

# Towards a Social Capital Protocol

## A Call for Collaboration



Measuring social impacts and dependencies for better business



## About the World Business Council for Sustainable Development (WBCSD)

The World Business Council for Sustainable Development (WBCSD), a CEO-led organisation of some 200 forward-thinking global companies, is committed to galvanising the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Leveraging its strong relationships with stakeholders as the leading advocate for business, the council helps drive debate and policy change in favor of sustainable development solutions.

The WBCSD provides a forum for its member companies - who represent all business sectors, all continents and a combined revenue of more than \$7 trillion - to share best practices on sustainable development issues and to develop innovative tools that change the status quo. The council also benefits from a network of 65+ national and regional business councils and partner organizations, a majority of which are based in developing countries.

[www.wbcsd.org](http://www.wbcsd.org)

## About the WBCSD Redefining Value Program

Redefining Value is a cross-cutting WBCSD work program, working on advancing the Measurement, Valuation and Reporting of non-financial aspects of business impacts and performance.

The program's objectives are to:

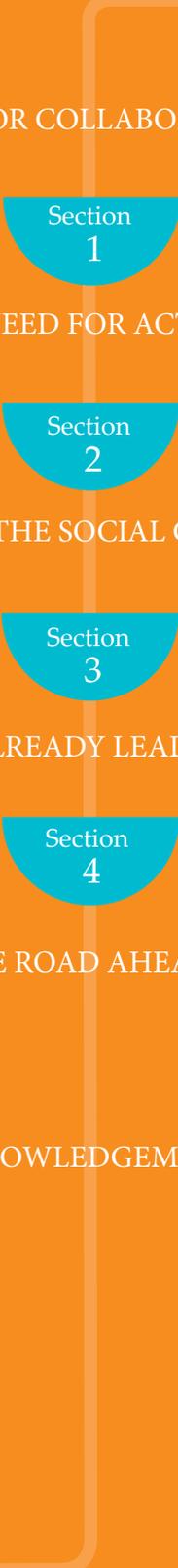
- 1 Integrate natural and social capital measurement and valuation into corporate performance management and decision-making,
- 2 Improve the effectiveness of both internal and external non-financial reporting, to reflect the true value of a company and to disclose true profit and cost,
- 3 Accelerate progress to a world where more sustainable companies are recognized and rewarded - and are therefore more successful.

The WBCSD is delivering these objectives in three ways:

- 1 Consolidate the business voice and convene a platform for greater alignment,
- 2 Catalyze the development and harmonization of tools and approaches for corporate performance management and decision-making which integrate environmental and social, alongside financial, concerns,
- 3 Manage a space for companies to learn, exchange, promote innovations and showcase leadership.

To find out more visit [www.wbcsd.org/redefiningvalue.aspx](http://www.wbcsd.org/redefiningvalue.aspx)

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# A CALL FOR COLLABORATION

As members of the WBCSD Redefining Value board, we are working towards our vision for the economy: by 2050 a business's success should be measured by its 'True Value' and a company should use 'True Costs' and 'True Profits' in its internal decision-making and external reporting. By this we mean that value, costs and profits must be redefined to consider longer-term environmental and social impacts and to reflect all externalities – costs and benefits. The end-game is a system where natural and social capital are being managed as effectively as, or perhaps even better than, financial capital.

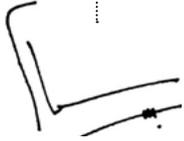
To achieve this vision, the measurement and management of corporate performance must evolve to incorporate social, alongside financial and environmental, performance. Although there are a significant number of tools available for social impact measurement, businesses are struggling to identify fit-for-purpose approaches that will enable the use of social information to inform strategy and decision-making. As companies work on tackling this challenge independently, we risk replicating our efforts and further fragmenting an already complex landscape.

Developing a credible and broadly accepted approach is essential, not only to demonstrate our performance to stakeholders and shareholders, but also to ensure the effort of measuring and reporting informs a continuous movement towards more socially sustainable practices.

**With this paper, we are calling on organizations, experts and practitioners, across sectors and disciplines, to join us in consolidating these efforts. The pages that follow put forward a proposal to jointly develop a harmonized approach for businesses to measure and value their interactions with society: a Social Capital Protocol.**

It is clear that the WBCSD cannot, and would not want to, achieve this ambitious goal alone. Our proposal demonstrates the result of valuable contributions from members, partners and peer reviewers. This must continue to be a collaborative effort in order to build the critical mass necessary to ensure a legitimate and broadly accepted result for companies, shareholders and stakeholders. Only by working together can we ensure an outcome with the power to truly transform the way we do business.





Peter Bakker,  
CEO, WBCSD



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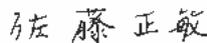
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## WHAT DO WE MEAN BY SOCIAL CAPITAL

A broad variety of concepts are currently being used to describe the interactions between business and society. The WBCSD is using 'social capital', to refer to a company's positive and negative impact and dependence on people and society. This encompasses human capital (people's skills, experience and knowledge), social capital (societies' shared values, norms and institutions), relationship capital (connections and networks) and wellbeing, as well as the concept of socio-economic impact.

Combining these concepts into a single term facilitates the consideration of the stocks and flows of social capital alongside financial and natural capital. Critically, this definition goes beyond the measurement of social impact to also consider the ways in which business depends on people and society. This will help companies to understand how social capital relates to their business drivers and how its effective management underpins sustainable performance.

As this work progresses, we will continue to develop the concept of social capital for practical use by companies and their stakeholders.

# The need for action

## A transformation is required in the way business interacts with society

The world is facing a series of rapidly intensifying social issues which, unless managed, will escalate exponentially as we approach a global population of 9 billion people by mid-century. Despite significant advances in poverty reduction and well-being, there are still pockets of societies characterized by persistent poverty, rising inequality, economic instability and exclusion, and a broadening skills gap.<sup>1</sup>

Corporations are affected by these issues, but they also have the power to either alleviate or aggravate them. Companies depend on people as employees, customers, suppliers, distributors, retailers, governors and neighbors. Therefore the engagement, effectiveness and well-being of these individuals and groups are essential to a business' own health and success.

This realization is motivating forward-thinking companies to consider how they can enhance their contributions to society throughout their operations and supply chains. However, the mechanisms to achieve this are not necessarily clear and high profile incidents continue to highlight business' negative social impacts. Given the breadth of multinational value chains, companies are still struggling to eradicate human rights transgressions, unsafe working conditions, discrimination, bonded and child labor, alongside perceived economic exclusion resulting from corporate activities. This has led to damaged trust, more difficulties gaining a social licence to operate and increasing calls for higher standards and stronger regulation of corporate behavior and external disclosure.

In order to secure access to social resources, minimize negative impacts and enhance positive contributions, business needs to transform the way it understands and manages its interactions with society.

## The business case for better measurement and management is clear...

In this challenging context, the business case for measuring and managing social impact has never been clearer. It ranges from the need to minimize harm, manage social risks and minimize social disruptions, to opportunities to strengthen the value chain and develop new products and markets that benefit consumers and their communities. Steering companies towards achieving these objectives requires better decision-making, which must be underpinned by appropriate measurement and management approaches.

## ...but the current landscape of tools and approaches is complex

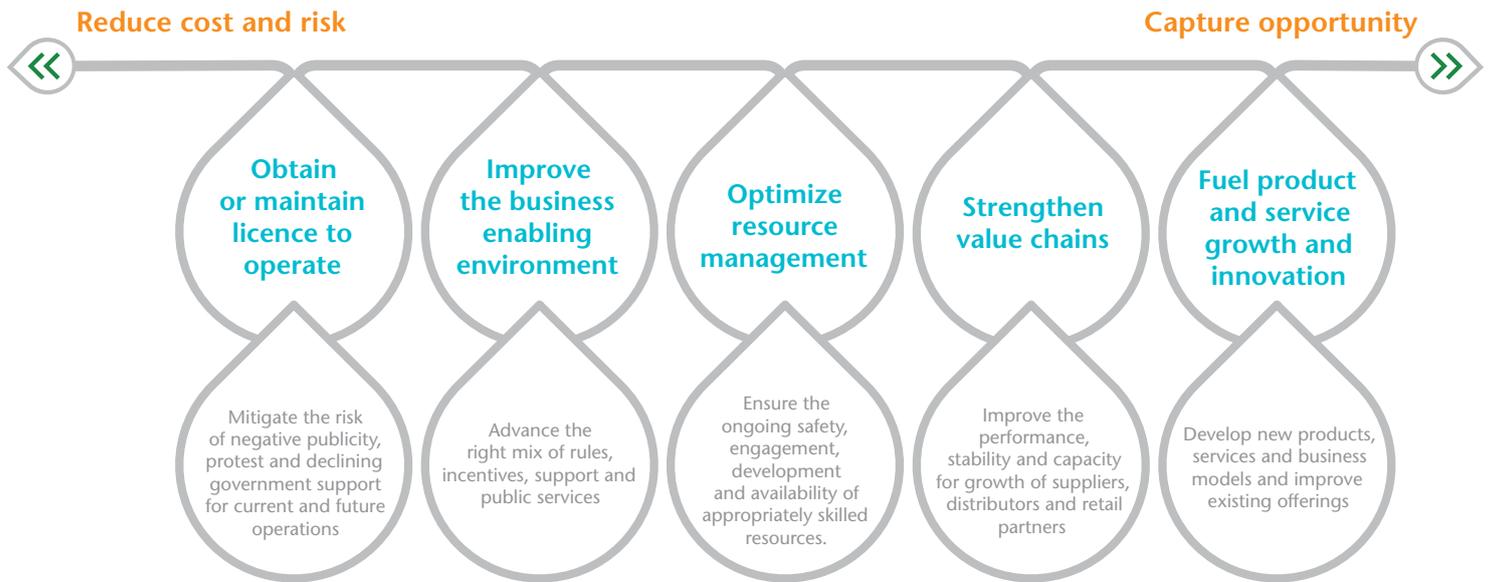
Unfortunately, today's measurement and management tools do not make it easy for companies to work towards the business case illustrated above. There are currently over 150 tools and resources available for assessing social impacts, which are based on different assumptions, intended for different audiences and focused on different types of impacts<sup>2</sup>. This growing toolset is increasingly difficult for business to effectively utilize – particularly given that the majority of approaches are designed with international development organizations, foundations, and social investors, rather than corporations in mind.

1. See here: <http://www.wbcsd.org/social-impact/overview.aspx> for a more detailed description of the trends which are driving business to address socio-economic transformation, as identified by the WBCSD Social Impact cluster.

2. A comprehensive database of Tools and Resources for Assessing Social Impact (TRASI) is managed by the Foundation Centre: <http://trasi.foundationcenter.org/>

See here for an overview from McKinsey & Company of who is doing what in this space: <http://mckinseysociety.com/social-impact-assessment/whosdoing-what/>

Figure 1: Why measure and manage social impacts and dependencies?<sup>3</sup>



In “Measuring Socio-economic impact: A guide for business”, WBCSD has narrowed this landscape down to 10 tools which are designed for and actively used by business. The guide helps companies identify the right tool, or combination of tools, that best meet their needs. This analysis is both an art and a science, as many of the tools are designed to be flexible, need to be customized for use, and are still evolving with updates and new additions.<sup>4</sup>

In addition, there is increasing activity focusing on the valuation and monetization of social impacts. Section 4 of this paper features a number of leading companies’ efforts in the valuation of social impacts through corporate and portfolio performance tools, product social impact assessments, social return on investment studies<sup>5</sup> and evolving monetization approaches - including the emergence of the first social profit and loss accounts<sup>6</sup>.

3. Adapted from WBCSDs publication “Measuring socio-economic impact: A guide for Business”, p9

4. To access WBCSD tools and resources on social impact measurement, see: <http://www.wbcd.org/impact.aspx>

5. Find out more about SROI: <http://www.thesroinetwork.org/what-is-sroi>

6. New methodologies covering social and environmental valuation have been released by both PWC and KPMG, with a number of client examples: <http://www.pwc.com/totalimpact>; <http://www.kpmg.com/truevalue>

## We need a harmonized solution

The ongoing proliferation of tools and approaches illustrates the increasing ambitions of business in the space of measurement and valuation, but also highlights that there is still no general consensus providing assurance to

stakeholders and shareholders that a business' procedures are sufficient of fit for purpose. In this context, business is calling for a commonly accepted approach to the measurement and valuation of social impacts and dependencies which will:

- 1 Clarify best practice for business**  
by providing a focal point for the development of best practice approaches, tools and standards for social performance measurement and management.
- 2 Scale up the positive social impacts of business**  
by informing appropriate action throughout a company's operations and supply chain.
- 3 Improve business credibility**  
by providing a solid foundation for companies to report or disclose their impacts and dependencies externally, building on existing frameworks such as the International Integrated Reporting Framework.



# A Joint Solution: The Social Capital Protocol

## Proposing a Social Capital Protocol

A Social Capital Protocol will provide a **consistent process for businesses to measure and value their impacts and dependencies on Social Capital**. Its primary purpose will be to inform and improve business decision-making and strategy. This will also enable improved stakeholder dialogue, assurance and external reporting.

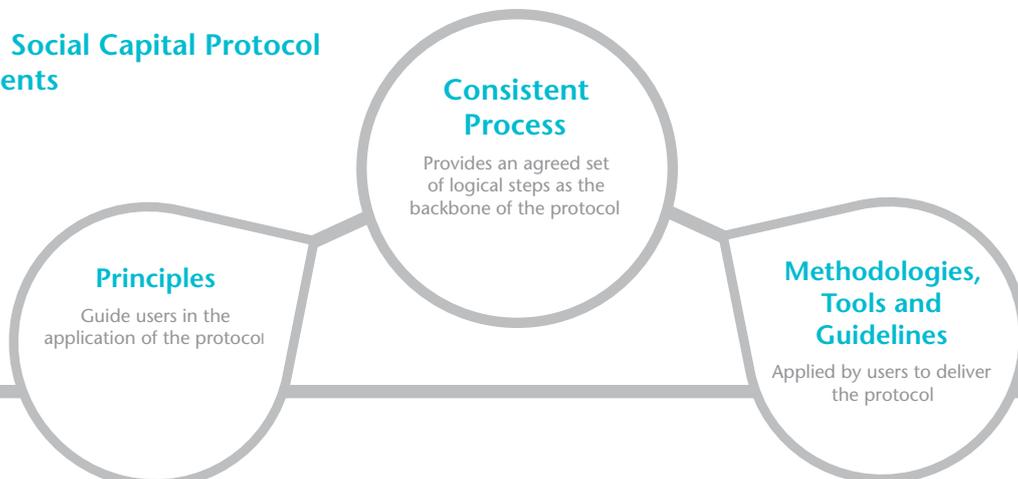
The majority of processes and frameworks for measuring and valuing social impacts follow a similar set of logical steps. In developing the Social Capital Protocol, we would seek to distill, align to and build upon existing and ongoing work to move towards a consistent approach.

The development of the Social Capital Protocol will need to be inclusive, consultative and provide a platform for iterative development as the field progresses. Therefore, the consistent process should be supplemented by two additional components:

- **Principles that can guide users throughout the Social Capital Protocol process.** Because the protocol will be flexible, principles will be important to help provide consistency and credibility in its application. They will be needed to guide decisions where choices must be made between methodologies, approaches or issues. Without reinventing the wheel, the principles will be based on the most commonly used principles in existing frameworks<sup>7</sup>.
- **Practical methodologies, tools and guidelines that will be needed to support the delivery of the Social Capital Protocol.** The protocol can provide a coherent framework that will map and harmonize existing tools and methodologies. It will provide companies with a complete set of practical methodologies and guidelines, clearly identifying any gaps that exist.

Developing a Social Capital Protocol will require a collaborative approach across sectors, stakeholders and fields of expertise in order to build the breadth of engagement necessary to deliver a generally accepted approach.

Figure 2: Social Capital Protocol Components



7. See, as examples, the principles used by the Social Return on Investment Network, the GHG Protocol, the Integrated Reporting Framework, the Global Reporting Initiative, and the Sustainable Accounting Standards Board.

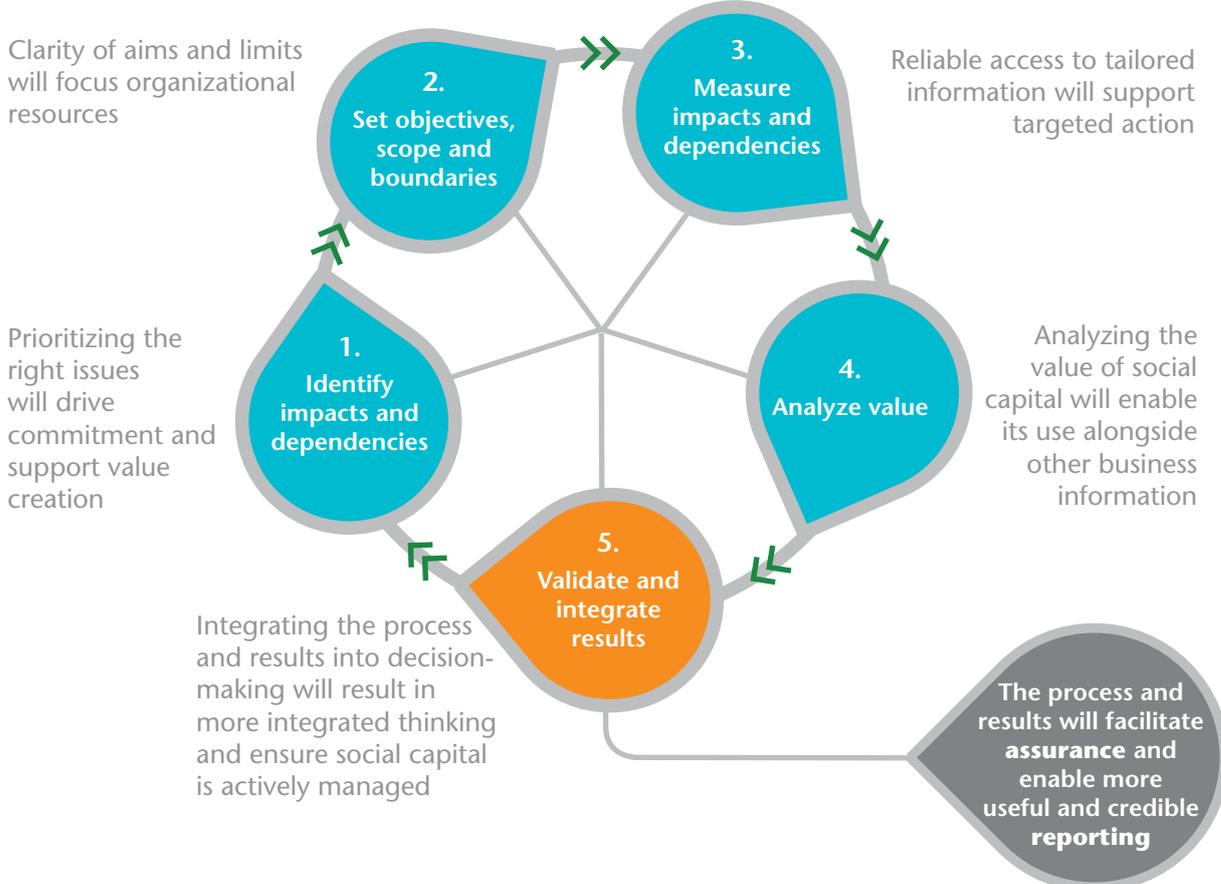
### Bringing the proposal to life

We have outlined five illustrative steps to demonstrate the methodologies, tools and guidance companies would need in order to effectively identify, measure and manage their social capital impacts and dependencies. These steps are drawn from common elements across the numerous social impact assessment approaches in circulation. They also build upon established WBCSD approaches, including the Measuring Impact Framework, the GHG Protocol, and the emerging Natural Capital Protocol.<sup>8</sup> The process will be flexible and iterative, allowing companies to use the insights revealed within each step and throughout each cycle to improve their approach. It can

be applied at the corporate level and can equally be adapted to project, product, site and regional level processes. The analysis involved will inform and connect to a broad range of corporate activities including, for example, compliance and due diligence, risk management and mitigation, issue remediation, performance improvement, strategy, and resource allocation.

The results produced by this process will, first and foremost, inform decision-making, strategy and action within an organization. They will also provide a solid foundation for conducting formal assurance and for integrating the insights generated into internal and external reporting.

**Figure 3: A proposal for a consistent process for businesses to measure and value their impacts and dependencies on social capital**



8. To further harmonize approaches for business, we aim to align the Social and Natural Capital Protocol processes. The structural elements of the Natural Capital Protocol are currently being developed, tested and refined and we will continue to connect and revise the two approaches at critical points in the development process. For more information on the Natural Capital Protocol, see <http://www.naturalcapitalcoalition.org/natural-capital-protocol.html>

## Step 1: Identify impacts and dependencies

Companies should identify and articulate potential social impacts and dependencies, both positive and negative, throughout their business models and value chains. They should be clear on whether the issues identified are relevant to business operations, shareholders or stakeholders.

Companies need:

**A widely accepted inventory of potential social impacts and dependencies** as a basis for considering which issues are relevant to their organization and stakeholders. This will help to clarify the links by which business activities translate to socio-economic impacts along their value chains and 'results chains'.<sup>9</sup>

**Consensus on the business role** across the spectrum of social issues. In many cases, agreement still needs to be reached on when an issue should be considered appropriate for a business to manage, and how far business responsibility should extend.

**Guidelines for stakeholder engagement** at corporate and local levels, covering the identification of necessary internal and external stakeholders and appropriate modes and timelines for engagement.

**Geography and industry-specific data** for the identification of social impact hotspots.

## Step 2: Set objectives, scope and boundaries

Based on the impacts and dependencies identified, companies should define the objective of their social capital measurement and management activities, identify the appropriate scope and draw the boundaries of their analysis. This could include determining issues, value chain coverage, geographic focus, organizational levels and time period to be covered by the analysis as well as the audiences who will use the results.

Companies need:

**Guidelines for defining the scope and boundaries** of their measurement and management activities, based on the impacts and dependencies identified. Consistency and comparability is needed across the different definitions of scope and boundaries currently in use.

**Guidelines for setting business objectives** to aid companies in establishing their business case, setting their ambition level and designing an appropriate responses.

## Step 3: Measure impacts and dependencies

Based on the objectives, scope and boundaries determined, companies should define appropriate indicators, metrics and data sources, then collect and interpret this information.

Companies need:

**Standardized indicators and metrics** for social impacts and dependencies that reach, where possible, beyond process or output indicators towards capturing outcomes and long-term impacts. This should be combined with guidance for constructing new / more specific indicators as the need arises.

**Agreed approaches** for measuring key social impacts and dependencies to improve consistency and comparability.

**Reliable data sources** at multiple levels and across geographies to reduce the data collection effort, raise confidence in results and provide a solid foundation for decision-making.

9. For an explanation of the results chain, see section 2 of Measuring socio-economic impact: a guide for business. <http://www.wbcsd.org/Pages/EDocument/EDocumentDetails.aspx?ID=15357&NoSearchContextKey=true>.

## Step 4: Analyze value

Valuation can be applied to make results comparable and ready to utilize alongside other types of information. Monetization is one form of valuation allowing social values to be analyzed alongside financial information and other monetized values, such as Natural Capital. The scoring scales utilized in Life Cycle Analysis are another example of non-monetary valuation for comparing product impacts.

Companies need:

**A social accounting standard** to define appropriate methods for valuation and monetization of social impacts and dependencies and allow their consideration, alongside financial information, for corporate decision-making.

**Agreed values/valuation approaches for social impacts and dependencies** to legitimize the practice of valuation, clarify when valuation is appropriate, and generate confidence in the values applied.

## Step 5: Validate and integrate results

Currently, the results of social impact assessments are primarily used to promote and communicate the positive impacts of companies on communities as a basic requirement for corporate social responsibility. However, the integration and use of this information within core operations of companies is in its infancy and companies are not yet able to use the information collected to improve business performance and strategy. The use of the protocol will ensure that the information gathered relates to both positive and negative impacts and dependencies, is embedded throughout organization and is used to drive better decision-making for improved social capital performance management.

Companies need:

**A shared understanding of the benefits** of measuring and managing social impacts and dependencies for a company, in particular, how this practice can mitigate risk, identify opportunities and drive value for the business.

**Guidance on embedding** new social information, insights and drivers into corporate performance measurement, management and decision-making tools and processes.

### THE CHALLENGE OF DATA AND METRICS

Defining standardized social metrics and gaining access to appropriate and reliable data, in a way that is practical, affordable, and pragmatic for business, remains a huge challenge.

Through the protocol development process, a series of crucial questions will need to be addressed:

Q How could metrics and data be standardized, shared and made more useful for companies, while balancing the perspective that each organization needs the freedom to define their own internal KPIs?

Q What systems could be used to gather, manage and channel social data within an organization?

Q Which partnerships could be built to aid business in collecting social impact data outside the operating boundaries of a company?

Q Could better collaboration be established to build the social preference and social value data necessary for consistent and reliable monetization?

Q How can the protocol best align and build upon reporting standards, including the Global Reporting Initiative, those being developed by the Sustainable Accounting Standards Board, and the International Integrated Reporting Council?

# Business is already leading the way

Delivering a harmonized protocol is clearly an ambitious undertaking. It is reassuring to know that we are not starting from scratch. In fact, we are building upon a wealth of experience, solutions and ambition from companies who are already leading the way in social capital measurement.

In many cases companies are going beyond publicly available tools to design their own tailor-made initiatives. These focus on a range of perspectives and, most significantly, utilize different approaches to valuation including corporate and portfolio performance assessments, product social impact assessments, social return on investment studies and emerging monetization approaches.

## Corporate and portfolio performance assessment:

Companies are developing unique approaches to measure and manage social performance at the corporate level, and for investment portfolios.

**ArcelorMittal** South Africa has developed a customized methodology based on the WBCSD Measuring Impact Framework to objectively assess the social, economic and environmental impacts of its operations on South African society. Based on the analysis, each impact area is classified as 'mostly positive', 'positive and negative', or 'mostly negative'. Its regular application allows identification of key areas where performance can be improved and informs specific, actionable steps<sup>10</sup>.

**SABMiller's** Sustainability Assessment Matrix (SAM) uses five levels, ranging from minimum standard to leading edge, to assess the progress of their businesses around the world based on their sustainable development imperatives. The results, combined with a wide range of additional performance indicators and

supplementary data for the business globally and locally, are made publicly available to explore via their SAM reporting tool<sup>11</sup>.

**Lafarge** has developed the Lafarge Sustainability Compass, a new strategic methodology to allow country management teams to tailor their sustainability strategy to fit their specific local context. The methodology also helps country management teams to assess their performance and maturity level in ten main "impact areas" around natural and social capital defined through the lens of stakeholders and then uses its Sustainability Ambitions 2020 program to make progress on each impact area. Based on this assessment, managers can identify key issues for their business and stakeholders, select priority areas on which to act and draw up action plans which combine business growth with ambitious targets for sustainability<sup>12</sup>.

**Schneider Electric** has set up a sustainability scorecard - the Planet and Society Barometer - that tracks major sustainable development challenges for the company. Key Performance Indicators (KPIs) are used to inform and track improvement plans defined based on external inputs and internal consultations. The result of each KPI is converted into a score out of 10, and the corporate level scorecard is composed of the equally weighted average of all indicators. The results are externally audited, and demonstrate progress on sustainability improvement plans for the group as a whole<sup>13</sup>.

**Alliance Trust** uses a 'Sustainability Matrix' to identify well-run sustainable companies that have better investment potential than the market. Companies are assessed and rated on two axes: Product Sustainability and Management Quality. Product Sustainability assesses the extent to which a company's core business helps or harms society and/or the environment. An A rating indicates a company whose products or services contribute to sustainable development while an E rating indicates a company whose core business is in conflict with sustainable development. Management Quality assesses whether a

10. See the resulting 'Factor Report' from ArcelorMittal South Africa, detailing the methodology and results: <http://southafrica.arcelormittal.com/Portals/0/Factor-report-final-final-26-Jun.pdf>

11. <http://www.sabmiller.com/sustainability/reporting/sam-reporting-tool>

12. [http://wbcstdservers.org/web/wbcstdfiles/RedefiningValue/WBCSD-Lafarge\\_Sustainability\\_Compass\\_2.pdf](http://wbcstdservers.org/web/wbcstdfiles/RedefiningValue/WBCSD-Lafarge_Sustainability_Compass_2.pdf); <https://www.youtube.com/watch?v=hUFMAfuUUUQ>

13. <http://www2.schneider-electric.com/sites/corporate/en/group/sustainable-development-and-foundation/planet-and-society-barometer/our-sustainable-development-scorecard/our-sustainable-development-scorecard.page>

company has appropriate structures, policies and practices in place for managing its ESG risks and impacts. Management quality, in relation to the risks and opportunities represented by potentially material ESG issues, is graded from 1 (excellent) to 5 (very poor).

As part of the Impact Measurement Working Group of the Social Impact Investment Taskforce established by the G8, J.P. Morgan has participated alongside leading thinkers in impact investing to lay out the phases of impact measurement and develop guidelines for impact investors. The results provide a common foundation for impact investors and the group highlights the importance of moving towards “a standardized impact measurement and reporting system that enhances the availability of material, reliable, comparable, ‘additional’, and universal impact data”. J.P. Morgan also recently published *Impact Assessment in Practice* (May 2015), a collection of 68 case studies from 21 investors sharing their processes for the assessment of social and environmental outcomes from their portfolios.<sup>14</sup>

### Product social impact assessment:

Building on the established field of environmental Life Cycle Analysis (LCA), companies are working on better understanding the social impacts of their products.

**ArcelorMittal** is also working with two leading universities in France and Canada, to develop a methodology to assess the social value of steel along the value chain. This adds a social dimension to the company’s existing expertise in lifecycle analysis, so that it can provide more meaningful and comprehensive information about the sustainability impacts of steel to stakeholders, in particular governments, regulators and customers.

**DSM** is already applying a form of social LCA within its People+ program. In the absence of an existing methodology, DSM developed the People LCA tool that measures the impact of their products on the lives of consumers, employees and communities along their value chain. This helps to identify levers for innovation, sharpen value propositions, mitigate risks and engage with customers and suppliers<sup>15</sup>.

Companies are also coming together to define a common methodology. A number of companies, including WBCSD members **BASF, BMW Group, DSM, Goodyear, Philips, AkzoNobel** and **L’Oreal**, are working with the Roundtable for Product Social Metrics to advance life cycle indicators and approaches for social sustainability assessments at a product level and recently published the *Handbook for Product Social Impact Assessments*<sup>16</sup>. Within WBCSD, the **Reaching Full Potential project consisting of 11 chemical companies**<sup>17</sup> is currently building upon this guidance to develop and pilot agreed product social life cycle metrics for the sector.

### Social Return on Investment (SROI):

A number of companies are applying SROI analysis to better understand the contributions specific programs and services are making to society in monetary terms.

**BT** commissioned the economic research company Just Economics to adapt the SROI methodology to analyze the value of digital inclusion activities for the first time. The findings demonstrate a social return of investment on their Get IT Together program of £3.7 for every £1 spent. They also estimate that the social value of being online is worth over £1,000 a year to individuals for new users, and over £3,500 a year for professional users. BT has made the methodology available as an open source tool to aid further studies<sup>18</sup>.

Driven by the establishment of the UK Public Services (Social Value) Act 2012, **Veolia** uses SROI analysis to demonstrate the additional social value it delivers through local government contracts. Their first study was conducted in partnership with a client, the London Borough of Southwark. The results demonstrated that, for every £1 spent by Veolia as part of their contract, £2.09 worth of additional social value was delivered to the local community.<sup>19</sup> The analysis is now applied across programs to improve social performance and differentiate in bidding for local government contracts.

**Sompo Japan Nipponkoa Insurance Inc.** has applied SROI analysis to their SAVE JAPAN project, to understand the social value of increasing public awareness and engagement

14. <http://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/impact-assessment-in-practice-2015.pdf>

15. <http://www.dsm.com/corporate/sustainability/people/people-plus.html>

16. <http://product-social-impact-assessment.com/>

17. The Reaching Full Potential project working group consists of Aditya Birla Group, AkzoNobel, BASF, DSM, Eastman, Evonik, Henkel, Mitsubishi Chemical,

Sabic, SCG Chemicals, and Solvay. Find out more here: <http://www.wbcd.org/work-program/sector-projects/chemical-sector/overview.aspx>  
18. <http://www.btplc.com/Betterfuture/ConnectedSociety/Creatingpossibilities/Valueofdigitalinclusion/index.htm>  
19. [http://www.veolia.co.uk/sites/g/files/dvc636/f/assets/documents/2014/12/Social\\_value\\_brochure.pdf](http://www.veolia.co.uk/sites/g/files/dvc636/f/assets/documents/2014/12/Social_value_brochure.pdf)



in environmental conservation activities. A cumulative total of 325 events were held during the three-year period starting from FY2011, with more than 18,000 local citizens participating. The result of FY2013's SROI improved showing the fact that social value of the project exceeded the cost of investment by 112%. The results will be shared with stakeholders and used for continual improvement of the program<sup>20</sup> and Sampo Japan Nipponkoa is now investigating the use of valuation approaches to demonstrate the social value of new products and initiatives, particularly to support entry into new and emerging markets.

### Emerging monetization approaches:

Beyond SROI, companies are increasingly seeking to use monetization approaches to better understand and demonstrate social impacts and dependencies in a variety of contexts.

**Ambuja Cement**, a Group company of **Holcim** in India, worked with **KPMG** and their True Value Methodology<sup>21</sup> to create the first ever Social and Environmental Profit and Loss statement<sup>22</sup>. The approach aims to value both the positive and negative externalities of the business and add this to financial value created in order to understand the 'true value' of the business. Using this effort as a pilot, both Holcim and Ambuja aim to use the True Value approach to strengthen their license-to-operate, interact with stakeholders, and gain competitive advantage by anticipating future changes in regulation or resource availability.

**Masisa** has worked with **PWC** to adapt the Total Impact Measurement and Management (TIMM)<sup>23</sup> approach to monetize social and environmental performance within its company balanced scorecard. The assessment considered both the financial value to the company, and the value for people and the environment in five core areas. For example, the research indicated that the RED M network, an initiative which strengthens the businesses of the small and medium carpenters who are Masisa's clients, increased sales in one year by 9.2% compared to a control group. The amount of carpenters impacted was estimated at 4000

in Chile. Masisa is using such insights to guide commercial decisions, steer corporate strategy, and improve the accuracy and transparency of public reporting to stakeholders<sup>24</sup>.

**SCA** conducted a study which found that their incontinence care initiatives from 2009 to 2013 in Shanghai, Beijing and Guangdong have reached over 100,000 incontinence sufferers, and contributed US\$ 44 million in societal value. The greatest contribution to this figure was through the value of quality of life improvement, which was measured by considering factors such as an increased ability to work, less emotional distress, reduction in the routine costs of incontinence care and prevention of secondary diseases. SCA is using this information to raise awareness around shared value creation, how innovative incontinence solutions create value for society and individuals as well as help drive informed decisions by governments, policy makers, and hospital management.

Most recently, **Nestlé** has embarked on an effort to better understand approaches to measuring and monetizing social and environmental impacts. Partnering with Quantis and Groupe AGECO, Nestlé conducted a study aiming to calculate a value for environmental impacts, and define how to carry out a similar assessment of their social impacts. The results shed light on the potential of emerging approaches and the additional work required to successfully apply these within a company. As well as continuing to develop and pilot their approach internally, Nestlé is initiating formal discussions with businesses and organizations working in this area, including through WBCSD, in the belief that collaboration is essential to bring credibility and rigor to this new field.

These are just a few examples of business action. There are, of course, many more initiatives ongoing within and between companies, and WBCSD members are keen to collaborate for further alignment and faster progress. The Social Capital Protocol will provide a structure and platform to harmonize these activities and advance the effective use of social capital information in decision-making.

20. <http://www.sjnk.co.jp/english/news/sj/2014/2014070201contents/>

21. <http://www.kpmg.com/truevalue>

22. <http://www.ambujacement.com/truevalue/>

23. <http://www.pwc.com/totalimpact>

24. See here for further details in Spanish: <http://www.MASISA.com/medios/archivos/desarrollososteniblechile/metodologia-monetizacion.pdf>. Case study in English forthcoming on WBCSD's website.

# The road ahead

The WBCSD will provide a platform to bring together the companies, experts and practitioners who can contribute towards making this proposal a reality.

## Kicking off collaboration

We are hitting the ground running, and are already shaping collaboration with initial partners and experts to advance particular aspects of the protocol, including the following organizations:

### The B Team

As part of 'Plan B for Business', the B Team leaders will capitalize on their experience in Natural Capital Accounting, their involvement in the Natural Capital protocol and their significant convening power to contribute to piloting, standardizing and scaling new metrics. This will include, but not be limited to advancing Social Profit and Loss accounting.

### CIRAIG (International Reference Centre for the Live Cycle of Products, Processes and Services)

As a leading center of expertise in life cycle issues, the CIRAIG will contribute through its solid scientific research work and ten years of applied experience in life cycle thinking. In particular, the CIRAIG has made huge strides in terms of applying Social LCA to case studies in collaboration with its international partners through its International Life Cycle Chair.

### The Global Impact Investing Network

The GIIN offers the IRIS catalog of social, environmental, and financial performance metrics as a free public good to support transparency, credibility, and accountability in impact measurement practices. Through its IRIS initiative, the GIIN will work together with other standards setters to harmonize, develop, and offer standard metrics and guidance, aiming to help create access to more reliable and useful data for decision-making.

### The Grameen Foundation

With deep expertise in the area of poverty measurement through development of the Progress out of Poverty Index (PPI), the Grameen Foundation will collaborate in the areas of standardized indicators and metrics, scaling social impact tools and embedding the use of social impact information in operations and decision-making.

### IFC

IFC contributes as a knowledge partner sharing lessons from its operational experience in social sustainability issues facing the private sector, with a view towards mutual sharing and learning across partners.

### Initiative for Global Development (IGD)

Building on experience gained through IGD IMPACT, a business-driven framework to measure corporate socio-economic impacts, IGD will share technical insights on developing and applying generic and sector-specific frameworks. Through their network of senior executives and ongoing events, IGD will bring learnings and engagement opportunities from the Social Capital Protocol project to an African business audience.

### The Roundtable for Product Social Metrics

Consisting of 10 multinational companies who have collaborated to develop the Handbook for Product Social Impact Assessment, the Roundtable will bring experience in moving towards harmonization of methodologies, impact categories and performance indicators. The group aims to engage with other companies and initiatives, and address cross-cutting implementation issues.

### The Social Return on Investment (SROI) Network

Drawing on their pioneering position in the measurement of social value, the SROI Network will convene experts across social enterprise, impact investing and the public sector to collaborate with business to advance the technical practice of valuation and monetization.

The ultimate aim is to move towards global social accounting standards which could be applicable by the private sector and others.

### The William Davidson Institute (WDI), at the University of Michigan

The WBCSD has a long-standing relationship with the WDI through the creation of the Base of the Pyramid (BoP) Roadmap and, in particular, the Mutual Value Creation Initiative. This initiative is tasked with establishing a learning community and providing support and guidance on the entire process of impact data collection and analysis in the BoP domain.

## Engagement Opportunities

With this publication, The WBCSD is extending an open invitation to collaborate in the following ways:

**Share methodologies, tools and guidelines** - we will compile, harmonize and build upon approaches that are already in existence. If your organization is providing, developing, or using an approach which could contribute to the emerging Social Capital Protocol, its consideration could help to speed the protocol's development and expand the reach and influence of your tool.

**Join the working group** - we will draw from diverse perspectives and a broad range of expertise. If your organization is interested in advancing corporate measurement and valuation, we would welcome your contribution to the technical development of principles, processes and tools.

**Serve as an expert reviewer** - we will engage subject matter experts for guidance and review. If your organization holds a specialism in a social subject-area, we would appreciate your expertise with regards to particular social issues or technical approaches.

**Provide funding or in-kind support** - WBCSD cannot support the broad range of activities required to make the protocol a success by itself.

If your organization is able to provide funding or in-kind support, we are seeking contributions to drive technical developments, resource pilots, host workshops and events, or drive the ongoing establishment and ownership of tools and resources.

**Pilot the protocol** - we will pilot elements of the protocol as they are developed. If your company is working on measuring and valuing its impacts and dependencies on society, then we invite you to join forces to apply the co-developed approaches within your company, provide feedback and contribute to iterative development.

**Champion the cause** - we will be calling upon colleagues, partners and friends to raise awareness. Join us in promoting the Social Capital Protocol initiative, engaging others and driving the understanding that harmonized approaches to the measurement and valuation of social capital will benefit both business and society.

We hope you will join us and add your contribution to this collaborative effort. Visit [www.wbcسد.org/socialcapital.aspx](http://www.wbcسد.org/socialcapital.aspx) to find out more.



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