



جائزة الملك خالد  
KING KHALID AWARD

**Sustainability Award**  
Capacity Building

# Social & Economic Workshop 2022

Advanced Toolkit

## Social & Economic

## Workshop 2022 **Advanced**

# C o n t e n t s

**2** | Letter to Participants

**3** | Introduction to Social & Economic Practices

**11** | Human Rights

**17** | Employment Practices

**18** | Diversity & Equal Opportunity  
Health & Safety  
Development & Education

**23** | Societal Impact

**24** | Community Investment

**30** | Industry Innovation & Growth

**33** | Business Resilience



# Letter to Participants

The King Khalid Foundation (KKF) is pleased to publish, in partnership with AccountAbility, this practical and insightful Sustainability Award Capacity Building Toolkit on Environmental, Social, and Governance (ESG) for companies in the Kingdom of Saudi Arabia.

The King Khalid Foundation continues to advance the sustainability agenda by collaborating to deliver impactful sustainability programs and support the growth of responsible business practices. The Foundation has worked and partnered with the corporate sector in the country for the past 13 years. The Capacity Building Toolkit builds upon years of experience, feedback, questions, and concerns that KSA companies have shared with KKF during the past thirteen years and during each annual King Khalid Award process. The Toolkit supports the Capacity Building Program by outlining trends and challenges and providing specific sustainability solutions for companies throughout the Kingdom.

The Toolkit introduces the social and economic aspects of ESG and sustainability in a broad sense, highlights their importance, relevance, and how they impact organizations both globally and in the Kingdom. It sets a foundation for a deeper discussion of selected social and economic themes that are material to companies in Saudi Arabia.

## Social & Economic Training

The Social & Economic Workshop is intended to provide an introduction to social and economic concepts and practices and highlight the relevance to your company. The workshop includes lectures, discussions, and practical learning activities.

The content of the Capacity Building training and this Toolkit is tailored to the needs identified based on 13 years of Award participant feedback and needs.

This Toolkit contains explanatory content, relevant case studies, and discussion questions to complement the Workshop materials. We hope it will be a useful reference tool for the implementation of Workshop learnings in the future.

The Toolkit contains the following Social & Economic focus area chapters:

- **Corporate Social & Economic Themes**
- **Human Rights**
- **Diversity, Equity & Inclusion**
- **Health & Safety**
  
- **Development & Education**
- **Community Investment**
- **Industry Innovation & Growth**
- **Business Resilience**

Upon completion of the Training, you will have the basic tools necessary to implement Social & Economic initiatives in your organization and support your company's ESG and sustainability journey.

# Corporate Social & Economic Themes

Innovation  
Branding  
Solution  
Marketing  
Analysis  
Ideas  
Success  
Management



# Introduction to Social & Economic Practices

The ‘S’ in ESG (environmental, social, governance) has been defined in different ways by different stakeholders, geographies, industries, and organizations. It refers to the areas in which an organization has an impact on, or is impacted by, people, society, and the economy through its employment practices, operations, products, and services. Directly or indirectly, companies affect what happens to employees, workers in the value chain, customers, and local communities, and it is important to manage impacts proactively.

The scope of ‘S’ has progressively widened over the past two decades, which reflects the evolving business environment of the 21st century, in which businesses and markets are increasingly interconnected and interdependent. Beyond traditional ‘S’ topics of human rights, labor issues, workplace health & safety, and product safety and quality, ‘S’ factors now also incorporate the impact of modern supply-chain systems, recognition of other social development needs, and the adoption of technology across all business sectors.

Businesses’ social license to operate depends greatly on their social sustainability efforts. In addition, a lack of social development, including poverty, inequality, and weak rule of law, can compromise business operations and growth. Actions to achieve social sustainability may unlock new markets, help retain and attract business partners, or be the source for innovation for new product or service lines. Internal morale and employee engagement may rise, while productivity, risk management, and company-community conflict can improve.

Interest in how the private sector considers ESG issues continues to grow as customers, investors, and civil society groups demand both more transparency on how the corporate world impacts on society and more action to ensure those impacts are positive. Companies have made progress in achieving a better understanding of environmental impact and governance standards and in ensuring those standards are met.

However, social factors have not been given the same attention until a few years ago. The COVID-19 pandemic heightened global awareness of social inequity challenges, as did the

emergence of global social justice movements related to systemic corporate discrimination on the basis of race, gender, lifestyle, ethnicity, religion, or ability. Social issues are now among the most pressing for companies in all markets as stakeholders, both internal and external, seek to understand how the firm they work for, buy from, or invest in is treating the people whose lives it impacts.

One major challenge around the 'S' in ESG is how to best capture, measure, and quantify S-related performance and impact. Unlike environmental and governance issues, which are more easily defined, have an established track record of market data, and are often accompanied by robust regulation, social issues are less tangible, with less mature data to show how they can impact a company's performance. In fact, a 2021 Global ESG Survey by BNP Paribas revealed that 51% of investors surveyed (covering 356 institutions) found 'S' to be the most difficult to analyze and embed in investment strategies.

## **Negative Social Impact Risks**

Failure to manage material social topics can negatively impact society, resulting in significant regulatory, financial, operational, and reputational risks and opportunities. When companies are involved in social scandals, their reputation is often affected negatively, requiring millions of dollars to rectify this. Boycotts, protests, or even a drop in sales can also be a consequence of not properly managing social topics and negatively impacting society.

### **Businesses may negatively impact society through, for instance:**

- Human rights violations in the supply chain
- Discrimination based on race, gender, ethnicity, etc. that also hinders social inclusion
- Risky or unhealthy labor conditions
- Low wages
- Inhumane working hours
- Unsafe customer products
- Environmental impacts like water, air, or soil pollution that lead to community displacement





### **Insight: Child labor in the cocoa industry**

As the chocolate industry has grown over the years, so has the demand for cheap cocoa. Most cocoa farmers earn less than \$1 per day, an income below the extreme poverty line. As a result, they often resort to the use of child labor to keep their prices competitive. In many cases, this includes what the International Labor Organization (ILO) calls “the worst forms of child labor.” These are defined as practices “likely to harm the health, safety, or morals of children.”

Approximately 2.1 million children in the Ivory Coast and Ghana work on cocoa farms, most of whom are likely exposed to the worst forms of child labor. Children as young as 10 years old have allegedly been found working in Ghana and other countries in West Africa to harvest cocoa pods to supply Mondelēz, Hershey, Mars, and Nestlé, some of the biggest multinationals manufacturing chocolate that is consumed worldwide.

In fact, these companies have been facing lawsuits against them on several occasions in the past two decades, accused of committing “the worst forms of child labor.” The most recent lawsuit was filed in 2021 in the USA against Nestlé, Cargill, Barry Callebaut, Mars, Olam, Hershey, and Mondelēz by the human rights firm International Rights Advocates (IRA), on behalf of eight former child slaves who say they were forced to work without pay on cocoa plantations in the Ivory Coast.

Each time these multinationals face lawsuits, they risk having to pay millions of dollars of damage to the victims of child labor, which can impact their profits. Moreover, reputational damage and loss of trust from investors and other stakeholders is also a common risk chocolate manufacturers face if they do not fight child labor and protect human rights across their value chains.

## Creating Positive Social & Economic Impacts Globally and Locally

Companies have an opportunity to invest in practices that generate value for the business, its stakeholders, and society. Aligning these efforts with local and global frameworks and commitments can result in meaningful contributions to initiatives like the UN SDGs and Saudi Arabia's Vision 2030.

Companies who can demonstrate that they protect or create social value – for example, through ethical supply chains that pay a fair price for commodities, or which protect workers' rights – can also satisfy stakeholder interests and differentiate their products from competitors. Businesses that can show that their operations will enhance local communities - for example, by providing educational opportunities that build human capital or by developing local infrastructure – earn a social license to operate with local communities, governments, and regulators. Companies targeting emerging markets are increasingly finding that inclusive business models, with operations and products that target the 'bottom of the pyramid' in these economies, can access large markets and deliver goods and services that increase the welfare of the most vulnerable, while also creating new sustainable business opportunities.

By aligning your social sustainability strategy and efforts with the United Nations Sustainable Development Goals (SDGs), you can turn challenges into business opportunities that contribute to the development priorities of the global community, addressing the world's most pressing social challenges.

By aligning your ambitions with Saudi frameworks and initiatives such as Vision 2030, the Human Resources and Social Development program and the Human Capability Development Program, your company can create local impact and help the country to reach its goals.



Aligning company's Social & Economic efforts with global sustainability needs creates global impact and value.



Supporting local Social & Economic goals and initiatives helps Saudi Arabia reach its local development ambitions.

Figure 1: Creating Positive Social & Economic Impacts Globally and Locally



## Just Transition

A “Just Transition” seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who are at the greatest economic risk – be they countries, regions, industries, communities, workers, or consumers. A rapid increase in the speed and scale of actions required to reduce the risks of climate change can create new economic opportunities not only for the wealthiest members of society, but also those in need in a Just Transition.

While a Just Transition is mainly based on environmental considerations, it is also shaped by other structural changes affecting labor markets, such as globalization, labor-saving technologies, and the shift to services. A Just Transition is an integral part of many of the global commitments adopted by countries. The Paris Agreement acknowledges “the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities” and highlights the importance of workers in responding to climate change. Furthermore, the Just Transition concept links to 14 of the 17 UN SDGs, explicitly drawing together SDGs 12 – climate action, 10 – reduced inequalities, 8 – decent work and economic growth, and 7 - affordable and clean energy.

Many countries have recognized the challenge that this transformation entails and are taking measures to protect those that are most vulnerable and affected by the changes. Businesses are a key part of a Just Transition as they contribute to the economy and employ the population. Society will be unable to have a Just Transition without the participation of businesses, who must contribute to a more sustainable and equitable society via both internal practices and community investment.

### Components of a Just Transition:

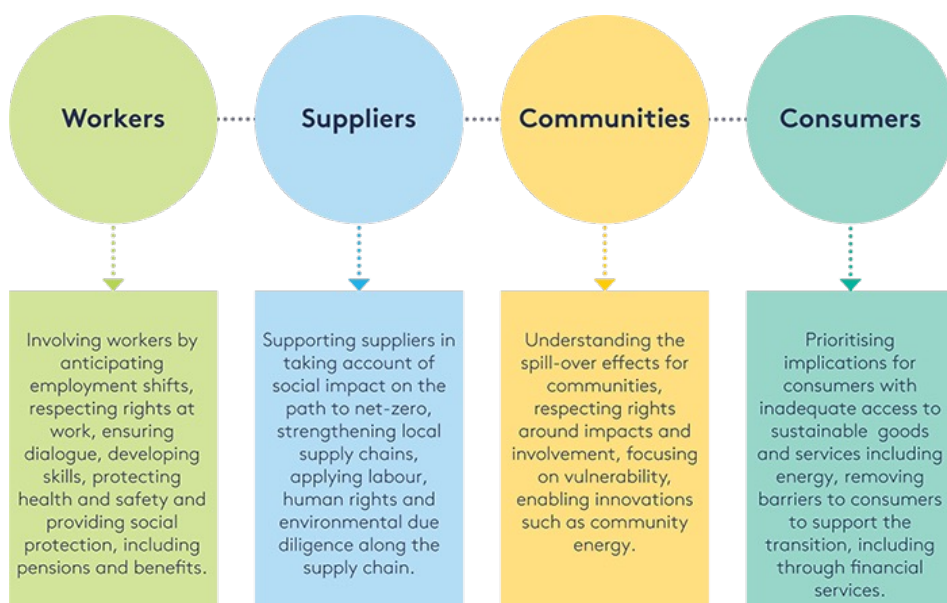


Figure 2: Components of a Just Transition

## Social Trends- Global

### Diversity & Inclusion

**96%** of business executives agree workforce education programs on diversity & inclusion help drive business growth and competitive advantage

### Training & Development

**218%** higher income per employee at firms with training programs versus firms without formalized training

### Community Investment

**80%** of consumers believe that businesses should play a role in addressing societal issues

### Employee Engagement

**71%** of executives say that employee engagement is critical to the success of their company

### Employee Retention

**70%** of respondents in a national survey indicated that training and development opportunities influenced their decision to stay

## Social Trends- KSA

### KSA as a Leader in MENA

KSA achieved the 2nd place for adopting CSR practices in the MENA region

### Saudi Training and Development

The KSA Human Capability Development program ensures citizens' educational base for the global labor market by providing lifelong learning opportunities

KSA moved up 5 global positions on the Human Development Index between 2021 and 2022. This higher ranking reflects efforts to improve learning outcomes and strengthen the Kingdom's education capacity in global competition. The progress on the knowledge acquisition scale demonstrates the education system's commitment to developing human capabilities. Which enhances the Kingdom's global competitiveness and contributes to its international ranking

## Community Investment

**611** small and medium businesses have been financed by the Kingdom with the “Indirect Lending Initiative”

## Saudi CSR Focus

**78%** of Saudi organizations engage in some form of CSR activity  
[Social Responsibility Guide for companies](#) was released by SASO & Ministry of HRSD

## Unemployment as key Focus

**49%** of CSR activities in KSA are focused on opportunities for unemployment





# Human Rights

# Human Rights

**Human Rights:** the basic rights and freedoms that belong to every individual regardless of race, sex, nationality, ethnicity, language, religion, or any other status by the United Nations. Driven by stakeholders and market regulations, organizations are expected to respect these rights and ensure the safety and well-being of employees via supply chain and labor practices.

The actions of business enterprises can affect people's enjoyment of their human rights either positively or negatively. Indeed, experience shows that enterprises can and do infringe human rights where they are not paying sufficient attention to this risk. Enterprises can affect the human rights of their employees and contract workers, their customers, workers in their supply chains, communities around their operations, and end users of their products or services. They can have an impact – directly or indirectly – on virtually the entire spectrum of internationally recognized human rights.

New laws, growing social pressure, and increasing shareholder and investor interest are requiring businesses worldwide to focus on human rights concerns such as child labor, slavery, and coercive workplaces. Laws being enacted in this area include the California Transparency in Supply Chains Act and the UK's Modern Slavery Act are designed to improve transparency and accountability on human rights. Disclosure requirements on compliance with human rights grow more stringent, and some stock exchanges and market regulators are requiring companies to either report on their material human rights impacts or explain why they have not.

Companies also risk lawsuits for alleged breaches of human rights, such as the presence of forced labor or child labor in their supply chains. Additionally, corporate boards are concerned about the reputational damage that can result from failing to meet human rights standards—which can be much more damaging than financial penalties.



## Human Rights: Global and KSA Perspectives

### Global

- ✔ In a survey of Fortune 500 companies, almost all respondents report having an explicit set of human rights principles or management practices in place
- ✔ 43% of companies have adopted a stand-alone human rights policy
- ✔ According to data by S&P Global, 74% of companies have implemented a process to identify, prevent and mitigate human rights impacts

### KSA

- ✔ Punishment for labor violations involve fines and the possibility of temporary or permanent closure of a business
- ✔ All businesses in Saudi are subject to the 'Labor Law'

## Human Rights: Risks and Opportunities

Respecting human rights is key to achieving the 2030 Agenda for Sustainable Development. Furthermore, there is also a compelling business case for doing so.

Not considering human rights challenges in a business' operations and supply chain can cause a series of **risks**, including but not limited to:

- ✔ Lost business opportunities and investments
- ✔ High employee turnover rates and low retention
- ✔ Reputational harm
- ✔ Loss of loyal customer base
- ✔ Fines for non-compliance

Companies should also care about human rights because putting people first is a business **opportunity** that enables a business to:

- ✔ Future-proof for regulatory and legislative developments
- ✔ Meet investor expectations
- ✔ Low employee turnover rates and high retention rates
- ✔ Ensure business continuity
- ✔ Global relevancy and ability to compete in the market



## UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights set out the expectations that all businesses, irrespective of size or sector, should respect human rights. This expectation is supported by international human rights instruments that are enacted into law by governments around the world, and by which businesses are regulated.

The UNGPs create a common language for speaking about the roles of States and businesses when it comes to the negative impacts on people that can result from business activities and set expectations on how companies can prevent and address negative impacts on human rights. The document is based on three interdependent pillars: protect, respect and remedy.



Figure 3: The UN Guiding Principles on Business and Human Rights document and its three pillars.

Within the three pillars there are foundational and operational principles, in total there are 31 best practices. For instance, “where it is necessary to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable.”

The guidance applies to all businesses worldwide and are being implemented by companies, governments, and other stakeholders on every continent. The UN Guiding Principles (UNGP) Reporting Database is an independent, public resource developed by Shift that makes it possible to see what some of the world’s largest companies say about human rights.

## **Human Rights: Leading Practices**

Many leading practices can be undertaken to instill the consideration of human rights in business. These include, but are not limited to:

### **Human rights trainings**

can be used to educate senior employees on the importance of human rights and what actions may be recognized as human rights violations. These trainings should also teach individuals what practices may need to be undertaken to improve current practices that may either violate or not fully protect human rights

### **Human rights KPIs and targets**

should be used to determine long term performance and establish goals to be worked towards

### **Human rights tracking metrics**

should be used in tandem to demonstrate progress against the aforementioned goals

### **Human rights public policy**

is a formal statement on the organization's commitment to human rights and establishes a commitment to their sanctity

### **Human rights reconciliation**

should be established in advance to reconcile internal human rights violations in a streamlined manner

### **Reporting on human rights**

can be done to publicly communicate an organization's commitment to and transparency on human rights

### **Align policies to the UNGPs**

An organization can voluntarily align their policies with the practices listed in the United Nation's Guiding Principles for Business and Human Rights (UNGPs)

### **Internal human rights reviews**

should be conducted regularly to determine if the organization's human rights policy is being upheld and if there are any violations that need to be addressed



Case Study:

## PepsiCo



**PEPSICO**

- Published a Human Rights and Salient Issues Statement
- In line with the UN Guiding Principles for Business and Human Rights (UNGPs), aims to provide remedies where company has caused or contributed to negative impacts
- Zero tolerance for land displacements of any peoples, in accordance with IFC Performance Standards, including Free, Prior, and Informed Consent (FPIC)

Case Study:

## Almarai



- Security personnel are trained in human rights policies or procedures as identified by the High Commission for Industrial Safety of the Ministry of Interior in Saudi Arabia
- Zero operations have been subject to compulsory external human rights reviews
- Plans to introduce an occupational health and wellbeing program accessible to all employees by 2025
- Follows GRI human rights assessment



# Employment Practices

Internally, the social impact of a business often refers to practices related to employees and employment with the business. A company's social impact includes items such as the business' practices and policies related to working conditions, diversity in hiring, opportunities for advancement for women and minorities, lack of discrimination, and the provision of affordable health care and other necessary benefits. In addition, social impact includes wages, breaks, adherence to employment laws, safety, training, and numerous other specific labor practices.

This toolkit focuses on three internal employment practices:

- ▣ Diversity and Equal Opportunity
- ▣ Health & Safety
- ▣ Development & Education



## Definitions of selected Employment Practices

### **Diversity and Equal Opportunity or Diversity, Equity & Inclusion (DEI):**

Corporate policies and programs that promote the representation and participation of different individuals, including different ages, races, ethnicities, disabilities, genders, religions, and cultures.

### **Health & Safety:**

The regulations, policies, and procedures put in place to prevent and manage occupational or work-related injuries or accidents in a workplace.

### **Development & Education:**

The process during which employees, with the support of their employer, go through professional training or pursue learning opportunities to improve their skills and grow their knowledge and careers.

### **Insight:**

#### **Diversity**

is actively bringing people of all backgrounds – from the perspective of age, gender, religion, etc. – to be a part of the workplace. This includes aspects that are unseen, such as learning differences.

#### **Equity**

is about ensuring all people have equal opportunities within the organization and that bias, harassment, and discrimination – of any kind – are not tolerated.

#### **Inclusion**

is recognizing and embracing those differences so every employee can have an impact on your organization because of the very qualities that make them who they are.

## **Employment Practices: Global and KSA Perspectives**

### **Global**

- Women and men participating equally in the economy could add \$28 trillion to global GDP by 2025
- Racial and ethnic diverse companies are 35% more likely to financially surpass peers
- 7,500 people die each day from unsafe and unhealthy working conditions
- Work injuries can cost annual GDP around 4%
- 94% of workers would stay at a company longer if their employers invested in their careers
- 69% of companies have increased employee development initiatives



## KSA

- The number of women in workforce almost doubled in the last 5 years
- 12% increase in workers with disabilities in Saudi since 2021
- The Saudi Ministry of Human Resources and Social Development (HRSD) created a platform to regulate occupational health and safety (OHS) and released a program to enhance personnel's skills in the field of OHS through two tracks: practitioner and professional
- The Health Transformation Program spearheaded by Vision 2030, aims to restructure the health sector in the Kingdom to be a comprehensive, effective, and integrated health system
- KSA's Nitaqat is a program aimed at developing the local workforce and achieving high Saudization rates

### Insight: Nitaqat

The first version of Nitaqat was launched in 2011 by the Saudi Ministry of Human Resources and Social Development to encourage the localization of jobs and set a minimum wage for Saudis in the private sector. The second version was developed with the private sector and hopes to provide 340,000 jobs by 2024 and simplifies the compliance rules for businesses.

The latest version has three new features:

1. Clear localization plan with a transparent vision to increase private sector organizational stability over the next three years
2. A linear formula for determining the target Saudization Ratio
3. Integrating program activities to be 32 instead of 85

## **Employment Practices: Leading Practices**

Many leading practices can be undertaken to instill the consideration of diversity and equal opportunity, health and safety, and education and development in business. These include, but are not limited to:

### **Workshops, Certifications, and Trainings**

can be used to educate employees on the importance of such topics and best practices

### **KPIs and targets**

should be employed to determine long term performance and establish goals to be worked towards

### **Tracking metrics**

should be used in tandem to demonstrate progress against the aforementioned goals

### **Public policy**

is a formal statement on the organization's commitment to employment practices and establishes a commitment to their sanctity

### **Guest speakers and events**

can further educate employees on the importance of employment practices and keep them engaged on the topics

### **Reporting**

and communicating information on employment practices and initiatives transparently demonstrates accountability to the public

### **Internal Handbook**

that is accessible to all employees for reference on internal employment practices

### **Leadership team**

is important to ensure there is an individual or individuals in the organization responsible for the progress and monitoring of employment practices initiatives

Case Study:

## Northrop Grumman



- Strong focus on employee development via leadership training
- Annual ethics trainings are conducted
- Required DE&I trainings to drive awareness, strengthen engagement and build skills to enhance leadership and further enlighten employees
- Leading for Impact Program offers development paths for all new and experienced managers seeking to refresh or build their leadership capabilities
- Individualized system safety plans for each program
- Occupational health and safety training tailored to employees' job duties, either in person or through an online training system
- Funding to diversity-focused efforts increased by 43% in 2020

Case Study:

## Agthia



For The Better • من أجل الأفضل

- Tracks its progress on DEI KPIs and metrics regularly
- Focus on age diversity: 26% of workforce is under 30 years old
- Female employees in management positions grew by 6% from 2019 to 2021
- Partner of the Abu Dhabi Businesswomen Council which is focused on female entrepreneurship
- Health and Safety Roadmaps for each department
- Agthia 10 Golden Rules of Safety
- 27,524 hours of health & safety training to employees
- Agthia Academy includes courses on fundamental topics such as workplace organization, artwork management and food safety and quality

## Benefits of Incorporating Employment Practices

By incorporating employment practices, companies can gain benefits, such as:

- Competitive Advantage
- Enhanced Conformance with Legislative and Regulatory Requirements
- Improved Public Perception of the Organization
- Diverse Experience and Thought across the Organization
- Greater Ability to Attract and Retain Talent
- Increased Success Rate for Financial Performance
- Increase in Consumer and Employee Loyalty
- Well-Trained Employee Workforce
- Positive Impact on Society as a Whole

# Societal Impact

Companies directly or indirectly have a societal impact, particularly through their practices across their supply chains. Firstly, businesses affect the labor practices and working conditions of suppliers they work with. Secondly, companies impact society through the products they manufacture. For example, new innovations through research and development can positively impact their industry by creating new economic opportunities or providing solutions to prevalent social and environmental issues. Lastly, businesses also affect communities that surround their operations. When a company has practices that negatively affect the environment, for instance by causing water and air pollution and soil degradation, they can affect the livelihood and wellbeing of communities that live in close proximity. In some cases, a company's negative environmental impacts can result in the displacement of communities.

This toolkit focuses on two perspectives of businesses' societal impact:

- ▣ Community Investment
- ▣ Industry Innovation & Growth

## Community Investment

### Community Investment:

can be achieved by organizations via fiscal contributions or volunteer efforts and aim to support local charities or communities in need.

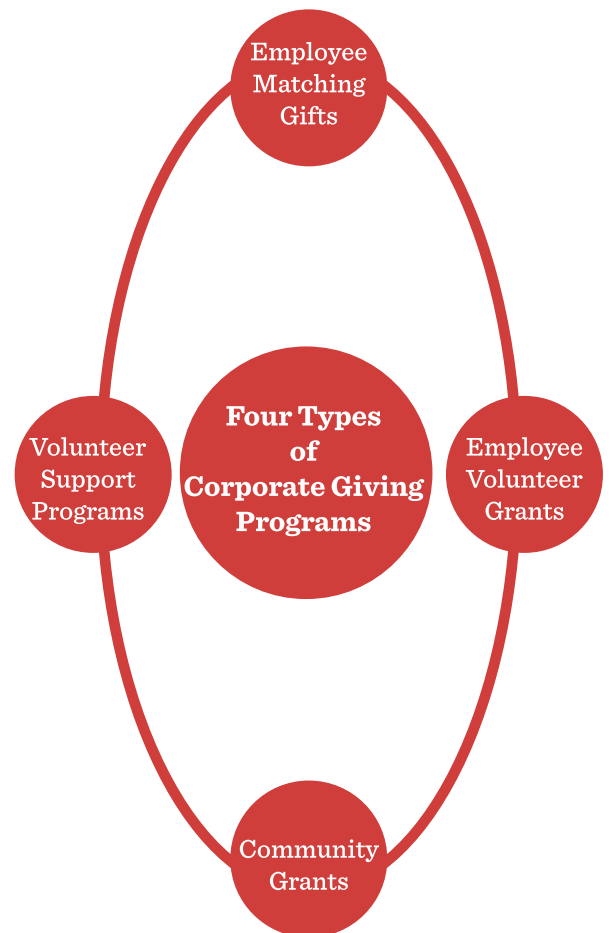


Figure 4: Four types of corporate giving programs

Corporate giving programs as part of a company's community investment efforts can be classified in four types:

### **Employee Matching Gifts**

Soros Fund Management matches donations up to \$300,000

### **Employee Volunteer Grants**

40% of Fortune 500 companies offer volunteer grant programs

### **Community Grants**

Walmart offers community grants located in regions where it has a physical presence, from \$250-\$5,000

### **Volunteer Support Programs**

One of the best ways to benefit from non-cash contributions is by partnering with companies that have expertise that an organization can leverage

## **Community Investment Leading Practices**

- Community Investment efforts are aligned to the company's core competencies and ESG focus areas - Guidelines or eligibility criteria are formalized, externally available, and aligned to the company's core competencies and ESG focus areas
- Strong efforts to ensure that the individual components of Community Investment feed into each other and are clearly communicated through external reporting
- Assessment of Community Investment includes qualitative and quantitative impact and is both internally & externally disclosed on a regular basis
- Establish partnerships with other organizations to increase and scale positive impacts and value





## Community Investment: Risks and Opportunities

Not considering Community Investment in a business' operations and supply chain can cause a series of **risks**, including but not limited to:

- Mismanagement and/or diversion of funds and resources
- Reputational harm
- Increased scrutiny
- Lack of measurable impact
- Unintended consequences

Businesses should also care about Community Investment because focusing on improving relations with and the wellbeing of a company's external stakeholders like communities is a business **opportunity** that enables a company to:

- Ensure business continuity and social license to operate
- Enhanced reputation and positive public association
- Increased transparency, trust, and accountability with stakeholders
- Competitive advantage

## Community Investment: Partnerships

**Partnership:** An association between two or more entities that have: mutual or shared interests, complementary needs and objectives, reciprocal resources or skills, and a shared commitment to accountability and transparency

Establishing partnerships with other organizations such as NGOs, UN agencies, governmental institutions, etc. to increase and scale positive impacts and value is considered as a leading practice for community investment initiatives.

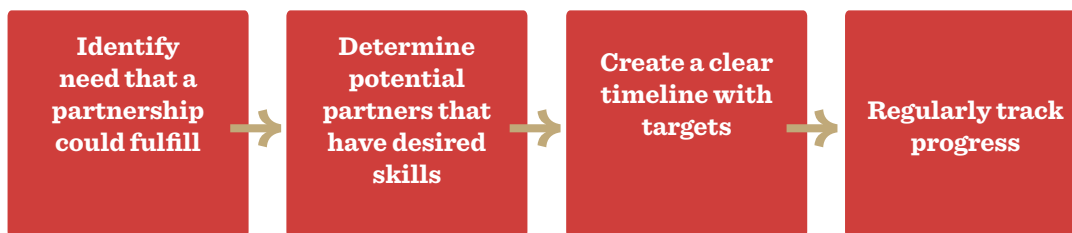
**Key success factors** in establishing partnerships that work include:

- ✔ Obtaining senior leadership support
- ✔ Setting shared goals and agendas
- ✔ Structuring the agreement
- ✔ Committing to roles and resources
- ✔ Continuously monitoring and evaluating performance
- ✔ Evolving, adapting, and keeping moving forward

Some **challenges** that might hinder successful partnerships include:

- ✔ Insufficient support from senior leadership
- ✔ Unclear as to who is “in charge”
- ✔ Criteria for Partner inclusion is unclear
- ✔ Strategies are too ambitious
- ✔ Low expertise in how to run a partnership
- ✔ Inadequate measuring and monitoring

**Steps** to undertake a partnership with an external organization:



*Figure 5: Steps to undertake a partnership with an external organization*

## Partnership Benefits

When partnerships are implemented successfully, they can offer companies benefits including:

- ✔ Share best practices and procedures among partners
- ✔ Generate scaled positive impacts to targeted beneficiaries
- ✔ Reach more beneficiaries and thus multiply positive impacts
- ✔ More visibility of partners' efforts and work to a wider audience
- ✔ Access to knowledge, skills, and contacts
- ✔ Distributed risk between partners
- ✔ Address the UN SDGs

### Case Study: Shell



- ✔ Collaborates with communities and a diverse range of partner organizations, Shell develops market-based programs that provide access to clean and affordable energy to vulnerable people globally
- ✔ Partners include local and international NGOs, humanitarian organizations, SMEs and social enterprises to design, implement and evaluate programs
- ✔ Shell and partners' programs reach over 800,000 people worldwide
- ✔ Shell and Mercy Corps are designing systems to supply clean energy and water to more than 14,000 refugees living in the camps in Ethiopia

### Case Study: Aramco

أرامكو السعودية  
saudi aramco



- ✔ Initiatives to seed micro-industries in the Kingdom are designed to support people to shape their economic future and leverage traditional crafts and natural resources
- ✔ Identified several micro-industries that, with the right business model and support, can stimulate traditional crafts as viable businesses and enable local communities to thrive
- ✔ Provides support for e.g., local honey beekeepers, coffee farmers to increase local production and develop the industries' infrastructure
- ✔ Collaborates with government agencies, charities, and cooperatives across the country

## Measuring Impacts: Social Return on Investment (SROI)

**Social Return on Investment (SROI):** an outcomes-based measurement tool that helps organizations to understand and quantify/monetize the social, environmental, and economic value they are creating.

SROI is informed by a set of principles that are designed to ensure that process is robust, transparent, and informed by stakeholders. The principles inform a six-step methodology:

### 1. Establishing scope and identifying key stakeholders.

Clear boundaries about what the SROI will cover, and who will be involved are determined in this first step.

### 2. Mapping outcomes.

Through engaging with stakeholders, an impact map, or theory of change, which shows the relationship between inputs, outputs and outcomes is developed.

### 3. Evidencing outcomes and giving them a value.

This step first involves finding data to show whether outcomes have happened. Then outcomes are monetized – this means putting a financial value on the outcomes, including those that don't have a price attached to them.

### 4. Establishing impact.

Having collected evidence on outcomes and monetized them, those aspects of change that would not have happened anyway (deadweight) or are not as a result of other factors (attribution) are isolated.

### 5. Calculating the SROI.

This step involves adding up all the benefits, subtracting any negatives and comparing them to the investment.

### 6. Reporting, using, and embedding.

Easily forgotten, this vital last step involves sharing findings and recommendations with stakeholders and embedding good outcomes processes within your organization.

There are two types of SROIs, evaluative and forecasted. **Evaluative SROIs** are conducted retrospectively and based on actual outcomes that have taken place over a given evaluation period. These are most useful where a project is already up and running and there is good outcomes data available. **Forecasted SROIs** predict how much social value will be created if activities meet their intended or most likely objectives. Forecasted SROIs are used when a project is still in the planning stages to assess its likely impact or in instances where there is a lack of outcomes data. A forecasted SROI can be followed with an evaluative SROI to verify the accuracy of the predictions.

SROI offers the following potential **benefits**:

- ✔ Help organizations understand what social value an activity creates in a robust and rigorous way and so manage its activities and relationships to maximize that value.
- ✔ The process opens up a dialogue with stakeholders, helping to assess the degree to which activities are meeting their needs and expectations.
- ✔ Puts social impact into the language of ‘return on investment’, which is widely understood by investors, commissioners, and lenders. There is increasing interest in SROI as a way to demonstrate or measure the social value of investment, beyond the standard financial measurement.
- ✔ Use as part of strategic management. The monetized indicators can help management analyze what might happen if they change their strategy, as well as allow them to evaluate the suitability of that strategy to generating social returns, or whether there may be better means of using their resources.

## Industry Innovation & Growth

### Industry Innovation & Growth:

An organization’s efforts to utilize practices and the development and application of ideas and technologies that improve goods and services or make their organization more efficient.

## Industry Innovation & Growth: Global and KSA Perspectives

### Global

- ✔ According to McKinsey, 84% of CEOs believe innovation is critical to growth
- ✔ 84% of executives considered their future success to be very or extremely dependent on innovation
- ✔ 62% of high-growth companies plan to invest in technologies that lead to higher rates of innovation
- ✔ Over 25% of C-level executives said they have a designated innovation leader
- ✔ 80% of digitally mature companies create partnerships with other organizations to accelerate innovation

## KSA

- A survey by GE found that 35% of global business executives polled said that KSA has created an “innovation-conducive environment”
- 9 in 10 Saudi business executives (88%) said that innovation is more important now than ever
- Saudi Arabia’s economy expanded maintained the fastest pace of annual growth in almost a decade in Q4 of 2021
- Saudi Arabia’s National Transformation Program has identified innovation powered by research and development as a vital enabler of its long-term socioeconomic goals

**Insight:** One of Saudi Arabia’s goals, as stated in Vision 2030, is to be among the top 10 countries in the Global Competitiveness Index by 2030, increasing from 24th in 2022. Two core components of the Global Competitiveness Index are directly related to R&D. Saudi Arabia can improve these metrics by increasing public-private partnerships in R&D and focusing on an innovative talent pool.

## Industry Innovation & Growth: Risks and Opportunities

Not considering Industry Innovation & Growth in a business’ operations can cause a series of **risks**, including but not limited to:

- Harmful to company progress and reputation
- Jeopardize profitability
- Fall behind market trends
- Weaker ability to attract or retain employees
- Higher competition
- Loss of customers
- Missed opportunities
- Enacting future changes may prove more difficult

Businesses should also care about Industry Innovation & Growth because it can offer a business **opportunity** that enables a company to:

- Meet investor expectations
- Maintain competitive edge
- Desirable trait when attempting to attract partnerships
- Attract and retain employees
- Industry leadership
- Potential to cut costs
- Marketing contents

## **Industry Innovation & Growth: Leading Practices**

Many leading practices can be undertaken to instill the consideration of industry innovation and growth opportunity in business. These include, but are not limited to:

### **Encourage Employee Input**

given that employees have insight into weaknesses or areas of improvement than can drive innovation and growth

### **Identify Weaknesses or Bottlenecks**

to determine areas of inefficiency can help growth

### **Invest in Research and Development (R&D)**

can help drive growth and identify areas for innovation

### **Identify Partners for Rapid Commercialization**

as partnerships can help make scaling a product or idea easier

### **Innovation & Growth KPIs**

should be used to determine long term performance and establish goals to be worked towards

### **Innovation & Growth Tracking Metrics**

should be used in tandem to demonstrate progress against the aforementioned goals and indicators

### **Identify Market Needs**

to determine if there are key needs that can be met with organizational growth or innovation

### **Innovation & Growth Leader**

is important to ensure there is an individual or individuals in the organization responsible for leading R&D initiatives and managing and monitoring their progress, and receiving employee input



# Business Resilience

# Business Resilience

**Business resilience:** an organization's ability to prevent, respond to, and adapt quickly to disruptions or significant, unplanned changes that could threaten its operations, people, assets, brand, and/or reputation.

**Business continuity:** is about having a plan to deal with difficult situations, so your organization can continue to function with as little disruption as possible.

## Business Resilience: Global and KSA Perspectives

### Global

- ▶ 93% of companies without Disaster Recovery who suffer a major data disaster are out of business within one year
- ▶ 75% of companies have suffered supply chain disruptions
- ▶ 1 in 3 organizations have been infected by malware, a computer bug

### KSA

- ▶ The Saudi Arabia Digital Government Authority released a business continuity guidance in 2021
- ▶ A survey commissioned by cybersecurity firm Tenable found that 95% of businesses in KSA were the victim of a cyberattack in 2019
- ▶ SAMA developed a Business Continuity Management (BCM) framework for member organizations to enhance organizational resilience capability to ensure continuity and availability of their operations and services
- ▶ The Saudi National Cyber Security Authority (NCA) has both regulatory and operational functions related to cybersecurity and it works closely with public and private entities to improve the cybersecurity posture of KSA to safeguard its vital interests, national security, critical infrastructures, high-priority sectors, and government services, and activities in alignment with Vision 2030

## Business Resilience: Risks and Opportunities

Not considering Business Resilience in a company's operations can cause a series of **risks**, including but not limited to:

- Reputational harm
- Harmful to company growth
- Jeopardize profitability
- Data breaches
- Loss of productivity
- Loss of employee and other stakeholders' trust

Businesses should also care about Business Resilience because it can offer an **opportunity** that enables a company to:

- Meet investor expectations
- Financial loss mitigation
- Ensure business continuity
- Employee safety
- Safe keeping of confidential and/or sensitive information

## Business Resilience: Leading Practices

Many leading practices can be undertaken to instill the consideration of business resilience opportunity in business. These include, but are not limited to:

### Phishing Tests and Crisis Scenarios

that can be sent out to employees via email to train them to identify malicious content and scenarios that can be enacted to prepare employees in case of emergency

### Disaster Recovery Plan

that clearly lays out steps that must be implemented in the face of a major dilemma across any area of the business

### Employee Training and Expertise

to ensure employees' familiarity with steps that may need to be taken in the event of a crisis

### **Business Resilience Strategy**

that clearly lays out steps that must be implemented to maintain business resilience

### **Crisis Communication**

or a dialog between the organization and the public prior to, during, and after a negative occurrence

### **Business Resilience Monitoring Checks**

in place to continually ensure businesses is well poised to handle risk

### **Supply Chain Preparedness and Continuity**

practices to safeguard supply chain and ensure the organization keeps running in the face of conflict

### **Business Resilience Leader**

is important to ensure there is an individual or individuals in the organization responsible for leading business resilience and continuity initiatives and managing and monitoring their progress, and receiving employee input

جائزة الملك خالد للاستدامة  
KING KHALID SUSTAINABILITY AWARD

[kka.kkf.org.sa](http://kka.kkf.org.sa)



KKFoundation