CORPORATE DEMOCRACY AND TRANSPARENCY

#### Co-Determination concerning fundamental issues.

No structures to involve the employees and workers in fundamental decision making.

Result: 0 out of 15 points

#### Just Income Distribution

The organization has 18 workers and the regular working time is 48 hours.

Who	Salary	Working time	FTE	FTE-ranking
Didi 1	3000	3 h x 6 days = 18 h	8000	Third last
Bhai 1	8000	8 h x 7 days = 56 h	6857	Second last
Bhai 2	7000	10 h x 6 days = 50 h	6720	Last
....				
Accountant	25000	8 h x 6 days = 48 h	25000	Second
Office Manager	30000	10 h x 6 days = 60 h	20000	third
CEO	35000	8 h x 7 days = 56 h	30000	First

Ration = First / Last =  $30000 / 6720 = 4.4$

Result: 15 out of 30 points

#### Employee Co-Ownership

Employees own 27 % of the porridge factory.

Result: 9 out of 30 points.

#### Degree of transparency

All salaries including travel allowances, communication allowances and other parts are published in the white board of the organization.

All employees appointed longer than a year are informed about investments, loans and dismissal of persons.

Result: 45 out of 45 points

**TOTAL: 69 out of 120**

#### 4. Cooperation with Businesses from the same Field (D2)

Not working against each other, but with each other is another aspect a Social Business should fulfill. For a Social Business with a primary social objective more similar business in the market is a positive development: i.e. more factories, which produces healthy food for children in other areas of Jumla will speed up the eradication of malnutrition, a sustainable tourism-initiative in the neighbor-village will make the area more attractive and costs for environmental awareness can be shared.

In Nepali context this especially but not only considers cooperation with small and micro enterprises. It's those small enterprises, which due to hard accessible information are normally disadvantaged. Only bigger organizations can afford to have functional experts (i.e. accountants, marketers, etc.), professional communication strategies or modern technologies. Sharing these people's knowledge or time for example can be a considerable help for a new start-up.

##### 4.1 Passing of personnel, contracts and financial resources: max. 30 points

The most successful and highest impact would be through supporting each other with work-force, financial means and other mayor resources needed for running a Social Business<sup>15</sup>. This could be in form of forming procurement groups and save time and costs, send various manpower, share best practices (i.e. how to best make apple jam), provide loans to each other or similar.

Sub-Indicator	First Steps (0 – 6)	Advanced (7 – 12)	Experienced (13 – 18)	Exemplary (19 – 30)
Passing of personnel, contracts and financial resources	Cooperation exclusively upon request in exceptional cases. (i.e. buying material together).	Frequent bilateral exchange of man-power for knowledge sharing.	Organization provides work power to other businesses.	Fully developed work power share concept.
	First approaches to bilateral exchange of man power for knowledge sharing	Joint contracts for purchasing main needed material.	Occasional loans provided to other businesses.	Fully developed system for loans to other businesses.
		Loans in form from sharing production material with flexible pay back.		Cooperation also in other fields of the business.

##### 4.2 Joint Marketing: max. 25 points

Marketing and Communication is a powerful tool. The way Marketing is used it can destroy a competitor or foster cooperation. Ethical-cooperative marketing should therefore be a goal for any Social Business. It also can help to help small and microenterprises to overcome their relative disadvantage in promoting their goods through communication channels due to lack of knowledge and not being able to afford professional help.

<sup>15</sup> The international Mondragon Corporation with 80000 employees in 289 bodies is a very good example for such inter-organizational loans and organizations <http://www.mondragon-corporation.com/>

Sub-Indicator	First Steps (0 – 5)	Advanced (6 – 10)	Experienced (11 – 15)	Exemplary (16 – 25)
Joint Marketing	No public and not direct discrediting of competitors.	Bilateral recommendation for clients / customers.	Developing of a joint P/S information system.	Fully engaged in establishing of a ethical –cooperative marketing for the whole sector.
	No price dumping to undermine the competition	First steps to develop a joint P/S information system.	Individual ethical marketing and occasional joint cooperative marketing campaigns.	i.e. regional-sectoral branding, production, quality and pricing standards.
		All individual marketing is ethical <sup>16</sup> .		

#### 4.3 Disclosure of Information + passing of technologies: max. 15 points

Especially in the rural Nepali areas access to information and technologies is still one of the obstacles for many businesses. Sharing of technology information and supply chains can therefore be a WIN-WIN situation for everybody.

Sub-Indicator	First Steps (0 – 3)	Advanced (4 – 6)	Experienced (7 – 9)	Exemplary (10 – 15)
Disclosure of Information + passing of technologies	Disclosure of financial and technical information including market prices, production methods and processes.	Comprehensive disclosure of costs, calculations, sources of supply and technology.	Additional: passing of individual technologies at no charge.	Complete transparency and open source principle.
		Small businesses can use the machines during the off time for charge	Small businesses can use machines during off times for free.	All recipes and production processes are openly provided to everybody asking.

<sup>16</sup> No over-exaggeration, no use of misleading information For more information see:  
<http://www.icharter.org/standards/eas405/>

### ***EXAMPLE COOPERATION WITH BUSINESSES FROM THE SAME FIELD***

#### **Passing of personnel contracts and financial resources**

No engagement in sharing manpower or contracts with other organization from this field.

Result: 0 out of 30

#### **Joint Marketing**

The organization refers request from food purchasers to the organic farming initiative in Khalanga. Together with Khalanga the factory is also talking about the launch of a food information system in Jumla, informing population about the nutritious aspects of local food. Flyers and posters with awareness aspects of nutrition for children are used as main tool of advertisement. Radio jingles are informing in whole Jumla about the distribution channels of the porridge.

Result: 15 out of 25 points.

#### **Disclosure of Information + passing of technologies**

Employees of Kudari give training on nutritional aspects to other organizations in Jumla and share the market prices with them.

Also calculations, purchasing prices as well as the contacts to the suppliers are available in form of a report and can be accessed by everybody.

Result: 6 out of 15 points

**TOTAL 21 out of 70 points**

## 5. Ecological Design of Products and Services (D3)

Environmental Friendliness is the 6<sup>th</sup> principle of Social Businesses. As the core of all acting is the Products and services of a Social Business, it should be the starting point for environmentally friendly acting.

The following sub indicators are created for B2C (Business to Customer) projects as most of the projects we assume will be B2C. For the case a B2B project shall be evaluated, the communication aspect will in comparison have lower value.

### 5.1 Ecological comparison to other P/S of competitors: max. 35 points

The main indicator is if the product itself, its production process and its distribution. Improving the ecological footprint and environmental impact of the product should therefore be in the focus of every social business.

Sub-Indicator	First Steps (0 – 7)	Advanced (8 – 14)	Experienced (15 – 21)	Exemplary (22 – 35)
<b>Ecological comparison with other products in the market</b>	Company is evaluating the ecological footprint of its products actively and permanently sets measures to lower this.	The organization has a clear strategy how to reduce environmental impact on the long run.	P/S are using the best available technology for to secure the highest ecological standards in production and distribution.	Company works with own technologies and develops environmental friendly technologies for P/S themselves (i.e. packaging).

### 5.2 Active communication of ecological aspects to customers: max. 35 points

Especially in rural areas and when targeting disadvantages (assumed therefore also not well educated) target groups, Social Businesses should take over the responsibility to inform their customer about the ecological aspects of their product and usage (i.e. not to burn plastic in front of children because of dioxin).

Sub-Indicator	First Steps (0 – 7)	Advanced (8 – 14)	Experienced (15 – 21)	Exemplary (22 – 35)
<b>Active communication of ecological aspects to customers</b>	<p>The company points out superior alternatives (including the ones of competitors).</p> <p>Not green-washing (environmental friendliness not only on paper)</p>	Explicit and comprehensive information on ecological and lifestyle aspects of P / S	Active collection of feedback on the ecological and lifestyle aspects are collected from the customers (i.e. usage behaviors, suggestions for improvement )	Ecologically life style aspects are a core of the customer relation.

### 5.3 Sufficiency – active design for ecological utilization: max. 20 points

Beside production and distribution, consumption is the last part, where various products can have an ecological impact<sup>17</sup>. One more aim therefore should be to make the whole product design including recycle and re-use options within the

Sub-Indicator	First Steps (0 – 4)	Advanced (5 – 8)	Experienced (9 – 12)	Exemplary (13 – 20)
<b>Sufficiency: Active Design for ecological utilizations and sufficient consumption</b>	<p>All managers, directors of the organization are aware on the concept of sufficiency and actively promote.</p> <p>None of the products promotes</p>	<p>Sufficiency is written down in the principles of the organization. First measures are taken in a</p> <p>Exclusion of non-sufficient P/S.</p> <p>Including a balanced distribution between (environmental friendly) social market and remote markets.</p>	<p>The company promotes sustainable use actively through better conditions (reuse of packaging through price advantage, supporting infrastructure ....)</p> <p>Company exclusively supplies to a local market to keep environmental pollution through transportation down.</p>	<p>Minimum of 50 % of P/S are according are to the cradle-to-cradle<sup>18</sup> principle fully sufficient.</p>

<sup>17</sup> For example a car has the biggest ecological impact while driving (using) it and not during its production.

<sup>18</sup> See Appendix 1 – Cradle-2-cradle principle

### **EXAMPLE ECOLOGICAL DESIGN OF PRODUCTS**

#### **Ecological comparison to other P/S of competitors:**

-Organic Phalphul is operating since two years. In their product line are 6 products. By using to 98 % local raw-material for the production they have a very low foot print in terms of their transportation costs for the raw-material supply. The biggest share of the foot print (until it is product ion ready) is from the packaging.

After 2 years the investment in a new packaging-machine which works with bio-degradable plastic made out of corn is planned.

Result: 14 out of 35 points

#### **Active communication of ecological aspects to customer.**

The advertisement campaigns of organic phalhpul is coming in form of double messages like: “Not only organic, but also made with solar”, “not only organic, but also chemical free”. The marketing strategy also includes to be present once a month in an online radio-show which talks about environment related topics and is featured by organic phalhpul. 0.5 % of the profit is spent in school programs on “don’t burn the plastic” which should teach children to not burn the package but bring it back.

Result: 14 out of 35 points

#### **Sufficiency – Active design for ecological utilization**

All the product lines are food items or non-alcoholic drinks and therefore promoting a sufficient life style (in comparison to speed bikes for example). No strategic approach to sufficiency in form of packaging-reusing or similar issues. Most of the products are still sold in Surkhet. No plans to change this in closer future.

Result: 2 out of 20 points.

**TOTAL 30 out of 90 points**

## 6. Socially oriented design of Products (D4)

Social Businesses are created with the idea to solve social issues. Ideally the product of a Social Business is therefore designed towards the social disadvantaged groups.

### 6.1 Product design made for disadvantaged customers: max. 25 points

Designing products, which fit to the needs of disadvantaged target groups and help them to overcome a social problem, is the first challenge a Social Business should master. Due to their life style, available infrastructure or similar, the general products often don't fit their needs.<sup>19</sup>

Sub-Indicator	First Steps (0 – 5)	Advanced (6 – 10)	Experienced (11 – 15)	Exemplary (16 – 25)
<b>Product Design made for disadvantaged customers</b>	The company has identified and defined the disadvantaged target group and understands their special needs	Own product lines for disadvantaged customers are developed to fit their need better.	A minimum of 50 % of P / S are designed in a way that they sustainable help customer to reduce the social problem (i.e. Malnutrition through healthy 'fast food', poverty through cost saving technology i.e.)	A minimum of 70 % are designed in a way that the help reducing a social problem.  P/S are improved jointly with the customer

### 6.2 Disadvantages customers considered in pricing and distribution: max. 25 points

Producing a product for a disadvantaged group is only the first step. Due to their life style, area of living and insecure income structure, special pricing and distribution policies need to be developed for them.

Sub-Indicator	First Steps (0 – 5)	Advanced (6 – 10)	Experienced (11 – 15)	Exemplary (16 – 25)
<b>Disadvantages customers considered in pricing and distribution</b>	Disadvantage customers groups are identified and pricing schemes are made in a favor of disadvantaged customer groups.  First concepts for distribution channels to reach to these disadvantaged.	New distribution channels to reach out to disadvantaged customers are developed.  If working with dealers: Identify a pricing scheme to promote Micro and Small retail entrepreneurs.	50 – 75 % of the sales are made from disadvantaged target group.  If working with dealers: Exclusion of huge supermarket chains of distribution.	75.1 – 100 % of the sales are made from sales to people from a socioeconomic poor background, remote areas or otherwise disadvantaged groups (i.e. disabled, etc.)  If working with dealers: Distribution to a minimum of 50 % through channels promoting Micro and Small enterprises.

<sup>19</sup> i.e. fridges only running on a mainline

### ***EXAMPLE ECOLOGICAL DESIGN OF PRODUCTS***

#### **Ecological comparison to other P/S of competitors:**

The factory in Jumla is focusing with 65 % its turn-over to reach out to malnourished children and solve their malnutrition.

Result: 15 out of 25 points

#### **Disadvantaged customers considered in pricing and distribution**

90 % of the nutritious food is sold in the villages of Jumla. To reach in the remote areas cooperation with horse-riding tradesman have been made, who pick up the products in the factory once a week and bring them to all their villages.

Result: 25 out of 25 points

**TOTAL 40 out of 50 points**

## 7. Value and Social Impact of P/S (E1)

This point actually should assess if the P/S is creating an added value to the society as whole (including but not only the consumer). The proposed way by the Common Good Matrix is to therefore to assess the

### 7.1 P/S meets a basic need: max. 45 points

This sub-indicator should make clear if it is a P/S of basic needs, good life or a luxury good produces and if the P/S is having a positive/negative impact on the satisfaction of a basic need.

Sub-Indicator	First Steps (0 – 9)	Advanced (10 – 18)	Experienced (19 – 27)	Exemplary (28 – 45)
<b>P/S meets a basic need or serve the development of human beings<sup>20</sup></b>	Up to 25 % of P/S meet a basic need and have a proven positive impact on human beings.  Less than 25 % of the P/S has an inhibitive / pseudo or negative value. <sup>21</sup>	Up to 50 % of the P/S meet a basic need and have a proven positive impact on human beings.  No P/S has an inhibitive / pseudo or negative value.	Up to 75 % of the P/S meet a basic need and have a proven positive impact on human beings.	Up to 100 % of the P/S meet a basic need and have a proven positive impact on human beings.

### 7.2 Product contributes to the development goals: max. 45 points

Especially in the context of a development country the relation to the MDG and development goals of the district, region or country should be specifically looked at.

Sub-Indicator	First Steps (0 – 9)	Advanced (10 – 18)	Experienced (19 – 27)	Exemplary (28 – 45)
<b>P/S related to the development goals</b>	Organization works on an understanding on how their activities interfere positive and negatively with the context of development goals	Up to 25 % of the P/S actively contributes to fulfill the regional development goals, national development goals or MDG.	Between 25 – 75 % of the P/S contribute to fulfill the regional development goals, national development goals or MDG.	All products are designed to meet one or more fulfill the regional development goals, national development goals or MDG.

<sup>20</sup> For a closer definition on the human needs see appendix 2.

<sup>21</sup> For the definition of inhibitive, pseudo or negative impact see Appendix 2

### ***EXAMPLE VALUE AND SOCIAL IMPACT OF P/S***

#### **P/S meets a basic need**

Tato Pani community is providing various services around the hot springs of tato-pani. Next to locker services, home-stay, local food items and transportation they also sell alcohol in their restaurants. Alcohol make up for 20 % of their income.

Result: 8 out of 45 points

#### **Product contributes to the development goals**

Among the 5-years plan of the government is the promotion of soft touristic activities in the mid and far western regions. By providing a basic infrastructure and high standards for eco-tourism beside the sales of alcohol they fully contribute to the district development goals of Jumla.

Result: 40 out of 45 points

**TOTAL 48 out of 90 points**

## 8. Investing Profits on the common good (E4)

“Profit is like the blood, without it, an organism is dead within a short period of time. But blood is not the meaning of life”. In this regard

### 8.1 External Dividend Payout: max 30 points<sup>22</sup>

Dividend-Pay-outs to shareholders, who are not actively engaged in the activities, are to be evaluated differently. To make sure external stakeholders are not mainly motivated on fast financial gains, profit distribution to such not-working (less than 50 % over the) shareholders is recommendable to be limited.

Sub-Indicator	First Steps (0 – 6)	Advanced (7– 12)	Experienced (13 – 17)	Exemplary (18 – 30)
<b>Dividend paid in 5 year average</b>	Not higher than inflation + 5 %	Not higher than inflation + 2.5 percent	Not higher than inflation	No profit distribution to external owners

### 8.2 Internal Dividend Payout: max 15 points<sup>23</sup>

Working shareholders dividend pay-out is also recommendable to be low. In best cases the frequent salary of the working-shareholders is sufficient for a good life-style of the shareholders (and comes with a low ration of highest : lowest salary).

Sub-Indicator	First Steps (0 – 3)	Advanced (4 – 6)	Experienced (7 – 9)	Exemplary (10 – 15)
<b>5 year average</b>	Not higher than inflation + 5 %	Not higher than inflation + 2.5 percent	Not higher than inflation	No profit distribution to external owners

### 8.3 Reinvesting profit for the Social Good: max 15 point

How much of the profit is invested to make the organization more socially or economically sustainable.

Sub-Indicator	First Steps (0 – 3)	Advanced (4 – 6)	Experienced (7 – 9)	Exemplary (10 – 15)
<b>Use of profits towards the common good: dividend to all employees, Investing in more equity Investing in common good</b>	50 – 70 % of profits	71 – 80%	81 – 90 %	91 – 100 %

<sup>22</sup> There is one exception to this regulation: founders of organizations can get a moderate dividend as a kind of retirement money. This money should not exceed the average salary by 2 times and will be payable for a similar time as the shareholder was actively leading the organization.

<sup>23</sup> The basic idea is the same as for external shareholders but the weighting of this point is same.

***EXAMPLE INVESTING PROFITS ON THE COMMON GOOD***

**External dividend payout**

Neither of the no-working shareholders got any dividend.

Result: 30 out of 30 points

**Internal dividend Payout**

Inflation rate was at 7 % in the last year. A dividend of 7 % was paid to the shareholder in this year.

Result: 9 out of 15 points

**Reinvesting Profit for the common good.**

30 % of the profit was provided to all workers working for a minimum of 3 months in the weight of their years in the organization. Further 30 % were used to pay back loans (buy out shares of passive shareholders). 15 % were re-invested in new eco-friendly machines and a solar panel.

Result: 5 out of 15 points

**TOTAL 44 out of 60 points**

## **A. Negative Criteria**

No matter how big the positive Social Impact, certain

### **A.1 Violation of ILO-Standards: - 200 points**

ILO generally forsee a set of labor norms among which there are issues like the prohibition of child-labour, no discrimination in employment based on gender, race, caste or similar, no slavery, the prohibition of work councils or any other labour norms given by the nepali government.

### **A.2 Food Adulteration: - 200 points**

Too often food adulteration is a back door to stretch the margins and the dividends and possible because the lack of a customer and quality control system in Nepal. Any form of food adulteration or similar bluffing of the customer is prohibited.

### **A.3 Not timely payment: - 100 points**

The business world in Nepal is a system and each business entrepreneur is part of this system and contributes to its stability. Untimely payment from customer but also between businesses or from business to client are creating an unhealthy atmosphere and often liquidity problems for the smaller business in the line. Payments have to be done within a recent time frame (1 week), when not otherwise agreed upon before the service or product is ordered.

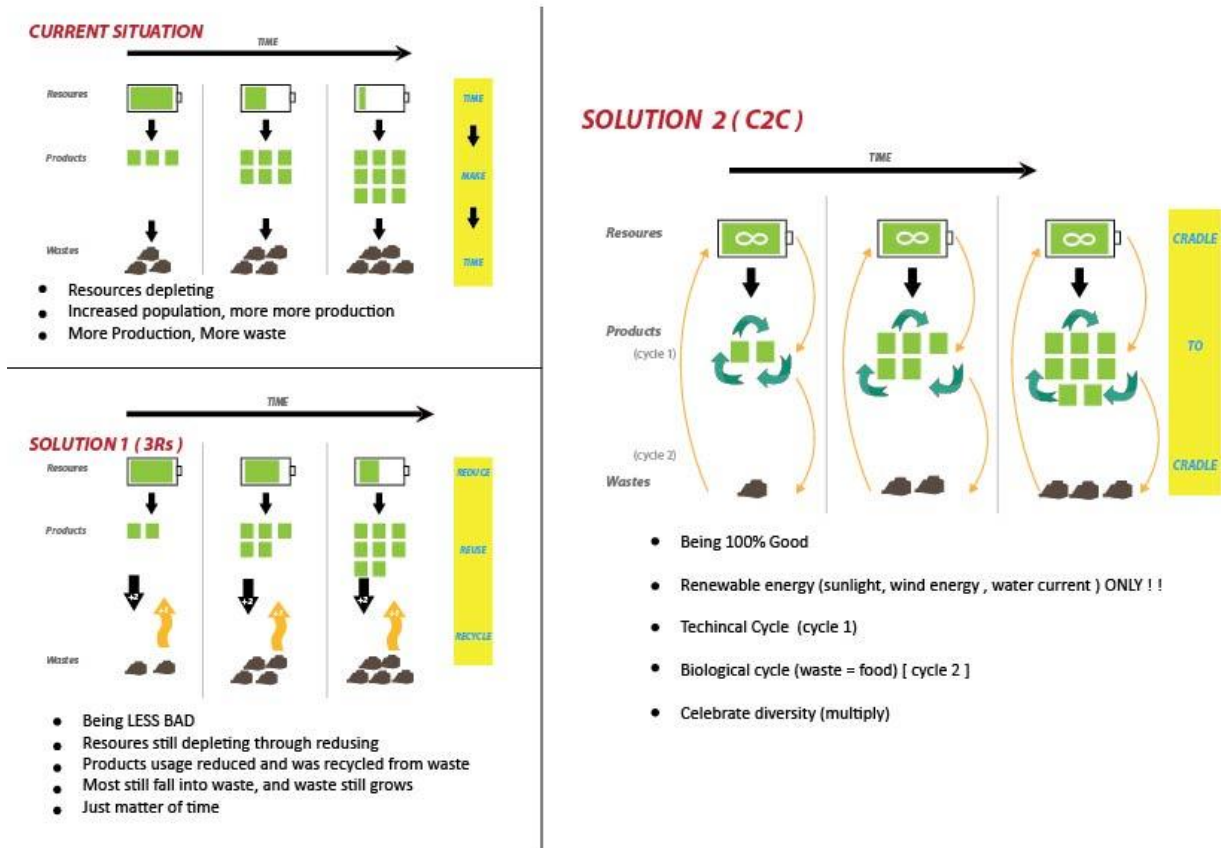
### **A.4 Unequal Payment of woman and man: - 200 points**

Women empowerment and equal pay is still a major issue. In to many areas woman are only earning half of the income of man for the same work. Inequalities in payment need to subjectively argued by different qualification.

### **A.5 Equity Yield Rates > 15 %: - 200 points**

To high dividend-payments to not working shareholder create a system which requires high dividends. Therefore a certain limit must not be exceeded.

## Appendix 1 – Cradle-2-cradle principle



## Appendix 1 – Basic Human needs as per Max-Neef

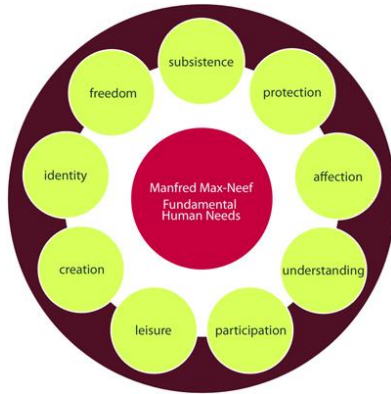


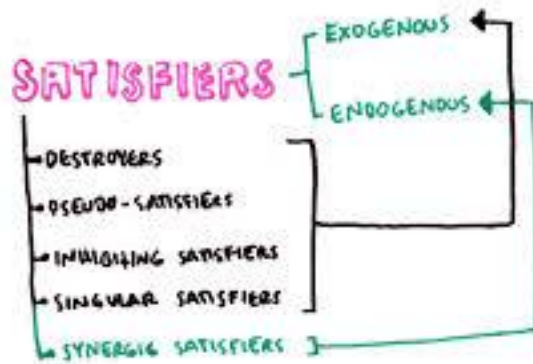
Figure 1 - the 9 basic human needs according to Max-Neef

According to Max Neef, all human needs can be summarized along 9 dimensions as shown in Figure 1 - the 9 basic human needs according to Max-Neef. Each need can be expressed in various ways as we can see from

Fundamental Human Needs	Being (qualities)	Having (things)	Doing (actions)	Interacting (settings)
<b>subsistence</b>	physical and mental health	food, shelter work	feed, clothe, rest, work	living environment, social setting
<b>protection</b>	care, adaptability autonomy	social security, health systems, work	co-operate, plan, take care of, help	social environment, dwelling
<b>affection</b>	respect, sense of humor, generosity, sensuality	friendships, family, relationships with nature	share, take care of, make love, express emotions	privacy, intimate spaces of togetherness
<b>understanding</b>	critical capacity, curiosity, intuition	literature, teachers, policies educational	analyze, study, meditate investigate,	schools, families universities, communities,
<b>participation</b>	receptiveness, dedication, sense of humor	responsibilities, duties, work, rights	cooperate, dissent, express opinions	associations, parties, churches, neighborhoods
<b>leisure</b>	imagination, tranquility spontaneity	games, parties, peace of mind	day-dream, remember, relax, have fun	landscapes, intimate spaces, places to be alone
<b>creation</b>	imagination, boldness, inventiveness, curiosity	abilities, skills, work, techniques	invent, build, design, work, compose, interpret	spaces for expression, workshops, audiences
<b>identity</b>	sense of belonging, self- esteem, consistency	language, religions, work, customs, values, norms	get to know oneself, grow, commit oneself	places one belongs to, everyday settings
<b>freedom</b>	autonomy, passion, self-esteem, open-mindedness	equal rights	dissent, choose, run risks, develop awareness	anywhere

Figure 2 – Relation between basic human needs and existential categories

Needs can be satisfied in various ways. According to Max-Neef there are 5 categories of satisfiers to be distinguished.



1. Violators (Destroyers): claim to be satisfying needs, yet in fact make it more difficult to satisfy a need. E.g. drinking a soda advertised to quench your thirst, but the ingredients cause you to urinate more, leaving you less hydrated on net.
2. Pseudo Satisfiers: claim to be satisfying a need, yet in fact have little to no effect on really meeting such a need. For example, status symbols may help identify one's self initially, but there is always the potential to get absorbed in them and forget who you are without them.
3. Inhibiting Satisfiers: those which over-satisfy a given need, which in turn seriously inhibits the possibility of satisfaction of other needs. Mostly originating in deep-rooted customs, habits and rituals. For example, an overprotective family stifles identity, freedom, understanding, and affection.
4. Singular Satisfiers: satisfy one particular need only. These are neutral in regard to the satisfaction of other needs. They are usually institutionalized by voluntary, private sector, or government programs. For example, food/housing volunteer programs aid in satisfying subsistence for less fortunate people.
5. Synergistic Satisfiers: satisfy a given need, while simultaneously contributing to the satisfaction of other needs. These are anti-authoritarian and represent a reversal of predominant values of competition and greed. For example, breast feeding gives a child subsistence, and aids in the development in protection, affection, and identity.

## Appendix 2 – Complete Common Good Matrix.

The full Common Good Matrix as used currently by Organizations in Europe is a matrix considering basic human rights as in many of the constitutions (human dignity, solidarity, ecological consciousness, social justice and democracy) in connection to the main stakeholders of a company: Suppliers, Investors, Employees, Customers (incl. Products/Services) and Social Environment.

### COMMON GOOD MATRIX 4.1

This version is valid for Common Good Balance Sheets generated in 2013



STAKEHOLDER	VALUE	Human dignity	Cooperation and Solidarity	Ecological Sustainability	Social Justice	Democratic Co-determination and Transparency				
A) Suppliers	A1: Ethical Supply Management Active examination of the risks of purchased goods and services, consideration of the social and ecological aspects of suppliers and service partners					90				
B) Investors	B1: Ethical Financial Management Consideration of social and ecological aspects when choosing financial services; common good-oriented investments and financing					30				
C) Employees, including business owners	C1: Workplace quality and affirmative action Employee-oriented organizational culture and structure, fair employment and payment policies, workplace health and safety, work-life balance, flexible work hours, equal opportunity and diversity	90	C2: Just distribution of labor Reduction of overtime, eliminating unpaid overtime, reduction of total work hours, contribution to the reduction of unemployment	50	C3: Promotion of environmentally friendly behavior of employees Active promotion of sustainable lifestyles of employees (mobility, nutrition), training and awareness-raising activities, sustainable organizational culture	30	C4: Just income distribution Low income disparity within a company, compliance with minimum and maximum wages	60	C5: Corporate democracy and transparency Comprehensive transparency within the company, election of managers by employees, democratic decision-making on fundamental strategic issues, transfer of property to employees	90
D) Customers / Products / Services / Business Partners	D1: Ethical customer relations Ethical business relations with customers, customer orientation and co-determination, joint product development, high quality of service, high product transparency	50	D2: Cooperation with businesses in same field Transfer of know-how, personnel, contracts and interest-free loans to other business in the same field, participation in cooperative marketing activities and crisis management	70	D3: Ecological design of products and services Offering of ecologically superior products/services; awareness raising programmes, consideration of ecological aspects when choosing customer target groups	90	D4: Socially oriented design of products and services Information, products and services for disadvantaged groups, support for value-oriented market structures	30	D5: Raising social and ecological standards Exemplary business behavior, development of higher standards with businesses in the same field, lobbying	30
E) Social Environment: Region, electorate, future generations, civil society, fellow human beings, animals and plants	E1: Value and social impact of products and services Products and services fulfill basic human needs or serve humankind, society or the environment	90	E2: Contribution to the local community Mutual support and cooperation through financial resources, services, products, logistics, time, know-how, knowledge, contacts, influence	40	E3: Reduction of environmental impact Reduction of environmental effects towards a sustainable level, resources, energy, climate, emissions, waste etc.	70	E4: Investing profits for the Common Good Reducing or eliminating dividend payments to external, payouts to employees, increasing equity, social-ecological investments	60	E5: Social transparency and co-determination, Common good and sustainability reports, participation in decision-making by local stakeholders and NGO's	30
Negative Criteria	Violation of ILO norms (international labor standards) / human rights	-200	Hostile takeover	-200	Massive environmental pollution	-200	Unequal pay for women and men	-200	Non-disclosure of subsidiaries	-100
	Products detrimental to human dignity and human rights (e.g. landmines, nuclear power, GMO's)	-200	Blocking patents	-100	Gross violation of environmental standards	-200	Job cuts or moving jobs overseas despite having made a profit	-150	Prohibition of a works council	-150
	Outsourcing to or cooperation with companies which violate human dignity	-150	Dumping Prices	-200	Planned obsolescence (short lifespan of products)	-100	Subsidiaries in tax havens	-200	Non-disclosure of payments to lobbyists	-200
							Equity yield rate > 10 %	-200	Excessive income inequality within a business	-150

In the initial idea, the common good balance should become equally important as the fiscal balance.

Ratings will be done according to the points reached

## Appendix 3 - Social Impact Assessment Form – Pre-Investment

Project Name	
Mentor	
Assessor	
Date / Signature	

Looking at the working plan of the project and the indicators: please assess, how much points the project would possible reach after 1 year of operation as well as during the

Part A Indicator	Grade Received
Ethical Supply Management	
Work Place Quality and Affirmative Action	
Corporative Democracy & Transparency	
Cooperation with Businesses in the Same Field	
Ecological design of products & Services	
Socially oriented Design of Products and Services	
Value and Social Impact of Products and Services	
Investing Profits for the common good	
<b>TOTAL</b>	

- A=**Good**: We can see clear social Impact as per the given indicator/
- B= **Satisfactory**: We can see social impact according to this indicator but there are areas for improvement.
- C= **Fair**: There is possibility to see this social impact but not seen clearly or explained.
- D= **Bad**: Social impact as per the indicator is not visible at all.

After you assessed each indicator, please give an overall grade to the project (A, B, C or D), which will be the final grade valid for assessment.

Part B – Basic questions	Maximal points	Points Received
Is the Social Impact the project tries to make clear and understandable?	30	
Did the entrepreneurs reflect on all 8 indicators of Social Impact? If an indicator is not considered, is there a clear and traceable argumentation, why this indicator was not considered?	20	
Does their work plan show a clear strategy on which and when to approach these indicators?	20	
Are those indicators reflected in a proper manner in their business plan?	30	
<b>TOTAL*</b>	<b>100</b>	

## Appendix 4 - Social Impact Assessment Approval criteria:

Both Part A and Part B in SIA Evaluation by individual committee members need to be positive.

For part A to be positive ONLY the final degree in the field TOTAL is looked at. The grading for the 8 sub-indicators are just helpers to grade the project at all.

- **Excellent:** If there is no "D" and maximum 2 "Cs"
- **Potential:** If there is one "D" OR No D but more than 3 "Cs" or more it will be recommended for next SIA
- **Insufficient:** If there is more than one "D"

For part B the average of all committee members is taken into account. The table below gives the final assessment of the project.

Average part B / assessment Part A	Excellent	Potential	Insufficient
51 +	Recommended	Recommended with conditions	Next SIA
33 / 50.9	Recommended with conditions	Next SIA	Rejected
< 33	Next SIA	Rejected	rejected