



Strengthen Reporting  
on social issues with PSIA



## Whitepaper Strengthen Reporting on social issues with PSIA

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### Literature reference

Goedkoop, M.J.; de Beer I.M.; Alvarado, C.; Florea, A.; Visser, D.

Product Social Impact Assessment- Social Topics Report - 2022, Amersfoort,

April 1st, 2022.

### About the Social Value Initiative

The Social Value Initiative is a joined initiative of the following companies:

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More information can be found on [www.social-value-initiative.org](http://www.social-value-initiative.org)

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Core Partner since 2019*

"Fuji Europe Africa sees itself as a member of society. Insight in the effect that our business activities have on society is key to fulfill our core value of working towards a sustainable society."



### Diana Visser

*Sustainability Director Corbion  
Core Partner since 2014*

"To enable our customers to make conscious choices, we will assess both the environmental and the social impacts of our products and work side by side with them to substantiate sustainability claims. To be able to do this, a credible methodology to measure social impacts along the value chain is essential."



### Alexandra Florea,

*Global Sustainability and LCA Expert Royal DSM  
Core Partner since 2013*

"In a world where technology can solve the most complex issues we have on this planet and beyond, we shall not forget that at the end of the day behind developing these technologies which means extracting resources, producing, using and disposing of what they are made of, are people."





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# 1 Introduction

Among all sustainability dimensions, social impacts represent the biggest challenge for reporting. As stakeholders' interest on sustainability grow, so does the need of companies for reporting on the sustainability impact of their products and activities in a transparent, tangible, and credible way<sup>1</sup>. Also, investors increasingly see the sustainability strategy and performance of a company<sup>2</sup>.

Numerous initiatives have arisen to answer to the need for setting the rules of how social impacts are prioritized, evaluated, measured, and communicated. A tangible example of this is the draft report of Social Taxonomy<sup>3</sup>, prepared by the EU platform on Sustainable Finance. This entity aims at setting criteria for investments that are understood to contribute to a more sustainable world, while no significant harm is done. It provides a definition of what is a social impact or a social benefit. Another example is the joint standard published by IIRC<sup>4</sup> and SASB<sup>5</sup>. This standard focusses on providing investors with tangible information based on the capitals approach<sup>6</sup>.

**In short, companies will increasingly have the duty to report on the environmental and social impact of their business activities under strict requirements and standards.**

The Social Value Initiative explored how the Product Social Impact Assessment (PSIA) Methodology could strengthen company reporting using three company cases.

## Putting the “S” in ESG: Measuring Human Rights Performance for Investors

- Current Social measurement evaluates what is **most convenient, not what is most meaningful**.
- Current approaches to disclosure are **not likely** to yield the information needed to **identify social leaders**.
- the **lack of consistent standards** underpinning social measurement increases costs and creates confusing ‘noisiness’ across the ESG industry.
- existing measurements **do not equip investors** to respond to rising demand for socially responsible investing strategies and products

Casey O'Connor and Sarah Labowitz

<sup>1</sup> Sustainability Reporting is already compulsory for companies listed in the EU. The new EU Corporate Sustainability Reporting Directive (CSRD) will set new more strict requirements for reporting environmental and social impacts of businesses.

<sup>2</sup> Casey O'Connor and Sarah Labowitz putting the “S” in ESG: Measuring Human Rights Performance for Investors.

<sup>3</sup> [https://ec.europa.eu/info/sites/default/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf](https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf)

<sup>4</sup> IIRC: international Integrated Reporting initiative <http://examples.integratedreporting.org/home>

<sup>5</sup> SASB: Sustainability Accounting Standards Board <https://www.sasb.org/>

<sup>6</sup> <https://capitalscoalition.org/capitals-approach/>

The hypothesis discussed in this whitepaper is that PSIA can contribute to fulfill the needs mentioned above:

- The Handbook includes a hotspot identification phase to ensure that the material social issues are identified and covered in the assessment.
- The Handbook focusses on the entire value chain and not just Tier 1 as most other approaches do.

Fuji Oil, Corbion, DSM and BASF are four Core Partners of the Social Value Initiative. These four companies shared their views on how they see opportunities to improve the reporting systems of the respective companies using the ideas and concepts in the Handbook. Each partner was asked to focus on the following questions:

1. WHY is it of interest to improve reporting with PSIA as a tool?
2. HOW is reporting implemented in the organization?
3. WHAT are the benefits to use PSIA in reporting?
4. HOW could this combination with PSIA be further developed?

The answers of Fuji Oil, Corbion and DSM are described below. At the end of the whitepaper we conclude whether the hypothesis works for the companies.





## 2 Fuji Oil

Fuji Oil is developing business in the four domains of vegetable oils and fats, industrial chocolate, emulsified and fermented ingredients, and soy-based ingredients. It is engaged in the research and development, production, and sale of industrial use food ingredients.

### 2.1 WHY we are looking into improved reporting with input from PSIA?

For Fuji Oil, “working for people” is one of the core company values. Hence, the Fuji Group made a commitment to protect the human rights of all stakeholders affected by its business. This is the basis for adding social impact as one of the non-financial parameters to measure success within the company and therefore allocating resources to it in company planning and reporting.

### 2.2 HOW is reporting implemented in the Fuji Oil organization?

Fuji Oil reports sustainability impacts of its activities through several channels. An Integrated Report which includes the main topics of Sustainability and a dedicated Sustainability Report both follow the GRI guidelines. Additionally, Fuji Oil contributes to Commodity Progress reports, for example the Sustainable Palm Oil Progress report, which includes the mid-year progress made through the implementation of projects and activities in the Palm Oil supply chain.

The figure below describes Fuji Oil’s ESG Management and the steps in the process where PSIA could contribute to:

- 1) Effective reporting
- 2) Evaluation of progress on social impacts

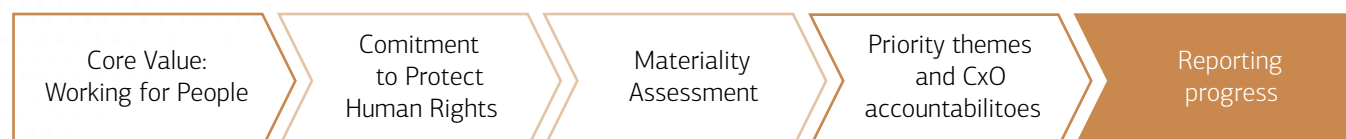


Figure 1: reporting in fuji oil



## 2.3 WHAT are the potential benefits of using the PSIA approach in reporting?

The figure below describes how PSIA could contribute to Fuji Oil's reporting of social impacts. As is shown also in Figure 1 the company starts from reporting commitments to standards and a materiality assessment. Fuji already uses the Social Topics from the PSIA Handbook in the materiality assessment.

Fuji summarizes how the use of PSIA has already or can potentially strengthen reporting in the following way (also illustrated in figure 2):

- The use of PSIA will be determined by how much it aligns with reporting requirements and Due Diligence (DD) legislations. Alignment with Corporate Sustainability Reporting Directive, Taxonomy and DD law are key.
- PSIA can help filling in the double materiality matrix by using the materiality assessment in the Handbook.
- PSIA gives guidance when potential positive impacts on social issues are assessed. The focus of the Handbook is on identifying risks in the supply chain, rather than assessing if a specific activity contributes (This is due the way the PSIA Handbook are written). But it is possible.
- PSIA could play a role in the upcoming EU Due Diligence Legislation. In the latest draft this legislation states that companies will need to make an ESG impact assessment in their supply chains. PSIA could provide a robust way to evaluate the social dimension of such assessment, which could also be a good starting point for a standard. Alignment with the EU at this respect would be beneficial for both parties.

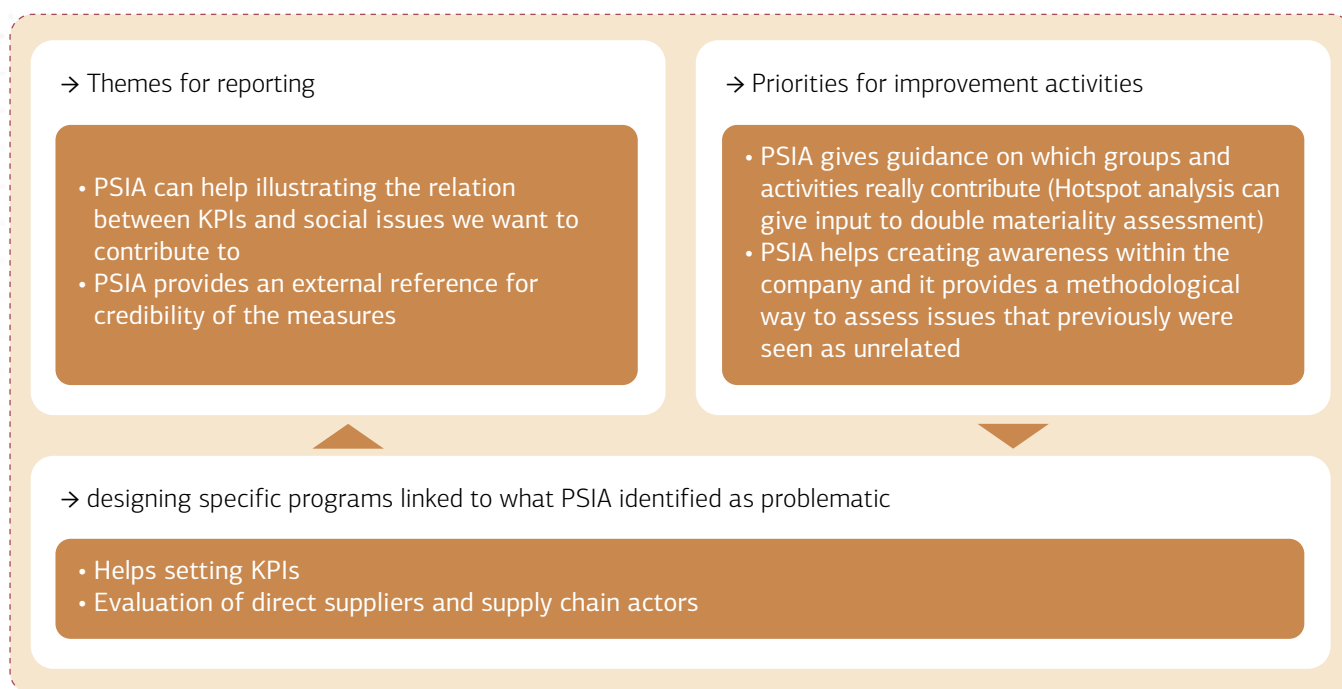


Figure 2: the green areas show how psia can strengthen reporting in fuji oil

## 2.4 HOW could the combination of reporting and PSIA be further developed?

Fuji would like PSIA to develop further as follows:

- Need to assess alignment with Corporate Sustainability Reporting Directive, EU Taxonomy and Due Dilligence Legislation.
- Need to connect with sector associations (palm, cocoa, coffee, which are the focus of DD legislation).
- There are already discussions on living wage standards at EU level, this could also affect the PSIA scales. It is necessary to add these future standards to the references in the Social Topics Report.





## 3 Corbion

Corbion is the global market leader in lactic acid and its derivatives, and a leading supplier of emulsifiers, functional enzyme blends, minerals, vitamins and algae ingredients. Corbion's strategy and every aspect of our operations are built around advancing sustainability and applying high ethical standards, whether this relates to the management of our global supply chain, responsible procurement of our raw materials, or the safety and wellbeing of our people.

### 3.1 WHY is Corbion looking into improve reporting with input from PSIA?

At Corbion, we exist to champion preservation in all its forms, preserving food and food production, health, and our planet. This isn't about maintaining the status quo; it's about finding new ways of operating in a changing environment. It's about empowering one another, and the world, to do more with less.

In the Advance 2025 strategy, Corbion has chosen to focus on SDG 2 (Zero hunger), SDG 3 (Good health and well-being) and SDG 12 (Responsible consumption and production) as the goals on which we believe we can make the most significant positive impact, given our business activities. By 2030, we aim for 80% of our products to contribute to preserving food and food production, health, and/or the planet. Corbion recognizes that some of the SDGs can be negatively impacted by its operations. To make a credible and meaningful impact on the Sustainable Development Goals, Corbion aims to minimize any negative impacts while maximizing positive impact. The PSIA methodology can support this ambition.

### 3.2 HOW is reporting implemented in the Corbion organization?

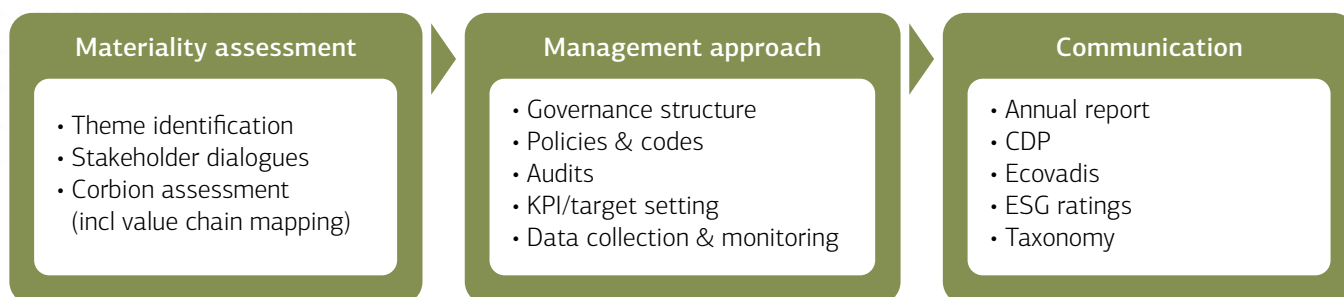


Figure 3: the reporting procedure at corbion

The foundation of Corbion's sustainability strategy and reporting is the materiality assessment, which we use to identify key social, environmental, governance, and economic issues that are important to our stakeholders and our strategy. The materiality assessment is updated at least every three years, as input for our strategy updates. In 2020, we updated the materiality matrix through the following steps:

1. Theme identification: We compiled a long list of relevant sustainability themes based on international standards, media, peers, sector trends and risk analysis. This list was then consolidated to create a shorter list of 22 themes.
2. Stakeholder dialogues: The importance of each theme to our stakeholders was determined through a survey and interviews.
3. Determination of Corbion's impact: The degree to which Corbion impacts each theme was ranked by Corbion's senior management, Executive Committee and Supervisory Board through a survey.
4. Materiality matrix calculation: The resulting internal and external scores were plotted in a matrix and discussed with Corbion's Sustainability Sounding Board and the Executive Committee to determine the material themes.

For each of the resulting material themes, a management approach, KPIs and targets were defined. Progress on these targets is included in our annual report and is also used as input for various reporting and rating initiatives, such as CDP, Ecovadis and ESG ratings (MSCI, Sustainalytics etc).

### 3.3 WHAT are the benefits of using the PSIA approach in reporting?

There are 3 areas where we intend to use the PSIA methodology to improve our reporting and management approach:

1. The reporting of our impact on the SDGs regarding social topics
2. The materiality assessment
3. The management approach for social risks in the supply chain.

#### 3.3.1 Reporting of our impact on the SDGs regarding social topics

The reporting of our impact on the SDGs regarding social topics is currently based on a qualitative assessment of the key impact areas for a certain product (Figure 1).



*Figure 4: the reporting procedure against the sdgs at corbion per product (category)*

For each of the identified impact areas, internal and external documentation has been collected and reviewed by relevant Corbion Competence Leads and other experts to confirm that there is sufficient evidence supporting the impact of a product or product group. The supporting documentation included academic publications, R&D studies by external laboratories, internal test results, customer feedback, examples of commercial application, certifications, and patents.

Corbion performs this assessment for existing products and for innovation focused on new product development. We report the % of our revenues that contributes to the SDGs and the % of our innovation projects that contributes to the SDGs. The credibility of this assessment can be strengthened by making use of the PSIA methodology to perform a more comprehensive assessment for the supply chain and use phase. With this purpose Corbion has developed a PSIA portfolio framework including specific procedures and data sources and has a target of performing a PSIA for products contributing to SDG 2 and SDG 3.

#### 3.3.2 Materiality assessment

In our latest materiality assessment, eight of the ten material topics are related to environmental issues and only two social topics were considered material (Occupational health and safety and Responsible procurement, including both social and environmental aspects). Because of this, our current reporting is mainly focused on environmental topics. Based on feedback from various stakeholders, and our ESG ratings, we see a need to strengthen our reporting on social topics. This will improve our ability to respond to stakeholder concerns regarding social aspects, such as human rights and labor conditions in the supply chain and local communities.

The PSIA methodology can support this as follows:

- The PSIA metrics can be included in the theme identification step. This will support the use of consistent terminology and ensure that all potentially relevant social topics are included.
- The PSIA methodology includes a materiality assessment and a hotspot identification step to determine the topics that need to be assessed. This is a structured and objective approach to support the identification of material social topics for Corbion in addition to the input from our stakeholders.

#### 3.3.3 Management approach for social risks in the supply chain

Corbion assesses all raw materials and suppliers on potential risks related to sustainability through a security-of-supply assessment, which is updated annually. This risk assessment is based on RepRisk, a tool that systematically identifies material ESG risks by analyzing information from public sources and stakeholders. Next to this, specific risk elements such as the use of SIN-listed raw materials and potential conflict minerals are considered. The risk assessment results in a high, medium, or low score for each raw material/supplier combination. For all high-risk items, mitigation actions are defined. The PSIA methodology can be integrated with Corbion's existing security of supply assessment, to strengthen our management regarding the social aspects.



## 4 DSM

Royal DSM is a global, purpose-led company in Health, Nutrition & Bioscience, applying science to improve the health of people, animals and the planet.

### 4.1 WHY are we looking into improved reporting with input from PSIA?

At DSM Sustainability has been a core driver to do good business. It is a common thread that runs through everything we do – we don't want to be successful in a world where the ice cap melts, coral is decimated, millions are left homeless and destitute due to climate change, while hundreds of millions remain undernourished. Humans have played a critical role in causing this situation and we really do have the power to change it. With the DSM recent launch of the Food System Commitments to set healthier future for people, planet and livelihoods, the importance of societal impact across the value chain is critical to help us measure and identify opportunities for positive change. DSM's contribution to the Product Social Metrics is one of the ways we took responsibility to create positive change and help other business embark on this journey.

### 4.2 HOW is reporting implemented in the DSM organization?

Reporting on sustainability metrics is key to ensure the targets set by DSM are achieved.

The reporting process at DSM is consisted of several steps:

- Materiality Assessment
  - During this step the social topics relevant for DSM Strategy and Sustainability were identified
  - These social topics were mapped across all sustainability targets to define synergies across DSM targets and reporting structures
- Levels of Reporting
  - The Reporting Structure includes several levels of reporting in which the selected social topics were included
- Impact Assessment
  - The PSIA method is used to assess the social impact of products, product families and supply chains across business units.
- Sustainable Portfolio Steering
  - The Sustainable Portfolio Steering is a collection of all the assessments, both social and environmental, which matches the outcome from the impact assessment with the financial reporting and feeds into the different levels of reporting across DSM Sustainability Targets.

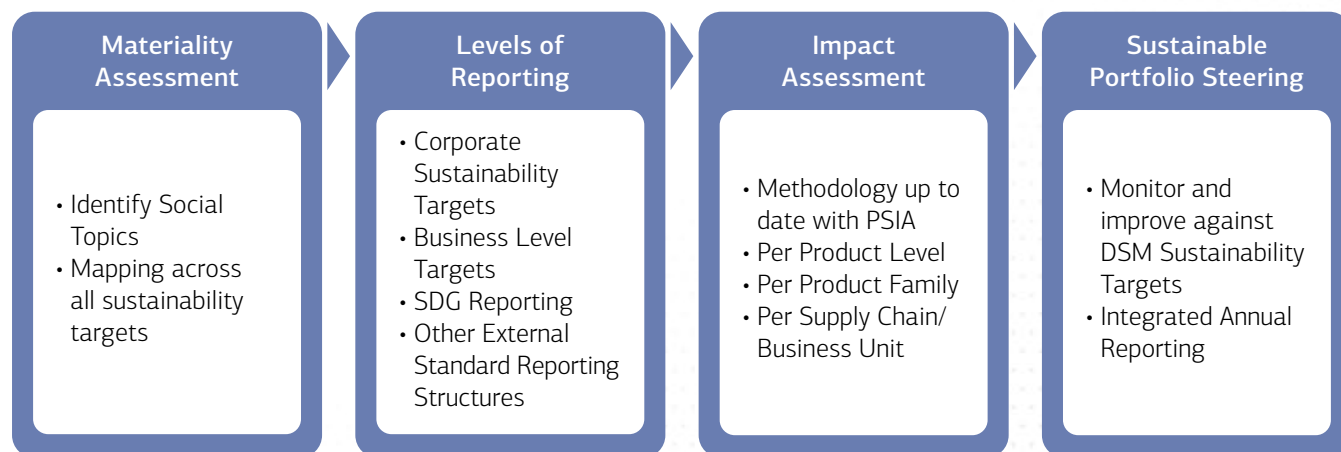


Figure 5 Reporting Implementation in DSM organization



## 4.3 WHAT are the potential benefits of using the PSIA approach in reporting?

At DSM PSIA has been implemented due to both external and internal factors, it has influenced the improvement of several internal processes and it is valuably used in different applications.

The external factors driving the implementation of PSIA into reporting are related with the due diligence legislation on human rights, development of external standards (e.g. SASB, EcoVadis, GRI, SDG), EU Social taxonomy, UNEP Guidelines for Social LCA and customer requests driven by market and business development.

The internal factors continue to support the implementation and integration of PSIA elements across the different levels of reporting. The integrated annual reporting and the DSM Sustainability Targets are key to ensure continuation of using a methodology for assessing the social impact to be able to monitor and improve against set targets. The Human Rights Policy is one of the focus areas at DSM where the social impact of products and PSIA play an important role in ensuring the development of a roadmap for continuous improvement.

One of our focus domains is Nutrition & Health and we have identified SDG 2 Zero Hunger and SDG 3 Good Health and Wellbeing to be the areas where we can have the greatest impact. Next to setting targets, DSM continues to improve the Sustainable Product Portfolio where we aim to have 100% of the products assessed for both their environmental and social impact. Elements of PSIA are integrated into the Sustainable Product Portfolio and setting the DSM Sustainability targets through cross-functional collaboration with all the departments and expertise involved.

Additionally, PSIA methodology can influence governance across DSM and impact procedures, policies, processes, and internal requirements regarding social impact areas. These can include for example the Code of Business Conduct, Supply Code of Conduct, whistle-blower policies, position papers and organizational structure.

PSIA has multiple uses (as is illustrated in figure 5) at DSM where either several elements of PSIA or the whole methodology is used to assess the social impact of product or services. Elements of PSIA are used in supplier assessments, marketing communication, driving sustainable finance or creating business value propositions for different market segments or product innovation.

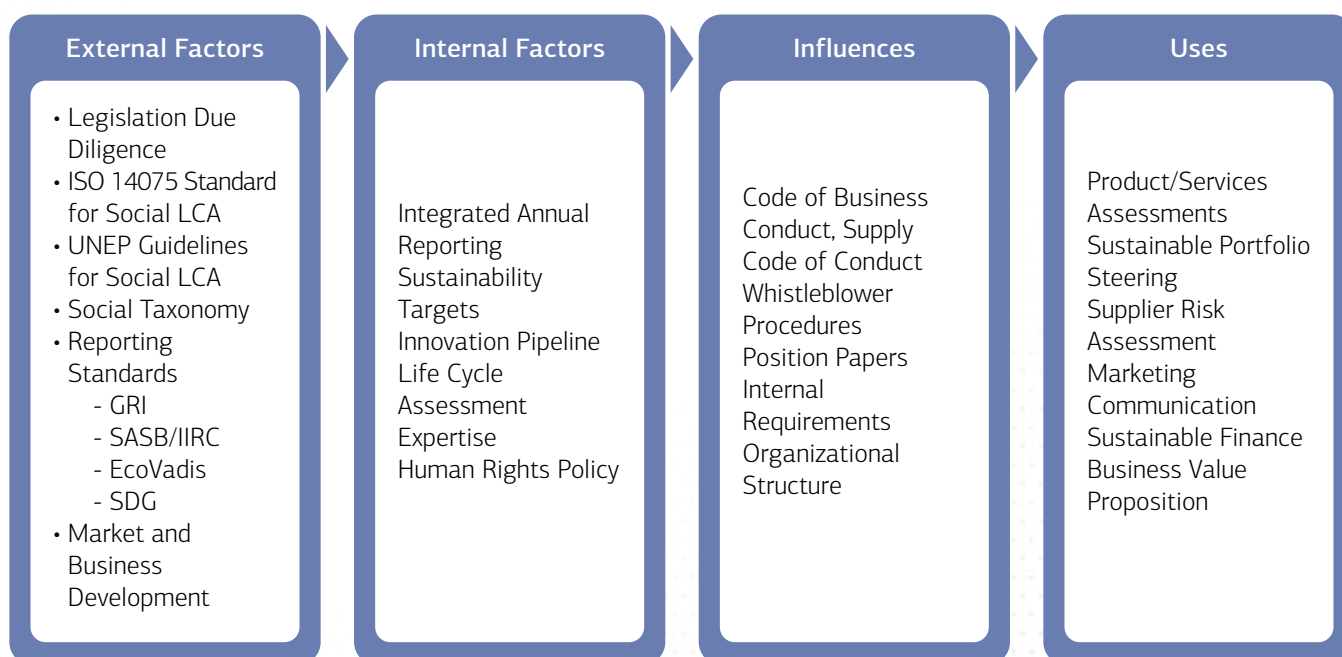


Figure 6: Potential Benefits of using the PSIA approach in reporting



## 5 Learnings and next steps

### 5.1 Can our hypothesis be confirmed?

We started this activity based on the hypothesis that the PSIA Handbook could contribute to the quality of sustainability reporting. More specifically:

- The Handbook includes a hotspot identification phase to demonstrate that the most relevant/ material issues are identified, not only convenient issues.
- The Handbook focusses on the entire value chain and not just Tier 1 as most other approaches do.

In this whitepaper three companies described their reporting processes and the applications of the PSIA Methodology. The company descriptions confirm both parts of the hypothesis. Benefits of the Methodology have been described. In addition, all companies agree on the increasing necessity to expand the scope of reporting covering all relevant actors in the supply chain. The upcoming Due diligence seems an important driver. This Due Diligence approach also puts focus on the importance of Materiality, especially as it prescribes a Double Materiality approach (which is has relevance for investors and for society at large). While companies generally have engaged in developing a materiality approach it is very helpful to start with (or include) the 25 well defined social topics to carefully define which are the most material.

The emphasis on the entire value chain is also greatly supported by the Handbook as it focusses on the hotspots, no matter if they are in tier 1 or any other tier. The identification of data providers and databases has made the accessibility to data on such supply chain actors much more available. So, while traditionally it is more convenient to report only on tier 1, the Handbook approach shifts from being convenient to being relevant; which also touches on the issues in the textbox in the Introduction.

### 5.2 What can we learn and improve?

The most important learning is that now we have understood the benefits, to find ways to put this into operation on a daily basis among all reporting companies. The companies quoted here are already doing this, but the priority seems to be to build a better understanding on how to reach capability maturity in other organisations as well as to further develop this among our Core Partners. Another element is to reach out to the EU commission and other organisations that develop Due Diligence approaches.

Would you like to know more about strengthening your reporting with PSIA then please engage with us via our website: [www.social-value-org](http://www.social-value-org) or contact us via: [info@product-social-impact-assessment.com](mailto:info@product-social-impact-assessment.com)



More background information about the Handbook and the development process is available on [www.social-value-initiative.org](http://www.social-value-initiative.org)

In 2022 the Social Value Initiative has the following members:



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