



SOCIAL FOOTPRINT

The Social Footprint

Introduction and Proof of Concept

A Sustainability Innovation by the

Center for Sustainable Innovation

January, 2007 - DRAFT 5.1

“A sustainable society would not freeze into permanence the current inequitable patterns of distribution. It would certainly not permit the persistence of poverty. To do so would not be sustainable for two reasons. First, the poor would not and should not stand for it. Second, keeping any part of the population in poverty would not, except under dire coercive measures, allow the population to stabilize.”

Meadows, Meadows, and Randers
Beyond the Limits, 1992

*The Social Footprint is dedicated to
the memory of Donella (Dana) Meadows*

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What Is the Social Footprint?

- A measurement and reporting system that organizations can use to assess, manage, and report their impacts on people and society in a broad range of areas
- A conceptual measurement and management framework for organizations that have already decided to make a corporate social responsibility commitment
- A new school of sustainability theory and practice:
 - Based on the *quotients approach* to sustainability developed by the Center for Sustainable Innovation (CSI)
 - Measures organizational contributions to closing gaps in *anthro capital* (social, human, and constructed capital)
 - Expresses results in terms of numeric scores relative to sustainability thresholds – yields numerical “bottom lines”

(cont.)

What Is the Social Footprint? (cont.)

- A highly customizable system for measuring, assessing, and managing an organization's social impacts
 - Many variations on the systematic theme are possible
 - Can be applied to any aspect of social well-being an organization chooses to focus on in its own *Corporate Social Responsibility* or *Sustainability Management* program
- Supports tailored applications while staying true to:
 - The *quotients approach* to sustainability management
 - Assessing social impacts in terms of effects on 'anthro capital'¹
 - Producing numerical *social bottom line* results
- A development project made possible by active support from the University of Groningen in the Netherlands

1. See next slide for discussion of this term.

What Is The Footprint's Philosophy?

1. Conceptually committed to a mathematical *quotients approach* to measuring sustainability, as already noted
2. Activity-based: Sustainability is measured in terms of impacts that arise from *organizational operations* – i.e., their actions
3. Grounded in the principle of personal and collective responsibility, according to which individuals are responsible for their mutual or collective actions, especially those of their organizations whose actions they directly support and contribute to
4. Conceptually committed to *anthro capital*¹ as the 'social thing' that organizations can have impact on, the effects of which determine whether or not an organization's operations are socially sustainable
5. Practical: Confines measurement and reporting to organizational boundaries, just as financial reports do (makes them comparable)

1. We use the term 'anthro capital' to refer to the combination of *social capital*, *human capital*, and *constructed capital*. These capitals underlie the well-being of humans.

1. The *Quotients Approach* to Sustainability

What is the Quotients Approach?

- The result of taking a lesson from the environmental sustainability movement: *That behaviors involving the use of natural resources can be more or less sustainable, according to whether or not they preserve or degrade the stock and function of natural capital*
- If we generalize that principle, we can say that behaviors of all kinds can be measured on a scale of sustainability, according to their impacts on *capital* of one kind or another – *sustainability entails the preservation and/or construction of capital*
- Thus, in the case of the Social Footprint, we look at collective human behaviors and we evaluate the sustainability of their impacts on *social, human, and constructed* capitals (“anthro capital”)

(cont.)

The Quotients Approach (cont.)

- So we immediately have a situation in which we are comparing one thing to another: *i.e.*, *behavior* with its impacts on *capital* of one kind or another
- We ask: *Is the behavior sustainable relative to the impact it is having on the stock and function of capital?*
- And because we are comparing one thing with another — say, X with Y — we can express the comparison in the form of a fraction: X over Y
- This is what gives us our “quotients” — For example...
 - A certain geographical region produces 10 million gallons of freshwater per year (call that the *denominator*)
 - Humans in the region use 15 million gallons per year (call that the *numerator*)
 - $15/10 = 1.50 \rightarrow$ Anything greater than 1 is unsustainable

The Quotients Approach (cont.)

- Turning to the social arena, the same idea can be applied, with two important differences:
 - We're dealing with impacts on anthro capital, not natural capital
 - Anthro capital (social, human, and constructed), unlike natural capital, is created by people and can be grown virtually at will — we can always create more of it in order to meet our needs
- Thus, the gaps that must be closed in the case of anthro capital are not gaps between what we are stuck with and what we use; they are gaps between what we need and what we have decided to produce or make available
- For social bottom lines (or quotients), then, the rule of thumb reverses: anything less than 1 is unsustainable¹

¹ There are also hybrid Societal Quotients, where ecological performance stands as a proxy for social performance, as in the case of our Global Warming Footprint, which measures performance against ecological goals as defined by social plans of action. In those cases, the scoring of social footprints follows the logic of the Ecological Quotients, as in the lower the better (≤ 1 is sustainable, etc.).

The Quotients Approach (cont.)

- A quick example:
 - A certain community has a need for \$10,000,000 a year in order to provide a primary education for its children (call that the *denominator*)
 - Residents in the community are only providing \$8,000,000 a year in funding for primary education (call that the *numerator*)
 - \$8 mil./\$10 mil. = .8 → Anything *less* than 1 is unsustainable
- What makes it unsustainable is that we have defined a necessary stock of anthro capital in the area of interest to us (e.g., education) – shortfalls in the supply of that stock can lead to undesirable, if not dangerous, social outcomes
- Now imagine that we are able to quantify minimum levels of sufficiency for any form of anthro capital – and the makings of a *Social Footprint* tool come rushing into view!

Quotients as Measures of Sustainability

Ecological Bottom Lines¹

$$\frac{\text{Total Ecological Imprint}}{\text{Own Share of Supply Limits of Natural Capital}} = \text{Ecological Quotient (EQ)}$$

- The lower the better
- EQ ≤ 1 is sustainable
- EQ > 1 is *unsustainable*

Social Bottom Lines¹

$$\frac{\text{Total Social Imprint}}{\text{Own Share of Supply Needs for Anthro Capital}^2} = \text{Societal Quotient (SQ), or what we call The Social Footprint}$$

- The higher the better³
- SQ ≥ 1 is sustainable³
- SQ < 1 is *unsustainable*³

Organizational Sustainability Defined

Ecological Quotients (EQ) are ≤ 1 **AND** Societal Quotients (SQ) are ≥ 1 ³

- If true, then sustainable
- If untrue, then *unsustainable*

¹ We take the position that there are many ecological bottom lines and many social bottom lines, each corresponding to impacts on some aspect of ecology and/or society, respectively. So-called economic bottom lines are merely types of social bottom lines, and the financial bottom line has nothing to do with any of this.

² We use the term 'anthro capital' to refer to the combination of *social capital*, *human capital*, and *constructed capital*. These capitals underlie the well-being of humankind.

³ There are also hybrid Societal Quotients, where ecological performance stands as a proxy for social performance, as in the case of our Global Warming Footprint, which measures performance against ecological goals as defined by social plans of action. In those cases, the scoring of social footprints follows the logic of the Ecological Quotients, as in the lower the better (≤ 1 is sustainable, etc.).

The Social vs. Ecological Footprint Methods

The Social Footprint and the Ecological Footprint are alike in the sense that both are about closing gaps — but the similarity ends there. In the case of the Ecological Footprint, the gaps of interest to us are between resources used and resources available; in the case of the Social Footprint, the gaps of interest to us are between resources required and the supply of resources we have decided to make available!

The Quotients Approach to Measuring Sustainability – An Ecological Illustration

The Sustainability of Freshwater Use at the DuPont Company

Freshwater Use at DuPont

- To help illustrate the quotients approach to sustainability, let's consider a quick demonstration on the ecological or environmental side of the Triple Bottom Line in order to show that it (the quotients approach) can be applied to all sustainability issues, not just social ones:
 - We used freshwater consumption data published by the DuPont company for years 2001 – 2003 (the numerators)
 - We used freshwater availability data published by a research institute in California (the denominators)
 - The sustainability quotients were calculated at a global level of analysis
 - The quotients showed that DuPont's use of freshwater was unsustainable, although improving year over year

See reports →

**Sustainability Analysis of Natural Capital Bottom Line
For E. I. du Pont de Nemours and Company
Re: Freshwater Use**

Available Renewable Freshwater Resources On Earth^{1,2}	1998	1999	2000	2001	2002	2003	2004
Africa	5,400.60		5,400.60		5,434.10		5,723.40
North and Central America	6,464.60		6,464.70		6,630.92		7,221.82
South America	12,332.00		12,332.00		17,145.70		17,139.70
Asia	14,961.10		14,967.13		14,967.15		14,805.45
Europe	8,131.60		8,131.60		8,142.62		8,334.12
Oceania	1,544.30		1,669.30		1,669.30		1,669.30
Available Cubic Kilometers/Year	48,834.20	48,899.77	48,965.33	51,477.56	53,989.79	54,441.79	54,893.79
Available Cubic Meters/Year (Billions)	48,834.20	48,899.77	48,965.33	51,477.56	53,989.79	54,441.79	54,893.79
Human Population on Earth (Billions) ³	5.92	6.00	6.08	6.16	6.23	6.31	6.39
Available Cubic Meters/Capita/Year	8,249.02	8,149.96	8,053.51	8,356.75	8,666.10	8,627.86	8,590.58
Available Gallons/Capita/Year On Earth (Millions)	2.18	2.15	2.13	2.21	2.29	2.28	2.27

The DuPont Company's Ecological Quotient for Water

"People Feet" ⁴ (60,000 Employees X .24)	14,400	14,400	14,400
Total Gallons/Year Used by DuPont (Billions)	43.40	38.64	37.05
Gallons/Capita/Year Used by DuPont (Millions) - The Numerator ⁵	3.01	2.68	2.57
Total Gallons/Year Proportionately Available to DuPont (Billions)	31.79	32.97	32.82
Gallons/Capita/Year Available to DuPont (Millions) - The Denominator	2.21	2.29	2.28
Ecological Quotient ⁶	1.37	1.17	1.13

¹Source: Pacific Institute for Studies in Development, Environment, and Security

²Years 1999, 2001, and 2003 are estimated (No Source)

³Source: US Bureau of the Census

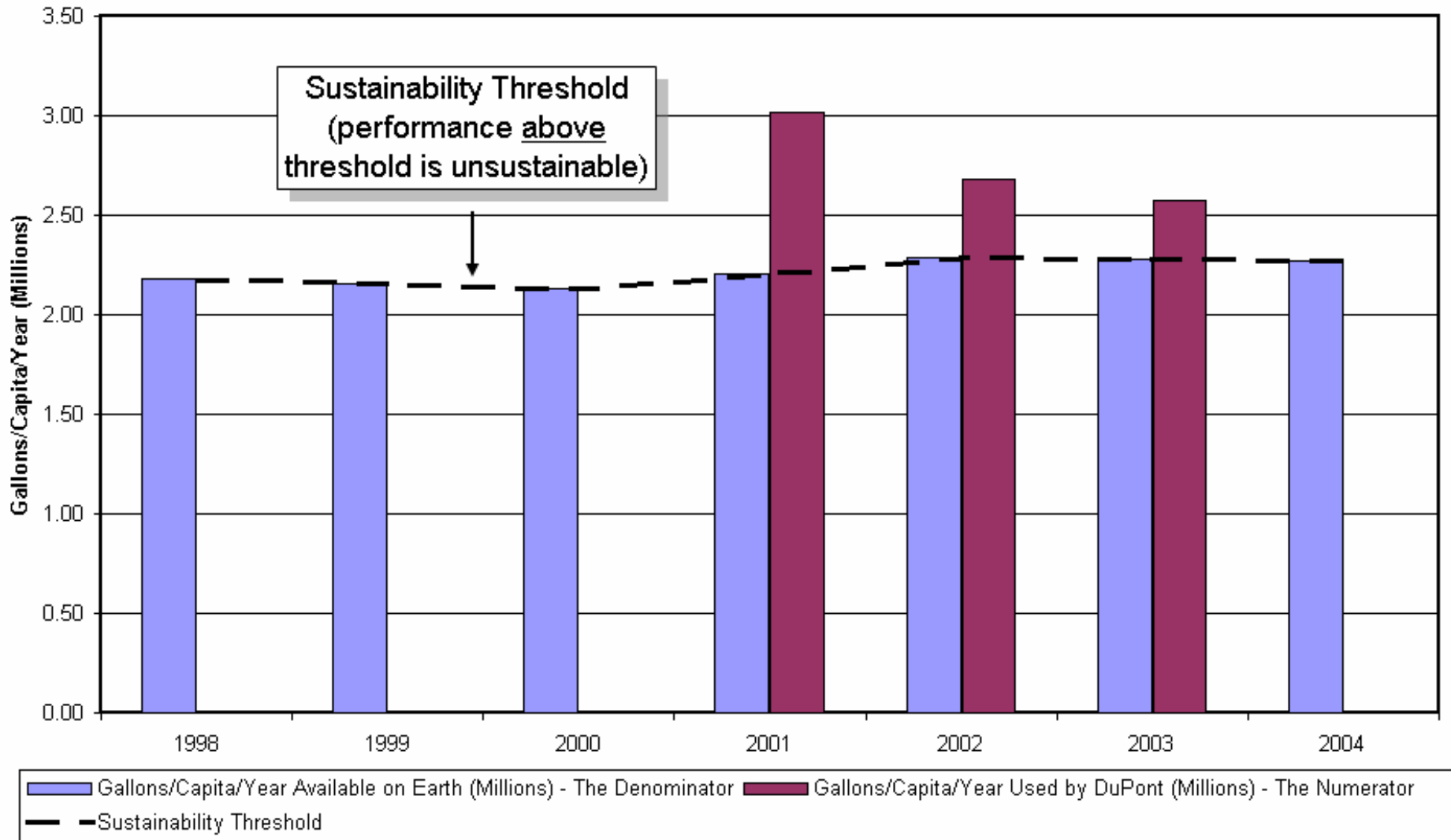
⁴Headcount adjusted by proportion of time spent at work per year

⁵Source: E.I. du Pont de Nemours and Company (July, 2005)

⁶Note: ≤ 1 = Sustainable; > 1 = Unsustainable

For ecological bottom lines, quotient values greater than 1 are unsustainable. Thus, DuPont's use of freshwater resources in years 2001 – 2003 was unsustainable, although its performance was improving.

Ecological Quotient for E. I. du Pont de Nemours and Company
Re: Freshwater Use



2. “Activities” as What Are Sustainable (or not)

Sustainability and Activities

- It is important to understand that when we speak of the sustainability of an organization, we are talking about the sustainability of its activities or its operations
- Thus, to say that a company is environmentally unsustainable is to say that its operations are unsustainable
- A process, or activity, may be unsustainable by virtue of what its outcome is
- But an *outcome*, per se, isn't sustainable or not; only processes or activities are sustainable or not
- Why? Because sustainability is an idea that involves behavior and its impacts on capitals over time

3. The Principle of Personal and Collective Responsibility

Personal and Collective Responsibility

- This principle follows from the activity-based view of sustainability just discussed
- What organizations do is a function of what the people who work for it do
- There is no separating “the organization” from “the people” who do its work
- People who go to work each day do not check their identities, or responsibilities for their actions, in at the door as they arrive to work, only to recollect them later on as they leave
- Responsibility and accountability applies to people, not *abstractions* like organizations
- The Social Footprint relies on this principle to allocate proportionate levels of accountability to organizations in its calculation of organizational social bottom lines

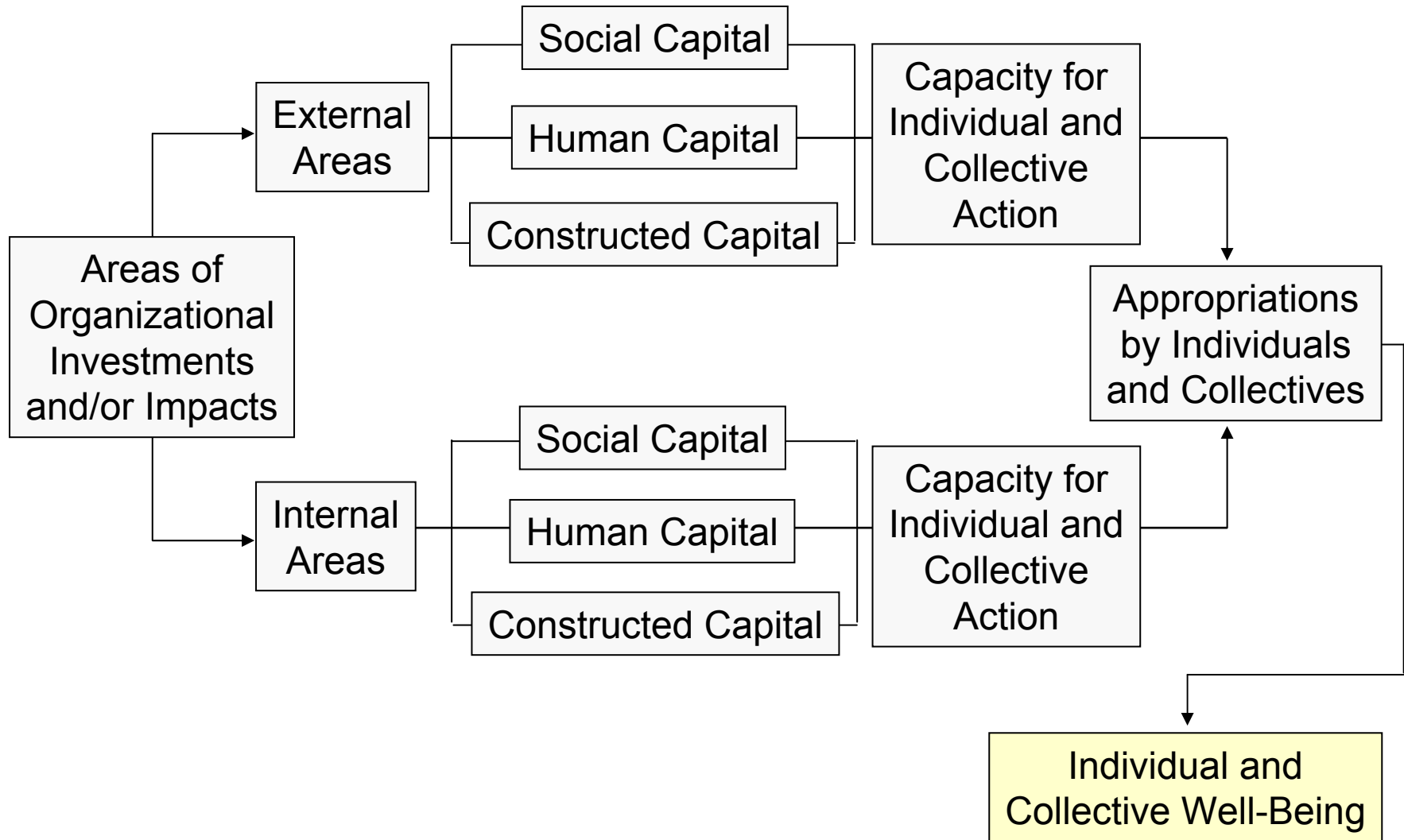
4. *Anthro Capital* as the “Thing” We Look At

Non-Financial ‘Anthro Capital’

- In contemplating a Social Footprint (and its quotients), we need to address the “things” that our activities have impact on, and the “things” that investments in improving a social bottom line are aimed at — for us, it’s *‘anthro capital’* of three different kinds:
 1. **Social Capital**, consisting of social networks and mutually-held knowledge required for collectives to take effective action
 2. **Human Capital**, consisting of personal health, knowledge, skills, experience, and other resources (including human rights and ethical entitlements) required for individuals to take effective action
 3. **Constructed Capital**, consisting of physical infrastructures in society such as roads, utilities, etc. that people build

See Reference Model →

Social Footprint Reference Model



Social Footprint Reference Model

Appropriations
by individuals
and collectives
in need of....



¹Contributions made to
third parties in society

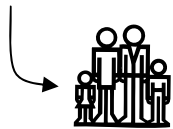
External Areas of Investment and/or Impact

▪ **Social Capital (Contributions to Social Programs and Resources)¹**

- Food, Water, and Nutrition
- Health
 - Via Monetary Means
 - Via Indirect Product and/or Service Impacts When Consumed
- Child Care
- Education
- Exercise and Physical Recreation
- Clean Environment
- Housing
- Material Necessities
- Infrastructure
 - Power
 - Water
 - Sanitation
 - Roads
 - Transport Services
 - Telecommunications
- Jobs at Livable Wage
 - Workers at Other Firms
- Commerce and Trade
 - Impact on Local/Regional Businesses
 - Impact on Minority/Women-Owned Businesses (MWOBs)
 - Commerce with Fair Trade Suppliers

Social Footprint Reference Model (cont.)

Appropriations by individuals and collectives in need of....



¹Contributions made to third parties in society

External Areas of Investment and/or Impact (cont.)

▪ **Social Capital (Contributions to Social Programs and Resources)¹ [cont.]**

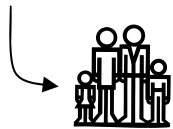
- Bank Services and Credit
- Safety and Security
 - Local
 - National
- Government
 - Social Services Administration
 - Trade Regulation
- Justice and Rule of Law
- Ethics
 - Human Rights
 - Labor Rights
 - Anti-Corruption
 - Transparency
 - Stakeholder Inclusiveness
 - Gender Equality and Empowerment
 - Diversity
 - Work/Family Balance
- Information
- Aesthetics
- Religion and Spirituality

▪ **Human Capital (Direct Contributions to Individuals in Society)¹**

- Food, Water, and Nutrition
- Health
 - Via In-Kind and Supportive Monetary Means
 - Via Direct Product and/or Service Impacts When Consumed

Social Footprint Reference Model (cont.)

Appropriations by individuals and collectives in need of....



¹Contributions made to third parties in society

²Contributions made to second parties in society

External Areas of Investment and/or Impact (cont.)

▪ **Human Capital (Direct Contributions to Individuals in Society)¹ [cont.]**

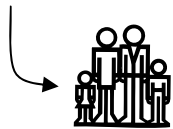
- Child care
- Education and Personal Enrichment
- Exercise and Physical Recreation
- Housing
- Material Necessities
- Jobs at Livable Wage
- Ethics
 - Human Rights
 - Labor Rights
 - Anti-Corruption
 - Transparency
 - Stakeholder Inclusiveness
 - Gender Equality and Empowerment
 - Diversity
 - Work/Family Balance

▪ **Constructed Capital (Direct Contributions to Social Resources)²**

- Infrastructure
 - Power
 - Water
 - Sanitation
 - Roads
 - Transport Services
 - Telecommunications

Social Footprint Reference Model (cont.)

Appropriations by individuals and collectives in need of....



¹Contributions made to second parties in society
²Contributions made to third-party programs internal to the enterprise

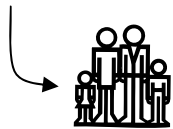
Internal Areas of Investment and/or Impact

▪ **Social Capital (Contributions to Social Programs and Resources)²**

- Food, Water, and Nutrition
- Health
 - Via In-Kind and Supportive Monetary Means
- Child Care
- Education (Social Learning and Innovation)
- Exercise and Physical Recreation
- Housing
- Justice and Rule of Law (Policies and Programs)
- Ethics (Policies and Programs)
 - Human Rights
 - Labor Rights
 - Anti-Corruption
 - Transparency
 - Stakeholder Inclusiveness
 - Gender Equality and Empowerment
 - Diversity
 - Work/Family Balance
- Information
- Safety and Security
 - Enterprise Level
- Aesthetics
- Religion and Spirituality

Social Footprint Reference Model (cont.)

Appropriations by individuals and collectives in need of....



¹Contributions made to second parties in society

²Contributions made to first and second parties internal to the enterprise

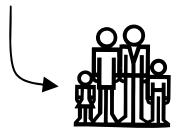
Internal Areas of Investment and/or Impact (cont.)

▪ Human Capital (Direct Contributions to Workers)²

- Food, Water, and Nutrition
- Health
 - Via Direct Impacts of Products and/or Services When Produced or Applied
- Child Care
- Education (Individual Training and Personal Enrichment)
- Exercise and Physical Recreation
- Housing
- Material Necessities
- Jobs at Livable Wage
 - Workers at Own Firm
- Justice and Rule of Law (Actual Behaviors)
- Ethics (Actual Behaviors)
 - Human Rights
 - Labor Rights
 - Anti-Corruption
 - Transparency
 - Stakeholder Inclusiveness
 - Gender Equality and Empowerment
 - Diversity
 - Work/Family Balance
- Information
- Safety and Security
 - Enterprise Level
- Aesthetics
 - Religion and Spirituality

Social Footprint Reference Model (cont.)

Appropriations by individuals and collectives in need of....



¹Contributions made to first and second parties internal to the enterprise

Internal Areas of Investment and/or Impact (cont.)

▪ **Constructed Capital (Direct Contributions Within Own Enterprise)¹**

- Infrastructure
 - Power
 - Water
 - Sanitation
 - Roads
 - Transport Services
 - Telecommunications

What The Categories Mean

- External Areas of Investment and/or Impact*
 - Social Capital (Contributions to Social Programs and Resources)
 - These are contributions to (or impacts had on) third-party programs in society external to an organization which, in turn, constitute or have impact on social capital resources and services available to individuals and collectives in society
 - Human Capital (Direct Contributions to Individuals in Society)
 - These are direct contributions to (or impacts had on) individuals in society external to an organization, which in turn constitute personal human capital resources available to such individuals
 - Constructed Capital (Direct Contributions to Social Resources)
 - These are contributions to (or impacts had on) the presence or quality of human-made physical infrastructures in society external to an organization

(cont.)

**External* means external to a reporting organization

What The Categories Mean (cont.)

- **Internal Areas of Investment and/or Impact***
 - **Social Capital (Contributions to Social Programs and Resources)**
 - These are contributions to (or impacts had on) programs internal to an organization, which in turn constitute, or have impact on, shared social capital resources and services available to its inhabitants, workers, or stakeholders
 - **Human Capital (Direct Contributions to Workers)**
 - These are direct contributions to (or impacts had on) individuals internal to an organization, which in turn constitute personal human capital resources available to its inhabitants, workers, or stakeholders
 - **Constructed Capital (Direct Contributions Within Own Enterprise)**
 - These are contributions to (or impacts had on) the presence or quality of human-made physical infrastructures internal to an organization

**Internal* means internal to a reporting organization

Some Comments on Our Model

- First, it is a work in progress — comments most welcome!
- Second, it differentiates between the social impact of organizations in the world *outside* versus the social world *inside*
 - Social impact is certainly not only about impacts in the community outside organizational boundaries
 - Employees working inside the boundaries are impacted, too
- It highlights three forms of anthro capital (and services or outcomes that arise from them) required by everyone
- Supplies of anthro capital can vary in sufficiency
- Levels falling below certain thresholds are unsustainable because they put social well-being at risk

5. Setting Practical Boundaries

Key Boundary Issues

- There are two key boundary issues addressed by the Social Footprint method:
 - How to specify organizational reporting boundaries
 - How to properly allocate anthro capital *burdens* or *supply shares* to organizations (for purposes of scoping numerators and denominators in the quotients)
- Our solution to the first issue is to simply follow the lead of financial reporting
 - The reporting boundary of an organization is the same as the boundary reflected in its financial reports
 - This enhances an organization's ability to do combined and integrated financial/non-financial reporting, and we strongly recommend that ecological reports be similarly scoped

Key Boundary Issues (cont.)

- Our solution to the second issue is a new metric that we call “People Feet”
 - It is a product of our conceptual commitments to the activity-based view of sustainability reporting and the personal responsibility principle that follows from it
 - Strictly speaking, sustainability-impacts (and responsibilities) inhere in people, not inanimate abstractions like organizations
 - An organization, then, is nothing but a surrogate or proxy representation of the people who work for it and who carry out its activities – it is a collective *of people*
 - People bring their capital allocations, shares, duties, and entitlements with them to work, and they take them home with them when they leave

More on the “People Feet” concept →

“People Feet”

- People Feet (PF) is a metrical unit that is mainly used to specify the denominator in a sustainability quotient
- Because people spend only a part of their lives in organizational settings (like work), we must adjust the allocation of, or responsibilities for, resources (or capitals) that attach to them in order to calculate organizational sustainability bottom lines – the PF metric allows us to do that by providing an adjusted headcount!
- This approach is predicated on the view that sustainability is people-based, and that people are responsible for their own actions, including their mutual or collective actions taken in organizational settings

“People Feet” (cont.)

- Example: An organization with 10,000 employees
 - First we determine what proportion of the employees’ time is spent working at, or on behalf of, the organization:
 - If everyone works a normal 40-hour week (including time for paid vacations, sick days, etc.), they would be compensated for 2080 hours a year (40 hours x 52 weeks)
 - That equates to approximately 24% of their total time (2080 hours divided by 8760 hours in a year = .24)
 - Thus, we can say that the organization’s total “People Feet” is 2400 PF (10,000 x .24), as if 2400 people were working 24/365
 - Think of it as the proportion of people’s capital entitlement and/or supply shares that travel with them to work, allocated in accordance with the amount of time they actually spend *at work*
 - Why take this approach? Because impacts are activity-based!

“People Feet” (cont.)

- Let’s look at the DuPont example earlier provided:
 - DuPont has 60,000 employees (assumed constant in years 2001–2003)
 - That results in a People Foot (PF) count of 14,400 ($60,000 \times .24$)
 - If freshwater resources were shared equally among all humans on earth, DuPont’s share of related resources would therefore be limited to a 14,400 PF share of such resources
 - If DuPont used exactly its proportionate share of such resources, its Social Footprint score would be 1.0 (Sustainable)
 - But in fact, DuPont’s use of freshwater resources in years 2001–2003 exceeded its proportionate share, and its scores thereby exceeded 1.0:
 - 2001: Score was 1.37**
 - 2001: Score was 1.17**
 - 2002: Score was 1.13**

“People Feet” (cont.)

- One more thing before we move on to the Social Footprint:
 - It should be clear that unlike ecological or environmental footprints where points are deducted, so to speak, for *excess use* of limited resources, in the Social Footprint, points are deducted for *a failure to provide, help build, or maintain* non-limited resources
 - Thus, in the Social Footprint, a failure to act on the part of an organization towards ensuring the adequate supply of an important form of anthro capital can be just as damaging as actions actually taken that diminish anthro capital
 - Conceptually, then, the Social Footprint finds its way into the world at a time when we are increasingly coming to understand that what’s bad for society is bad for business, and what’s good for society is good for business

Now let’s see the method! →

The Social Footprint: An Illustration

The UN “Millennium Development Goals”
as a View to Deficiencies in Anthro Capital
and Wal-Mart as a Corporate Case Study

Introducing Our Case: Wal-Mart Stores, Inc.

- Like the DuPont example, this illustration features only a very narrow analysis of corporate impacts on anthro capital (bounded by the scope of the UN's Millennium Development Goals)
- This is sufficient for purposes of illustrating how the Social Footprint is computed, and the mathematical and reporting conventions involved
- The anthro capital dimensions we use in this example are very real, as is the data taken from public documents produced by Wal-Mart
- The anthro capital domains we chose are comprised of the UN Millennium Development Goals (MDGs), which correspond to several elements in our reference model

Our Wal-Mart Case (cont.)

- The Millennium Development Goals (and the global investments required to achieve them) have been approved by most nations in the world as follows:
 1. Eradicate extreme poverty and hunger by 2015
 2. Achieve universal primary education by 2015
 3. Promote gender equality and empower women by 2015
 4. Reduce child mortality by 2015
 5. Improve maternal health by 2015
 6. Combat HIV/AIDS, malaria and other diseases by 2015
 7. Ensure environmental sustainability by 2015
 8. Develop a global partnership for development by 2015
- The UN, in turn, has defined a funding threshold of .7% of GNI (Gross National Income) from developed (OECD) nations in order to achieve the MDGs, including the U.S.

Our Wal-Mart Case (cont.)

- Because of the commitment required from OECD countries to support the MDG budget, we can say that every citizen of those countries has a per capita share of their respective country's obligation to actually make the contributions
- Wal-Mart is a U.S.-based corporation that employs over a million U.S. citizens, each of which devotes a significant part of their lives to working for Wal-Mart
- Thus, we can ask whether or not Wal-Mart is contributing its pro rata share of the U.S. contribution needed to fully fund the 2015 MDGs vis a vis the number of People Feet who work at Wal-Mart, and whose personal responsibilities to contribute to the quality of anthro capital in the world travel with them to work and manifest in their organization

See reports →

**Social Footprint Sustainability Analysis of Wal-Mart Stores, Inc.
Re: Impact on UN Millennium Development Goals (MDGs)**

	2002	2003	2004
Number of 'People Feet' at Wal-Mart			
Number of U.S.-based Employees (Millions) ¹	1.1	1.1	1.2
Average Annual Proportion of Employee Time Spent Working Per Year (Estimated)	0.20	0.20	0.20
Number of People-Feet (PF) at Wal-Mart in U.S. (Millions)	0.22	0.22	0.24

Analysis of U.S. Per-Capita 'Official Development Assistance' (ODA): The Denominator

ODA (as % of GNI) Pledged by Most OECD Countries (incl. U.S.) in 1970 and 2002 ²	0.70%	0.70%	0.70%
Monetary Value of U.S. ODA if @ .7% GNI (Millions)	\$71,562	\$76,160	\$81,138
ODA (as % of GNI) Actually Contributed by U.S. ³	0.13%	0.15%	0.17%
Monetary Value of ODA Contributions Actually Made by U.S. (Millions) ³	\$13,290	\$16,320	\$19,705
U.S. Population (Millions) ⁴	288.0	290.9	293.7
U.S. Per-Capita/People Foot Share of ODA if @ .7% GNI (The Denominator)	\$248.49	\$261.85	\$276.30

Analysis of Wal-Mart Per-Capita 'Official Development Assistance' (ODA): The Numerator

Direct Cash Contributions by Wal-Mart to Development of MDG Anthro Capital ⁵	0.00	0.00	0.00
Direct In-Kind Contributions by Wal-Mart to Development MDG Anthro Capital ⁵	0.00	0.00	0.00
Direct Costs Incurred by Wal-Mart in Development of MDG Anthro Capital ⁵	0.00	0.00	0.00
Taxes Paid to U.S. (Millions) ⁵	\$2,941	\$3,299	\$4,039
Monetary Value of Total U.S. Budget Outlays (Millions) ⁶	\$2,011,153	\$2,160,117	\$2,293,006
Percentage of U.S. Budget Outlays Spent on ODA	0.6608%	0.7555%	0.8594%
Amount of U.S. Taxes Paid Per Wal-Mart PF Going to Actual ODA Contributions by U.S.	\$88.34	\$113.29	\$144.62
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Wal-Mart's Social Footprint (MDG-related Only)

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Societal Quotient ("Social Footprint") ⁷	0.36	0.43	0.52

¹Estimated from analysis of Wal-Mart Annual Reports (2002 - 2004)

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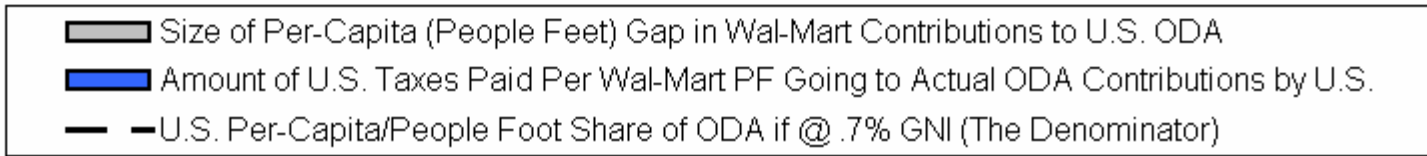
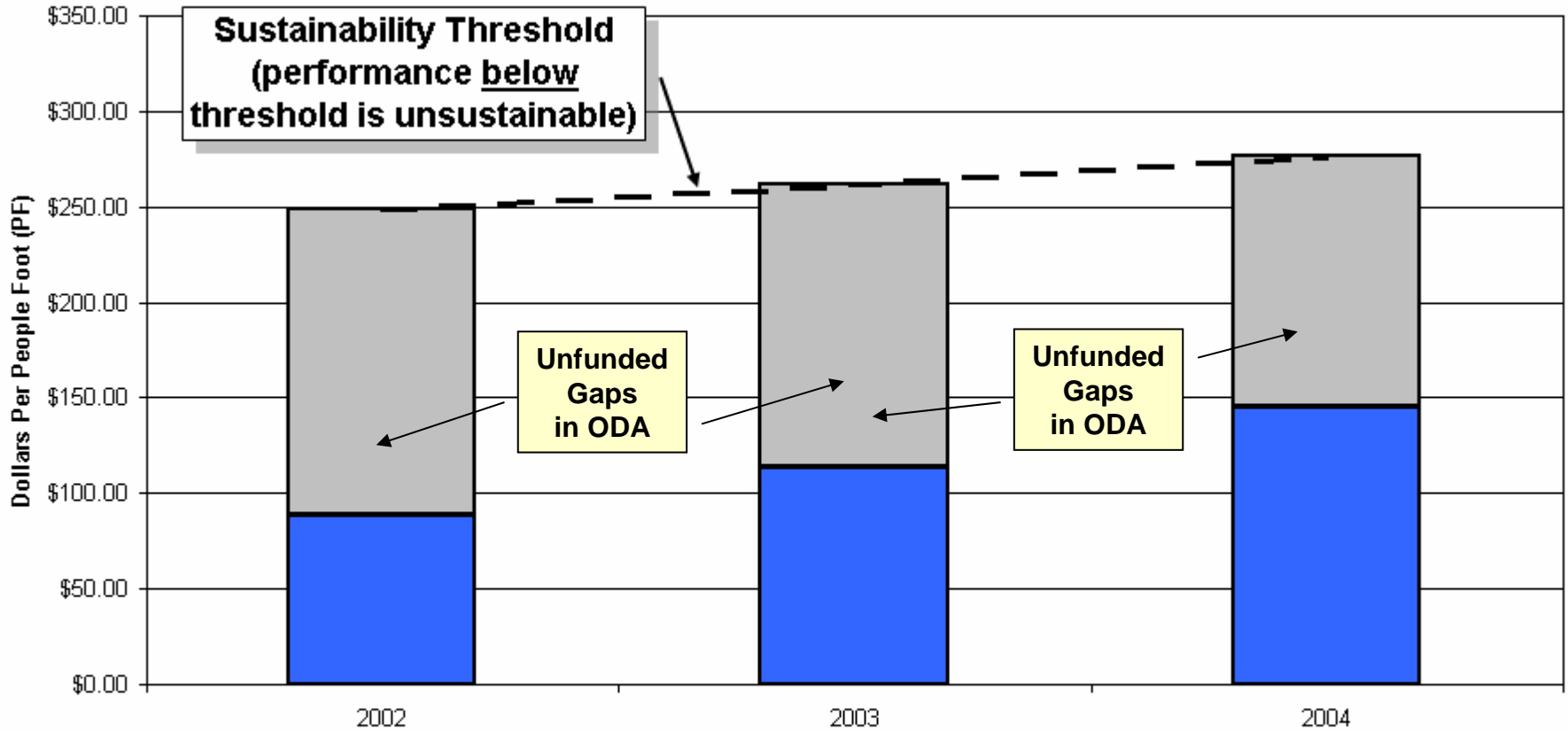
⁶Source: Budget of the U.S. Gov't 2007, Historical Tables, Office of the President

⁷Numerator divided by denominator: ≥1 = Sustainable; <1 = Unsustainable

Note: ODA = Official Development Assistance

For social bottom lines, quotient values less than 1 are unsustainable. Thus, Wal-Mart's impact on achievement of the UN's Millennium Development Goals in years 2002 – 2004 was unsustainable, although its performance was improving.

Societal Quotient (Social Footprint) for Wal-Mart Stores, Inc. Re: Millennium Development Goals



Note: ODA = Official Development Assistance

**Social Footprint Sustainability Analysis of Wal-Mart Stores, Inc.
Re: Impact on UN Millennium Development Goals (MDGs)**

	2002	2003	2004
Number of 'People Feet' at Wal-Mart			
Number of U.S.-based Employees (Millions) ¹	1.1	1.1	1.2
Average Annual Proportion of Employee Time Spent Working Per Year (Estimated)	0.20	0.20	0.20
Number of People-Feet (PF) at Wal-Mart in U.S. (Millions)	0.22	0.22	0.24

Analysis of U.S. Per-Capita 'Official Development Assistance' (ODA): The Denominator

ODA (as % of GNI) Pledged by Most OECD Countries (incl. U.S.) in 1970 and 2002 ²	0.70%	0.70%	0.70%
Monetary Value of U.S. ODA if @ .7% GNI (Millions)	\$71,562	\$76,160	\$81,138
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Cash contributions made towards closing gaps in ODA funding required to achieve MDGs. Could come from the reporting organization or from a charitable foundation under its control.

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Direct costs of participating in the delivery of MDG-related anthro capital or services (e.g., the operating costs of a bank engaged in the delivery of microfinance services to customers in low-income countries).

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Amount of money spent on U.S. federal taxes credited towards achievement of MDG goals, based on proportion of U.S. federal outlays actually applied towards making ODA contributions.

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U.S. Population (Millions) ⁴			
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Taxes Paid to U.S. (Millions) ⁵	\$2,947	\$2,299	\$4,039
Monetary Value of Total U.S. Budget Outlays (Millions) ⁶	\$2,011,166	\$2,011,117	\$2,293,006
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Per-capita share of gap in U.S. ODA if @ .7% GNI vs. actually contributed, expressed in terms of per-PF at Wal-Mart, and reflective of per-PF contributions made by Wal-Mart towards achievement of MDGs in all forms (i.e., via direct cash and/or in-kind contributions made, taxes paid, etc.).

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Analysis of Wal-Mart Case

- First, note that this is a narrow assessment of Wal-Mart's Social Footprint expressed only in terms of its Millennium Development Goal (MDG) impacts
 - Wal-Mart gives generously to local communities in the U.S., having donated between \$150 million and \$210 million each year to local causes in 2002, 2003 and 2004
 - Wal-Mart received the 2002 Ron Brown Award, the highest Presidential Award recognizing outstanding achievement in employee relations and community initiatives (e.g., philanthropy)
- Still, our analysis shows that Wal-Mart contributed nothing towards achievement of the international MDGs in years 2002–2004, except for its indirect contributions made via payments of U.S. federal taxes

Analysis of Wal-Mart Case (cont.)

- Note that Wal-Mart's Per-Capita People Foot (PF) contributions towards achieving the Millennium Development Goals increased year over year:
 - 2002: \$88.34/PF
 - 2003: \$113.29/PF (+28%)
 - 2004: \$144.62/PF (+28%)
- Nonetheless, its Societal Quotient (or Social Footprint score) remained unsustainable in the same period!
- *This is a vivid illustration of how a focus on only the top line (or numerator) in sustainability reporting can lead to false conclusions – How so? Ostensible improvements in top lines can mask actual bottom-line performance!*

What Could Wal-Mart Do?

- According to our analysis, Wal-Mart contributed (via U.S. taxes only) an average of approximately \$26,356,000 per year towards achievement of the UN MDGs
- To be fully sustainable – socially sustainable (and relative *only* to its impact on the state of anthro capital represented by the MDG goals) – Wal-Mart would have had to have contributed an average of roughly \$33,173,000 more to the UN's programs
- This would have amounted to a total average contribution of \$59,529,000 per year, or roughly .75% of Wal-Mart's average net income in the three years studied, which was \$7,867,000,000

What Could Wal-Mart Do? (cont.)

- So how could Wal-Mart break this pattern in the future?
 - Put pressure on the U.S. government to contribute more towards its proportionate share of the global budget for achieving the UN Millennium Development Goals
 - It could also shift some of the \$200,000,000 it already spends on charitable causes in the U.S. towards achieving the MDGs
 - Increase its direct contributions towards achievement of the Millennium Development Goals:
 - By making direct monetary contributions (completely missing, per our analysis)
 - By making direct in-kind contributions (completely missing, per our analysis)
 - By incurring other direct costs related to achievement of the MDGs (completely missing, per our analysis)

How Does the Social Footprint Compare to Other (Social) Sustainability Reporting Methods?

How Does the Social Footprint Compare?

- Let's briefly look at two other sustainability measurement and reporting systems
 - The Global Reporting Initiative
 - MDG Framework (Dutch Sustainability Research)
- Global Reporting Initiative
 - Not a quotients approach. Why not? It has no denominator!
 - Is perhaps best described as a Triple *Top* Line reporting method, not a Triple *Bottom* Line method
 - Makes it possible for reporters to show year-over-year (ostensible) improvements in performance, even though their actual bottom-line performance may be worsening
 - Strictly speaking, does not report on “sustainability”, whereas the Social Footprint does (as does the Ecological Footprint method)

Social Footprint Comparison (cont.)

- MDG Framework (Dutch Sustainability Research)
 - “MDG” stands for Millennium Development Goals
 - Thus, like the Social Footprint (SF), it is a method concerned with the impact of organizational operations on closing gaps in anthro capital....on building related capital where it is needed most!
 - Relies, however, on subjective assessments that try to rate the quality of organizational initiatives or programs aimed at achieving the MDGs; the SF, by contrast, measures actual impacts
 - Described as a tool for measuring the “intentions” of reporters to contribute to achieving the MDGs; the SF measures *actions*
 - Does not measure direct contributions to MDGs made via core business processes of an organization, whereas the SF does
 - Is not quotient-based; thus, it does not measure sustainability, per se

Flexibility of the Social Footprint Method

- The Wal-Mart case study is merely an example of the general approach taken by the Social Footprint Method
 - Narrowly aimed at the Millennium Development Goals for illustration purposes only
- Actual application possibilities for the Method are much broader in scope
 - Can be tailored to report impacts on any combination of anthro capital shown in the Reference Model on slides 24 - 30
 - Can also be tailored to show performance against the UN Global Compact, or any other standard for social performance
 - Can be computed at any geographic scale of analysis (i.e., to report social impacts locally, regionally, nationally, or internationally)

How to get Involved

- Where we go from here
 - The Social Footprint is still very much in the early stages of its development
 - However, the conceptual framework and the theory behind it are fairly well defined as the examples provided in this presentation show
 - We will continue to work with the University of Groningen in the Netherlands and others to press on with our research
- Corporate opportunities to get involved
 - Organizations interested in working with us to help pilot, test, and evaluate the Social Footprint are invited to contact us to explore related opportunities
 - Interested parties should contact Mark W. McElroy, Executive Director, CSI, at mmcelroy@vermontel.net

- END -

Comments Most Welcome!

Contact Mark W. McElroy at mmcelroy@vermontel.net

www.sustainableinnovation.org