



# 7 Products and Services



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Learn more about the Alliance and the draft standards in our latest report, *Introducing the Business Standards for 21st Century Leadership: Public Consultation Report and Draft Standards* available at <https://corporateracialequityalliance.org/corporate-standards>.

# Reviewing and Submitting Feedback

## How to Navigate This Standard

Each draft standard begins with an overview, including:

- The outcome that the standard supports achieving
- The basic requirement of the standard
- A list of the currently proposed performance targets for the standard
- The value proposition of adopting the standard
- The most closely associated equity outcomes, showing how achievement of the standard contributes to positive societal impact
- A non-exhaustive list of related sustainability standards and frameworks

Following the overview is a glossary of key terms. Then, each performance target is presented with specific requirements, metrics, implementation guidelines, and resources. To support companies in getting started, suggested interim targets and metrics are included as well.

Navigation links are provided at the bottom of each page, beginning on page 5.

## Submitting Feedback

This is a living document and your participation in strengthening this work is important to us. Alongside our ongoing research and testing with companies, we look forward to feedback on these questions:

- Is the standard clear and compelling?
- Do you agree that the performance targets for this standard cover critical ways for companies to address discrimination and exclusion, and advance socially responsible business practices within the given topic? If not, why not?
- Are there additional or alternative performance targets you recommend for this standard?
- What additional guidance, if any, would be helpful for a company to get started and/or make steady progress toward achieving this standard?

Submit your feedback by completing [this survey](#) (letter submissions will also be accepted) or attending one of our virtual roundtables. [Find more information here on providing your feedback.](#)

# 7 Products and services are equitable, inclusive, and socially responsible.

## Requirement

■ Adopt policies and practices that integrate equity, inclusion, and social responsibility within business strategy and the design, development, and offering of all products and services.

### Performance Targets

- P7.1** Principles of equity, inclusion, and social responsibility are adopted and operationalized in the design, development, and lifecycle of all products and services.
- P7.2** Essential products and services are accessible, affordable, and support health and well-being.
- P7.3** Customer and end user controversies are rare and addressed promptly and effectively.
- P7.4** Business model(s) are regularly examined and red flags proactively addressed.

### Associated Equity Outcomes

■ **Relates to all 10 Equity Outcomes**

### Key Connections

- SDGs 2, 3, 7, and 9
- ESRS S4
- IFRS S1
- UNGP 19(b)

## Business and Societal Value Proposition

A company's business strategy, along with its products and services, are the clearest expression of its purpose and values.

Ensuring that equity, inclusion, and social responsibility are central to how the company makes a profit and what it offers to the world is a fundamental part of the company's enduring social contract. [Consumers](#) and [investors](#) agree on this, and so do workers: on average, [69% of workers believe positive societal impact is a strong expectation or deal breaker when considering a new job.](#)

This Standard supports the company in aligning its aspirations for beneficial products and services with its actual impacts on customers, end users, and communities. This alignment may involve redesigning products and services to be accessible and beneficial to all, including historically excluded groups; launching new offerings that improve lives; and discontinuing offerings that are known to have harmful impacts.

Adopting this Standard can help the company improve decision-making and risk management, provide greater value to customers, increase brand trust across stakeholders, and expand market reach. Failing to consider or address negative social impacts of products and services can increase risk on several fronts, including missing innovation opportunities, falling behind the competition, contributing to rising inequality, and exposing the company to liability for stakeholder harm.

The performance targets for this Standard therefore focus on integrating equity, inclusion, and social responsibility in business strategy, equipping relevant teams to successfully advance such priorities, and treating customers and end users with dignity and respect at all stages, especially when things go wrong.

# Glossary

## Business model

The strategy adopted by a company to fulfill its purpose and create value, including the products and/or services offered to customers, the value proposition to customers, the target market(s), practices across the value chain, and revenue model(s).

## Contingent workers

Individuals who are contracted to provide labor for the company, whether part-time, full-time, or on a temporary basis, such as gig workers, self-employed individuals, or workers from staffing agencies and other vendors.

## Controversies

Lawsuits, arbitration demands, or other formal complaints against the company brought by one or more stakeholders (such as **direct workers**, **indirect workers**, customers, end users, suppliers, affected communities, or competent authorities). This includes, but is not limited to, labor disputes, discrimination claims, customer or end user complaints, and human rights or civil rights issues, whether reported to the company or to competent authorities.

## Demographics or demographic groups

Characteristics of a specific human population, such as geographic location, socioeconomic status, race, ethnicity, gender, sexual orientation, disability, and age.

## Direct workers

Individuals who are in an employment relationship with the company, such as full-time and part-time employees.

## Disaggregate

To collect and separate compiled data into smaller units or subcategories so that component parts can be isolated and examined for trends and patterns (e.g., data organized by specific racial and ethnic groups versus “people of color” as a single grouping).

## Disparity

A statistically significant difference in access, opportunity, use, or outcomes for one or more **demographic groups** that has no valid justification (i.e., cannot be explained by legitimate, nondiscriminatory business reasons). Disparities are indicative of unequal treatment and/or opportunities. In the context of the Standards, disparities can be addressed by adopting new systems, policies, and practices that promote fairness for all people regardless of their background.

## Diversity

Of a group, possessing variation on the basis of social demographics, such as across race, ethnicity, gender, sexual orientation, disability, and age (e.g., a diverse workforce).

## Equity

Just and fair **inclusion** into a society in which all can participate, prosper, and reach their full potential. When everyone is treated fairly according to their needs and no group of people is given special treatment.

## Gap analysis

A comparative analysis of the current state of a set of quantitative or qualitative factors against a given Performance Target, including the Guidelines. Conducting such an analysis is step one across every Performance Target.

## Human-centered design

As defined by [Harvard Business School](#): “[A] problem-solving technique that puts real people at the center of the development process, enabling you to create products and services that resonate and are tailored to your audience’s needs.”

## Impact

The effect the company has or could have on its **stakeholders** over the short, medium, or long term through its activities, including its operations, products, services, and business relationships, whether positive or negative, intended or unintended. This term is intended to be equivalent to the defined term “impacts” in the [European Sustainability Reporting Standards](#) (ESRS).

## Inclusion

The values, practices, and policies that ensure all people, across all social demographics, feel respected, safe, and valued, including and accommodating people who have historically been excluded such as due to their race, ethnicity, gender, sexual orientation, or disability. Inclusion values and leverages **diversity**, recognizing it as a source of strength for organizations.

## Indirect workers

Individuals performing work in the company’s value chain, including (i) through suppliers of products or services used in the development of the company’s products and services; (ii) business partners, such as resellers, distributors, systems integrators, and marketers of the company’s products and services; and (iii) vendors and any other individuals, entities, or groups the company uses and relies on to operate the company and execute its business model, from conception to delivery, consumption, and end-of-life of the company’s



products and services. This term is intended to align with the defined term “value chain worker” in the ESRs.

## Intersectionality

The interconnected nature of inequality across social categorizations, such as race, ethnicity, gender, sexual orientation, disability, and class, which in turn results in overlapping and interdependent systems of discrimination or disadvantage for a given individual or group of people. As described by professor [Kimberlé W. Crenshaw](#) of Columbia Law School, who coined the term over 30 years ago, intersectionality is “[a lens... for seeing the way in which various forms of inequality often operate together and exacerbate each other.](#)”

## Leaders or leadership

**Senior leaders**, as defined below, plus:

- Middle management, including people managers who have oversight of, but are not directly managing, non-managerial workers; and
- Any other internal leaders with decision-making power over non-managerial workers.

## Low-income communities

Communities where many residents are economically insecure. In the U.S., economic insecurity means living on income at or below 200% of the federal poverty level, which is equivalent to \$30,120 annually for a single individual household or \$62,400 annually for a family of four in 2024. [See the 2024 poverty thresholds here.](#)

## Material decision

A decision made by the company that has or could have a significant **impact** on profitability/shareholder value and/or one or more of its stakeholder groups, including **direct workers, contingent workers, indirect workers**, customers, end users, communities, and society at large. This includes, among other things, the health and safety of the company’s

and its suppliers’ workplaces; the health, safety, accessibility, and pricing of products and services; the environmental impacts of the company’s and its suppliers’ operations; and any practices that could result in excluding marginalized or underinvested groups from fair opportunities.

## People of color and communities of color

The term **people of color** includes all people who are of a race/ethnicity other than non-Hispanic white. This includes people who are Black, Indigenous (or Native American), Asian American and Pacific Islander, Latinx, Arab-Middle Eastern American, multiracial, and immigrants of color. The term **communities of color** refers to groups of people of color within neighborhoods, cities, or regions.

## Product/service development lifecycle

The process of bringing a product or service to market, from ideation to research and development, designing, prototyping, testing, marketing, launching and making improvements.

## Product/service lifecycle

All the stages of a product or service on the market, from its delivery to consumption, improvements, and end-of-life or sunset.

## Senior leaders or senior leadership

- Officers as defined in the company’s bylaws;
- Named executive officers as defined under U.S. Securities and Exchange Commission reporting rules;
- C-Suite or equivalent senior leaders; and
- Leaders with overall ownership and responsibility for department or divisional budgets.

## Stakeholders

Individuals and groups who have an interest in the policies and practices of companies not only because they are affected by

them, but also because they have rights to be respected and protected by companies, e.g., workers’ rights to fair wages, consumers’ rights to safe products, suppliers’ rights to transparency, investors’ rights to be informed of material facts, communities’ rights to clean and safe neighborhoods, and society’s rights to a healthy environment, among others.

## Stakeholder-informed decision-making

The action or process of making decisions, especially **material decisions**, informed by the needs, expectations, and rights of the company’s stakeholders—including **direct, contingent, and indirect workers**; customers; end users; suppliers; shareholders; communities; and society at large. Stakeholder-informed decision-making recognizes that each of the company’s stakeholders is essential to its success and honors the company’s fundamental commitment to deliver value to all of its stakeholders. This is the foundation of socially responsible business.

**PERFORMANCE TARGET 7.1**

# Principles of equity, inclusion, and social responsibility are adopted and operationalized in the design, development, and lifecycle of all products and services.

## Requirement

Codify and operationalize principles of equity, inclusion, and social responsibility in the design, development, and lifecycle of all products and services.

## Metrics

**Policy metric:** One or more formal written policies consistent with the guidelines.

**Practice metric:** One or more actively-used project management processes, checklists, or other tools integrating the guidelines in day-to-day practice.

## Share Progress & Achievement

Disclosure available to the public of adoption of equity principles and how they are operationalized, either on the company's website or in an annual report (or other publicly available filing). Update disclosure in the event of substantial policy and practice changes.

## Rationale, Tips, and Guidelines

### RATIONALE:

Studies consistently show that customers and end users ([especially young adults](#)), expect a company's values to be reflected in its business and operations, not just in its marketing. Creating socially responsible products and services is not only key to meeting [stakeholder](#) needs and expectations, but it also ensures the company's [impacts](#) on society are not harmful to any groups. Doing so also supports the company in reaching more customers and creating greater value for them, which in turn benefits the company and its shareholders.

For example, expanding local access to goods and services and creating offerings better tailored to the needs and preferences of Black households represent a [\\$300 billion opportunity](#). With the U.S. set to become a [majority people-of-color nation by 2045](#), this [opportunity will only grow](#). Therefore, think of innovation and social responsibility as going hand-in-hand—expanding opportunities for the company and increasing value and access for customers, all while helping guard against negative impacts on stakeholders.

### IMPLEMENTATION TIPS:

1. This Target involves a similar end-to-end process as [privacy-by-design](#), which many companies now successfully implement as their default. Similarly, “equity-by-design” can and should be a default

practice—woven seamlessly into the full lifecycle of products and services.

2. If the company already adopts “[human rights by design](#),” it may integrate the guidelines below into its existing systems and practices.
3. If the company is new to this practice, this Target may take time to ramp-up, including to obtain buy-in and update existing systems and internal controls. Getting started may include learning from peers, investing in training, and raising internal awareness about the benefits of adopting this Target before diving into formal implementation.
4. There are multiple pathways to implement the key principles below and they are not intended to be exhaustive. Engage team members at all levels in adapting the principles and designing approaches suited to the company's unique context.
5. Adopting Standard 4 (workplace culture) will support success here by helping to ensure team members feel psychologically safe and incentivized to raise actual or potential risks during design and development processes without fear of retaliation.
6. A sample “equity-by-design” tracker, consistent with the guidelines below, will be included with this Target upon the launch of the final Standards.

### GUIDELINES:

1. Codify in formal written policies and procedures, and practice, the following key principles:
  - a. [To protect against the risk of groupthink](#), the company strives to build diverse and inclusive product/service development teams across at least race, ethnicity, gender, sexual orientation, disability, and age.

- b. Teams involved in the [product/service development lifecycle](#) take part in education and skill-building at least annually on:
  - i. Equity-centered and [human-centered design](#) and development.
  - ii. Adopting [stakeholder-informed decision-making](#), including taking into account the diversity of society and proactively designing for accessibility.
  - iii. Identifying actual or potential risks to stakeholders.
- c. At each stage of the design, development, and lifecycle of products and services, the company will integrate a procedure to engage in stakeholder-informed decision making. For example, considering and documenting:
  - i. Whether [material decisions](#) are aligned with the company's values and purpose.
  - ii. How material decisions may positively and/or negatively impact stakeholders.
  - iii. How the company will avoid or mitigate any identified negative impacts.
- d. While the type and order of such stages will vary among companies and across industries, they typically would include: definition and/or ideation; validation; prototyping; research and development (including sourcing); design; testing; marketing; launch; post-launch improvements; and sunseting.
- e. Customer and end user research and insights should (i) be designed to be accessible for all people, including people with disabilities (e.g.,

multiple ways for stakeholders to provide feedback) and (ii) incorporate perspectives representative of the diversity of our society, including across race, ethnicity, gender, sexual orientation, disability, age, and other [demographics](#).

- f. Advertising and marketing practices and collateral should be accessible, inclusive, respectful, and representative of the diversity of society, including across race, ethnicity, gender, sexual orientation, disability, age, and other demographics.
  - g. Internal controls are established to identify and address negative impacts on stakeholders, including historically marginalized groups. When such flags are raised, they will be considered urgent and material.
  - h. The manner in which the company achieves all of the above will be sufficiently resourced to be operationalized in day-to-day practice.
2. The policy should be in writing and formally approved by the most senior leaders with oversight of product/service development, marketing, and other relevant functions, as reflected by their signatures on the policy.
  3. In getting started, the company should, at a minimum, apply this Target to the development and integration of any AI-enabled technology and tools it uses or develops, in view of the technology's nascency and the risk of harm ([learn more here](#) and [here](#)).

## Example Interim Targets

*Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.*

- [Gap analysis](#) conducted of policies and practices related to the design, development, and lifecycle of products and services.
- One or more core products or services designed and developed using the newly codified policies and practices.
- Most products and services designed and developed using the newly codified policies and practices.

## Example Interim Metrics

*Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.*

- Record of gap analysis results shared with [senior leadership](#).
- New or updated written policies consistent with the guidelines.
- Number of products or services designed and developed using the newly codified policies and practices.
- Percentage of products or services designed and developed using the newly codified policies and practices.

## Relevance to Other Frameworks

*Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.*



## Resources

[Diversity, Equity, and Inclusion \(DEI\) Across the Consumer Value Chain—A North American Perspective](#) (Deloitte, 2022)

[New Research: Inclusive Decision-Making Increases Performance of Diverse Global Companies](#) (Erik Larson, Cloverpop, September 2017)

[Equity by Design: Incorporating Equity into the Tech Development Process](#) (Koustubh “K.J.” Bagchi and Brittany Thomas, Open Technology Institute, April 2021)

[Field Guide to Human-Centered Design](#) (IDEO, IDEO.org., 2015)

[What is Human-Centered Design?](#) (IDEO, IDEO.org., accessed May 2024)

[What Is Human-Centered Design?](#) (Lauren Landry, Harvard Business School, December 2020)

[The Importance of Being Equitable in Product Design](#) (Melissa Dudek, et al., BCG, February 2022)

[Toward Equitable Innovation in Health and Medicine: A Framework](#) (National Academies of Sciences, Engineering, and Medicine, et al., National Academies Press, 2023)

[Responsible Product Management: The Critical Tech Challenge](#) (Chandra Gnanasambandam, Martin Harrysson, and Rikki Singh, McKinsey, March 2022)

[Planning for a New Reality: Agenda for the Prepared Board](#) (Aspen Institute, Business & Society Program, November 2023)

[Liberatory Design for Equity](#) (National Equity Project, accessed May 2024)

[Race Cannot Be Used to Predict Heart Disease, Scientists Say](#) (Roni Caryn Rabin, The New York Times, November 2023)

[Five Ways Companies Must Redefine Social Contracts](#) (Gautam Jaggi, Ernst & Young, August 2020)

[The Black Consumer: A \\$300 Billion Opportunity](#) (Michael Chui, et al., McKinsey, August 2021)

[The Macroeconomic Benefits of Racial Integration](#) (Mark Zandi, et al., Moody's Analytics, October 2021)

**PERFORMANCE TARGET 7.2**

# Essential products and services are accessible, affordable, and support health and well-being.

**Requirement**

If the company offers essential products and services, ensure that most or a meaningful portion of offerings are accessible, affordable, and support health and well-being.

**Metric**

Percentage of essential products and services that are accessible, affordable, and support health and well-being.

**Share Progress & Achievement**

If applicable, annual disclosure to the Board of the percentage of essential products and services that are accessible, affordable, and support health and well-being, as well as consumer uptake of such offerings.

**Rationale, Tips, and Guidelines****RATIONALE:**

[According to a 2023 study of global consumer sentiment in the consumer products and retail industries](#), 67% of consumers want companies to decrease prices “for the products that they need to survive.” In the U.S. and globally, business is the primary, and sometimes the only, source of essential products and services—from groceries to medicine, child care, elder care, housing, home goods, financial services, telecommunications, and transportation, to name a few. Therefore, if a company provides essential products and services, it is critical to consider the accessibility and affordability of such products, as well as whether they benefit health and well-being.

According to multiple past and recent studies (see the Resources below for a few examples), millions of lower-income US households tend to pay higher prices for essential products and services, which in turn makes it difficult for them to save and build a better future for themselves and their children. [This issue continues to be a challenge today](#): the high cost of essential products and services consumes larger shares of household income, in turn contributing to growing inequality.

With nearly one in three people in America living in economic insecurity, adopting this Target is a powerful way for companies to tackle inequality. Along with workers and consumers alike, many business leaders agree too. For example, [a 2023 report](#) from the World Business Council for Sustainable Development states: “[B]road-based, consistent and reliable access to essential products and services is critical to social stability and the kind of operating environment that business needs to thrive, invest and grow.”

**IMPLEMENTATION TIPS:**

1. This Target does not aim to define the range of strategies the company may adopt to meet the guidelines, though such strategies may include new

pricing strategies and establishing innovative public-private partnerships.

2. In adopting this Target, [be careful not to make biased judgments about what lower-income households ought to be able to purchase](#). Ensuring teams involved in the adoption of this Target are aware of such risk of bias is an important starting point.
3. As the Covid-19 pandemic demonstrated, access and affordability of essential products and services in times of crises is vital. If the company faces market challenges in meeting this Target in the immediate term, consider making progress by establishing a plan for how the company will respond in a time of crisis.
4. Adopting Target 7.1 (equity-by-design) will help support success here, namely by deploying [stakeholder-informed decision-making](#) throughout the [product/service development lifecycle](#), including customer and end user research and insights into accessibility, affordability, and health and well-being benefits.

**GUIDELINES:**

1. If the company does not have essential products and services among its products and services, this Target does not apply to it. See the essential products and services list below to determine applicability.
2. To meet this Target, most or a meaningful portion of essential products and services should be accessible, affordable, **and** support health and well-being. Providing affordable products that are unhealthy or harmful when used as intended does not meet this Target.
3. The following definitions apply to this Target:
  - a. **Accessible** means readily available to low-income communities. This may require expanding access to such communities—for

example, ensuring a grocery delivery service extends to such communities). (See Target 7.1 for accessibility of products and services for people with disabilities.)

- b. **Affordable** means establishing prices that any working person can pay and avoiding price gouging and charging unreasonably high prices in low-income communities.
- c. **Supports health and well-being** means that the intended, unintended, or overuse of the company's essential products and services does not harm consumers.
- d. **Most** means more than half of offerings.
- e. **A meaningful portion** means at least a third of offerings.
- f. **Essential products and services** are defined as the following:
  - i. Groceries (supermarkets, food and beverage stores, convenience stores, and pharmacies; other food providers are also included if no other options exist within a [5-mile] radius of a given location) (*Note to reviewers: this guideline, in particular, is undergoing further research and testing.*)
  - ii. Healthcare and medicine (outside of pharmacies)
  - iii. Childcare
  - iv. Elder care
  - v. Education
  - vi. Financial services

- vii. Housing and mortgages
- viii. Home goods
- ix. Transportation
- x. Gas stations and EV charging stations
- xi. Internet, digital communications, and telecommunications
- xii. News media
- xiii. Insurance
- xiv. Tax preparation services
- xv. Repair services
- xvi. Mortuaries and cemeteries

- 4. On a regular basis (the regularity will depend on the company's context), take the following concrete actions:
  - a. [Engage stakeholders](#) across [demographic groups](#) to ensure offerings are attractive and meet their needs, while retaining their high quality.
  - b. Monitor the success of the company's efforts. For example, if the company offers a mix of options, some healthy and others less so, and customers still only choose unhealthy options, take concrete action to improve the quality of offerings.
- 5. Overly aggressive patent protection practices can have a detrimental impact on the affordability of essential products and services. Accordingly, avoid creating "[patent thickets](#)" (also referred to as patent moats), which could have the effect of making critical offerings inaccessible to those who need them most.

- 6. If the company faces market challenges in meeting this Target in the immediate term, the company should take concrete action to make progress in other ways, for example, by taking any of the following actions:
  - a. Partner with civil society groups and the public sector to broaden access to offerings.
  - b. Direct greater investment toward developing innovative products and services that are more accessible and affordable.
  - c. Lend meaningful support to groups advocating for public policies that better incentivize businesses to offer more essential products and services in lower-income markets.
  - d. Establish a plan for how the company will be responsive to the accessibility, affordability, and health and well-being benefits of its essential products and services in times of crises.



## Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- [Gap analysis](#) conducted of essential products and services.
- Strategy developed to improve accessibility, affordability, and health and well-being benefits of essential products and services.
- One third or more of essential products and services are accessible, affordable, and support health and well-being.
- Half or more of essential products and services are accessible, affordable, and support health and well-being.

## Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with [senior leadership](#).
- Documentation of strategy to improve accessibility, affordability, and health and well-being benefits of essential products and services.
- Percentage of essential products and services that are accessible, affordable, and support health and well-being.

## Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

## Resources

Note: older resources are intentionally included here to underscore this long standing issue.

[Tackling Inequality: An Agenda for Business Action](#) (The Business Commission to Tackle Inequality, World Business Council for Sustainable Development, May 2023)

[Making Markets an Asset for the Poor](#) (Matt Fellowes, Harvard Law & Policy Review, July 2007)

[What Matters to Today's Consumer: 2023 Consumer Behavior Tracker for the Consumer Products and Retail Industries](#) (Capgemini Research Institute, Capgemini, 2023)

[What Is an "Essential" Purchase for a Low-Income Family?](#) (Rachel Layne, Harvard Business School Working Knowledge, June 2020)

[The Poor are Paying More and More for Everyday Purchases, a New Study Warns](#) (Max Ehrenfreund, The Washington Post, May 2016)

[Why the Poor Pay More: More in Money, Time, Hassle, Exhaustion, Menace](#) (DeNeen L. Brown, The Seattle Times, May 2009)

[The Poor Pay More](#) (David Caplovitz, Free Press of Glencoe, 1963)

[How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy](#) (Mehrsa Baradaran, Harvard University, Press, March 2018)

[Diversity, Equity, and Inclusion \(DEI\) Across the Consumer Value Chain—A North American Perspective](#) (Deloitte, 2022)

[Meet the Low-Wage Workforce](#) (Martha Ross and Nicole Bateman, Brookings Institution, November 2019)

[Impact of Affordability on the Design of a Product](#) (Sumeet Shekhar, Bootcamp, April 2023)

## PERFORMANCE TARGET 7.3

## Customer and end user controversies are rare and addressed promptly and effectively.

### Requirement

Annually analyze customer and end user [controversies](#), take concrete action to steadily decrease such controversies (if any) annually, and ensure those that occur are addressed promptly and comprehensively.

### Metric

Number and types of customer/end user controversies for the current year and past three years, with [demographics](#) of affected parties and status of resolution.

### Share Progress & Achievement

Annual disclosure to the Board of the (i) number, types, status, and manner of resolution of customer/end user controversies for the current and past three years, with demographics of affected parties; (ii) any recurring issues and/or [disparities](#) across any groups; and (iii) concrete actions being taken to reduce customer/end user controversies.

Avoid sharing [disaggregated](#) demographic data when group sizes are too small to ensure individual anonymity (typically  $N < 25$ ).

(Disclosures related to this Target are not intended to require disclosure of any information under attorney client privilege or attorney work product protections.)

### Rationale, Tips, and Guidelines

#### RATIONALE:

Customer and end user-related controversies—from discrimination claims to safety incidents, privacy violations, and deceptive practices—can cause severe consequences for the affected customers/end users and for companies. A high number of controversies or frequently recurring types of controversies are indicators of weak internal controls and a disconnect between the company's values and actual [impacts](#). Regularly tracking customer/end user controversies, taking concrete action to steadily decrease them, and ensuring those that occur are addressed promptly and comprehensively are therefore an important component of being a socially responsible business.

#### IMPLEMENTATION TIPS:

1. This Target recognizes that perfection is not always possible. While the company should always aim for zero customer/end user controversies, it is just as important to promptly and effectively address

controversies if and when they arise.

2. Because customer/end user controversies do not typically happen at regular or expected intervals, and because the impact of controversies can be long-lasting, this Target considers performance over the last three years in addition to the current year.
3. Adopting Targets 2.5 (human rights assessments), 7.1 (equity-by-design) and 7.4 (avoiding business model red flags) can help surface issues early on and contribute to reducing the incidence and severity of customer/end user controversies.
4. See Targets 4.6, 8.4, and 10.5 for controversies related to [direct workers](#) and [contingent workers](#), [indirect workers](#), and communities, respectively. The guidelines below are designed to be consistent with such Targets so they can be implemented together.
5. Though not the main focus of this Target, tracking material fines, sanctions, and compensation that the company pays to resolve customer/end user controversies is also important.

#### GUIDELINES:

1. Annually track and analyze the number, types, status, and manner of resolution of customer/end user controversies, including the demographics of affected parties where possible.
  - a. Categorize controversies by their severity, including (i) the nature of the claim or issue, (ii) the impact on affected parties, (iii) the impact on the company, and (iv) whether they are due to policies and practices (i.e., systemic in nature) or rogue actors.
  - b. Disaggregate controversies by business unit, department, supplier/business partner/vendor, and geography.

- c. Apply an [intersectional](#) lens in the analysis of results.
  - d. Identify any disparities across affected parties, such as in the outcomes of controversies.
  - e. Identify any trends, such as in severity or higher or lower rates with a particular product or service, or related to a particular business partner, vendor, or location.
  - f. For large companies, tracking more frequently (such as quarterly or monthly) is recommended to more promptly identify and address recurring issues.
2. To meet this Target, customer/end user controversies should be (i) addressed promptly and comprehensively and either (ii) steadily decreasing in number compared against the last three years, or (iii) [below the benchmark for the company's industry]. *(Note to reviewers: this guideline, in particular, is undergoing further research and testing.)*
  3. Addressing controversies promptly and comprehensively requires the following:
    - a. Promptly conducting fair and impartial investigations where necessary or advisable.
    - b. Taking prompt action in the event of any inappropriate conduct.
    - c. Ensuring reporting parties and any workers who cooperate with the investigation are not retaliated against.
    - d. Ensuring efforts to mitigate liability do not conflict with or hamper the company's responsibility to protect affected parties and treat them fairly.
- e. Where possible, confirming the satisfaction of affected parties in the resolution of controversies by soliciting their confidential feedback.
4. Concrete action is required if there are a high number of customer/end user controversies generally, or a high number of controversies of a particular type, or if there are any disparities related to the affected parties. The company should determine the most appropriate course of action based on its circumstances, which may include the following:
    - a. Acting on any troubling patterns (such as particular types of issues frequently arising or controversies arising from the same products or services, geographies, suppliers, business partners, or vendors).
    - b. Ensuring that controversies are resolved equitably, discipline is consistent, and no undue favor is given to any particular party.
    - c. Implementing or adopting one or more actions based on lessons learned, such as related to improving product design and development and/or how controversies are handled and resolved.
  5. When sharing customer/end user controversy data with the Board, follow the lead of your Legal team or counsel to ensure confidentiality and attorney client privilege are protected. (See Targets 1.2 and 1.3 on Board oversight.)

## Example Interim Targets

*Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.*

- [Gap analysis](#) conducted of the number, types, status, and manner of resolution of customer/end user controversies over the last three years.
- Legal and/or product teams track customer/end user controversies, including the number, types, status, and manner of resolution, and demographics of affected parties.
- [Leadership](#) training conducted on preventing and effectively addressing customer/end user controversies, informed by any recurring issues in the company's context.
- Meaningful year-over-year reduction in customer/end user controversies.

## Example Interim Metrics

*Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.*

- Record of gap analysis results shared with [senior leadership](#).
- Data tracker with high-level stats of customer/end user controversies.
- Documentation of regular leadership training.
- Number and types of customer/end user controversies for the current year and past three years, with demographics of affected parties and status of resolution.



## Relevance to Other Frameworks

*Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.*

## Resources

[U.N. Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Frameworks](#) (United Nations Human Rights Office of the High Commissioner, United Nations, 2011)

[Principle One of the UN Global Compact: Human Rights](#) (Ten Principles of the UN Global Compact, UN Global Compact, accessed May 2024)

[Civil Rights Privacy and Technology Table: Principles](#) (Civil Rights Privacy and Technology Table, The Leadership Conference on Civil and Human Rights, 2020)

[PwC’s 2024 Trust Survey: 8 Key Findings](#) (PwC, 2023)

[Diversity, Equity, and Inclusion \(DEI\) Across the Consumer Value Chain—A North American Perspective](#) (Deloitte, 2022)

**PERFORMANCE TARGET 7.4**

# Business model(s) are regularly examined and red flags proactively addressed.

**Requirement**

Conduct an initial examination of existing [business model\(s\)](#), and repeat every [three] years, to identify and proactively address any negative [impacts](#).

**Metrics**

Documentation of business model(s) examination within the last [three] years and action plan to address any identified issues.

**Share Progress & Achievement**

Disclosure to the Board of the outcome of each examination(s) and action plan to address any identified issues.

**Rationale, Tips, and Guidelines****RATIONALE:**

While Target 7.1 is forward-looking and process-oriented, this Target focuses on the present by examining existing business models and offerings to identify and address any negative social impacts. This may involve making changes to existing business models or steering clear of business models known to cause harm, notwithstanding their ubiquity. Conducting the business model(s) examination on a regular basis is important to ensure shifts in company strategy or the adoption of new business models remain aligned with the company's values, purpose, and impact goals.

**IMPLEMENTATION TIPS:**

1. If the company is new to this practice, this Target may take time to ramp-up, including to obtain buy-in and determine the best timing for the first examination. Getting started could look like learning from peers, investing in training, and raising awareness about the benefits of adopting this Target before diving into the first examination.
2. One way to get started is to conduct the first examination in connection with a human rights assessment and/or an independent civil rights audit. (See Standard 2 for both.)
3. From time to time, the guidelines for this Target, including the "Key Practices to Avoid," will be updated.

**GUIDELINES:**

1. If the company has more than one business model, start with an examination of the core business model.
2. The business model review should be conducted at least every [3] years. However, if the company already has a regular cadence for the development of multiyear strategic plans, it can conduct the examination in line with that cadence. (*Note to*

*reviewers: this guideline, in particular, is undergoing further research and testing.*)

3. The examination should be focused on whether the company's strategy and business model(s) have negative impacts on [direct workers](#), [contingent workers](#), [indirect workers](#), customers, end users, communities, and any other affected [stakeholders](#), as well as whether and how its strategy and business model(s) can be adapted to address such impacts.
4. Examining and documenting positive impacts on stakeholders is very important as well. However, the positives do not offset the negatives.
5. Ensure the examination covers all aspects of business strategy, from the company's value proposition to the value chain, objective setting, acquisitions, partnerships, and revenue model(s). The following are key guiding questions to incorporate into the examination:
  - a. Does our value proposition increase or shift risk to any groups or communities, especially historically marginalized groups such as low-income communities and communities of color?
  - b. Is anyone excluded from the benefits of our products and services?
  - c. Are our products and services inaccessible to any groups of people or communities?
  - d. Is anyone harmed by our products and services, whether they are overused, misused, or used as intended?
  - e. Does our revenue model depend on low-wage, high-risk, unpredictable, and/or high-turnover work? If so, is the workforce predominantly composed of historically underrepresented or

marginalized groups?

- f. Do our stakeholders (such as direct workers, indirect workers, customers, end users, or communities) repeatedly raise issues about our value proposition, value chain practices, revenue model(s) or anything else?
  - g. Is decision-making about our value proposition, value chain practices, and revenue model(s) informed by the interests and needs of our stakeholders (i.e., [stakeholder-informed decision-making](#))?
  - h. Does the company's business model(s) contribute to inequality in any way, either directly or indirectly?
6. In addition, review the list below of key practices to avoid below and accompanying resources for further guidance on practices to avoid or address, if currently in practice.
  7. Upon completing the examination, establish a time-based plan to address any identified issues. The plan should include realigning the company's business model(s) to its values, purpose, and desired social impact (see Target 1.1 on corporate purpose); defining the human and capital resources to repair harm and make business model shifts; socializing plans with affected stakeholders and incorporating their feedback; obtaining the necessary buy-in to execute the plan (e.g., the Board of Directors); and implementing and improving the plan over time.
  8. If the initial examination does not raise any issues, and the company's business model remains unchanged after [three] years, continue to provide [senior leaders](#) with training on mitigating the risk of negative social impacts in connection with business model changes.

## 9. Key Practices to Avoid:

- a. Review and consider the [24 business model red flags](#) and accompanying resources by [Shift](#), a leading center of expertise on the UN Guiding Principles on Business and Human Rights.
- b. Review and consider the [nine unsustainable business model archetypes \(see Tables 1-12\)](#) from a study investigating dominant unsustainable business models and potential sustainable business model solutions by key sectors.
- c. Other practices to avoid include the following:
  - i. Engaging in for-profit operations in the criminal legal system, including operating or supplying private prisons and using prison labor.
  - ii. Offering products, capital, and services that are well-known to harm [communities of color](#) and [low-income communities](#), such as [predatory lending](#).

## Example Interim Targets

*Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.*

- [Gap analysis](#) conducted of current business model review practices.
- Initial examination conducted of core business model consistent with the guidelines.
- Time-based plan developed, approved, and resourced to address any identified issues arising from examination(s).

## Example Interim Metrics

*Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.*

- Record of gap analysis results shared with [senior leadership](#).
- Documentation of completed business model(s) examination.
- Documentation of time-based action plan(s) to address any identified issues.

## Relevance to Other Frameworks

*Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.*



## Resources

[Shift: Business Model Red Flags: 24 Ways in Which Businesses Could Be Wired to Put People at Risk](#) (Shift, February 2021)

[Unsustainable Business Models: Recognising and Resolving Institutionalised Social and Environmental Harm](#) (Nancy M.P. Bocken and Samuel W. Short, Journal of Cleaner Production, June 2021)

[Living Wage Action Guide](#) (Roadmap on Living Wages, IDH, accessed May 2024)

[Sustainability Progress Is Stalled at Most Companies](#) (CB Bhattacharya and Rob Jekielek, MIT Sloan Management Review, July 2023)

[Reckoning, Repair, and Change](#) (Veronica Borgonovi, FSG, 2019)

[Equitable Bank Standards: A Path for Banks to Finance an Equitable and Regenerative Future](#) (Beneficial State Foundation, January 2022)

[The Essential Link Between ESG Targets & Financial Performance](#) (Mark R. Kramer and Marc W. Pfitzer, Harvard Business Review Magazine, September–October 2022)

CORPORATE RACIAL EQUITY ALLIANCE

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